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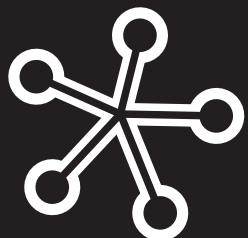
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# Multinationals versus domestic firms

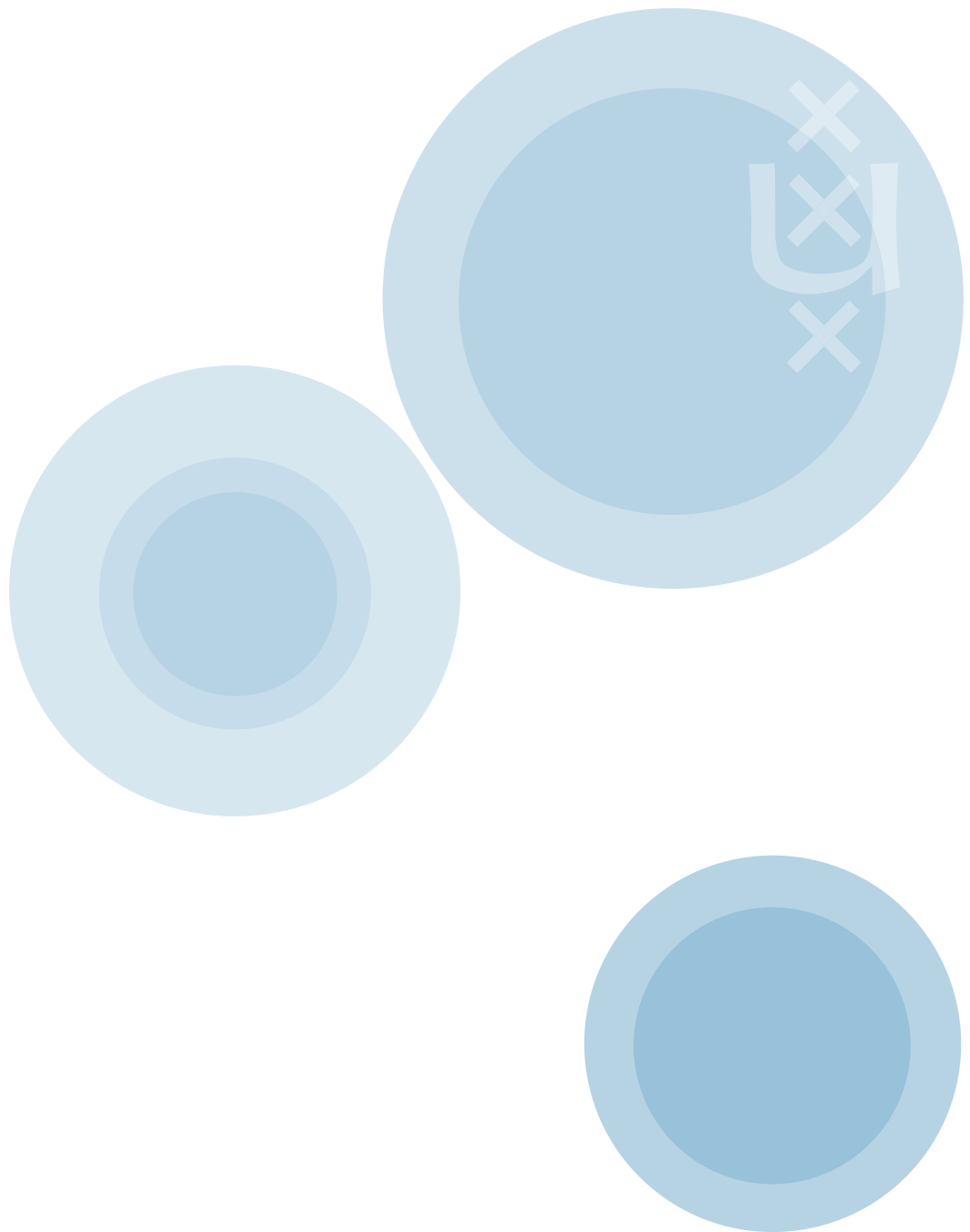
Wages, working hours and industrial relations

*Maarten van Klaveren and Kea Tijdens*



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# **Multinationals versus domestic firms**

**Wages, working hours and  
industrial relations**

**Maarten van Klaveren  
Kea Tijdens**

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**WP 09-85**



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# Abstract

This Working Paper aims to present and discuss recent evidence on the effect of Foreign Direct Investment (FDI) on wages, working conditions and industrial relations. It presents a. an overview of the available literature on the effects of FDI on wages, particularly in developed countries; b. the outcomes of own research comparing wages, working conditions and workplace industrial relations in Multinational Enterprises (MNEs) versus non-MNEs or domestic firms. These outcomes include seven EU member states: Belgium, Finland, Germany, the Netherlands, Poland, Spain, and the United Kingdom, and five industries: metal and electronics manufacturing; retail; finance and call centres; information and communication technology (ICT), and transport and telecom. The data stem from the continuous *WageIndicator* web-survey, combined with company data from the AIAS MNE Database. The analysis took place in the framework of the so-called WIBAR-2 project, funded by the European Commission under the Industrial Relations and Social Dialogue Program (VS/2007/0534, December 2007-November 2008). The project was led by the AIAS, with the European Trade Union Confederation (ETUC); the European Metalworkers' Federation (EMF); Ruskin College (Oxford); WSI im Hans-Böckler-Stiftung (Düsseldorf), and the WageIndicator Foundation as partners.

Both from others' and our own evidence, the picture emerged that the wage advantages emanating from working in an MNE in Northwestern Europe recently have become rather small, with our evidence for Germany, where we found considerable MNE wage premia, as the exception. In the majority of Polish and Spanish subsidiaries of MNEs these premia were still considerable. By contrast, in the retail trade and in transport and telecom MNEs seemed to exert outright wage pressure in some countries. Besides pay, workers mostly perceived advantages in working in an MNE where these were to be expected, in training and internal promotion, but also –rather unexpectedly-- in workplace industrial relations. Here, on all three yardsticks used (union density, collective bargaining coverage and the incidence of workplace employee representation) MNEs scored higher than domestic firms. MNEs scored less favourably on overtime compensation, working hours, and experienced and expected reorganisations. Where MNE wage premia show up, they have much in common with 'efficiency wages', meant to buy higher productivity and extra commitment from (skilled) workers.





# 1. The wage effects of Foreign Direct Investment

## 1.1. Introduction

In the globalizing world the activities of multinational enterprises (MNEs) have increasingly pervaded the economies of many countries. In the 1980s and 1990s foreign direct investment (FDI)<sup>1</sup>, the main mechanism for the international expansion for MNEs,<sup>2</sup> showed unequalled growth with yearly rates of 20-40%. This came to an end in the new millennium when a highly unstable growth pattern began to emerge. In 2001, influenced by the economic downturn in the US, the upward trend in FDI turned abruptly into a fall of over 40%. Then, after three ailing years, FDI growth rebounded strongly between 2005-2007, with yearly increases of between 33 and 47% (UNCTAD, 2001, 2005, 2007, 2008).<sup>3</sup> However, already in the course of 2007 unmistakable signs of a slow-down appeared, and in 2010 the UNCTAD World Investment Report reported that worldwide FDI inflows had fallen progressively, by 16% in 2008 and 37% in 2009. The report concluded that the economic and financial crisis has significantly affected the operations of MNEs abroad in 2008-2009, but that the decline of sales and value-added of their foreign affiliates was less than the decline of world economic activity. As a result, in 2009 the share of foreign affiliates' value-added reached an historic high of 11% of the world's gross domestic product (GDP); in 1990 this share was almost 7%, in 2000 9.5%. Thus, after a hesitation in 2008 the crisis has not halted the growing internationalization of production (UNCTAD, 2009, 18-19; UNCTAD, 2010, xviii, 16). It should be added that the fall in FDI flows in / from the European Union (EU) during the crisis was initially even sharper than the worldwide decrease, with in 2008 a drop of 34% for outflows and 52% for inflows; in 2009, EU investments abroad continued to decline by 24% (Goncalves and Karkkainen, 2010). Notwithstanding these more recent adverse conditions

1 The definition of FDI of the OECD (Organisation for Economic Co-operation and Development), setting the world standard, is: "(...) a category of cross-border investment made by a resident in one economy (the *direct investor*) with the objective of establishing a lasting interest in an enterprise (*the direct investment enterprise*) that is resident in an economy other than that of the direct investor (...). The lasting interest is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise." Cf. OECD, 2008, 10. See also UNCTAD, 2006, 293.

2 MNEs are not the only vehicles for FDI; individuals, governments, regional and international organizations as well as special funds are also engaged in FDI. In 2009, FDI by special funds (private equity funds, as well as sovereign wealth funds set up by or on behalf of sovereign states) reached over 10% of global FDI flows, up from less than 7% in 2000 but down from 22% in the peak year of 2007 (UNCTAD, 2010, 13). Moreover, FDI stocks and inward FDI flows largely overstate the productive activities of MNE affiliates in countries functioning as tax havens. In contrast, MNE affiliates may finance activities by raising external funds locally, in particular in host countries with mature stock and bond markets; where this is the case, FDI stocks underestimate actual MNE affiliate activity (Beugelsdijk *et al*, 2010).

3 FDI growth has been measured in current prices.

the likelihood remains that inward and outward FDI flows will have had a substantial impact on wages and working conditions in the EU member states.

This chapter aims to present and discuss the available literature on the effects of FDI on wages, particularly in highly developed countries. The WIBAR-2 project aimed at comparing wages in MNE subsidiaries and non-MNE (domestic) firms in seven of these countries: Belgium, Finland, Germany, the Netherlands, Poland, Spain, and the United Kingdom. As will be reported in Chapter 3, the WIBAR-2 project also included research concerning the effects of FDI on various dimensions of working conditions, in particular on working hours, and on workplace industrial relations. Yet, from an analytical viewpoint we focus this Chapter on FDI and wages. After she reviewed existing literature, Karolina Ekholm (2004, 83) concluded that “whether (the multinationals) offer better or worse working conditions is an issue that has not been explored in a systematic way”. More recently, OECD staff confirmed that still “very little is known about the impact of foreign ownership on non-wage working conditions” (OECD / ILO, 2008, 14), and an ILO study asserted that very few papers have analysed the impact of FDI on receiving countries in terms of employment levels and job quality (Bottini *et al*, 2007, 18). As it is rather impossible to confront our findings on (non-wage) working conditions and industrial relations with an already existing body of knowledge, it makes sense to focus on wages here.

We start this chapter by outlining the various forms, motives and approaches of the expansion of MNEs, as these may well have differing effects on the labour market position and wages of various categories of workers. Second, we summarize the recent literature on wage differentials between MNE subsidiaries and domestic firms. We relate that to the debate on the causality of differences between MNEs and other firms in terms of productivity; technology; scale of activities, and human capital. We add factors observable in national industrial relations as further potential causes.

## 1.2. Expansion of MNEs

The creation of an international supply chain for agricultural products, largely by the Dutch VOC and the British East India Company in the 1700s and subsequent efforts by Dutch and English mining entrepreneurs in the Indies and India in the early 19<sup>th</sup> century were early examples of what we now term as Foreign Direct Investment. Following on from this US manufacturers began to move to foreign countries as soon as they had an adequate departmental structure in place (Chandler, 1962, 20-41). In 1867, for example, Singer’s Glasgow sewing machine factory marked that company’s first market-seeking investment abroad (Wilkins,

1970, 64-5). Their large size and oligopolistic positions gave US firms incentives to invest directly abroad in customers, suppliers and competitors, and to develop into genuine MNEs. The first wave of US-based FDI occurred around 1900, followed by a second wave during the 1920s (Van den Berghe, 2003).

The renewed rush in FDI in the 1950s and 1960s was initiated by US enterprises, based on their size and new multinational structures but it turned into a race with European and Japanese competitors as new forms and motives for FDI emerged (Hymer, 1975). For instance from the 1960s onwards, the advance of information and communication technologies (ICT) and the continuous decrease of transport costs enabled a growing number of MNEs systematically to develop into efficiency seekers. They fragmented (unbundled) their economic activities, relocating labour-intensive processes to countries with pools of cheap labour. As the early case of the US semiconductor industry showed, ‘worldwide sourcing’, exploiting labour cost differentials was an important driver (Helleiner, 1973; Fröbel *et al*, 1977; Arndt and Kierzkowski, 2001). Led by US-based MNEs in electronics and apparel, where low labour costs play a significant role in location decisions, in the 1990s a growing share of the world’s FDI stock was located in low wage countries: 4.6% in 1990, 12% in 1999 (Burke and Epstein, 2001, 16-21). The entry of China, India and the former Soviet (CIS) countries to the global capitalist system has led to what Richard Freeman (2005) has dubbed “the doubling of the global workforce”, allowing MNEs access to huge pools of low wage but productive and skilled labour and increasing the profitability of their relocation decisions (Cf. Bottini *et al*, 2007). In 2008-2009, China was the second largest recipient (after the US) of FDI inflows, accounting for 8% of foreign new (‘greenfield’) investments in the world; India and South-East Europe as well as the CIS countries each attracted 6% of these investments (UNCTAD, 2010, 4). With the worldwide decrease in FDI in 2007-2009, initially the number of workers *directly* employed in the foreign affiliates of MNEs fell by an estimated two to three million, but then increased to about 80 million in 2009 (1990: 24 million, 2005: 58 million -- UNCTAD, 2009, T. I.6; 2010, T. I.5), accounting for about 2.5% of the global workforce.<sup>5</sup>

By 2009, with 16 million workers the largest number estimated to be employed in foreign affiliates by country was in China (UNCTAD, 2010, 16-17). Also, firms headquartered in China (including HongKong), India, Brazil and the Russian Federation –the four countries coined BRIC by the chief economist of Goldman Sachs -- have become major international players and outward investors. Though the FDI outflows

4 Defined as having average wages in the formal sector less than 25% of the average US manufacturing wage (Burke and Epstein, 2001).

5 UNCTAD’s suggestion that 80 million is equal to 4% of the global workforce (2010, 17), seems to seriously underestimate the latter’s size. Based on ILO Laborsta data, the global workforce can be estimated at 3.2 billion. Freeman’s statement implied some exaggeration, as the Laborsta data indicates that the economically active population of China and India by 2009 jointly was about 1,270 million, or 40% of the world total.

from the developing and transition countries remained well below their share of FDI inflows, China and the Russian Federation are already among the top 10 FDI home countries in the world (UNCTAD, 2010, 6-7). For Western MNEs, based in large as well as smaller countries, attaining lower labour costs remains a major driver for FDI. For instance, in 2001-2006 six of ten Dutch and Danish firms involved in ‘international sourcing’ surveyed mentioned ‘savings on labour costs’ as a very important motive (Van Gessel-Dabekaussen, 2008).

This foreign relocation of manufacturing activities can be called material offshoring, whereas service or ‘immaterial’ offshoring relates to the foreign relocation of service tasks, for instance, financial and call centre operations. The relationship between offshoring and the activities abroad of MNEs can take many forms. In addition to occurring through affiliates of MNEs, offshoring can also take place through arm’s length contracts with foreign suppliers, today usually referred to as international outsourcing (Helpman, 2006). Offshoring to developed countries is mainly done through affiliates, whereas arm’s length contracts are more widely applied for standard products from developing countries (Gereffi *et al*, 2005; OECD, 2007). In the 1980s contractual relations with suppliers in low-wage countries emerged as the main form of internationalization in the buyer-driven chains that cater for the needs of large retailers and clothing and sportswear manufacturers (Gereffi, 1994). The catalyst in the development of such global supply chains has been the rise of the US-based retail giant Wal-Mart, currently the world’s largest profit-making company and employer. Wal-Mart has arguably been called “the template business standard for a new stage in the history of world capitalism”, and has been labelled as the successor of US Steel, General Motors, IBM and Microsoft who were regarded as templates of previous stages (Lichtenstein, 2006, 4). The keystone in Wal-Mart’s strategy is the ability to exert hard control over factor inputs, including control over US and international supply chains (Christopherson, 2007). Currently global buyers (retailers, marketers, traders) do exert a high degree of control over spatially dispersed production also when they do not own that production. Various types of supplier relationship can be denominated in global value chains, and indeed not all suppliers are locked in dependent or ‘captive’ relations (Cf. Gereffi *et al*, 2005). Yet, specific knowledge and skills remain crucial in the governance of global value chains. And based on their control over such knowledge and skills MNE’s sourcing strategies related to the global (re)location of production and servicing have furthered asymmetrical power relations, favouring lead or core firms over dependent firms, lead firms over workers, and countries home to lead firms over other countries, with risks externalized to parties lower in the chain hierarchies (Palpacuer, 2008; Gibbon *et al*, 2008).

Finally and most recently, skill-seeking –sometimes called technology- or efficiency-seeking-- emerged as a new motive for FDI. In the 1990s this began to occur when firms from high-income European countries, notably German MNEs, tended to be attracted by Central and East European Countries (CEECs) with relatively abundant supplies of skilled labour.<sup>6</sup> By contrast, Swedish MNEs have hardly shown such skill seeking behaviour (Becker *et al*, 2005, 721). Whilst labour market shortages at home may have contributed substantially to their search (Cf. Buch and Lipponer, 2005), a more political-economic interpretation may well be added here too, namely, the exertion of managerial pressure on home labour costs by confronting high-skilled workers and their representatives with the threat of ‘exit options’, in particular concerning relocation (Cf. Hoffmann, 2006). A number of economists has modelled that the larger the firm’s (re)location options, the lower workers’ wages and the higher the firm’s levels of profit –in developing as well as developed countries (Bughin and Vanini, 1995; Zhao, 1998). The fragmentation of production processes and the decreasing costs of offshoring, jointly with the continuous control of MNEs over value chains would affect factor prices, implying relatively lower wages in the home countries at notably low or medium job levels -- unless other factors counteract their influence (Cf. Grossman and Rossi-Hansberg, 2008). One such factor may be the comparatively low employment share of the low- and medium-skilled in the traded or exposed sectors; they may be concentrated in sectors depending on public or local demand. Concerning the US there is evidence for such a distribution (Jensen and Kletzer, 2007). Yet, as far as we could trace for most Western European countries, where this may be the case *a fortiori*, evidence is lacking (Cf. Schank *et al*, 2007).

The potential for production and servicing mobility of capital matters for industrial relations. The international fragmentation of production has been closely related to the undermining of Taylorist / Fordist mass production, the rise of new forms of work organisation and the flexibilisation of labour markets and technologies, trends all pushing towards the fragmentation of the workforce in developed countries. Human Resource Management (HRM) practices and tools have played active roles in furthering these developments, and have impacted considerably on the employment relationship and on worker representation, on balance adding up to the ‘fracturing of collectivism’ (Cf. Gallie *et al*, 1998; Hyman, 2007). Notably since the 1980s, the exposure of a growing number of industries to the forces of the world market, growing FDI and international outsourcing may well have fuelled feelings of job insecurity among the workforce. Interestingly, combining industry- and person-level data for the UK between 1991 and 1999, Scheve and Slaughter (2004) found compelling confirmation for the assumption that exposure to FDI generates economic insecurity:

6 Though other investment motives, like financial incentives by national or local authorities and proximity to new markets and suppliers, often also played a role. See for example company case studies in European Foundation, 2009a.

holding other factors constant, workers employed in industries exposed to FDI reported less satisfaction. For Germany Frijters and Geishecker (2008), also combining industry- and person-level data (for 1995-2004) but focusing on international outsourcing rather than FDI, noticed a sharp decrease starting in 2001 in the share of respondents that reported to be not concerned about their job security. The outcomes by skill groups converged, but the higher-skilled respondents continuously showed more fears for job loss; as the authors suggest, they may be more worried as they have more to lose in terms of firm- or industry-specific human capital.

The rise of ‘Chindia’ may have already induced unions and workers to make concessions in order to retain jobs, but the larger mobility of capital has obviously pushed the management of MNEs in developed countries to intensify the use of ‘whipsawing’, in which management plays off plants against each other in order to extract concessions from labour, and of ‘exit threats’. The metals industry, and in particular car manufacturing as one of the most advanced and internationalized industries, provides ample examples. For instance, an University of Amsterdam dissertation concluded that in large German metal firms “exit threats are an extremely pervasive part of employer strategy”, with which in particular works councils have been confronted (Raess, 2006, 62; see also Raess and Burgoon, 2006, and Meardi *et al*, 2009a). After the 1990s and early 2000s witnessed a series of notorious plant closures by MNEs and related disputes (Muller-Camen *et al*, 2001), in the years to follow such threats of relocation have received great prominence in the media and have served to strengthen negative public perceptions towards FDI (Galgóczi *et al*, 2007, 23). Concerning collective bargaining outcomes, the effects may vary but ‘concession bargaining’ can be clearly discerned: see section 1.5.

It has to be said that in the current global crisis, the state of FDI is inextricably bound up in the massive capital movements fuelled by the ‘financialisation’ and ‘securitisation’ of the economy. At the same time, it has also been influenced by the growing dominance of shareholder value approaches to corporate governance and by the pure greed and macho behaviour of many corporate ‘players’ who have exploited the lack of effective regulation at an appropriate (global, European) level (cf. Watt, 2008, 6-10). Since mid-September 2008, the implications in terms of job insecurity and unemployment of all of these elements have gradually been revealed. Already, in the years preceding the crisis the internationalization of trade and production, including transferring international management practices, had given rise to escalating levels of market uncertainty and to the permanent reorientation and reorganisation of companies in accordance with short-term goals. Evaluating wage developments related to FDI although important in its own right has also to be seen as part of this wider story.

### 1.3. FDI in home countries

We start this section discussing the literature on the wage effects of outward FDI in MNE *home* countries. Offshoring through FDI can be understood as ‘vertical’ FDI, whereas ‘horizontal’ FDI means the replication abroad of the same activities performed domestically with the aim of gaining advantage in the (final) markets of host or neighbouring countries. Material and servicing offshoring as well as horizontal and vertical offshoring respectively are likely to differ in their labour market impact i.e. wage effects (Crinò, 2007, 2-4). Notably the vertical variant of material offshoring may lead to a fall in demand for low- or medium-skilled workers in home countries. Studies of developments in manufacturing industries in the 1980s and 1990s, for the US, Japan, Hong Kong and Mexico (Feenstra and Hanson, 2001), for the US, the UK, Italy and Sweden (Anderton *et al*, 2002), for the UK (Griffith, 1999; Hijzen *et al*, 2003, 2005), Sweden (Ekholm and Hakkala, 2005), and Germany (Falk and Koebel, 2002; Geishecker and Görg, 2004), confirm that in these countries material offshoring enlarged the so-called skill premium and was instrumental in increasing wage inequality, in particular in the 1990s. Most studies found that the skill-biased effect of FDI mainly worked through lowering the relative wages of low- and medium-skilled workers with almost no effect on the wages of the high-skilled (Anderton *et al*, 2002; Hijzen *et al*, 2003; Geishecker and Görg, 2004; Ekholm and Hakkala, 2005), while a few (Feenstra and Hanson, 2001) emphasized the effects favouring the high-skilled.

Until recently most studies did not present much evidence to support the fear that MNEs have been substituting foreign for domestic jobs, particularly if it concerned FDI in low-wage countries. In part this was because of the classical vertical international division of labour (Cf. Fröbel *et al*, 1977), that activities in these countries seemed complementary to the activities performed in the home country (Zhang and Markusen, 1999; Braconier and Ekholm, 2000; Bruno and Falzoni, 2003). For the US, older studies on home country effects, like those of Brainard and Riker (1997) and Feenstra and Hanson (2001), concluded to limited substitution effects on employment and hardly traceable wage effects in the short run, and in the long run even found a positive impact of offshoring on the real value-added per low-skilled worker. Some more recent empirical research focusing on manufacturing arrived at similar conclusions (Desai *et al*, 2005), though it has also been argued that the long-term impact on the wages of low-skilled may be more negative (Ekholm and Ulltveit-Moe, 2007). There have been a few efforts to more systematically isolate the wage and employment effects of various FDI types. For example, Harrison and MacMillan (2008, 27-8) concluded that American ‘vertical’ FDI abroad had stimulated job growth at home, though horizontal expan-



sion abroad led to modestly lower employment in the US. They stated that falling prices and labour-saving technological change were more important factors. Others have pointed to the declining trade balances in most US manufacturing sectors, with imports booming. Yet, for various reasons trade figures as such can be misleading. For example, imports may displace domestic products that themselves contain imported intermediate goods. Indeed, for considerable periods of time during the 2000s the failure of domestic US demand growth to match productivity growth explained the large losses in manufacturing employment to a much larger extent than the deteriorating trade balance, which in particular was related to a fall of the US share in world trade (Cf. Baily and Lawrence, 2004; Krugman, 2008; Baldwin and Robert-Nicoud, 2010).

A new wave of studies on the home country effects of US *service* offshoring suggests that such activity has neither caused significant job insecurity nor wage losses for high-skilled US white-collar workers. Actually there seems to be quite some proof that service offshoring is skill-biased, working out negatively for relatively low-skilled American white-collar workers (Hanson *et al*, 2005; Amiti and Wei, 2005; Crinò, 2006; Liu and Trefler, 2008; Crinò, 2010). These outcomes are in line with the confidence placed in American institutions and their innovative potential when confronted by the ‘Asian tigers’. For example, the famous journalist, Thomas Friedman pointed at the “unique innovation-generating machines” of the US, referring to the country’s universities, public and private research labs, and retailers, and to the US possessing “the best-regulated and most efficient capital markets in the world” (Friedman, 2004, 245). Obviously continuous innovation and improved education, based on the country’s existing institutions and policies, would be effective. Though a considerable part of this appraisal has been undermined by events since the breakdown of Lehman Brothers, critical views on the future of US employment in services tend to share Friedman’s rather anecdotal evidence on US outward offshoring of services -- and unfortunately nearly all refrain from any quantitative analysis (Cf. Ritzer and Lair, 2007).

Yet, one of the ‘new wave’ authors has admitted that these studies only analyzed the expansion of already existing activities of US-based MNEs abroad and did not cover the effects of their expansion. Hence, up to now in-depth research into the so-called extensive margin or replacement effects of FDI has been virtually non-existent -- though these effects may be substantial in view of the building of domestic economic capacity in China and India, not only in manufacturing but in services as well (Crinò, 2007, 38). On the other hand, based on data for 1990-2004, the same author recently found for nine Western European countries that service offshoring exerted positive and robust effects on domestic productivity (Crinò, 2008): a result that does not seem to correspond with considerable replacement effects – unless direct employment

.....

losses from relocation are larger than employment gains from productivity increases. Jensen and Kletzer (2007, 2008) and Blinder (2007) followed another road and explored the ‘offshorability’ of US (service) occupations. Jensen and Kletzer concluded for 2003-05 to 38 million ‘tradable’ or potentially offshorable jobs, nearly 30% of US workers (Jensen and Kletzer, 2007, 13). Yet, in a later paper they took it for “highly unlikely that a significant share of high-wage, skill intensive activities will move to emerging markets in the short term and even in the long term” (2008, 8). Although his outcomes were similar, Blinder seemed less optimistic. He estimated “the outer limit of potential offshorability between 22% and 29% of all the jobs in the 2004 US workforce, with the upper half of that range perhaps more likely than the lower half” (Blinder, 2007, 35). Surprisingly, Blinder found almost no correlation between ‘offshorability’ and education: the more offshorable jobs were *not* ‘low-end’, whether measured by wages or by education. He even found some evidence that, controlling for education, in 2004 holders of the most highly-offshorable jobs were already paying a notable wage penalty. In an identical exercise for the German labour market based on 2007 data, Schrader and Laaser (2009) came to similar findings, but at higher levels of jobs at risk: according to them, around 53% of high-skilled jobs in Germany could potentially be outsourced, compared to around 43% low-skilled jobs.

Employment and wage effects may well become more dramatic when MNEs based in high-income countries invest abroad horizontally, expanding innovative, high-skill and high value-added activities to other countries. Such practice can easily substitute labour at home. There is quite some evidence that in the course of the 2000s the offshoring of innovation expanded far beyond the earlier, rather exceptional cases of large MNEs from small home countries. A global race for highly qualified talent seems to have emerged, not least initiated by US-based MNEs. Offshoring of R & D-intensive activities may be a logical consequence, though intellectual property issues and restrictive government policies on FDI in particularly China can frustrate US- and Europe-based FDI and can counteract that tendency (Cf. Dossani and Kenney, 2007; Lewin *et al*, 2009; for a contradictory view Yu, 2007).

Swedish manufacturing has been a relatively early example of horizontal expansion of MNEs. Swedish researchers found evidence that in the 1980s and 1990s the effects on domestic investment of these firms varied across industries, but remained positive for the more R&D-intensive manufacturing (Braunerhjelm and Oxelheim, 2000; Braunerhjelm *et al*, 2005). Konings and Murphy (2001, 2006), exploring wage *cost* differentials across 13 EU countries for 1993-1998, found that substitution relationships existed to a limited extent and were mainly significant for EU subsidiaries of northern European parent firms. Authors in this

stream of research argued that negative effects on wages and employment were most likely limited to the short run (Cf. Bruno and Falzoni, 2003). In an effort to include more ‘real world’ elements in their analysis, Becker *et al* (2005) argued that cost reduction and market-seeking in FDI of European MNEs were often intertwined – as may also increasingly be the case with horizontal and vertical FDI. The coexistence of forms and motives of FDI complicates theoretical predictions about MNE behaviour. That said, Becker *et al* concluded that for German MNEs horizontal FDI had been stronger than cost reduction-driven FDI.

From another angle, in a study of German manufacturing MNEs Becker and Muendler (2007) showed that although firms changed their multinational presence infrequently, these changes gave rise to rare but salient labour demand effects in response to permanent wage differentials across locations. In line with this finding, Barba Navaretti *et al* (2003) found across 11 European countries that MNEs adjusted their labour demand faster and to a greater extent than domestic firms. These authors concluded that MNEs created and destroyed jobs faster than domestic firms, and thus were able to adjust more smoothly to shocks affecting their labour demands. For any given wage increase, for example, in the longer run MNEs reduced total employment less than national firms. An OECD report (2007) report came to a similar conclusion, admitting that the expansion of international production networks is potentially an important source of workers’ vulnerability. Unfortunately it is not very clear to what extent institutional factors were in play here, and what impact variations in, for example, labour market flexibility and employment protection may have had. What can be observed is that institutional factors do matter and to a considerable extent impact on the outcomes of offshoring in terms of wages and employment (Cf. Anderton *et al*, 2002). Thus, we have to consider the prevailing ‘varieties of capitalism’ (Hall and Soskice, 2001; Hancké *et al*, 2007) in this respect. There are significant indications that FDI has had more negative effects in terms of income inequality in liberal market economies (LMEs) with highly flexible labour markets – not only in developing countries but also in Europe. One route along which negative effects would work is the greater volatility of MNE employment in LME countries due to the greater institutional opportunities relocation and dismissal. In 2003, studies for Ireland (Görg and Strobl, 2003) and the UK (Fabbri *et al*, 2003) showed that, when controlled for a number of factors, employment in MNEs had been more at risk than jobs in domestic firms. As most recent plant closure evidence underlines, this definitely holds for investments with few linkages with the local economies (Cf. Storrie and Ward, 2007; European Foundation, 2009a). However, as we will see in the next section,

Ireland represents a special case, in which we have to distinguish between employment and wage effects.

In coordinated market economies (CMEs) with regulated labour markets, like Germany, France and Austria, the employment and wage behaviour of MNEs and domestic firms seems rather similar. Analysis of German firm-level datasets showed that MNEs did not respond systematically more to wages and output than did firms only active on the domestic market, while the durability of employment of both firm types was nearly the same (Buch and Lipponer, 2007; Becker and Muendler, 2008). For Germany during 1999-2001, Becker and Muendler (2008) even found a somewhat lower separation rate for MNEs: more educated workers in particular stayed with the firm to a larger extent than in non-MNEs, a result that the authors argue is a consequence of FDI abroad by the MNEs. Similar results have been reported for France over an earlier period (1977-1993). According to Strauss-Kahn (2003), during that period skill-biased technological change (SBTC) contributed much more to the deteriorating position of unskilled labour and to growing wage inequality than FDI did. She argued that the strong French labour market institutions prevented downward wage adaptation; as a result, predominantly the employment prospects of unskilled workers were affected. For Austria, Egger and Egger (2003) traced similar effects. The outsourcing of manufacturing to CEECs had little effect on the Austrian wage rates, an outcome that the authors attributed to the country's centralized collective bargaining system with a strong trade union position; however, they concluded that the employment prospects of the low-skilled had deteriorated. By contrast, Lorentowicz *et al* (2005) found that between 1995 and 2002 offshoring from Austria decreased the relative wages for its *skilled* workers by 2%. They suggested the poorness of Austria's human capital levels relative to those of its largest trading partners, mainly CEECs, as a main explanation.

## 1.4. FDI in host countries

There is a rapidly expanding strand of literature on the likelihood of MNEs paying higher wages than domestic firms for comparable jobs, and of growing wage inequality in MNE *host* countries. For some years researchers' attention was focused on the effects of FDI in (manufacturing in) developing countries. They consistently found significant wage premia in foreign over domestic enterprises, hardly any evidence of wage spillovers from FDI leading to higher wages for domestic firms in these host countries (Aitken *et al*, 1996, for Mexico, Venezuela, and the US; Feenstra and Hanson, 1997, for Mexico's *maquilladoras*; Lipsey and Sjöholm, 2004, for Indonesian manufacturing; Brown *et al*, 2003, and Lipsey and Sjöholm, 2005, for overviews), and no or a weak relation between FDI and the reduction of wage inequality (for five sub-Saharan

African countries: Te Velde and Morrissey, 2001; for East Asia: Te Velde and Morrissey, 2004). An analysis of *WageIndicator* data for 2007 learned that in Argentina, Brazil, India and Mexico MNEs on average paid significantly higher wages than domestic companies, whereas no such differences could be found for South Korea and South Africa (Stöteler, 2008).

However, between developing and high-income countries the forms, motives and approaches of MNE expansion may differ so much (as do economic, social and political conditions), that transplanting conclusions from the one country category to the other is highly risky. Fortunately recent research has avoided such pitfalls and has shed light on the wage effects of FDI in European host countries. For example, using a panel of over 100 countries for the period 1980 to 2000, Figini and Görg (2006) concluded that the relationship between inward FDI and wage inequality differs, depending on the country's level of economic development. According to their results, in developed countries FDI inflows in manufacturing can be associated with larger wage inequality (increased wage dispersion), though this effect decreases over time. Earlier, these authors found that FDI was associated with increased wage dispersion in Irish manufacturing over 1979-1995 (Figini and Görg, 1999). FDI effects in the UK have been the most widely researched. For this country Taylor and Driffield (2005) found that the overall impact of FDI explained, on average, 11% of wage inequality in the period 1983 to 1992; Hijzen (2007) by and large confirmed these outcomes for the next six years, 1993-1998. Girma and Görg (2007), covering the period 1980-1994, argued that in the case of foreign take-overs the nationality of the acquirer matters. They found that both skilled and unskilled workers in the UK experienced on average a substantial wage increase after being taken over by a US firm, while no such effects were discernable following acquisitions by EU firms.

In reviewing this field, we may conclude that a large majority of empirical studies has established that MNEs in developed countries have paid a 'wage premium' over the wages of domestic firms for comparable jobs (besides earlier references, in general: Lipsey, 2002; OECD, 2008a; for the UK: Girma *et al*, 2001; for Germany: Geishecker and Görg, 2004; for Hungary: Earle and Telegdy, 2007; for the Netherlands, based on 2004-2006 *WageIndicator* data: Fortanier, 2008). It has also been established that this premium tended to be larger for high-skilled staff (Taylor and Driffield, 2005; Hijzen, 2007; Fortanier, 2008), though already in the early 2000s there was some counter-evidence to this (Girma and Görg, 2007). It should be noted that the most recent studies show a growing number of reservations. They stress the short-term character of positive effects on average wages. Much of the variation found may be due to differences in firm characteristics. There is overwhelming evidence that in developed host countries subsidiaries of MNEs tend to be larger

and to operate in industries with higher wages, reflecting higher productivity and higher capital and/or R & D intensity. These may also be called ‘selection effects’ in developed countries where foreign-owned firms most likely ‘select’ plants and workers with relatively high wages, as has been found for the UK (Conyon *et al*, 2002; Girma and Görg, 2006) and Portugal (Almeida, 2007). Indeed, research in the last decade, using more advanced statistical analyses and controlling for firm size and industry distribution, revealed a considerably smaller wage premium in foreign-owned firms than had earlier been found in the more aggregated studies. Most of these recent studies have been based on matched employer-employee data, like those of Martins (2004) for Portugal; Andrews *et al* (2007) for Germany; Malchow-Møller *et al* (2007) for Denmark; Heyman *et al* (2007) for Sweden; Huttunen (2007) for Finland, and Alkhami and Peoples (2009) for the US. Some of these studies showed quite small or even non-existent wage differentials when controlled for size and industry. For example, foreign takeovers of Swedish firms tended to have zero or even negative effects on wages (Heyman *et al*, 2007), as did acquisitions by EU-based MNEs of UK firms (Girma and Görg, 2007). In the end it is quite hard to conclude whether smaller or disappearing MNE wage premia result from more advanced research methodology and improved data collection or indicate real changes over time, though in Scandinavian countries a longer-term decrease of MNE wage premia may be plausible.

Ireland is a highly interesting case located somewhere between the classical Anglo-Saxon model of industrial relations and centralized bargaining regimes, where from 1987 until 2009 national wage agreements were in existence, allowing unions a significant voice in pay issues. It is also one of the world’s most FDI- and MNE-dependent economies, with in 2007 inward FDI stocks as a percentage of gross domestic product (GDP) estimated at 74% (world average: 28% -- UNCTAD, 2008) and nearly half of all manufacturing employment in MNEs (European Foundation, 2009b). Moreover MNEs, notably the US-based, in Ireland have developed a tradition of union avoidance while establishing new sites (Geary and Roche, 2001; Gunnigle *et al*, 2008). Both Leahy and Montagna (2000) and Baccaro and Simoni (2007) have argued that MNEs may prefer to locate in countries with centralized wage bargaining due to the likely gains in competitiveness and their argument indeed seems to fit quite well with the Irish experience. American MNEs’ subsidiaries, though mostly non-unionized, were bound by the centralized agreements by virtue of their membership with IBEC, the Irish employer association (Baccaro and Simoni, 2007, 440-1). For 2003, MNEs implementing the national wage agreement had average labour costs that not only fell below those of MNEs implementing other types of agreements but were also lower than those in the domestic sector (McGuinness *et al*, 2007).

As we have already indicated, the outcomes of MNE versus domestic wages may develop differently in EU countries with flexible labour markets. Next to the Anglo-Saxon countries, in the current crisis one might conclude that this could also happen in the transition economies of Central and East European Countries (CEECs). After the fall of communism, FDI in most CEECs rose quickly, leading to considerable output growth in low-skill and resource-intensive industries but also –stimulated by a large pool of skilled workers– in more capital- and R&D-intensive automotive and electrical machinery production (Radosevic *et al*, 2003; Fillat-Castejón and Woerz, 2005; Marin, 2006a). At the end of 2004, Poland, Hungary and the Czech Republic had attracted three quarters of FDI in the 10 new member states from the EU-15, mainly from Germany, France and Austria (Eurostat, 2007). Partly FDI concerned greenfield investments with (initially) positive employment effects in CEECs but take-overs of mostly privatized state companies followed another course. During 1992-2001, foreign take-overs in Hungary led to considerable long-term wage premia, albeit after a major reduction of the workforce (Csengödi *et al*, 2008). Already from the mid-1990s on, a trend towards a decrease in the wage share in sectors with considerable FDI and growing wage inequality linked with inward FDI became visible, notably in the export-oriented manufacturing industries of Hungary, Poland, the Czech Republic, and Slovakia (Egger and Stehrer, 2003; Lorentowicz *et al*, 2005; Fillat-Castejón and Woerz, 2005; Marin, 2006b; Onaran and Stockhammer, 2006). This trend has likely been sharpened by the mass dismissals taking place in 2009-2010 in CEEC plants of multinational car and electronics producers and their subcontractors (Cf. Glassner and Galgóczi, 2009; various press messages).

Though the evidence from the literature is still rather dispersed, we are able tentatively to conclude that in developed countries home and host country wage effects of FDI tend to work in the same direction. In high-income countries both inward and outbound vertical FDI gave rise to wage differentials particularly favouring skilled workers in MNEs thus adding to growing wage inequality, but in the 2000s these effects seem to have dried up and the wage effects of new FDI have decreased over time. Horizontal FDI seems to have slightly less positive effects, but the same trends over time may be discernable. In high-income countries with flexible labour markets MNE wage premia on average seem lower and most likely exert lowering influence as well. Wage premia of inward FDI in the transition economies of the CEECs may remain substantial, but under pressure of the current crisis they seem likely to be shared among smaller groups of workers, contributing to growing wage inequality.

## 1.5. Causes of wage differentials

We turn now to the possible causes of MNE wage differentials. The usual explanation for the wage premium paid in MNE subsidiaries is the productivity advantage of FDI over domestic firms. Most of the literature here is based on comparing the performance of foreign and domestic firms in the US (Cf. Doms and Jensen, 1998) and in the UK (Cf. Girma *et al*, 2001). However, for highly-developed EU countries with many home-based MNEs a ‘foreign ownership advantage’ is questionable. For example, an in-depth study for Germany showed that, while German non-MNEs were less productive than foreign-owned firms, there was no such difference between German MNEs and subsidiaries of foreign MNEs. Thus, productivity spillovers could have two sources, foreign MNEs as well as domestic MNEs (Temouri *et al*, 2008). Others “confirm with British data that the foreign ownership advantage is indeed by and large an MNE advantage” (Crisuolo and Martin, 2005, 3). Against this backdrop, focusing on an ‘MNE effect’ seems more adequate.

However, ‘productivity’ remains a very wide explanatory category. Following in the footsteps of Solow (1957), modern economic theory has emphasized productivity advantages through technological innovation as a major source of the comparative advantage of rich nations over others. Authoritative writers like Michael Porter (1990) have applied this insight to the rise of MNEs and the expansion of FDI. What is more, technology and skills seem closely interconnected. MNEs are generally regarded as the main drivers of skill-biased technological change which naturally favours skilled workers and thus looks like the predominant source of wage inequality. Moreover, international evidence shows that the increase of skill levels largely occurs *within* rather than across industries (Berman *et al*, 1998; Machin, 2001). This does not imply that ‘technology’ is a unidimensional category. For example, the technological advantages of MNEs might show up in better production technology, superior supporting and intermediate technologies (IT, logistics), more intensive use of intermediate products, or better management techniques – the latter in itself representing a broad category (Cf. Lipsey, 2002, 57; Malchow-Møller *et al*, 2007, 5). Yet, it is here that the Achilles heels of many MNEs can be found, as they have turned out to be not particularly good at managing their foreign i.e. global activities (Among many others: Gooderham and Nordhaug, 2003, 12).

The relationship between higher MNE productivity and their size --as a whole as well as of their establishments-- is not easy to grasp and much awaits explanation (Helpman, 2006, 597). Whilst it is widely acknowledged that both MNEs and MNE affiliates are larger than their comparable domestic competitors, it remains to be seen whether these differences end up in productivity advantages. In technologically advanced industries, the decomposition of productivity growth into technology and scale effects shows that



the former are dominant. For example, based on an analysis of foreign take-overs in the UK electronics and food industries, Girma and Görg (2006, 16) show that positive effects on productivity growth are due to changes in technical efficiency, not to scale effects. Anyway, in our analysis of the wage effects of FDI that follows we will control for establishment size.

The role of human capital in creating wage premia for workers in MNEs cannot be ignored, though the empirical evidence is not overwhelming at this point. The outcomes of Görg et al (2007) lend some support to an explanation in terms of firm-specific human capital acquisition: tenure (years of experience) may be important, as workers may acquire MNE wage premia over time through on-the-job-training. Yet, their evidence concerned FDI in Ghana, and the OECD (2008a, 5) counter-argument that these effects will most likely be smaller in developed countries seems plausible. By contrast, it can be argued that wage premia based on vocational training may be substantial in developed countries with industry-wide vocational training institutions, like Germany, Belgium, Denmark and the Netherlands. Moreover, even in these countries the more general labour market argument may be valid: skilled workers may be attracted by working in an MNE, notably by the prospect of receiving extensive training, which also opens up opportunities for internal promotion. Although starting wages in MNEs may not be higher than in domestic firms, workers in MNEs may receive more and/or more efficient on-the-job training and derive a stronger wage growth from that training. MNE affiliates have often proved willing to pay ‘efficiency wages’ as coined by Akerlof and Yellen (1986), including a premium and related pressure in order to commit and retain skilled workers and avoid them to change jobs to domestic companies or start their own business (Cf. Fortanier, 2008, 38). Labour market competition following from this attractiveness of MNEs for skilled workers may contribute to push domestic firms into less profitable market segments with lower productivity (as found for US manufacturing industry: Keller and Yeaple, 2003) – and most likely lower wages. Thus, in our analysis we will also control for tenure and educational level of the workers involved.

Here it is relevant to broaden our scope beyond that of labour markets and point to factors related to national industrial relations and business systems as potential causes of wage premia. A central debate in the international management literature is that reflecting the degree of global integration (globalisation) that MNEs seek to achieve versus the degree of local adaptation (localisation) that is deemed necessary, in particular in the HRM strategies and practices of MNEs – or, in other words, on the relative force of home country or country-of-origin effects versus host country effects. Unfortunately, the available empirical evidence has not kept abreast of the intensity of this debate. Until the 1990s, the assumption pre-

vailed that MNEs tended to replicate their home-country production and management structures in host countries, and diffuse management practice from home to host countries.. Indeed, MNEs have developed international management structures specifically for diffusing ‘best practices’ across countries and sites. Similarly, where company bargaining prevails MNE headquarters have increasingly been able to influence local bargaining outcomes through monitoring and benchmarking. Likewise, outside the bargaining arena, MNE headquarters are able to exercise more or less continuous ‘coercive comparisons’ of labour costs, working practices, and site and department performance across countries and locations. It is also obvious that most benchmarking features and standards originate from strategies and practices shaped in the home country, definitely if they are deeply rooted in its industrial relations and related institutions and cultures (Cf. Kostova, 1999; Edwards *et al*, 1999; Sisson *et al*, 2003; Pulignano, 2006; Farndale and Paauwe, 2007). As Marginson (2009, 67) has argued, the effects on collective bargaining outcomes may vary, but in car manufacturing for instance, deployment of coercive comparisons has resulted in a series of matching concessions over borders in which the substantive bargaining outcome at different locations was similar. In particular in the automotive sector union negotiators in the 2000s have often been under pressure from management’s cross-border coordination of local negotiations, much more developed here than for instance in banking (Arrowsmith and Marginson, 2006).

We should emphasize, however, that the propensity to diffuse so-called ‘best practice’ is still, to a greater or lesser extent, constrained by features of ‘national business systems’ or national industrial relations systems of the *host* countries – though the available evidence on this issue is rather ambiguous. Some have concluded that MNEs are likely to adapt their human resources (HR) practices to national systems where these systems are highly institutionalized and regulated, notably in CMEs, and leave their subsidiaries more autonomy in countries with such systems (Ferner, 1997; Edwards, 2000). In contrast, more recently it was found that US MNEs were more motivated to seek control of HR practices in subsidiaries located in CMEs than in those located in LMEs – though the incidence of strong unions interferes: the higher the level of unionisation in a subsidiary the less the US MNE was inclined to impose centralized control (Fenton-O’Creevy *et al*, 2008). Of course, neither MNEs nor national industrial relations settings can be considered static entities; complex processes of mutual interaction are continuously at stake. For example, it has been found for Germany that US MNEs, though formally accepting the host country’s dominant industrial relations institutions like industry-wide collective bargaining, may seek to weaken links with those institutions and orient themselves on company-level bargaining with less union influence (Singe and Croucher, 2005).

Another example is the penetration of Anglo-Saxon HRM practices in Netherlands-based MNEs, shown in a study of AIAS colleagues (Van der Meer *et al*, 2004).

It has been suggested that MNEs from different countries of origin tend to follow different routes. We focus here on differences between US-, Germany- and Japan-based MNEs, as their HRM behaviour is rather comprehensively researched. Traditionally, US-based MNEs have been key diffusers of ‘Taylorism’, where highly formalized structures and routines at shop floor level are buttressed with industrial relations innovations like productivity bargaining and performance-based pay. US labour market institutions and industrial relations continue to pose less constraints for managerial behaviour vis-a-vis the labour force than they do in continental-European CMEs (Cf. Gaudié and Schmitt, 2010). American MNEs compared to their Europe-based counterparts additionally tended to be more centralized with regard to HRM and industrial relations issues, to use more formalised and standardized systems and procedures (Martin and Beaumont, 1999; Ferner *et al*, 2004), as well as to avoid wherever possible employee representation and trade union influence as much as in the US (Tempel *et al*, 2006). US-based MNEs seemed particularly sensible for the ‘institutional distance’ between the US and host countries, while at the same time top management maintained considerable pressure for internal coherence (Cf. Kostova and Roth, 2002). Case studies have shown that US MNEs in various European host countries would initially make strenuous efforts as to fit national HR and employment policies in their globally integrated models, but in particular in cases of mergers with and acquisitions of European firms flexibility turned out to be incorporated into global approaches. National variation may show up if headquarters accept that pre-existing practices should be left in place. That will especially be the case in MNEs with highly diversified, local market-oriented or extractive operations that (have to) differ in character in various countries (Child *et al*, 2000; Almond *et al*, 2005; Edwards *et al*, 2006; Rees and Edwards, 2009). We have to add that, at least in the UK, in case of US acquirers the primary orientation of the subsidiary often went into a more financial direction (Child *et al*, 2000).

American MNEs and American management style have been dominant in the 1950s, the 1960s and most of the 1970s, setting the standard for what worldwide were perceived as best practices and pressing towards the global convergence of HRM practices – labelled the dominance effect by Smith and Meiksins (1995). German management practice has often been regarded as the antithesis of US-based practice. German MNEs have also exported elements of their domestic HR practices, though often more subtly and smoothly than US MNEs. For instance, in many German subsidiaries in the UK, the USA and Spain home-country approaches to vocational training which were regarded as being superior to local training practices have

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been imitated (Ferner and Varul, 2000; Tempel, 2001). Yet, instead of ‘exporting’ features of Germany’s system of co-determination and consultation, it is equally plausible that German MNEs in host countries are looking to escape such features – partly depending on host-country influences, with for example clear differences between the institutional settings of Hungary and Slovenia (Marginson and Meardi, 2006, 97).

Japanese MNEs are known to have pioneered major changes in work organization and pay systems in their subsidiaries in the US and Western Europe, bringing these systems initially close to manufacturing practices dominating in Japan. From the late 1970s till the early 1990s, the Japanese management model rivalled the American dominance. In the 1990s, however, the Japanese economy as well as the traditional Japanese management model went into a crisis from which neither have fully recovered. Japanese management as associated with lean production has lost much of attractiveness; many experts have judged that in particular Japanese HRM needs thorough reform (Cf. Pudelko, 2006, 2009), a judgment to which recently many Japanese HR managers adhere as well (Pudelko and Harzing, 2010). Pudelko and Harzing (2007), exploring a large sample of MNEs headquartered in the US, Japan, and Germany, as well as subsidiaries of MNEs from these countries in the respective two other countries, over-all found strong dominance effects: US-based MNEs intended to stick more closely to their own HRM system, and both Japanese and German MNEs oriented themselves to US practices, the Japanese even more so than the Germans.

With the re-emergence of the American economy as rather dominant worldwide (though growingly sharing power with the BRIC economies), it is again American HRM practices that are embraced as exemplary. Nevertheless, industry differences, reflecting the interplay of market and organizational structures, remain highly relevant here – and may become even more relevant as industry characteristics are diverging. Low levels of market diversification as well as highly standardized and rationalized operations, as have prevailed in car manufacturing, have pushed towards standardized management practice, including HRM, and methods of work organization. Service industries like hotels and catering have even displayed the rise of standardised, rationalized and ‘industrialized’ processes, and here benchmarking and monitoring show up once more as highly effective management instruments to control labour input and labour costs. MNE headquarters in these industries continue to have strong incentives to centralize industrial relations decision-making and to exert control over HR practices in host countries. The hotel and catering industry may provide the bottom-line, where US MNEs as a rule have stuck strictly to their home country practices, including union avoidance, low trust in management – worker relations, minimal training and work intensification, and pushing wage rates even below the legal floors. The fast-food service sector (Royle, 2000, 2004, 2006) provides striking examples, and so does hotel room cleaning (Vanselow *et al*, 2010).

By contrast, MNEs likely will impose less centralized control on HR practices of subsidiaries in more sophisticated and innovative production or servicing. As multinational operations develop in a less standardized and more complex direction away from Taylorism, power relations between the actors at local level, or the ‘politics of the organizational dimension’, become ever more crucial. Hence, processes of HRM transfer in MNEs are increasingly influenced by a shifting mix of factors that embrace internal governance mechanisms, dimensions power and social capital (including trust-building and vision-sharing), HR management systems of subsidiaries, and headquarters’ change management capabilities. In complex and innovative processes with high levels of managerial uncertainty, MNE headquarters may deem the issuing of formal policies and guidelines on employment practices counterproductive. Such ‘direct control’ may restrict the ability of site managers to respond flexibly to host country conditions and would discourage these managers (Edwards *et al*, 1999, 290). Against this backdrop, the analysis of host-country institutions has also to embrace the strategies of management and workers’ representatives at the subsidiary level (Sisson *et al*, 2003; Edwards and Kuruvilla, 2005; Björkman and Lervik, 2007; Rees and Edwards, 2009). Processes of organizational politics may continue to be shaped by markets, production structures and national institutions, but micro-political activity grows in importance in embedding MNE activities in the industrial relations settings of host countries (Cf. Ferner and Edwards, 1995; Ferner *et al*, 2005; Edwards *et al*, 2007). Case studies of HR policies in (American) MNEs show that even where national institutional frameworks are comparatively strong and constrain and complicate the transfer of HR practices, they remain porous, presenting barriers to transfer that are partial rather than absolute. Where transfer of HR practices does occur, actors at lower levels, including local management, are often able to draw on their knowledge of local institutions to mould the complex processes in which they are involved in order to protect or further their interests (Edwards *et al*, 2007, 214-5; see also Freeman *et al*, 2007; for US MNEs in the UK and Italy: Pulignano, 2006, and in Spain: Quintanilla *et al*, 2008).

In host countries as different as the UK and Germany, managers of US subsidiaries often accumulated resources based on (their use of) the local institutional environment, playing a role as ‘interpreters’ of that environment for parent company management (Ferner, 1997, 2000; Tempel *et al*, 2006). In more deregulated host countries with weaker institutions, as in many CEECs, the deployment of effective HR policies may call for the larger involvement of local actors anyway. MNEs here may draw benefit from social interactions and from local institutional resources, and may take up a substantial role in shaping their institutional environment; they may develop from institutional *rule-takers* into institutional *rule-makers*. MNEs may come to

view the local subsidiary as the optimal organizational level for decision-making on work practices. In these cases, workers and (weak) trade unions may be left to the discretion of MNEs, and may have little impact on spillovers in terms of wages and working conditions (Kahancová and Van der Meer, 2005; Kahancová, 2010). From a workers' point of view, the reverse diffusion of such practices, from host to home countries, may have serious implications for industrial relations and employment practices in the home countries (Cf. Edwards, 2000; Edwards *et al*, 2005; Edwards and Tempel, 2010). Again, the automotive industry provides evidence of negative effects on labour. Under the exercise of coercive comparisons, the gap in labour costs between MNE affiliates in CEECs and Germany has bolstered local management's efforts to change work practices at German sites as well as to repel the influence of German works councils (Marginson, 2009, 67).

It should be noted that responding to the emergence of a single 'regulatory space' in the European Union, many MNEs, whatever their country of origin, have created Europeanized structures. EU and EMU rule-setting has increasingly created an EU-wide level playing field for firms operating in various member states. In an emerging system of multi-level governance, EU directives have influenced the shaping of a wide variety of issues like working time, parental leave, and notably employee representation, information and consultation, as well as related employment practices (Cf. Sisson *et al*, 2003; Ferner *et al*, 2004; Marginson and Sisson, 2006). The development of EU legislation, combined with the advance of corporate social responsibility (CSR) ideology and the related push for transparency mechanisms (Fortanier, 2008), has put pressure on MNEs to avoid discrimination particularly on gender and working hours issues. Recent findings on CSR suggest that the majority of MNEs comply with these new legal frameworks that add to the existing OECD and ILO standards, though there may still be quite a lot of window-dressing going on here (Cf. Van Tulder and Van der Zwart, 2006; Fortanier and Kolk, 2007). Exploratory research points to cases of MNEs in which home country workers' representatives and/or the EWC challenged HR departments to turn corporate CSR commitment into 'hard law', likely resulting in regulation concerning equal opportunities, equal pay and working conditions codifying standards above levels collectively agreed (Preuss *et al*, 2009<sup>7</sup>). Domestic competitors, less prone to such mechanisms, may, paradoxically, be more tempted to create or maintain discriminatory practices. These policy differences may be another factor creating MNE wage premia. Thus, our analysis will also control for possible wage discrimination against females and part-time workers.

7 Although in other cases workers' representatives perceived CSR initiatives as a potential threat to their position – understandable particularly where firms becoming 'socially responsible' may tend to ignore existing co-determination and bargaining channels and 'privatise' the governance of workers' rights (Cf. Preuss, 2008).

Finally we have to emphasize one caveat. Except for the last wave of American research on the home effect of service FDI, the studies covered in this section concentrate heavily on manufacturing i.e. on material offshoring. In this respect they are only directly relevant for one of the five industries in our project, namely metal and electronics manufacturing. In spite of the fact that the services sector is going to dominate FDI flows, and in 2006 accounted for 62% of the world inward FDI stock (up from 49% in 1990 -- UNCTAD, 2008, 9), studies on FDI and its determinants are biased against service offshoring (Riedl, 2008, 2). Goldberg (2004, 6) concluded that data on the effects of financial FDI in this respect “have not yet been parsed out”. This conclusion still holds, and can be drawn for other parts of the services sector too. This is all the more interesting as the effects of FDI in services may differ essentially from those of manufacturing FDI. For example, this seems more generally the case for adjustment paths. Research in eight newly accessed EU countries showed that it took five years for FDI in the manufacturing sector to adjust to its equilibrium level. By contrast, service FDI reaches this within two years (Riedl, 2008, 3).

## 2. The AIAS MNE Database

In this chapter we present an overview of the contents of the AIAS MNE Database, and some analyses of data derived from this database. First, we will set out the aim and the design of the database. Second, we will go into a number of outcomes, notably into the spread of foreign direct investment (FDI) over host and home countries using some yardsticks for concentration in FDI. We have to emphasize that our findings cover the state of affairs of FDI and internationalization for March 2008, linked with company data (sales and employment figures) for 2006 and 2007.

### 2.1. Aim and design of the MNE Database

The aim of the AIAS MNE database is to permit analysis of the answers in the *WageIndicator* web-survey to the question in what company do respondents work. This question enables analyses of the country-specific impact of FDI on wages and working conditions, as well as comparing wages across countries within one company. In the database, two or more establishments in one country are not distinguished as separate entities, but establishments are distinguished if they are found in two or more industries.

In most countries, the *WageIndicator* web-survey contains a survey question “*What is the name of the company where you work?*” Generally in surveys, an open text field is used to store the answers to this question. In the case of the *WageIndicator* survey, respondents first tick the industry where they work, and then a list of company names in this particular industry pops up. At the bottom of the list, the option ‘*Other*’ allows respondents to key in the company name if that name is not listed. The option “*Don’t want to say*” facilitates respondents not to identify the name of the company they work for.

For most countries, lists of company names are not publicly available, and therefore, a company list had to be composed. For the sake of our research, a multinational enterprise (MNE) has been defined as an enterprise with subsidiaries in more than one country. In addition and for the sake of comparison in later stages, a number of large domestic companies (DOM) in any of the five industries has been included. A third category specific for the retail industry has been added: co-operative and voluntary chains (VCs).

Asking individuals in what company they work will elicit an answer referring to the name of the establishment and maybe not of the MNE. It may even be the case that respondents do not know the proper name of ‘their’ MNE. Experience shows that this often happens shortly after take-overs. Therefore, the database has to include the names of the MNE establishments in the countries at stake. In order to facilitate



searching through the search tree, the database needs to include the industry of the establishment. In some cases, a subsidiary is allocated to two or more sub-sectors. This is facilitated in the database. For the division in sub-sectors we used the 4-digit NACE coding. In total, we distinguished 39 sub-sectors. In the retail and ICT industries we grouped some MNEs under NACE code 67121, ‘hedge funds, private equity funds’.

Table 2.1 provides an example of (parts of) the MNE database, with an overview of the columns used: industry, sub-sector, company name, MNE/DOM/VC, subsidiary name, establishment name, host country incidence (Note that only four of 12 countries are presented here, due to limitations of page size). The establishment is the key unit in the database. This unit is related to a subsidiary, which in turn is related to a company. In addition, the database includes the name of the home country (nationality) of the company.

In our database we do not register addresses or places of establishment. Per country, an establishment of a certain subsidiary is only counted once. For example, even if a subsidiary of a supermarket chain has 700 establishments in country A operating under a certain name, these establishments are counted as one (See the No’s in the table under the eight rows ‘Auchan’).

*Table 2.1 Examples of parts of the AIAS MNE database: industry, sub-sector, company name / nationality, MNE/domestic firm, subsidiary name, establishment name, country incidence*

| Industry | Sub-sector                      | Company name / nat.  | MNE/ dom/ VC | Subsidiary name | Establishm. name FR | Establishm. name IT | Establishm. name PL | Establishm. name ES |
|----------|---------------------------------|----------------------|--------------|-----------------|---------------------|---------------------|---------------------|---------------------|
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Auchan          | Auchan              | Auchan              | Auchan              | Auchan              |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | ATAC            | ATAC                |                     |                     |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Sabeco          | Sabeco              |                     |                     |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Les Halles      | Les Halles          |                     |                     |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | SMA             |                     | SMA                 |                     |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Elea            |                     |                     | Elea                |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Schiever        |                     |                     | Schiever            |                     |
| Retail   | 5210-Dep. stores & supermarkets | Auchan (FR)          | MNE          | Alcampo         |                     |                     |                     | Alcampo             |
| No's     |                                 | 1                    |              | 8               | 4                   | 2                   | 3                   | 2                   |
| Retail   | 5210-Dep. stores & supermarkets | El Corte Ingles (ES) | DOM          | El Corte Ingles |                     |                     |                     | El Corte Ingles     |
|          |                                 |                      |              |                 |                     |                     |                     |                     |

|                     |   |                     |                 |                          |                            |                            |                            |                            |
|---------------------|---|---------------------|-----------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Retail              | 5244-Furniture, lighting, household       | IKEA (SW)           | MNE             | IKEA                     | IKEA                       | IKEA                       | IKEA                       | IKEA                       |
| Retail              | 5244-Furniture, lighting, household       | IKEA (SW)           | MNE             | Habitat                  | Habitat                    |                            |                            | Habitat                    |
|                     |   |                     |                 |                          |                            |                            |                            |                            |
| Retail              | 5245-Electrical household appliances, RTV | Expert (DE)         | VC              | Expert                   | Expert                     | Expert                     |                            | Expert                     |
|                     |   |                     |                 |                          |                            |                            |                            |                            |
| Transport & telecom | 6010-Transport via railways               | State (PL)          | DOM             | MÁV                      |                            |                            | MÁV                        |                            |
|                     |   |                     |                 |                          |                            |                            |                            |                            |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | CMA CMG                  | CMA CMG                    | CMA CMG                    |                            | CMA CMG                    |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | Delmas                   | Delmas                     | Delmas                     |                            |                            |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | LTI France               | LTI France                 |                            |                            |                            |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | Progeco                  | Progeco                    |                            |                            |                            |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | RailLink                 | RailLink                   |                            |                            |                            |
| Transport & telecom | 6110-Sea & coastal water transport        | CMA CMG (FR)        | MNE             | River Shuttle Containers | River Shuttle Containers   |                            |                            |                            |
|                     |   |                     |                 |                          |                            |                            |                            |                            |
| Transport telecom   | 6110-Sea & coastal water transport        | SNCM (FR)           | DOM             | SNCM                     | SNCM                       |                            |                            |                            |
| <b>Industry</b>     | <b>Sub-sector</b>                         | <b>Company name</b> | <b>MNE/ dom</b> | <b>Subsidiary name</b>   | <b>Establishm. name FR</b> | <b>Establishm. name IT</b> | <b>Establishm. name PL</b> | <b>Establishm. name ES</b> |

We can add the following concerning the variable names and the coding. The dataset that is derived from the survey responses includes a number of variables, which are listed below in Table 2.2. The primary unit of the database, MNSUBS, has a 9 to 12-digit code whereby:

- 1) 2 digits indicate the subsidiary of the MNE, ranged between 11 and 99;
- 2) 4-6 digits indicate the NACE industry-code of the establishment of the subsidiary.

Table 2.2 List of variables and variable names for the AIAS MNE database

| Variable  | Label  |
|-----------|--|
| MNSUBS    | the name of the establishment  |
| MNSUBS1   | the name of the subsidiary   |
| MNECOMPA  | the name of the MNE  |
| MNEMULTI  | indicating whether MNECOMPA is a multinational enterprise (MNE), a domestic company (DOM) , or a co-operative and voluntary chain (VC) |
| MNNACEHQ  | the NACE industry code of the headquarters of the MNE  |
| MNHMCNTRY | the MNE home country   |
| MNEinBE   | the subsidiary has at least one establishment in Belgium   |
| MNEinDE   | the subsidiary has at least one establishment in Germany   |
| etc       | etc. for all 12 countries  |
| MNEtotct  | the total number of countries where the subsidiary has at least one establishment, with a maximum of twelve countries                  |

The names of the companies, subsidiaries and establishments included in the MNE Database are as much as possible adequately phrased. Concerning the companies, this implies a correct use of capital and lower caps, the full name, and as far as possible the abbreviation of the legal entity. In the abbreviations no dots are used.

Table 2.3 Legal entities used for companies included in the WIBAR-2 MNE database

| Abbr. legal entity | US | UK | JP | SW | NL | DE | FR | IT | FI | ES | BE |
|--------------------|----|----|----|----|----|----|----|----|----|----|----|
| AB                 |    |    |    | √  |    |    |    |    |    |    |    |
| AG                 |    |    |    |    |    | √  |    |    |    |    |    |
| BV                 |    |    |    |    | √  |    |    |    |    |    |    |
| Corp               | √  |    |    |    |    |    |    |    |    |    |    |
| Cy                 | √  |    |    |    |    |    |    |    |    |    |    |
| GmbH               |    |    |    |    |    | √  |    |    |    |    |    |
| Group              | √  | √  |    |    | √  | √  |    |    |    |    |    |
| Groupe             |    |    |    |    |    |    | √  |    |    |    |    |
| Grupo              |    |    |    |    |    |    |    |    |    | √  |    |
| Gruppe             |    |    |    |    |    | √  |    |    |    |    |    |
| Gruppo             |    |    |    |    |    |    |    | √  |    |    |    |
| Holding            | √  | √  | √  | √  | √  | √  | √  | √  | √  | √  | √  |
| Inc                | √  |    |    |    |    |    |    |    |    |    |    |
| International      | √  | √  | √  | √  | √  | √  | √  | √  | √  | √  | √  |
| Ltd                |    | √  |    |    |    |    |    |    |    |    |    |
| NV                 |    |    |    |    | √  |    |    |    |    |    | √  |
| Oy                 |    |    |    |    |    |    |    |    | √  |    |    |
| Plc                |    | √  |    |    |    |    |    |    |    |    |    |
| RPGB               |    |    |    |    |    |    | √  |    |    |    |    |
| SA                 |    |    |    |    |    |    | √  |    |    |    | √  |
| SpA                |    |    |    |    |    |    |    | √  |    |    |    |

After some initial data-cleaning, in a two-step process the data has as much as possible been re-coded into company names. First, the keyed establishment name is compared with the list of all establishments in the database. In case of a match, the variable MNSUBS is assigned the appropriate code. Second, in case of no match, the establishment name is checked for validity, and once passed this threshold, these names are

auto-recorded into the variable MNSUBS.

The data was collected through existing knowledge of industries and enterprises combined with recent information gathered mainly through the Internet. At the basis were industry studies carried out since 2000 by AIAS and STZ consultancy & research, notably on retail, finance, call centres, ICT, electronics manufacturing, and parts of the transport industry. This knowledge was additionally brought up-to-date through searches of company annual reports, with UNCTAD publications as a starting point, and further search actions via Google and Wikipedia. Names and ownership relations have been updated to April 1, 2008. Thus, ownership relations as of that date have been the starting point for our analyses.

## 2.2. Contents of the MNE Database

We first present an overview of the contents of the AIAS MNE Database. Table 2.4 shows the division across industries of the 412 MNEs with in total 1,045 subsidiaries and 4,204 establishments in the 12 countries involved.

Table 2.4 *MNEs, subsidiaries and establishments in the AIAS MNE Database, by industries*

|                                   | No. MNEs | No. subsidiaries | Subs: MNE | No. establishments | Establ: Subs |
|-----------------------------------|----------|------------------|-----------|--------------------|--------------|
| Metal & electronics manufacturing | 120      | 297              | 2.5       | 1,735              | 5.8          |
| Finance & call centres            | 67       | 229              | 3.4       | 759                | 3.3          |
| Transport                         | 71       | 181              | 2.5       | 634                | 3.5          |
| ICT                               | 62       | 81               | 1.3       | 437                | 5.4          |
| Retail                            | 92       | 257              | 2.8       | 639                | 2.5          |
| Total                             | 412      | 1,045            | 2.5       | 4,204              | 4.0          |

Metal and electronics manufacturing is the category best represented in our database, with 29% of all MNEs, 28% of all subsidiaries and 41% of all establishments. In two respects retail follows, with 22% of all MNEs and 25% of all subsidiaries but with only 15% of all establishments. The finance and call centre sector ranks higher than retail in terms of the share of establishments (18%), but lower considering its share in the number of MNEs (16%) and of subsidiaries (22%).

Some rough analytical divisions can be based on the database materials, concerning respectively diversification and internationalization across industries. First, the average number of subsidiaries per company (column Subs : MNE) can act as a measure for the *diversification* of MNE interests. From this angle, finance and call centres turn out to be most diversified, with on average 3.4 subsidiaries per company, followed by retail (average 2.8). With an average of 2.5, metal and electronics manufacturing and transport are on a par in this respect, and with 1.3 subsidiaries on average the ICT industry is by far least diversified.

Second, the average number of establishments per subsidiary (column Establ : Subs) can be used as a measure of the *internationalization per subsidiary* – though, as some MNEs may have subsidiaries mainly or totally focusing on specific countries, it does not, per se, indicate the extent of *internationalization per MNE*. By this yardstick, subsidiaries of metal and electronics manufacturing prove to be the most internationalized with, on average, 5.8 establishments, followed by the ICT industry (5.4 establishments). Transport, finance and call centres and retail follow at a wider distance.

## 2.3. First analysis using the MNE Database

Table 2.5 is compiled from five tables in the industry chapters. It shows vertically the home countries of the MNE establishments found in 12 countries and five industries, and horizontally the 12 host countries. The vertical axis displays 37 rows: in 10 rows the companies with a plural country origin have been grouped; besides the 27 we traced with single home countries.

The table shows that the main MNE home countries for the five industries are, in this order, the USA (760 of 4,204 establishments, 18%), Germany (616 establishments or 14.5%), France (542 or 13%), and the UK (449 or 10.5%). Together, MNEs from these four large countries represent 56% of the MNEs active in inward FDI in the 12 countries. FDI from US-based MNEs in the five industries studied is rather evenly spread across host countries, with some concentration on the UK and Germany. According to our database, German MNEs have also internationalized broadly, albeit with some concentration on the Netherlands. Nearly half of all German MNE establishments (284) can be found in metal and electronics manufacturing. The same broad internationalization process holds for UK-based MNEs, though it has to be noted in the German and UK cases our data may show some bias in favour of the Netherlands as a host country. UK MNEs in finance have a strong presence, and count for over 40% of all UK-based establishments; on the other hand, UK metal and electronics and retail MNEs have a weak presence abroad. FDI from French MNEs is more evenly spread, both across countries and industries.

Concerning the smaller home countries, the strong presence of establishments of Swedish MNEs across all host countries is remarkable (in total 312 establishments, 7.5%). Two-thirds of all Swedish establishments (215) stem from metal and electronics manufacturing. The Dutch share is also considerable, with 259 establishments (6%). This last figure may admittedly be somewhat exaggerated; our knowledge of the language, conditions, firms and industries in our home country may have created a positive bias towards the Netherlands here. After Italian MNEs (116 establishments, nearly 3%), Finnish FDI plays a substantial role

too, with 84 establishments, more than half (53) based in metal and electronics manufacturing. According to our MNE database, Spanish MNEs play a quite modest role in Europe, with slightly more establishments (46 against 43) than the Danish. Spanish FDI is mainly to be found in retail (36 establishments), The FDI of Hungarian and Polish origin with respectively 10 and 8 establishments is still quite modest.

Table 2.5 Number of MNE establishments in 12 countries in five industries, breakdown vertical by MNE home country and horizontal by host country

|                  | BE  | DK  | FI  | FR  | DE  | HU  | IT  | NL  | PL  | ES  | SW  | UK  | Tot.  |
|------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| Austria          | 0   | 0   | 0   | 1   | 6   | 0   | 1   | 2   | 1   | 0   | 0   | 1   | 12    |
| Belgium          | 40  | 3   | 3   | 7   | 5   | 9   | 3   | 11  | 5   | 2   | 3   | 5   | 96    |
| Belgium/France   | 2   | 0   | 0   | 2   | 0   | 0   | 0   | 2   | 0   | 0   | 0   | 0   | 6     |
| BE/NL            | 3   | 1   | 1   | 2   | 1   | 1   | 1   | 4   | 1   | 1   | 1   | 2   | 19    |
| BE/DE/FR/NL      | 1   | 0   | 0   | 1   | 1   | 0   | 0   | 1   | 0   | 0   | 0   | 0   | 4     |
| BE/FR/UK         | 1   | 0   | 0   | 1   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 1   | 3     |
| Canada           | 1   | 0   | 0   | 1   | 3   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 5     |
| Denmark          | 2   | 14  | 1   | 1   | 6   | 2   | 1   | 3   | 1   | 1   | 7   | 4   | 43    |
| Finland          | 5   | 7   | 14  | 5   | 9   | 5   | 5   | 7   | 5   | 4   | 10  | 8   | 84    |
| Finland/Sweden   | 0   | 0   | 1   | 0   | 1   | 0   | 0   | 1   | 0   | 0   | 1   | 1   | 5     |
| France           | 51  | 20  | 20  | 135 | 49  | 26  | 45  | 46  | 32  | 47  | 21  | 49  | 542   |
| France/Netherl.  | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 1   | 0   | 0   | 0   | 0   | 1     |
| Germany          | 44  | 37  | 32  | 50  | 131 | 39  | 48  | 61  | 49  | 43  | 41  | 49  | 616   |
| Germany/France   | 0   | 0   | 0   | 6   | 6   | 1   | 0   | 0   | 0   | 3   | 0   | 4   | 20    |
| HongKong (China) | 2   | 0   | 0   | 0   | 0   | 2   | 0   | 7   | 2   | 0   | 0   | 2   | 17    |
| Hungary          | 1   | 1   | 0   | 1   | 0   | 3   | 1   | 0   | 2   | 0   | 0   | 1   | 10    |
| India            | 4   | 2   | 2   | 7   | 6   | 1   | 2   | 7   | 4   | 2   | 3   | 8   | 49    |
| Ireland          | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 12    |
| Italy            | 8   | 7   | 6   | 14  | 10  | 7   | 25  | 9   | 6   | 10  | 6   | 8   | 116   |
| Japan            | 31  | 21  | 24  | 31  | 30  | 24  | 30  | 32  | 23  | 25  | 21  | 29  | 321   |
| Korea            | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 60    |
| Luxembourg       | 2   | 1   | 0   | 0   | 1   | 1   | 1   | 3   | 0   | 3   | 0   | 1   | 13    |
| Netherlands      | 20  | 10  | 11  | 17  | 24  | 12  | 12  | 86  | 14  | 15  | 10  | 28  | 259   |
| Norway           | 0   | 1   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 1   | 0   | 2     |
| Poland           | 0   | 0   | 0   | 1   | 1   | 2   | 0   | 0   | 3   | 0   | 0   | 1   | 8     |
| Portugal         | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 1   | 0   | 0   | 0   | 1     |
| Slovakia         | 0   | 1   | 0   | 0   | 0   | 1   | 0   | 0   | 1   | 0   | 0   | 1   | 4     |
| Spain            | 4   | 2   | 2   | 3   | 3   | 2   | 2   | 5   | 3   | 13  | 2   | 4   | 46    |
| Sweden           | 24  | 24  | 26  | 25  | 25  | 20  | 20  | 22  | 22  | 23  | 47  | 24  | 312   |
| Sweden/Norway    | 1   | 2   | 1   | 0   | 1   | 0   | 0   | 1   | 1   | 0   | 3   | 1   | 11    |
| Sweden/ Switz.   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 4   | 48    |
| Switzerland      | 8   | 1   | 2   | 8   | 14  | 3   | 7   | 5   | 2   | 5   | 1   | 7   | 63    |
| Taiwan           | 0   | 1   | 0   | 1   | 1   | 0   | 1   | 1   | 0   | 1   | 0   | 1   | 7     |
| Turkey           | 0   | 0   | 0   | 0   | 1   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 1     |
| United Kingdom   | 32  | 23  | 21  | 34  | 38  | 27  | 27  | 45  | 27  | 32  | 25  | 109 | 449   |
| UK/Turkey        | 0   | 0   | 0   | 0   | 2   | 0   | 0   | 0   | 0   | 0   | 0   | 3   | 5     |
| USA              | 65  | 56  | 53  | 64  | 78  | 46  | 64  | 62  | 53  | 70  | 68  | 80  | 760   |
| Total            | 388 | 251 | 231 | 447 | 487 | 242 | 317 | 504 | 271 | 328 | 285 | 453 | 4,204 |

According to our database, 1,285 (30.5%) of all MNE establishments in the 12 countries are owned by MNEs from outside the European Union. Apart from the USA they are most notably from Japan (321 establishments or 8%), and to a lesser extent from Switzerland (63 establishments, if one includes those of

a Swedish-Swiss firm even 111), Korea (60), India (49) and HongKong/China (17). This ‘outside EU’ share is by far largest in metal and electronics manufacturing (46%), followed by the ICT sector (30%), while the shares are nearly the same for finance and call centres (17.5%), retail (17%), and transport (16%). A small amount of establishments (42, or 1%) are owned by firms from EU member states not belonging to the 12 under study: 13 from investors from Luxembourg, 12 from both Austria and Ireland, four from Slovakia and one from Portugal.

Table 2.5 also shows that the largest numbers of MNE establishments in the database (504 or 12%) are located in the Netherlands as host country, even more than establishments in the large countries Germany (487 or 11.5%), UK (453, 11%) and France (447, 11%). Again, here we have to acknowledge a certain positive bias towards the Netherlands. The same mechanism may have played a role in building the Belgian --notably the Flemish-- part of the database: as a home country, Belgium is represented by 388 establishments (9%), somewhat more than larger economies such as Spain (328, 8%) and Italy (317, 7.5%).

Next to the establishment level, analyzing the composition of FDI at firm level proves to be fruitful. We traced for the five industries the largest and, in the 12 countries at stake, most internationalized MNEs. We combined both yardsticks. As the yardstick for ‘largest’ we used the ranking of their total sales over 2007 and as the yardstick for ‘most internationalized’ whether they had direct investments in at least three of 12 countries. Sales data was derived from the top 50 overviews according to worldwide sales ranking that we composed for each industry.

We ranked the largest firms according to sales with investments in at least three countries until we reached 50 firms. As a result of the use of the “most internationalized’ criterion, some of the world’s largest MNEs are missing here. For example, by March 2008 in the 12 countries US-based retail giant Wal-Mart, currently the world’s largest profit-making company and employer (2,100,000 employees by the end of 2007) had only invested in the UK, in its Asda subsidiary. Thus, we did not include Wal-Mart. Moreover, it is striking that, of the 23 US-based retailers among the retail top 50 list (according to 2007 worldwide sales) only two turn out to have activities in at least three of the 12 countries studied. By April 2008 only 21 of world’s 50 largest companies in retail according to 2007 sales had invested in three of 12 countries (42%).

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In transport and telecom, with 20 of the world's 50 largest this share (40%) was even lower. Whilst in the finance and call centre industry, just 26 of the world's 50 largest banks and insurance companies had substantial interests in at least three of 'our' 12 countries (52%). (In 2007, no companies with mainly call centre interests had sales ranking them among the world top 50 in finance). By contrast, in March 2008 the world's largest 50 firms in 2007 in metal and electronics manufacturing were all active in three of these countries – be it partly under other names or as other legal entities. As a result of mergers, acquisitions and dissolutions in the intervening period 37 of these firms (74%) had by then invested in combinations of manufacturing, sales, services, and warehousing in at least three countries. Though not fully comparable because of the smaller top companies sample, ICT seemed to take a position in between: by March 2008 13 of the world's 20 largest ICT companies in 2007 (65%) had direct investments in at least three of the 12 countries.

In metal and electronics, retail and transport and telecom we found 50 MNEs investing in three or more of the 12 countries; however, in the finance and call centre industry we found only 38 firms with investments in three or more countries, and in ICT 40 firms. Out of the total 228 large and internationalized MNEs in the five industries, 160 were based in the 12 countries under study, and 68 (30%) were based outside; none of the latter category of MNEs was based in any other EU member states outside of the 12 under scrutiny here.

The largest share of MNEs in the category from outside the EU was clearly found in metal and electronics manufacturing: 32 of 50 (64%) firms. ICT ranked second, with 12 MNEs in this category (30% of 40 firms), followed by finance and call centres (8 of 38, 21%). By contrast, for both the retail industry and for transport and telecom the database included 8 MNEs from outside the EU among the 50 largest and most internationalized (in both cases 16%). Comparison of these companies to those concerning establishments owned by 'outside EU' MNEs shows that both rankings are quite similar.

We continue by investigating concentration within the ranks of the MNEs. First, we go into the shares of the largest and most internationalized 50 (respectively 38 and 40) MNEs in the number of total MNE establishments, by industry and host country. Table 2.6 shows the results of our exercise.



Table 2.6 Number of establishments of the largest and most internationalized EU-based MNEs in 12 countries and five industries, breakdown vertical by industry and horizontal by host country

|                        |                  | BE  | DK  | FI  | FR  | DE  | HU  | IT  | NL  | PL  | ES  | SW  | UK  | Tot  |
|------------------------|------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
| <b>Met&amp; Electr</b> | No. comp/home    | 0   | 0   | 1   | 3   | 6   | 0   | 1   | 2   | 0   | 0   | 4   | 1   | 18   |
|                        | 50 / establishm. | 79  | 72  | 74  | 81  | 85  | 74  | 76  | 80  | 75  | 76  | 75  | 81  | 928  |
|                        | Tot. establishm. | 146 | 112 | 118 | 174 | 206 | 111 | 139 | 160 | 120 | 136 | 142 | 171 | 1735 |
|                        | Share 50 / est.  | 54  | 64  | 63  | 47  | 41  | 67  | 55  | 50  | 63  | 56  | 53  | 47  | 54   |
| <b>Retail</b>          | No. comp/home    | 1   | 1   | 0   | 11  | 15  | 0   | 1   | 3   | 0   | 2   | 2   | 6   | 42   |
|                        | 50 / establishm. | 45  | 31  | 20  | 48  | 52  | 35  | 33  | 53  | 39  | 35  | 27  | 39  | 457  |
|                        | Tot. establishm. | 72  | 33  | 22  | 76  | 76  | 40  | 41  | 100 | 48  | 48  | 32  | 51  | 639  |
|                        | Share 50 / est.  | 63  | 94  | 91  | 63  | 68  | 88  | 80  | 53  | 81  | 73  | 84  | 76  | 72   |
| <b>Fin &amp; CCs</b>   | No. comp/home    | 3   | 1   | 0   | 5   | 3   | 0   | 2   | 4   | 0   | 3   | 2   | 7   | 30   |
|                        | 38 / establishm. | 52  | 26  | 27  | 53  | 59  | 30  | 42  | 67  | 35  | 51  | 33  | 65  | 540  |
|                        | Tot. establishm. | 76  | 35  | 38  | 81  | 86  | 40  | 56  | 96  | 44  | 65  | 42  | 100 | 759  |
|                        | Share 38 / est.  | 68  | 74  | 71  | 65  | 69  | 75  | 75  | 70  | 80  | 78  | 79  | 65  | 71   |
| <b>ICT</b>             | No. comp/home    | 1   | 1   | 3   | 9   | 4   | 0   | 0   | 3   | 0   | 0   | 1   | 6   | 28   |
|                        | 40 / establishm. | 34  | 27  | 23  | 38  | 39  | 17  | 29  | 30  | 20  | 30  | 22  | 40  | 349  |
|                        | Tot. establishm. | 42  | 29  | 25  | 45  | 52  | 20  | 34  | 50  | 22  | 35  | 29  | 54  | 437  |
|                        | Share 40 / est.  | 81  | 93  | 92  | 84  | 75  | 85  | 85  | 60  | 91  | 86  | 76  | 74  | 80   |
| <b>Trans &amp; Tel</b> | No. comp/home    | 1   | 1   | 1   | 10  | 6   | 0   | 3   | 4   | 1   | 2   | 4   | 9   | 42   |
|                        | 50 / establishm. | 40  | 33  | 24  | 54  | 52  | 30  | 36  | 72  | 32  | 35  | 33  | 60  | 501  |
|                        | Tot. establishm. | 52  | 42  | 28  | 71  | 67  | 36  | 47  | 93  | 38  | 44  | 40  | 76  | 634  |
|                        | Share 50 / est.  | 77  | 79  | 86  | 76  | 78  | 83  | 77  | 77  | 84  | 80  | 83  | 79  | 79   |
| <b>TOTAL</b>           | No. comp/home    | 6   | 4   | 5   | 38  | 34  | 0   | 7   | 16  | 1   | 7   | 13  | 29  | 160  |
|                        | 228 / estab.m.   | 250 | 189 | 168 | 274 | 287 | 186 | 216 | 302 | 201 | 227 | 205 | 285 | 2790 |
|                        | Tot. establishm. | 388 | 251 | 231 | 447 | 479 | 247 | 317 | 499 | 272 | 328 | 285 | 452 | 4204 |
|                        | Share 228/ est.  | 64  | 75  | 73  | 61  | 60  | 75  | 68  | 61  | 74  | 69  | 72  | 63  | 66   |

The table reveals interesting information about national market structures, notably about the relationship between the large and most internationalized MNEs and their smaller competitors. It shows that the largest, most internationalized MNEs control a considerable share of all MNE establishments; from 54% in metal and electronics to 79% in transport and telecom and 80% in ICT. These figures suggest that in most countries there is some room for competition and diversification of interests particularly in the metal and electronics trade. Six countries turn out to have above-average concentration outcomes for four or five industries: Hungary and Poland for all five, Denmark, Finland, Italy and Spain for four industries. For the first two countries, this seems to be yet more proof that large MNEs have gained strong positions in CEECs. For Finland and Denmark, with their small national markets, the outcome may not be surprising as these markets simply may not leave room for many competitors. In all four countries the largest MNEs, besides their advantages of technology, scale and marketing, may have also had the advantage of early market entry. Although the dominance of large MNEs in Italy and Spain seems more striking, these two country results need cautious treatment, as the Italian and Spanish parts of our MNE database may contain relatively few establishments of smaller MNEs.

For a second view on concentration within the MNE ranks, we zoom out to the world's 50 largest firms in the four industries for which we compiled such rankings. We calculated the shares of the largest 20 companies in both sales and employment<sup>8</sup> figures of the world's top 50: see Table 2.7.

*Table 2.7 50 largest MNEs, total sales in USD mln and employment, and top-20 shares, 2007*

|                              | sales     | Share top-20 | employment | Share top-20 |
|------------------------------|-----------|--------------|------------|--------------|
| <b>Metal&amp;electronics</b> | 3,241,362 | 68%          | 7,917,802  | 62%          |
| <b>Retail</b>                | 2,366,880 | 70%          | 9,402,273  | 71%          |
| <b>Finance &amp; CCs</b>     | 3,844,550 | 59%          | 4,770,438  | 56%          |
| <b>Transport &amp; telec</b> | 1,628,640 | 70%          | 4,923,996  | 67%          |

Within the top 50 ranking, retail and transport and telecom especially prove to be heavily concentrated, with the top 20 firms twice taking 70% of total sales and respectively 71% and 56% of total employment. Metal and electronics manufacturing is third in this respect, followed on by finance and call centres but even here the top 20 firms accounted for 59% of sales and 56% of employment.

<sup>8</sup> The employment figures, also those in Table 2.9, are just rough estimates. The available sources leave a lot to be desired whether employment at firm level is measured in FTEs or head-counts. The ICT industry is not included as we only gathered information on the 20 largest MNEs in this industry.

## 2.4. The respondents

Analyses of wages have been performed for 55,111 respondents, divided across countries and industries as shown in Table 2.8. It should be noted in the wage tables presented below only cells with more than eight respondents are included.

Table 2.8 Number of observations by country and industry, 2007 – 1st half 2008

|  | BE    | FI    | DE     | NL     | PL    | ES    | UK    | Total  | Percent |
|--|-------|-------|--------|--------|-------|-------|-------|--------|---------|
| <b>Metal &amp; electronics manufacturing</b> | 1,167 | 952   | 7,041  | 5,383  | 314   | 541   | 1,000 | 16,398 | 29.8%   |
| <b>Retail</b>                                | 832   | 438   | 2,307  | 4,917  | 307   | 804   | 1,163 | 10,768 | 19.5%   |
| <b>Finance &amp; call centres</b>            | 828   | 207   | 1,581  | 3,626  | 559   | 413   | 1,304 | 8,518  | 15.5%   |
| <b>ICT</b>                                   | 1,214 | 694   | 1,393  | 3,292  | 588   | 1,329 | 1,034 | 9,544  | 17.3%   |
| <b>Transport and telecom</b>                 | 855   | 518   | 2,186  | 4,485  | 284   | 605   | 950   | 9,883  | 17.9%   |
| <b>Total</b>                                 | 4,896 | 2,809 | 14,508 | 21,703 | 2,052 | 3,692 | 5,451 | 55,111 | 100.0%  |
| <b>Percentage</b>                            | 8.9%  | 5.1%  | 26.3%  | 39.4%  | 3.7%  | 6.7%  | 9.9%  | 100.0% |         |

Table 2.9 presents an overview by country and industry of the percentages of respondents who identified themselves as working for a MNE. Some 41% of all respondents did so, a substantial share. The same results were observable at country level when we weight the data indicating that 59% of respondents worked for a domestic firm.

Table 2.9 Percentage of workers in MNEs in total respondents by country and industry

|  | BE | FI | DE | NL | PL | ES | UK | Ind. aver. (unw.) |
|--|----|----|----|----|----|----|----|-------------------|
| <b>Metal &amp; electronics manufacturing</b> | 65 | 46 | 56 | 48 | 49 | 44 | 54 | 52                |
| <b>Retail</b>                                | 33 | 21 | 31 | 24 | 32 | 27 | 35 | 29                |
| <b>Finance &amp; call centres</b>            | 46 | 27 | 39 | 47 | 39 | 33 | 43 | 39                |
| <b>ICT</b>                                   | 47 | 45 | 37 | 45 | 35 | 42 | 47 | 43                |
| <b>Transport and telecom</b>                 | 49 | 38 | 45 | 42 | 30 | 33 | 43 | 40                |
| <b>Country average (unweighted)</b>          | 49 | 36 | 42 | 41 | 37 | 36 | 44 | 41                |

Across industries, metals and electronics manufacturing show the largest shares of workers in MNE establishments, both overall (52% as an unweighted average) and in all seven countries. The largest share here as well as across industries can be found in Belgium (65%). The ICT industry shows up with the second largest share (43%), followed by transport (40%), finance and call centres (39%), with retailing (29%) bring-

ing up the rear. The Finnish share of 21% MNE workers in retail is the lowest we found.

For three of seven countries we could also trace the share of those respondents who worked in a foreign firm. For Belgium this share is by far the highest, with an unweighted average for the five industries of 87%; against 59% for Spain and 55% for the Netherlands. Based on these figures, 42% of all the Belgian respondents work for foreign MNEs, with Belgium as host country, and only 7% in home country MNEs; this compares with 21% and 15% respectively for Spain, and 23% and 18% for the Netherlands.



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## 3. A comparative analysis

### 3.1. Introduction

In this chapter, we provide an overview of the main findings of the WIBAR survey. Aggregated data are used to compare and contrast key social outcomes of FDI in the five industries and seven countries we studied. We compare between MNE and non-MNE or domestic firms concerning wages, job quality and working conditions, including the experience of restructuring and change at the level of the workplace, working hours, training, and workplace industrial relations. We return to the debate on the wage differentials between MNEs and domestic firms that we detailed in Chapter 1, and based on our findings, expand this into a more nuanced picture of ‘working in a MNE’. We argue that our evidence paints a picture that includes heightened threats of reorganization at workplace level and job insecurity, a less favourable record of MNEs as a category with respect to working hours and overtime compensation, and wage pressure in some countries exercised by MNEs in low-wage industries. These threats may increasingly counteract the ‘classical’ advantages of working in a MNE over a domestic firm in the fields of wages, training and internal promotion. It will be fascinating to watch in the years to come how the confrontation between advantages and disadvantages will shape the labour market position and reputation in society of MNEs versus domestic business in the EU countries – on the one hand under pressure from the obviously growing potential for workers’ representation and the quest for corporate social responsibility, and on the other hand the international mobility of capital that is likely to continue to escape largely from political, in particular supranational, controls.

### 3.2. Wages compared

#### 3.2.1. Comparison of wage levels

Table 3.1a presents an overview of the outcomes of our web-survey for MNEs versus domestic firms of gross median hourly wages, for the five industries and seven countries. The outcomes depict the variations between national hourly wage levels. Looking at the five sectors in our survey it can be seen that the highest median gross hourly wages in MNEs were, on average, paid in finance and call centres (the unweighted average for seven countries was Euro 16.73), followed by the ICT sector (average Euro 16.50)

and metal and electronics manufacturing (Euro 14.99), with transport and telecom (Euro 12.59) and retail, especially, at the low end of the spectrum (Euro 10.33). The rank order of wages by industries in domestic firms was somewhat different. Here, ICT took the lead (unweighted average Euro 13.36) followed by finance and call centres (Euro 12.46 Euros), but metal and electronics manufacturing (Euro 12.01), transport and telecom (Euro 11.45), and retail (Euro 9.31) all showed the same rank order as for MNEs.

Across the seven countries, the highest hourly wages were paid, on average, in Germany (unweighted average for five industries: Euro 16.13), followed by the UK (Euro 15.47), Belgium, the Netherlands and Finland all of whom were quite close, with average wages of Euro 14.92, Euro 14.46 and Euro 14.36 respectively. The Spanish average wage was significantly lower at Euro 8.42. Average wages were, as may have been expected, by far lowest in Poland at Euro 5.11. The rank ordering of MNE wages across countries remained the same, with Germany on top (Euro 18.74), followed by the UK (Euro 16.82), Belgium (Euro 16.00), the Netherlands (Euro 15.49), Finland (Euro 15.34), Spain (Euro 9.55) and Poland (Euro 6.42). The same held for the ranking of wages in domestic firms. Here the averages for the Northwestern European countries were similar, ranging from Euro 14.35 for Germany, through Euro 14.11 for the UK, Euro 13.81 for Belgium, Euro 13.75 for the Netherlands, to Euro 13.71 for Finland. By contrast, the domestic firm average wage for Spain was Euro 7.75, and that for Poland Euro 4.66.

The standard deviations calculated as a measure for the dispersion of wages within countries and industries, showed striking resemblances. In all ten cases we found for both MNEs and non-MNEs relatively high standard deviations for the UK, in nine cases for Belgium and Spain, and in eight cases for Poland, The exceptions were lower standard deviations for MNEs in Belgian and Polish ICT, for the Spanish domestic finance and call centre industry and for the Polish domestic transport industry. By contrast, for Finland, Germany and the Netherlands we came across relatively low standard deviations, and thus lower wage dispersion. The only exception across industries was retailing; here, also standard deviations were considerable for both German and Dutch MNEs and domestic firms, but only for MNEs in Finland (with the exception of Finnish domestic retailing). This division of wage dispersion was only partially consistent with the overall income inequality in this seven countries' group. Measured in the mid-2000s through the Gini coefficient, the UK indeed showed a more unequal income distribution than the other countries, but the Gini ratios for Spain and Poland were about equal the ratio for the Netherlands, whereas Belgium according to this yard-

stick had the lowest income inequality (UNDP, 2007, Table 15)<sup>9</sup>.

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9 Along another yardstick, indicating only wage inequality and measuring the distance in wages between the top 10% of workers (D9) and the 10% at the bottom of the distribution (D1), thus  $D9/D1$ , and using 2001-2006 data, UK was still the country with the largest inequality, followed by Spain, with Germany, the Netherlands and Belgium mutually close, and Finland least unequal. No figures were available for Poland (ILO, 2010, Table SA3). Yet, the conclusion in our text holds.



Table 3.1a Median gross hourly wages in Euros by country and industry

|                                   | BE    | FI    | DE    | NL    | PL   | ES    | UK    |
|-----------------------------------|-------|-------|-------|-------|------|-------|-------|
| <b>Metal &amp; electronics</b>    |       |       |       |       |      |       |       |
| MNE                               | 16.37 | 16.01 | 20.48 | 17.61 | 6.47 | 10.55 | 17.46 |
| No MNE                            | 14.18 | 14.43 | 15.06 | 14.02 | 4.24 | 8.07  | 14.08 |
| Total                             | 15.54 | 15.12 | 17.98 | 15.40 | 5.01 | 8.88  | 16.09 |
| <b>Retail</b>                     |       |       |       |       |      |       |       |
| MNE                               | 12.81 | 13.20 | 12.32 | 10.40 | 4.85 | 6.07  | 12.66 |
| No MNE                            | 12.09 | 13.23 | 10.00 | 10.03 | 3.70 | 5.39  | 10.75 |
| Total                             | 12.60 | 13.22 | 10.78 | 10.16 | 3.90 | 5.55  | 11.53 |
| <b>Finance &amp; call centres</b> |       |       |       |       |      |       |       |
| MNE                               | 19.11 | 15.01 | 23.09 | 17.49 | 6.35 | 12.19 | 17.54 |
| No MNE                            | 14.04 | 12.68 | 18.00 | 14.88 | 4.85 | 9.12  | 14.20 |
| Total                             | 16.23 | 13.25 | 20.02 | 16.14 | 5.34 | 10.39 | 15.96 |
| <b>ICT</b>                        |       |       |       |       |      |       |       |
| MNE                               | 17.28 | 18.67 | 20.65 | 18.60 | 8.66 | 10.39 | 21.28 |
| No MNE                            | 14.34 | 15.40 | 15.64 | 17.32 | 6.06 | 8.66  | 16.11 |
| Total                             | 15.80 | 16.98 | 17.32 | 17.78 | 6.50 | 9.24  | 18.48 |
| <b>Transport &amp; telecom</b>    |       |       |       |       |      |       |       |
| MNE                               | 14.43 | 13.68 | 17.18 | 13.36 | 5.77 | 8.54  | 15.20 |
| No MNE                            | 14.41 | 12.82 | 13.03 | 12.50 | 4.46 | 7.53  | 15.43 |
| Total                             | 14.43 | 13.21 | 14.56 | 12.83 | 4.79 | 8.04  | 15.29 |

Table 3.1b shows the ranking of wages by industry and country, using unweighted averages (=100) *per column* (=country). Regarding the five industries, Belgium and Finland showed by far the flattest wage structures by industry *and* within the MNE and domestic firm ranks, recorded differences between the best and the worst paying industries of about 30%. Poland, by industry, had the most dispersed wage structure, with an overall difference of 57%, closely followed by Spain (56%). It was striking that, while the wage index for Polish MNEs in ICT was 169, the same figure for domestic retail in Poland stood at just 64. Within the MNE ranks, the largest wage difference could be traced to Spain, but within the ranks of the domestic firms the largest difference showed up in the Netherlands.

Looking at MNEs we can see that the ICT sector was the top payer in four countries: Finland, the Netherlands, Poland (very clearly!), and the UK. Finance and call centres took the lead in Belgium and Germany, and were in second position in the UK, but only third in Finland, the Netherlands and Poland. In these three countries metal and electronics manufacturing ranked second. Compared with the ranking for MNE wages, wages in domestic firms showed some remarkable differences. For example, in Belgium transport and telecom got the highest ranking, and finance and call centres were ranked only fourth. In Finland the finance and call centre industry was ranked lowest, even lower than transport and telecom and retail. Among the British domestic sectors, transport and telecom ranked second and metal and electronics manufacturing

only fourth. In Germany, the industry rankings were exactly the same for MNEs and domestic firms, while in the Netherlands, Poland and Spain they showed only minor differences.

Table 3.1b Median gross hourly wages by country and industry, unweighted average per column (total) = 100

|                                   | BE  | FI  | DE  | NL  | PL  | ES  | UK  |
|-----------------------------------|-----|-----|-----|-----|-----|-----|-----|
| <b>Metal &amp; electronics</b>    |     |     |     |     |     |     |     |
| MNE                               | 110 | 111 | 127 | 122 | 127 | 125 | 113 |
| No MNE                            | 95  | 100 | 93  | 97  | 83  | 96  | 91  |
| <b>Retail</b>                     |     |     |     |     |     |     |     |
| MNE                               | 86  | 92  | 76  | 72  | 95  | 72  | 82  |
| No MNE                            | 81  | 92  | 67  | 69  | 72  | 64  | 69  |
| <b>Finance &amp; call centres</b> |     |     |     |     |     |     |     |
| MNE                               | 117 | 105 | 143 | 121 | 124 | 145 | 113 |
| No MNE                            | 94  | 88  | 112 | 103 | 95  | 108 | 92  |
| <b>ICT</b>                        |     |     |     |     |     |     |     |
| MNE                               | 116 | 130 | 128 | 129 | 169 | 123 | 138 |
| No MNE                            | 96  | 107 | 97  | 120 | 119 | 103 | 104 |
| <b>Transport &amp; telecom</b>    |     |     |     |     |     |     |     |
| MNE                               | 97  | 95  | 107 | 92  | 113 | 101 | 98  |
| No MNE                            | 97  | 89  | 81  | 86  | 87  | 89  | 100 |

Table 3.1c shows the ranking of wages for MNEs and non-MNEs (unweighted averages (=100) *per row* (=industry / MNE and non-MNE) by industries for the countries studied. We have to emphasize that this wage comparison does not by any means imply a purchasing power comparison. For MNEs, in three industries: metal and electronics manufacturing, finance and call centres, and transport and telecom we can see that the highest median hourly wages were paid in Germany. The UK had the highest hourly wages in ICT and retail. Among the median wages paid by the non-MNEs, German wages again ranked top in metal and electronics manufacturing as well as in finance and call centres, but in transport and telecom UK wages were the highest. In the ICT sector Dutch domestic firms showed the highest wages and in retail this was clearly the case for Finnish domestic firms. In all the rankings shown in this table Spanish and Polish wages ended up in sixth and seventh position.

Table 3.1c Median gross hourly wages by country and industry, unweighted average per row = 100

|                                   | BE  | FI  | DE  | NL  | PL | ES | UK  |
|-----------------------------------|-----|-----|-----|-----|----|----|-----|
| <b>Metal &amp; electronics</b>    |     |     |     |     |    |    |     |
| MNE                               | 109 | 107 | 137 | 117 | 43 | 70 | 116 |
| No MNE                            | 118 | 120 | 126 | 117 | 35 | 67 | 117 |
| <b>Retail</b>                     |     |     |     |     |    |    |     |
| MNE                               | 124 | 128 | 119 | 101 | 47 | 59 | 123 |
| No MNE                            | 130 | 142 | 107 | 108 | 40 | 58 | 115 |
| <b>Finance &amp; call centres</b> |     |     |     |     |    |    |     |
| MNE                               | 121 | 95  | 146 | 110 | 40 | 77 | 111 |
| No MNE                            | 112 | 101 | 144 | 119 | 39 | 73 | 113 |
| <b>ICT</b>                        |     |     |     |     |    |    |     |
| MNE                               | 105 | 113 | 125 | 113 | 52 | 63 | 129 |
| No MNE                            | 108 | 115 | 117 | 130 | 45 | 65 | 121 |
| <b>Transport &amp; telecom</b>    |     |     |     |     |    |    |     |
| MNE                               | 115 | 109 | 136 | 106 | 46 | 68 | 121 |
| No MNE                            | 126 | 102 | 103 | 99  | 39 | 66 | 135 |

Table 3.1d provides further analysis of the levels of wages paid in MNEs and non-MNEs, showing in particular the differences between median gross hourly wages paid expressed as a percentage of the MNE wage. The data shows that MNEs paid a wage premium over domestic firms nearly everywhere in our study. The only two exceptions were Finnish retail, where median wages in domestic firms were 0.3% higher than in MNEs, and UK transport and telecom, where domestic firms paid 1.5% more. Across the five industries and seven countries researched the wage premium was highest in metal and electronics manufacturing (an unweighted average of 21.1%), closely followed by finance and call centres (21.0%) and by the ICT industry (19.5%). The retail industry wage premium was lower at 11.1%, and the premium was lowest in transport and telecom at 9.9%. Thus, the MNE wage premium was considerably smaller in the two low-wage industries. Again, using unweighted averages, Poland showed the largest country differences between MNE and non-MNE wages (26.8%), followed by Germany (23.2%). Three countries, Spain (17.7%), the UK (15.3%) and Belgium (12.5%), made up a middle group, and wage premia were on average the smallest in the Netherlands (10.4%) and Finland (9.5%). The largest wage differentials per country and industry were found in Polish metal and electronics manufacturing (34.5%), followed by ICT in Poland (30.0%), metal and electronics in Germany and finance and call centres in Belgium both at 26.5%.

Table 3.1d Differences between median gross hourly wages in MNEs and non-MNEs, by country and industry

|                        | BE    | FI    | DE    | NL    | PL    | ES    | UK    | Ind. aver. (unw.) |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-------------------|
| Metal & electronics    | 13.4% | 9.9%  | 26.5% | 20.4% | 34.5% | 23.5% | 19.4% | 21.1%             |
| Retail                 | 5.6%  | -0.3% | 18.8% | 3.5%  | 23.7% | 11.2% | 15.1% | 11.1%             |
| Finance & call centres | 26.5% | 15.5% | 22.0% | 14.9% | 23.6% | 25.2% | 19.0% | 21.0%             |
| ICT                    | 17.0% | 17.5% | 24.3% | 6.9%  | 30.0% | 16.7% | 24.3% | 19.5%             |
| Transport & telecom    | 0.1%  | 6.1%  | 24.2% | 6.4%  | 22.0% | 11.8% | -1.5% | 9.9%              |
| Country average (unw.) | 12.5% | 9.7%  | 23.2% | 10.4% | 26.8% | 17.7% | 15.3% | 16.5%             |

Taking establishment size into account, the wage premium in MNEs was still more or less dominant but to a lesser extent. Table 3.1e shows the wage differences for the three size categories we used. In 77 of 98 possible cases (there are seven empty cells), median gross hourly wages were larger in MNEs while in 21 cases they were larger in non-MNEs. Most exceptions from the ‘MNE premium rule’ could be found in the medium-sized category (ten), followed by the large establishments with eight and the small establishment category with only three exceptions. As for countries, Germany did not reveal any exceptions from the ‘MNE premium rule’, the Netherlands and Poland showed two exceptions, Spain three, the UK and Belgium four (but Belgium from 11 instead of 15 cases), leaving Finland on top with six exceptions.

Table 3.1 e Differences between median gross hourly wages of workers in MNE and non-MNE firms, by country, industry and firm size

|                                   |              | BE     | FI     | DE    | NL    | PL     | ES     | UK     |
|-----------------------------------|--------------|--------|--------|-------|-------|--------|--------|--------|
| <b>Metal &amp; electronics</b>    |              |        |        |       |       |        |        |        |
| Difference MNE-non-MNE            | < 100 empl   | 13.2%  | 11.2%  | 19.3% | 12.6% | 22.4%  | 12.9%  | 19.3%  |
| Difference MNE-non-MNE            | 100-500 empl | 0.5%   | 5.0%   | 7.7%  | 5.5%  | 37.5%  | 20.8%  | 7.7%   |
| Difference MNE-non-MNE            | > 500 empl   | -      | -11.6% | 9.4%  | 23.6% | 20.0%  | 28.1%  | 9.1%   |
| <b>Retail</b>                     |              |        |        |       |       |        |        |        |
| Difference MNE-non-MNE            | < 100 empl   | 5.2%   | -7.6%  | 14.6% | 0.5%  | 20.8%  | 4.9%   | 15.4%  |
| Difference MNE-non-MNE            | 100-500 empl | -0.2%  | 7.0%   | 11.7% | 11.8% | 8.1%   | 35.9%  | -4.0%  |
| Difference MNE-non-MNE            | > 500 empl   | -      | -      | 20.2% | -2.2% | -      | -      | 0.3%   |
| <b>Finance &amp; call centres</b> |              |        |        |       |       |        |        |        |
| Difference MNE-non-MNE            | < 100 empl   | 11.6%  | 8.7%   | 18.0% | 14.6% | 28.6%  | 29.5%  | -0.3%  |
| Difference MNE-non-MNE            | 100-500 empl | -      | -3.4%  | 11.6% | 5.5%  | -10.1% | -3.6%  | 8.1%   |
| Difference MNE-non-MNE            | > 500 empl   | -15.4% | 37.1%  | 19.5% | 6.3%  | 4.4%   | 20.5%  | 17.2%  |
| <b>ICT</b>                        |              |        |        |       |       |        |        |        |
| Difference MNE-non-MNE            | < 100 empl   | 11.6%  | 8.7%   | 18.0% | 14.6% | 28.6%  | 29.5%  | -0.3%  |
| Difference MNE-non-MNE            | 100-500 empl | -      | -3.4%  | 11.6% | 5.5%  | -10.1% | -3.6%  | 8.1%   |
| Difference MNE-non-MNE            | > 500 empl   | -15.4% | 37.1%  | 19.5% | 6.3%  | 4.4%   | 20.5%  | 17.2%  |
| <b>Transport &amp; telecom</b>    |              |        |        |       |       |        |        |        |
| Difference MNE-non-MNE            | < 100 empl   | 0.1%   | 8.3%   | 25.1% | 4.8%  | 29.2%  | 26.0%  | 15.4%  |
| Difference MNE-non-MNE            | 100-500 empl | 3.1%   | -7.3%  | 10.4% | 8.0%  | 2.2%   | 5.5%   | -13.6% |
| Difference MNE-non-MNE            | > 500 empl   | -3.5%  | -14.7% | 21.7% | -0.2% | 35.1%  | -25.2% | -13.0% |

As for industries, most exceptions (seven) were found in transport and telecom, among which were some notable examples, for instance, a 25% wage gap in favour of Spanish domestic firms with 500 or more employees. The ICT sector exhibited five exceptions, finance and call centers and retail both four. Metal and electronics manufacturing showed the most consistent picture in favour of MNE wages, with only one exception to the rule.

We devoted special attention to the gender pay gap, defined as the difference between the median male and female gross hourly wages expressed as a percentage of the median male wage. Table 3.1f shows that in 22 of 35 cases the gender pay gap was larger in MNEs than in domestic companies. In one case there was no difference and in 12 cases the wage position of women in domestic firms was more disadvantaged. This was particularly true for finance and call centres, in four of seven countries, and in the ICT industry and the transport and telecom sectors, both in three of our seven countries. At the country level the smaller gender pay gap in domestic firms showed in three of the five industries, for two industries in Finland and Poland, and in one each for the Netherlands and the UK. In Spain, by contrast, MNEs showed a consistently larger gap.

*Table 3.1f Differences between median gross hourly wages of male and female workers in MNE and non-MNE firms, by country and industry*

|                                |                     | BE     | FI    | DE    | NL    | PL     | ES    | UK    |
|--------------------------------|---------------------|--------|-------|-------|-------|--------|-------|-------|
| <b>Metal &amp; electronics</b> |                     |        |       |       |       |        |       |       |
| MNE                            | difference m-f      | 18.3%  | 17.8% | 14.3% | 19.4% | 8.9%   | 30.5% | 23.2% |
| No MNE                         | difference m-f      | 6.6%   | 8.0%  | 16.7% | 19.4% | 1.2%   | 19.6% | 20.3% |
|                                | Difference in %-pts | 11.7%  | 9.8%  | -2.4% | 0.0%  | 7.7%   | 10.9% | 2.9%  |
| <b>Retail</b>                  |                     |        |       |       |       |        |       |       |
| MNE                            | difference m-f      | 1.1%   | 12.7% | 16.1% | 22.2% | 36.0%  | 17.6% | 23.8% |
| No MNE                         | difference m-f      | 12.6%  | -0.9% | 14.8% | 15.4% | 29.7%  | 8.6%  | 13.8% |
|                                | Difference in %-pts | -11.5% | 13.6% | 1.3%  | 6.8%  | 6.3%   | 9.0%  | 10.0% |
| <b>Finance &amp; call c.</b>   |                     |        |       |       |       |        |       |       |
| MNE                            | difference m-f      | 33.7%  | 29.1% | 18.4% | 25.3% | 10.9%  | 34.6% | 16.4% |
| No MNE                         | difference m-f      | 27.2%  | 10.5% | 23.8% | 30.6% | 25.0%  | 31.6% | 17.0% |
|                                | Difference in %-pts | 6.5%   | 18.6% | -5.4% | -5.3% | -14.1% | 3.0%  | -0.6% |
| <b>ICT</b>                     |                     |        |       |       |       |        |       |       |
| MNE                            | difference m-f      | -11.1% | 8.8%  | 14.4% | 17.7% | 36.5%  | 24.5% | 22.4% |
| No MNE                         | difference m-f      | 2.9%   | 10.7% | 22.4% | 17.1% | 33.3%  | 15.7% | 8.5%  |
|                                | Difference in %-pts | -14.0% | -1.9% | -8.0% | 0.6%  | 3.2%   | 8.8%  | 13.9% |
| <b>Transport &amp; telec.</b>  |                     |        |       |       |       |        |       |       |
| MNE                            | difference m-f      | 12.3%  | 3.5%  | 2.7%  | 15.2% | -3.5%  | 23.7% | 8.3%  |
| No MNE                         | difference m-f      | 21.7%  | 7.4%  | 1.0%  | 5.3%  | 0.0%   | 17.5% | 4.9%  |
|                                | Difference in %-pts | -9.4%  | -3.9% | 1.7%  | 9.9%  | -3.5%  | 6.2%  | 3.4%  |

In Table 3.2 we present an overview of the results of our regression analysis for the five industries and seven countries, with the statistically significant differences printed in **bold**. As indicated, in this analysis we controlled for the influence of five factors: work experience, gender, working hours, education, and firm size. The outcomes are partly in line with the evidence from the literature on the MNE wage premium, but

partly too they differ. The rather low to negative MNE premia found for Finland confirmed recent evidence on wage differentials in the Nordic countries. Obviously, in this respect Belgium—with the exception of its metal and electronics manufacturing—could be included in this country category as well, as could the Netherlands, although a bit less convincingly perhaps. However, our findings for Germany showed considerable MNE premia in all industries, and this was clearly in contradiction to other recent evidence for this country (though in line with older evidence). The results for Poland, except those for the retail industry, showed large MNE premia which underlined the conclusion that wage premia in CEECs might remain substantial for some time yet. Again, also with the exception of retail, the Spanish outcomes could be interpreted as a confirmation of what we noted in Chapter 1 about the MNE premium in transition economies. The UK figures, at least in part, seemed to confirm a falling trend of MNE premia in high-income countries with flexible labour markets. The transport and telecom industry was a clear exception here.

By going into the industry outcomes of our regression analysis in greater detail we hope to trace explanations linked to the dynamics of competition, labour markets and industrial relations at industry level. Table 3.2 shows that, controlled for the five factors just mentioned, in five combinations of countries and industries domestic firms were better payers than comparable MNEs: in finance and call centres, ICT and transport and telecom in Belgium; in metal and electronics manufacturing in Finland, and in transport and telecom in the UK. In six combinations remuneration in MNEs and non-MNEs was rather close, with the MNE wage premium less than 5%: in Belgian retail, in Finnish retail and transport and telecom, in Dutch retail and ICT, and in Spanish retail. With four cases, retail went on top of these 11 industries with a negative or a low MNE wage premium, followed by transport and telecom (three cases), ICT (two), and metal and electronics and finance and call centres (each one). If we return to the relative wages and the wage dispersion by industry discussed earlier as well as to more detailed, national evidence on the functioning of industries, then two explanations seem relevant. First, domestic firms as a category may have succeeded in developing or maintaining strong positions in factor markets, including in the labour market. This was likely the case in Belgium in retail, in finance and call centres and in ICT, in Finland in metal and electronics and in retail, and in the Netherlands in ICT. A second explanation for a small wage gap between MNEs and non-MNES may be that MNEs may have lost positions in certain industries and countries, and (related to these developments or as deliberate policies) have kept wages relatively low. This is mostly to be expected in the low-wage industries retail and transport and telecom. We indeed found indications that MNEs active in Spanish and Polish retail as well as in Belgian, Spanish and UK transport and telecom had resorted to

outright wage pressure. When discussing drafts of our reporting, trade union officials from Spain and the UK offered support for this assertion. Our results deserve to be confronted with further analyses of specific HRM practices in certain MNEs. Similarly, the relationship with the industrial relations context deserves closer scrutiny too. Of course, in some countries and industries the two explanations may combine, where relatively strong domestic firms and ‘weak’ (or miserly) MNEs prevailed, as seems to have been the case in Finnish retail and transport and telecom as well as in Dutch retail.

*Table 3.2 Hourly MNE wage premia ((MNE – non-MNE): MNE x 100) after control for five factors, by country and industry*

|                                       | BE     | FI    | DE    | NL   | PL    | ES    | UK    |
|---------------------------------------|--------|-------|-------|------|-------|-------|-------|
| <b>Metal &amp; electronics manuf.</b> | 15.2%  | -0.2% | 12.5% | 9.9% | 37.5% | 17.7% | 14.1% |
| <b>Retail</b>                         | 1.5%   | 0.2%  | 14.1% | 4.5% | 7.0%  | 3.7%  | 9.8%  |
| <b>Finance and call centres</b>       | -2.7%  | 7.9%  | 15.5% | 8.3% | 18.7% | 27.4% | 8.8%  |
| <b>ICT</b>                            | -3.7%  | 7.3%  | 17.2% | 3.9% | 28.8% | 11.7% | 17.9% |
| <b>Transport and telecom</b>          | -14.2% | 2.4%  | 16.1% | 6.7% | 24.3% | 16.5% | -1.1% |

In pursuit of a more complete explanation of the wage differentials between MNEs and non-MNEs, beyond the model that we tested statistically, we will now compare our industry outcomes on aspects of pay; job quality and working conditions; training, and workplace industrial relations.

### 3.2.2. Overtime compensation compared

Table 3.3 shows the percentages of respondents working more hours than agreed and receiving overtime compensation in MNE and domestic firms, by country and industry. In 25 out of 35 cases the proportion of respondents who received overtime compensation was lower in MNEs compared to their colleagues in domestic firms. In one case MNEs and non-MNEs were on a par, in nine cases workers in non-MNEs received overtime compensation less frequently. In the transport and telecom sector MNEs paid overtime compensation less frequently in all seven countries. In metal and electronics manufacturing this was the case in six countries (the exception being Poland), in retail in five countries and in ICT in four. Only in finance and call centres in a minority of cases i.e. in three countries, did we find that MNEs paid overtime less frequently. As for countries, in the Netherlands and the UK MNEs consistently paid compensation for overtime less frequently than was the case for non-MNEs; in Germany and Spain this was so in four industries, in Belgium in three, and in Finland and Poland in only two industries.

On the other hand, the practice of working overtime (as opposed to being paid for overtime) appeared to be considerably more widespread in MNEs than in domestic firms. We found this in 30 of 35 cases, with two exceptions in transport and telecom and one each in finance and call centres, ICT, and retail. If we conflate these findings with those on overtime compensation, it means that the MNE wage premium

calculated over *weekly* or *monthly* wages for significant groups of workers in MNE establishments may be smaller than that presented earlier for *hourly* wages. This held true if the difference between the percentages receiving overtime compensation was less than that of the percentages working overtime. We found this for 26 out of 35 cases. Exceptions were Spanish transport and telecom, where workers in MNEs received 4% less overtime compensation but also worked 16% less overtime, and Belgian ICT, where workers in MNEs received 5% more overtime compensation and worked 4% more overtime.

*Table 3.3 Differences between percentage of workers receiving overtime compensation and working usually more hours than agreed in MNE and non-MNE firms (%-points), by country and industry*

|                                 |                        | BE   | FI   | DE   | NL   | PL   | ES   | UK   |
|---------------------------------|------------------------|------|------|------|------|------|------|------|
| <b>Metal &amp; electronics</b>  |                        |      |      |      |      |      |      |      |
| Receiving overtime compensation | difference MNE-non-MNE | -6%  | -7%  | -12% | -17% | 5%   | -12% | -6%  |
| Usual more hours than agreed    | difference MNE-non-MNE | 3%   | 9%   | 4%   | 8%   | 27%  | 4%   | 5%   |
| <b>Retail</b>                   |                        |      |      |      |      |      |      |      |
| Receiving overtime compensation | difference MNE-non-MNE | -10% | 19%  | -1%  | -10% | -12% | 4%   | -4%  |
| Usual more hours than agreed    | difference MNE-non-MNE | 14%  | 5%   | 12%  | 10%  | -4%  | 1%   | 9%   |
| <b>Finance &amp; call c.</b>    |                        |      |      |      |      |      |      |      |
| Receiving overtime compensation | difference MNE-non-MNE | 3%   | 6%   | 0%   | -6%  | 10%  | -3%  | -3%  |
| Usual more hours than agreed    | difference MNE-non-MNE | 17%  | 6%   | 5%   | 9%   | -3%  | 1%   | 16%  |
| <b>ICT</b>                      |                        |      |      |      |      |      |      |      |
| Receiving overtime compensation | difference MNE-non-MNE | 5%   | 7%   | -1%  | -2%  | 1%   | -2%  | -1%  |
| Usual more hours than agreed    | difference MNE-non-MNE | 4%   | 4%   | 10%  | 5%   | -2%  | 9%   | 12%  |
| <b>Transport &amp; telec.</b>   |                        |      |      |      |      |      |      |      |
| Receiving overtime compensation | difference MNE-non-MNE | -5%  | -13% | -10% | -9%  | -10% | -4%  | -13% |
| Usual more hours than agreed    | difference MNE-non-MNE | 6%   | 2%   | 3%   | 6%   | -1%  | -16% | 8%   |

Combining the results concerning overtime pay and hours worked revealed that the largest differences between hourly and weekly/monthly wages showed in the retail industry. Following this reasoning, we calculated that in Dutch retail the average weekly differential between MNEs and domestic firms would decrease 2%-points compared to the hourly difference; in Finnish retail the decrease would be 0.8%-pts, and in retailing in Belgium, Germany, Poland, Spain and the UK the decrease would be between 0.2-0.3%-pts.



The same phenomenon could be observed in the other industries, but here the weekly wage differentials remained consistently less than 1.2%-points lower than the hourly differentials.<sup>10</sup>

### 3.2.3. Performance-based pay compared

Table 3.4 provides an overview for the differences between the percentages of respondents who received performance-based pay in MNE and non-MNE firms, by country (except for Poland, where the related question was not posed in the survey) and industry. The table shows that in 90% of the cases (27 of 30) the incidence of performance-based pay was higher in MNEs than in domestic firms. Exceptions were the Finnish and German finance and call centres as well as Finnish ICT.

*Table 3.4 Differences between percentage of workers receiving performance-based pay in MNE and non-MNE firms (%-points), by country and industry*

|                                |                        | BE  | FI   | DE  | NL | ES  | UK |
|--------------------------------|------------------------|-----|------|-----|----|-----|----|
| <b>Metal &amp; electronics</b> |                        |     |      |     |    |     |    |
| receiving perform.-based pay   | difference MNE-non-MNE | 9%  | 4%   | 7%  | 6% | 3%  | 3% |
| <b>Retail</b>                  |                        |     |      |     |    |     |    |
| receiving perform.-based pay   | difference MNE-non-MNE | 3%  | 3%   | 6%  | 6% | 14% | 3% |
| <b>Finance &amp; call c.</b>   |                        |     |      |     |    |     |    |
| receiving perform.-based pay   | difference MNE-non-MNE | 11% | -15% | -7% | 8% | 6%  | 3% |
| <b>ICT</b>                     |                        |     |      |     |    |     |    |
| receiving perform.-based pay   | difference MNE-non-MNE | 11% | -2%  | 2%  | 6% | 1%  | 0% |
| <b>Transport &amp; telec.</b>  |                        |     |      |     |    |     |    |
| receiving perform.-based pay   | difference MNE-non-MNE | 1%  | 2%   | 3%  | 1% | 8%  | 3% |

## 3.3. Job quality and working conditions compared

Our research covered six issues under this heading, namely, working in dangerous conditions; the incidence of work-related stress; whether the job level matched the educational level of the worker; internal promotion (career opportunities); the incidence of reorganizations, and finally job satisfaction and job security.

Concerning the perception of working in dangerous conditions, we gathered data from four countries, Belgium, the Netherlands, Poland, and Spain. In ten out of 20 cases the respondents in domestic firms had a more negative perception in this respect, in five cases they perceived working in an MNE as more dangerous, and in five cases there was no difference. As could be expected, work in the transport and telecom

<sup>10</sup> We refrained from calculating wage differentials between MNEs and non-MNEs on a weekly basis, including a regression analysis, due to the complex calculations needed and due to the fact that the differences between hourly and weekly wage calculations remained limited.

industry was perceived as relatively most dangerous, followed by that in metal and electronics manufacturing. In transport and telecom work in domestic firms was perceived as more dangerous in all four countries, with in Belgium, Poland and Spain a large difference with the scores for MNEs. Over-all, compliance with safety standards in the European countries and industries at stake was regarded as (slightly) better in MNEs than in non-MNEs.

Concerning the incidence of work-related stress, we gathered information for five countries: Belgium, Germany, the Netherlands, Poland, and Spain. Table 3.5 shows the differences between scores on the four indicators of perceived work-stress we used, in MNE and non-MNE firms. The reader should keep in mind that a negative sign indicates a lower stress level in MNEs and a higher level in non-MNEs. First, it has to be noted that the differences were mostly small, or non-existent: a '0' indicating no difference showed up in 30 of 100 cases. Substantial differences could mainly be found for Germany, notably in transport and telecom and ICT. The outcomes concerning three indicators, 'finds job stressful', 'work mentally exhausting' and 'finds job boring', pointed in the direction of higher stress levels in MNEs, though they were not very convincing. Out of 25 cases, 'finds job stressful' was at a higher level for MNEs 11 times, was at a lower level four times and showed no difference 10 times. For 'work mentally exhausting' these figures were 13, four and eight respectively, and for 'finds job boring' 11, six and eight respectively. The 'finds job boring' outcomes were especially industry-specific: note for example that in four out of five cases in finance and call centres the perceived stress-levels were higher in MNEs, while in four cases in transport and telecom they were lower. By contrast the outcomes for the fourth work-stress indicator, 'Work physically exhausting', pointed to slightly higher stress levels in domestic firms, with a higher score showing 12 times in non-MNEs compared to nine times in MNEs and with no difference showing eight times. In transport and telecom physically exhausting work consistently scored higher in domestic firms, while in retail the results were either on a par or indicated a higher perceived level in MNEs. As for countries, Spain showed the most of such outcomes with higher perceived work-stress: that was indicated nine times for domestic firms. This was followed by Poland (five times, of which three were in finance and call centres), Belgium (four), Germany (four, of which three were in transport and telecom), and the Netherlands (four).

The third job quality issue was that concerning the possible gap between the level of the job performed and the educational level of a worker. We could use data comparing MNEs and non-MNEs for four countries: Belgium, the Netherlands, Poland, and Spain. Over-all, the 'match' levels were higher in MNEs: that was so in 13 of 20 cases, whereas in six cases domestic firms showed higher levels and in one case they were on a par. The picture varied across industries. In transport and telecom all five countries showed higher levels for MNEs, and in metal and electronics four countries did, with one on a par. By contrast, both retail and finance and call centres in three cases showed higher scores for domestic firms, in the cases of Dutch and Spanish retail even quite substantially. As for countries, Poland (four positive, one equal) showed the most positive picture for MNEs, followed by the Netherlands (four positive, one negative), while Spain with three higher match levels for domestic firms had the most positive outcome for the latter.

Table 3.5 Differences between scores on work-stress related issues in MNE and non-MNE firms (%-points), by country and industry

|                                   |                        | BE   | DE   | NL   | PL   | ES   |
|-----------------------------------|------------------------|------|------|------|------|------|
| <b>Metal &amp; electronics</b>    |                        |      |      |      |      |      |
| Finds job stressful               | difference MNE-non-MNE | 0.1  | 0    | 0.1  | 0    | 0    |
| Work physically exhausting        | difference MNE-non-MNE | 0    | -0.2 | -0.3 | 0.1  | -0.3 |
| Work mentally exhausting          | difference MNE-non-MNE | 0    | 0    | -0.1 | 0.2  | -0.2 |
| Finds job boring                  | difference MNE-non-MNE | 0    | 0    | 0    | 0.1  | 0.1  |
| <b>Retail</b>                     |                        |      |      |      |      |      |
| Finds job stressful               | difference MNE-non-MNE | 0.2  | 0.2  | 0.3  | 0    | 0.2  |
| Work physically exhausting        | difference MNE-non-MNE | 0    | 0    | 0.1  | 0.2  | 0    |
| Work mentally exhausting          | difference MNE-non-MNE | 0.2  | 0.1  | 0.2  | 0.1  | -0.1 |
| Finds job boring                  | difference MNE-non-MNE | -0.1 | 0    | 0    | 0.2  | -0.1 |
| <b>Finance &amp; call centres</b> |                        |      |      |      |      |      |
| Finds job stressful               | difference MNE-non-MNE | 0    | 0    | 0    | -0.1 | -0.1 |
| Work physically exhausting        | difference MNE-non-MNE | 0.1  | 0.1  | 0.1  | -0.2 | -0.1 |
| Work mentally exhausting          | difference MNE-non-MNE | 0    | 1.0  | 0.2  | -0.3 | 0.1  |
| Finds job boring                  | difference MNE-non-MNE | 0    | 1.0  | 0.2  | 0.3  | 0.3  |
| <b>ICT</b>                        |                        |      |      |      |      |      |
| Finds job stressful               | difference MNE-non-MNE | 0.1  | 0    | 0.1  | 0.2  | 0.2  |
| Work physically exhausting        | difference MNE-non-MNE | -0.1 | 2.0  | 0.1  | -0.1 | 0.1  |
| Work mentally exhausting          | difference MNE-non-MNE | 0    | 1.0  | 0.1  | 0.1  | 0    |
| Finds job boring                  | difference MNE-non-MNE | 0    | 1.5  | 0    | 0.3  | 0.1  |
| <b>Transport &amp; telecom</b>    |                        |      |      |      |      |      |
| Finds job stressful               | difference MNE-non-MNE | 0    | -0.2 | 0.2  | 0    | -0.3 |
| Work physically exhausting        | difference MNE-non-MNE | -0.3 | -0.8 | -0.1 | -0.3 | -0.2 |
| Work mentally exhausting          | difference MNE-non-MNE | 0.1  | 0.4  | 0    | 0    | 0    |
| Finds job boring                  | difference MNE-non-MNE | -0.1 | -0.1 | -0.1 | 0.1  | -0.1 |

The fourth job quality issue concerned internal promotion or careering. Table 3.6 shows the differences between MNE and non-MNE firms concerning respondents who reported having been promoted in their current firm. The share of those who reported having been promoted was overwhelmingly higher in MNEs than in domestic firms. There were only two exceptions in 35 cases, namely, Polish metal and electronics manufacturing and Finnish transport and telecom. As for industries, the largest differences between MNEs and non-MNEs could be traced in finance and call centres (unweighted average 12.6%-points), followed by ICT (12.0%-pts), transport and telecom (9.0), retail (8.9), and metal and electronics (7.6). As for countries, the largest differences between MNEs and non-MNEs showed for Belgium (unweighted average 15.4%-points), followed by the UK (12.4%-pts), Germany (12.8), the Netherlands (11.2), Spain (7.6), and Finland (6.6). With 4.0%-points, the difference was clearly the smallest for Poland.

*Table 3.6 Differences in percentages of workers reporting to have been promoted in the current firm, in MNE and non-MNE firms (%-points), by country and industry*

|                                   |                        | BE  | FI  | DE  | NL  | PL  | ES  | UK  |
|-----------------------------------|------------------------|-----|-----|-----|-----|-----|-----|-----|
| <b>Metal &amp; electronics</b>    |                        |     |     |     |     |     |     |     |
| Has been promoted in current firm | difference MNE-non-MNE | 17% | 9%  | 10% | 11% | -5% | 2%  | 9%  |
| <b>Retail</b>                     |                        |     |     |     |     |     |     |     |
| Has been promoted in current firm | difference MNE-non-MNE | 14% | 4%  | 18% | 8%  | 2%  | 4%  | 12% |
| <b>Finance &amp; call centers</b> |                        |     |     |     |     |     |     |     |
| Has been promoted in current firm | difference MNE-non-MNE | 17% | 14% | 9%  | 13% | 11% | 9%  | 15% |
| <b>ICT</b>                        |                        |     |     |     |     |     |     |     |
| Has been promoted in current firm | difference MNE-non-MNE | 14% | 11% | 14% | 12% | 9%  | 5%  | 19% |
| <b>Transport &amp; telecom</b>    |                        |     |     |     |     |     |     |     |
| Has been promoted in current firm | difference MNE-non-MNE | 15% | -5% | 13% | 12% | 3%  | 18% | 7%  |

The fifth job quality issue was that concerning experiences with the incidence of reorganisation and respondents' expectations of future reorganisation. Table 3.7 shows the differences in the percentages of respondents who reported that they had experienced (at least one) reorganisation in the previous year and the percentages who expected a reorganisation in the forthcoming 12 months. Unfortunately we gathered data on these subjects for only five countries. Concerning those respondents who experienced reorganisation the evidence was again clear and consistent: workers in MNEs reporting more often than their colleagues in domestic firms that 'their' organisation had faced a reorganisation in the previous year. The only two exceptions were retail in Poland and transport and telecom in Finland. As for industries, the largest

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differences between the outcomes for both categories could be found in the ICT industry (unweighted average 18.0%-points), followed by metal and electronics manufacturing (16.6%-pts) and finance and call centres (13.4), whereas the differences were much smaller in transport and telecom (9.6) and especially so in the retail industry (3.2). Germany seemed to be the most ‘reorganisation-prone’ country (unweighted average 14.4%-points), but the differences with Poland (13.3), the UK (12.6) and the Netherlands (12.4) were rather small.

Looking at expected reorganisation, the evidence albeit from only four countries was unequivocal: in all 20 cases workers in MNEs reported more expectation of a reorganisation in the forthcoming 12 months than respondents who worked in domestic firms. The differences in outcomes hardly varied across industries: ICT scored an unweighted average of 14.3%-points, metal and electronics 11.8, retail 11.3, and finance and call centers as well as transport and telecom both 11.0. As for countries, the differences were larger, with Germany at the top (unweighted average: 17.8%-points), followed by Belgium (13.6), the UK (11.6), and Poland (4.4). Of course, it is interesting to probe a little deeper into the outcomes concerning experienced and expected reorganisations. In Belgium and Germany the differences between MNEs and domestic firms concerning expected reorganisations were larger than the differences concerning previous reorganisations for all five industries. Comparatively, respondents in MNEs in the UK and in Poland seemed more optimistic. In the UK such a growing difference was found for two industries, in Poland for only one. Compared to the outcomes on previous reorganisations, the differences in scores between MNEs and non-MNEs for the various industries on expected reorganisations came much closer. Respondents in MNEs in transport and telecom and in retail expected to be confronted with reorganisations much more often than their colleagues in domestic firms; especially in retail this contrasted with the MNE : non-MNE difference in experienced reorganisation.

*Table 3.7 Differences between percentages reporting that organization faced reorganisation, and percentages reporting to expect a reorganisation in the next 12 months, in MNE and non-MNE firms (%-points), by country and industry*

|                                   |                        | BE  | DE  | NL  | PL  | UK  |
|-----------------------------------|------------------------|-----|-----|-----|-----|-----|
| <b>Metal &amp; electronics</b>    |                        |     |     |     |     |     |
| Organisation faced reorganisation | difference MNE-non-MNE | 15% | 14% | 12% | 30% | 12% |
| Reorganisation expected in 12 m.  | difference MNE-non-MNE | 16% | 18% | -   | 5%  | 8%  |
| <b>Retail</b>                     |                        |     |     |     |     |     |
| Organisation faced reorganisation | difference MNE-non-MNE | 0%  | 8%  | 4%  | -6% | 10% |
| Reorganisation expected in 12 m.  | difference MNE-non-MNE | 17% | 9%  | -   | 6%  | 13% |
| <b>Finance &amp; call centres</b> |                        |     |     |     |     |     |
| Organisation faced reorganisation | difference MNE-non-MNE | 15% | 11% | 20% | 12% | 9%  |
| Reorganisation expected in 12 m.  | difference MNE-non-MNE | 19% | 15% | -   | 3%  | 7%  |
| <b>ICT</b>                        |                        |     |     |     |     |     |
| Organisation faced reorganisation | difference MNE-non-MNE | 12% | 18% | 17% | 21% | 22% |
| Reorganisation expected in 12 m.  | difference MNE-non-MNE | 13% | 21% | -   | 6%  | 17% |
| <b>Transport &amp; telecom</b>    |                        |     |     |     |     |     |
| Organisation faced reorganisation | difference MNE-non-MNE | 0%  | 21% | 9%  | 8%  | 10% |
| Reorganisation expected in 12 m.  | difference MNE-non-MNE | 3%  | 26% | -   | 2%  | 13% |

Our last issue related to job quality concerned job satisfaction, that we also relate to job security. Table 3.8 shows the differences between the scores on job satisfaction in MNE and non-MNE firms, by country and industry. In just 18 out of 35 cases, in other words the smallest majority, satisfaction scores for MNEs were higher, though in most cases the differences were small. Non-MNEs showed a higher score six times, and the results for MNE and non-MNEs were on a par in 11 cases. Metal and electronics manufacturing showed the highest scores for MNEs, followed by transport and telecom, retail, finance and call centres, and finally ICT. As for countries, respondents working for MNEs in Spain revealed the highest job satisfaction scores, and those in Finland and Poland were the lowest.

Table 3.8 Differences between scores on job satisfaction, ranging from 1=Not satisfied to 5= Satisfied, in MNE and non-MNE firms (%-points), by country and industry

|                                   |                        | BE  | FI   | DE  | NL   | PL   | ES  | UK   |
|-----------------------------------|------------------------|-----|------|-----|------|------|-----|------|
| <b>Metal &amp; electronics</b>    |                        |     |      |     |      |      |     |      |
| Satisfaction with job             | difference MNE-non-MNE | 0.1 | 0.2  | 0.1 | 0.1  | -0.1 | 0.2 | 0.1  |
| <b>Retail</b>                     |                        |     |      |     |      |      |     |      |
| Satisfaction with job             | difference MNE-non-MNE | 0   | 0.2  | 0.1 | 0    | 0    | 0.1 | -0.1 |
| <b>Finance &amp; call centers</b> |                        |     |      |     |      |      |     |      |
| Satisfaction with job             | difference MNE-non-MNE | 0   | -0.1 | 0   | 0.1  | 0.1  | 0   | 0    |
| <b>ICT</b>                        |                        |     |      |     |      |      |     |      |
| Satisfaction with job             | difference MNE-non-MNE | 0   | -0.1 | 0   | -0.1 | 0.2  | 0.2 | 0    |
| <b>Transport &amp; telecom</b>    |                        |     |      |     |      |      |     |      |
| Satisfaction with job             | difference MNE-non-MNE | 0.1 | 0    | 0.2 | 0.1  | -0.1 | 0.4 | 0.1  |

We add here the outcomes concerning job security, though those only covered Germany, the Netherlands and Poland. In the first two countries the scores on job security were equal for MNEs and non-MNEs (in two cases in Germany and three in the Netherlands), a single case had a slightly higher job security in MNEs (0.1%-point in German transport and telecom) and four cases showed a slightly lower score for MNEs (0.1%-point twice in the retail industry, in German metal and electronics and in Dutch transport and telecom). The outcomes for Poland were more extreme. Though in that country job security in metal and electronics MNEs was valued slightly (0.1%-point) higher than in domestic firms, the scores for MNEs were clearly lower in the other four industries, up to 0.5%-pts lower in Polish transport and telecom. The latter outcomes were also remarkable if we take the Polish job satisfaction outcomes into consideration. They were much more positive for the MNEs. In three Polish industries the MNEs' scores for job security were, compared with those for non-MNEs, 0.4%-pts lower than the scores for job satisfaction, and in two industries they were 0.2%-pts lower. Thus, it is no wonder that for Poland the relative outcomes (i.e. the differences between MNEs and non-MNEs) for job satisfaction and job security turned out to be negatively correlated. This was also the case for the Netherlands, where compared with domestic firms job satisfaction also scored better for MNEs than job security. In Germany the differences between the scores of MNEs and non-MNEs on job satisfaction respectively job security were rather small, though their mutual correlation was only weakly positive.



### 3.4. Working hours compared

We limit ourselves in this comparative chapter to one of the three issues treated under this heading, namely the length of the working week. Table 3.9 shows the differences between MNEs and non-MNEs by industry and country regarding the percentages of workers usually working over 40 hours per week. The data indicates that in a large majority of cases MNEs showed both a larger share of workers usually working over 40 hours per week and a longer usual working week. Against both yardsticks there were eight exceptions to this rule in 35 cases, though in only two cases (retail in Spain, transport and telecom in Germany) did the exceptions coincide. Concerning the share of those working long hours, retail showed most exceptions (four), followed by metal and electronics and by transport and telecom. The figure for retail in Poland was remarkable, indicating a 16%-points lower share of workers with long hours in MNEs and a working week on average 1.1 hour shorter in MNEs. Spanish retail figures were similar.

*Table 3.9 Differences between percentages of workers usually working over 40 hours / week (%-points) and between average usual working hours/ week (hours) in MNE and non-MNE firms, by country and industry*

|                                   |                        | BE   | FI   | DE   | NL  | PL   | ES   |
|-----------------------------------|------------------------|------|------|------|-----|------|------|
| <b>Metal &amp; electronics</b>    |                        |      |      |      |     |      |      |
| usual working hours > 40          | difference MNE-non-MNE | 7%   | 3%   | 3%   | 5%  | 11%  | -2%  |
| aver. usual working hrs           | difference MNE-non-MNE | 2.3  | -1.2 | 0.8  | 1.1 | 0.6  | 0.2  |
| <b>Retail</b>                     |                        |      |      |      |     |      |      |
| usual working hours > 40          | difference MNE-non-MNE | 3%   | -1%  | 6%   | 4%  | -16% | -9%  |
| aver. usual working hrs           | difference MNE-non-MNE | 1.5  | 0.7  | 1.6  | 2.7 | -1.1 | -2.1 |
| <b>Finance &amp; call centres</b> |                        |      |      |      |     |      |      |
| usual working hours > 40          | difference MNE-non-MNE | 9%   | 7%   | 13%  | 12% | 5%   | 1%   |
| aver. usual working hrs           | difference MNE-non-MNE | 1.7  | 1.5  | 2.4  | 4.0 | 1.8  | -0.3 |
| <b>ICT</b>                        |                        |      |      |      |     |      |      |
| usual working hours > 40          | difference MNE-non-MNE | 5%   | 2%   | 9%   | 7%  | 3%   | 9%   |
| aver. usual working hrs           | difference MNE-non-MNE | 0.6  | 0.7  | 1.6  | 1.3 | 1.3  | 0.6  |
| <b>Transport &amp; telecom</b>    |                        |      |      |      |     |      |      |
| usual working hours > 40          | difference MNE-non-MNE | 2%   | 4%   | -3%  | 4%  | 10%  | -10% |
| aver. usual working hrs           | difference MNE-non-MNE | -0.4 | -0.2 | -2.1 | 1.6 | 0.1  | 0    |

Regarding the incidence of long hours, the difference between MNEs and non-MNEs was largest in finance and call centres (unweighted average 8.9%-points), followed by the ICT sector (6.6%pts), metal and electronics (3.6), and transport and telecom (1.1). Retail showed the reverse outcome, here the incidence of long hours was 2.0%-pts more in non-MNEs. Finance and call centres and ICT did not exhibit any country exceptions to the 'larger share of long hours in MNEs' rule. As for countries, the Netherlands showed the largest difference (unweighted average 6.6%-points), followed by Belgium and Germany (both 5.6%-pts),

while Spain revealed a reverse pattern with a 2.2%-pts larger incidence in domestic firms.

With regard to the average usual working week transport and telecom had the most exceptions (three) to the rule that the working week was longer in MNEs. Transport and telecom was also the only industry across the seven countries to show a somewhat shorter working week in MNEs (unweighted average 0.1% hours less). In the other industries the average working week in MNEs was clearly higher in all seven countries, from an average 1.1 hours in ICT to 2.0 hours in finance and call centers. As for countries, the Netherlands again was at the top with an average working week 2.1 hours longer in MNEs than in domestic firms, followed this time by Belgium and the UK, both with a 1.2 hours' longer week in MNEs. Again Spain showed the reverse picture, with a working week on average 0.4 hours shorter in MNEs.

### 3.5. Training compared

Here we limit our comparative treatment of training to the incidence and duration of employer-paid or provided training, and leave out the other two issues examined in the detailed reporting, namely: the incidence and duration of self-paid training and the importance respondents attached to training. Table 3.10 shows the differences between incidence (in %-points) and duration (in number of days) of employer-provided training, in MNE and non-MNE firms. From the table it clearly emerges that both the incidence and the duration of employer-received training were higher in MNEs than in non-MNEs. Belgian transport and telecom was the only exception, where the number of training days received was recorded as being a tiny bit smaller in MNEs. In all the other 59 cases the advantage was unequivocally with those respondents working in MNEs. Moreover, these advantages were substantial, especially concerning the incidence of employer-received training.

As for industries, the difference in favour of training received in MNEs was largest in the retail industry (unweighted average 22.0%-points), followed by metal and electronics manufacturing (21%-pts), ICT (16.2), transport and telecom (15.5), with finance and call centres (10.5) at the bottom. However, the ranking changes if we compare differences in the duration of training. Looked at this way, transport and telecom was at the top, with 3.1 more days in MNEs, followed by retail (2.8 days), metal and electronics (2.3), and finance and call centers and the ICT industry (both 1.5). Combining both yardsticks, incidence and duration, the retail sector had the largest 'MNE advantage' concerning training. As for countries, Spain took the top position, followed by Poland. In Spain, MNEs provided on average (unweighted) 2.7 days more training for 21.0% more workers than in domestic firms. For Poland these figures were 2.7 days and 19.2%-pts

respectively. The results for Northwestern European countries were somewhat lower but still significant in terms of the training advantage gained by respondents in MNEs: Germany with 17.8%-pts difference and 1.6 days more, Belgium with 15.2%-pts and 1.8 days, the UK with 14.6%-pts and (a high score of) 2.6 days, and finally the Netherlands with 13.4%-pts and 1.7 days.

*Table 3.10 Differences between incidence and duration of employer-received training, in MNE and non-MNE firms by country and industry*

|  |                                   | BE   | FI | DE  | NL  | PL  | ES  | UK  |
|--|-----------------------------------|------|----|-----|-----|-----|-----|-----|
| <b>Metal &amp; electronics</b>                 |                                   |      |    |     |     |     |     |     |
| Received training from employer                | difference MNE-non-MNE (%-points) | 24%  | -  | 27% | 16% | 22% | 20% | 17% |
| No of days received from employer in last year | difference MNE-non-MNE            | 2.3  | -  | 2.1 | 1.7 | 3.9 | 2.2 | 1.5 |
| <b>Retail</b>                                  |                                   |      |    |     |     |     |     |     |
| Received training from employer                | difference MNE-non-MNE (%-points) | 31%  | -  | 12% | 17% | 30% | 27% | 15% |
| No of days received from employer in last year | difference MNE-non-MNE            | 3.6  | -  | 1.3 | 1.8 | 1.4 | 3.6 | 4.8 |
| <b>Finance &amp; call centres</b>              |                                   |      |    |     |     |     |     |     |
| Received training from employer                | difference MNE-non-MNE (%-points) | 6%   | -  | 5%  | 10% | 12% | 16% | 14% |
| No of days received from employer in last year | difference MNE-non-MNE            | 2.1  | -  | 0.4 | 1.9 | 1.2 | 2.2 | 1.0 |
| <b>ICT</b>                                     |                                   |      |    |     |     |     |     |     |
| Received training from employer                | difference MNE-non-MNE (%-points) | 7%   | -  | 23% | 13% | 12% | 27% | 15% |
| No of days received from employer in last year | difference MNE-non-MNE            | 1.3  | -  | 2.4 | 2.2 | 1.5 | 0.6 | 0.6 |
| <b>Transport &amp; telecom</b>                 |                                   |      |    |     |     |     |     |     |
| Received training from employer                | difference MNE-non-MNE (%-points) | 8%   | -  | 22% | 11% | 20% | 20% | 12% |
| No of days received from employer in last year | difference MNE-non-MNE            | -0.1 | -  | 1.9 | 1.1 | 5.3 | 5.0 | 5.4 |

### 3.6. Industrial relations compared

In this section we report on the three core issues in industrial relations we have analysed, namely, the incidence of union membership (union density); the extent of collective bargaining coverage, and the inci-

dence of workplace employee representation. Table 3.11 shows the differences between respondents' scores on these three issues in MNEs and domestic firms by country and industry. The reader should be aware that only the data on union density refer to the seven countries, whereas those on collective bargaining cover five countries (excl. Finland and Poland), and those on employee representation take in six countries (excl. Finland). The figures on union density show that in 22 of 35 cases union density was higher in MNEs than in domestic firms, in two cases they were on a par and in 11 cases union density was lower in MNEs. These last cases were concentrated in transport and telecom, where in five out of the seven countries density was higher in domestic firms, sometimes considerably so; in Belgium, for example, it was 13%-points higher. In the finance and call centre industry this was also the case in three countries, in metal and electronics in two and in retail in one. In three Belgian industries union density was higher in domestic firms; in Finland, the Netherlands and Poland this was the case in two industries, and in the UK in one industry.

Collective bargaining coverage was more marked for workers in MNEs. There were only three exceptions to the rule that coverage was higher in MNEs, namely, Dutch metal and electronics and Dutch transport and telecom, and ICT in the UK. This outcome accords with a European Foundation report (2009b, 9), based on EIRO national centres reports which concluded that in most EU member states collective bargaining coverage is higher for MNEs than for domestic firms. Based on our data, the difference in favour of MNEs was largest in retail (unweighted average 19.8%-points), followed by finance and call centres (16.6%-pts), metal and electronics (15.6), ICT (12.6) and transport and telecom (7.0). As for countries, Germany showed the widest difference (unweighted average 23.2%-points), followed by Belgium (20.2), Poland (16.0), the UK (6.4), and the Netherlands (5.2). One should note that all these averages hide widely dispersed outcomes per country and industry.

Concerning workplace employee representation MNEs showed the largest advantage for workers compared to domestic firms. In 11 cases this advantage was as much as 30%-points. In only two cases, both in Poland (transport and telecom and ICT), was employee representation more widespread in domestic firms. Looking at our industries, metal and electronics had the largest difference in favour of MNEs (unweighted average 28.2%-points), retail ranked second (24.3%-pts), ICT third (24.2), finance and call centres fourth (19.8) and transport and telecom (14.2) was last. As for countries, the Netherlands showed the largest average difference (32.4%-points, unweighted), followed by Germany (32.0), Belgium and Spain both ranking third (each 25.2), with the UK (6.4) and Poland (2.2) clearly in the lower ranks.

Table 3.11 Differences between percentages being member of a trade union covered by a collective agreement, with employee representation, in MNE and non-MNE firms by country and industry

|                                   |                        | BE   | FI   | DE  | NL  | PL  | ES  | UK  |
|-----------------------------------|------------------------|------|------|-----|-----|-----|-----|-----|
| <b>Metal &amp; electronics</b>    |                        |      |      |     |     |     |     |     |
| Member of trade union             | difference MNE-non-MNE | -1%  | 3%   | 7%  | -1% | 1%  | 1%  | 8%  |
| Covered by collective agreement   | difference MNE-non-MNE | 17%  | -    | 35% | -6% | -   | 17% | 15% |
| Employee representation           | difference MNE-non-MNE | 33%  | -    | 43% | 40% | 8%  | 23% | 22% |
| <b>Retail</b>                     |                        |      |      |     |     |     |     |     |
| Member of trade union             | difference MNE-non-MNE | 0%   | -16% | 3%  | 2%  | 0%  | 6%  | 7%  |
| Covered by collective agreement   | difference MNE-non-MNE | 36%  | -    | 31% | 2%  | -   | 25% | 5%  |
| Employee representation           | difference MNE-non-MNE | 27%  | -    | 31% | 32% | 4%  | 37% | 15% |
| <b>Finance &amp; call centres</b> |                        |      |      |     |     |     |     |     |
| Member of trade union             | difference MNE-non-MNE | -4%  | 3%   | -1% | 2%  | -1% | 2%  | 4%  |
| Covered by collective agreement   | difference MNE-non-MNE | 28%  | -    | 8%  | 20% | -   | 12% | 15% |
| Employee representation           | difference MNE-non-MNE | 32%  | -    | 11% | 30% | 11% | 20% | 15% |
| <b>ICT</b>                        |                        |      |      |     |     |     |     |     |
| Member of trade union             | difference MNE-non-MNE | 0%   | 2%   | 3%  | 0%  | 1%  | 5%  | 2%  |
| Covered by collective agreement   | difference MNE-non-MNE | 18%  | -    | 16% | 16% | -   | 17% | -4% |
| Employee representation           | difference MNE-non-MNE | 23%  | -    | 40% | 38% | -3% | 27% | 10% |
| <b>Transport &amp; telecom</b>    |                        |      |      |     |     |     |     |     |
| Member of trade union             | difference MNE-non-MNE | -13% | -3%  | 5%  | -4% | -6% | 1%  | -4% |
| Covered by collective agreement   | difference MNE-non-MNE | 2%   | -    | 26% | -6% | -   | 12% | 1%  |
| Employee representation           | difference MNE-non-MNE | 11%  | -    | 35% | 22% | -9% | 19% | 7%  |

Conflating the three industrial relations issues, ICT and retail showed the clearest advantages for workers in MNEs compared to domestic firms. Retail had only one negative sign, ICT two, and jointly they had the highest averages. Transport and telecom, by contrast, showed the least advantageous picture, with seven (of 18) negative cases and the lowest averages. Metal and electronics manufacturing and finance and call centres took the middle positions. Over the three issues, Spain was the only country where the differences were wholly in favour of MNEs, followed by Germany with just one negative sign. In the Netherlands (four of 15 negative cases), Poland (four of 10) and Finland (two of five), the industrial relations advantages

for workers in MNEs showed least clearly. In general there does not seem to be a case (anymore) to suggest MNEs in Europe are against unionization though some firms can provide clear exceptions. This held true for four industries; the exception was the transport and telecom sector, where the situation in MNEs from a workers' viewpoint turned out to be worse. Most likely the larger average scale of MNE establishments contributes substantially to both the higher collective bargaining coverage and workplace employee representation. For employee representation the EU directives dealing with information, consultation and participation of workers could be explanatory as well.

### **3.7. Working in multinationals and domestic firms compared: final remarks**

In our comparison of wage levels in section 3.1, we discussed some factors which explain the wage differentials between MNEs and non-MNEs to a limited extent. The sections that followed touched upon a number of other differences between MNEs and domestic firms which may further explain the variation in labour market position and reputation between the two. Elements that may have explanatory force in this respect may be found in: overtime compensation and practices of (unpaid) overtime; the incidence of internal promotion; the incidence of reorganisation and respondents' expectations in this field; working hours; the incidence and duration of employer-received training, and aspects of industrial relations, in particular union density, collective bargaining coverage, and the incidence of workplace employee representation.

If the comparisons of hourly wages may have suggested that 'working in a MNE is good for you', our findings on (unpaid) overtime and working hours point to the need for a first qualification of that view. The shares of respondents receiving overtime compensation were, in a substantial majority of the country / industry cases (25 out of 35), lower in MNEs than in domestic firms. By contrast, the practice of working overtime appeared to be much more widespread (30 out of 35 cases) in MNEs. As a result, in a majority of cases the MNE wage premia that we calculated on an hourly basis would be reduced if calculated on weekly/monthly rates, albeit as a rule by less than 1.2%-points. Also, the average usual working week was in most cases (27 out of 35) longer in MNEs, as was the percentage of workers usually working over 40 hours per week, also in 27 out of 35 cases. It may be true that long(er) working hours are not necessarily perceived negatively from a workers' viewpoint, but against the backdrop of the trends towards reducing working hours and growing attention to work-family (or work-life) balance, our outcomes can hardly be evaluated positively for MNEs as employers.

A second group of findings that gave a less rosy picture of working for MNEs was that concerning reported and expected reorganisations. Over-all, reorganisation was more frequently evident in MNEs. In 23 out of 25 available cases across five countries, workers in MNEs reported more often than their colleagues in domestic firms that ‘their’ organisation had faced a reorganisation in the previous year. Looking at expected reorganisation, the evidence (from four instead of five countries) was unequivocal, with workers in MNEs in all 20 cases reporting greater expectation of a reorganisation in the forthcoming 12 months. The outcomes for 2007 and the first half of 2008 may have resulted in comparatively high levels of job insecurity perceived in MNEs in the countries under scrutiny. At this point we unfortunately have only three-country results at our disposal. The German and Dutch respondents perceived a slightly lower job security in MNEs than in domestic firms, in particular in retailing, whereas in four out of five Polish industries perceived job security was (much) lower in MNEs. Whereas in the early 2000s job security in for instance German MNEs may have been higher than in domestic firms (Cf. Becker and Muendler, 2007<sup>11</sup>), since then any ‘MNE advantage’ perceived by workers may have disappeared in view of the many relocations, plant closures and mass dismissals which occurred in MNEs all over Europe, and likely also as a result of the ‘exit threats’ with which workers in MNEs may have been confronted.

On other job quality issues, related to the internal organisation of firms, MNEs scored higher than domestic firms. First, this was almost universally the case for internal promotion: in 33 out of 35 cases the share of those who reported to having been promoted was higher in MNEs than in non-MNEs. As already indicated in the industry findings, the larger scale of MNE establishments may well have favoured promotion opportunities, though some outcomes suggest that at least incidentally there was more at stake than scale. For example, the share of workers promoted in the current firm was much smaller in Germany than in the other countries scrutinized and this applied for both categories of firms, despite the especially large scale of the German MNE establishments. The second organizational issue with relatively high MNE scores was training. In an overwhelming majority of 59 out of 60 cases, both the incidence and the duration of employer-provided training turned out to be higher in MNEs than in domestic firms. The training advantage gained by respondents in MNEs was considerable in all six countries for which we had detailed information. Our assumption from Chapter 1 was confirmed that skilled workers may be attracted to working in an MNE, notably by the prospect of receiving extensive training, which also opens up career opportunities. In the course of their careers these workers may derive from this mechanism a stronger wage growth than workers in domestic firms, also than those with similar tenure and educational level.

11 Though these authors used a more objective yardstick for job (in)security (the workers separation rate).

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A final group of issues on which working in MNEs was mostly advantageous could be located in industrial relations. On all three yardsticks used (union density, collective bargaining coverage and the incidence of workplace employee representation), MNEs showed higher scores than domestic firms. First, in 22 out of 35 country / industry cases union density was higher in MNEs than in domestic firms. Second, the MNE advantage was even more marked for collective bargaining coverage, with such coverage higher in MNEs in 22 out of 25 cases. And third, in 28 out of 30 cases, workplace employee representation was more widespread in MNEs. These results are rather surprising. In 14 out of 25 cases the MNE scores were higher on all three yardsticks. Hence, in general there does not seem to be a case (anymore) to suggest MNEs in Europe are against unionization though some firms can provide clear exceptions. This held true for four industries, most clearly for the retail industry. The exception was the other low-wage industry, transport and telecom, where the situation in MNEs from a workers' viewpoint was least advantageous, with domestic firms' scores higher in seven out of 18 cases and the largest total gap between MNE and domestic firm scores. As noted previously, the larger average scale of MNE establishments may contribute to both the higher collective bargaining coverage and workplace employee representation, as might the EU directives dealing with information, consultation and participation of workers. We may add that the three industrial relations yardsticks can also be regarded as aspects of job quality, as higher scores may be linked with more and better 'voice' for shop-floor workers and better protection against (the worst forms of) unfairness, arbitrariness and uncertainty.

Both from others' evidence displayed in Chapter 1 and from our own evidence based on the *WageIndicator* survey and the AIAS MNE database, the picture emerges that the wage advantages emanating from working in an MNE in Northwestern Europe recently were rather small – albeit with our evidence suggesting a clear exception for the German case, with significant MNE wage premia. In the UK the MNE premia tended to be substantial, while they were largest in the transition economies Spain and Poland. However, in the UK, Spain and Poland low-wage industries were the exceptions -- transport and telecom in the UK and retail in both Spain and Poland. We suggested the incidence of outright wage pressure by MNEs in the retail trade in Spain, Finland and Poland, and in transport and telecom in again Spain, in Belgium and in the UK.<sup>12</sup> If we broaden our argument, it can be concluded that, besides pay, workers mostly perceive advantages in working in an MNE in the fields where these advantages were to be expected from both a labour market and an organisational perspective, that is, in (on-the-job) training and internal promotion. It is also in these

12 For Poland and likely for other CEECs as well, wage pressure of MNEs may, combined with the vulnerability to international relocation of parts of their metal and electronics industry, lead to larger wage inequality on top of the already considerable wage dispersion. Such factors may constrain the effect of general wage increases in these transition economies.



closely mutually related fields that MNEs tend to advertise their qualities as good employers, offering ‘attractive salary packages’ and ‘good promotion prospects’. Apart from the argument that these offers go back to well-understood self-interest, the less favourable record of MNEs as a category concerning working hours, overtime and (lack of) overtime compensation cannot be overlooked.

Basically, our findings are an expansion and shading of what, based on earlier *WageIndicator* data (2004–2006), Fortanier found for the Netherlands, namely “that working for an MNE is positively associated with wages and training, but is also paired with less compensation for overtime, more stress, longer working hours and greater perceived gender inequality”<sup>13</sup> (2008, 178). It may seem as if MNEs, implicitly or explicitly, use an employment model or ‘contract’ in which, in exchange for some additional pay, training facilities and career prospects, workers are expected to commit themselves to, if needed, long and partly unpaid working hours. We assumed that such a model would exhibit its strongest characteristics in industries with relatively high pay and a higher skilled workforce. In order to test this assumption we added up the scores for MNEs versus domestic firms on the less favourable issues regarding MNE functioning: overtime and overtime compensation, working hours, and experienced and expected reorganisations. We also included the scores on work-stress related issues, though for MNEs at large the outcomes on these issues were not negative. Our assumption was largely confirmed. Four of the five country / industry cases out of 25 that came out with the highest scores for MNEs compared to non-MNEs could be found high in the national wage hierarchy (Cf. Table 3.1a): German ICT, German finance and call centres; Dutch finance and call centres, and Polish metal and electronics manufacturing. The exception, located in a low-wage industry, was German transport and telecom. Except for the Dutch finance and call centres industry, these five cases showed up with MNE wage premia of at least 15% if controlled for five factors (Table 3.2). We may conclude that MNE wages, particularly in these five cases, but more broadly everywhere where considerable MNE wage premia pop up, seem to have much in common with the ‘efficiency wages’ we referred to in Chapter 1, meant to buy higher productivity and extra commitment from (skilled) workers. However, one should be aware of the considerable and likely increasing diversity in the ranks of the MNEs. From a workers’ viewpoint that sometimes may be valued positively but sometimes negatively as well -- the latter for instance if MNEs pursue ‘low road’ firm strategies, including policies of wage pressure, while refraining from ‘quality production’ and responsibilities for their incumbent labour force. One should be aware too that the median and average figures of the comparisons presented in this chapter mask individual characteristics of particular MNEs and domestic firms with widely varying behaviour.

13 Equal opportunity in the workplace was not included in our research, as the related question was posed in too few countries.

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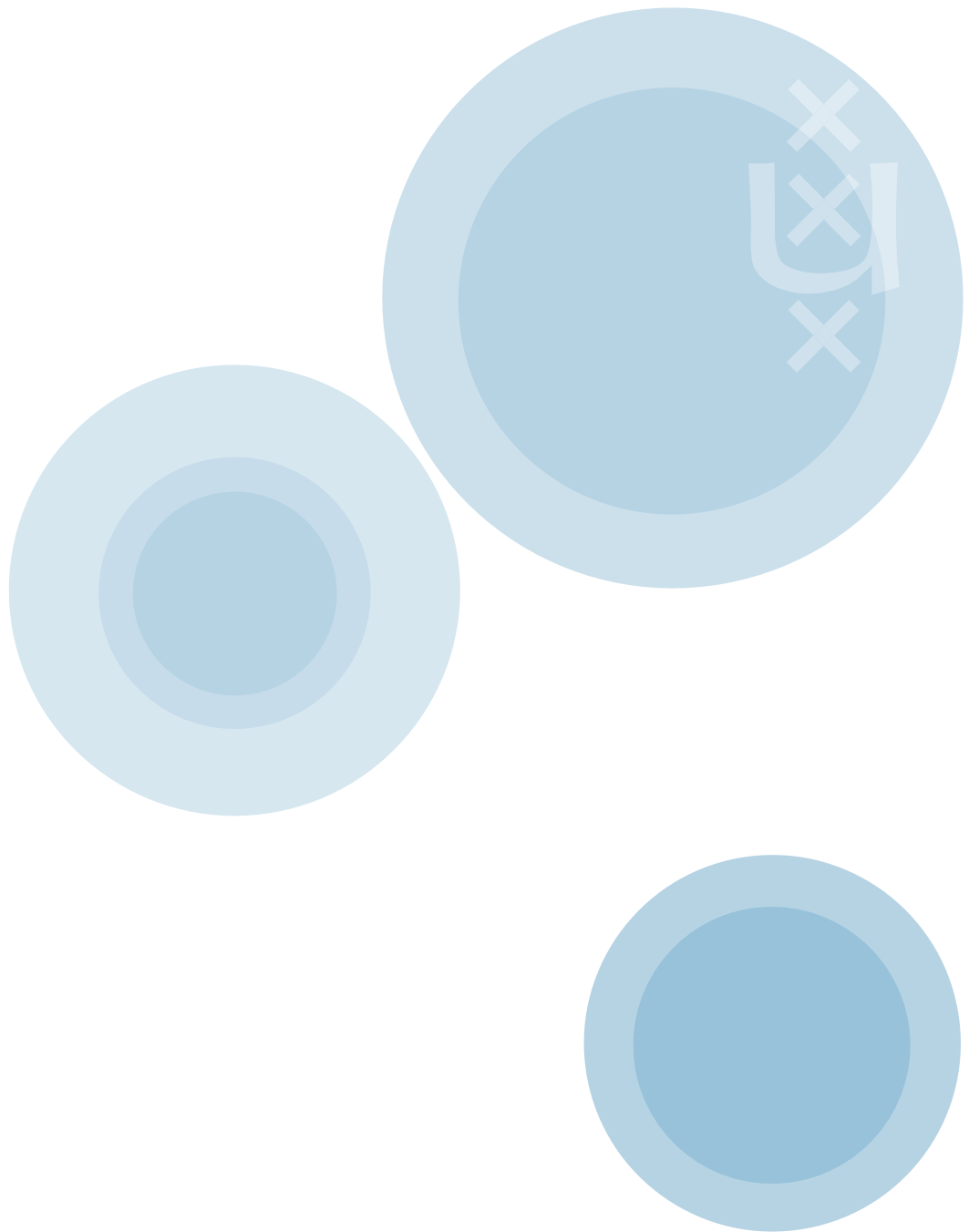
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AIAS is a young interdisciplinary institute, established in 1998, aiming to become the leading expert centre in the Netherlands for research on industrial relations, organisation of work, wage formation and labour market inequalities. As a network 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 Comparative Labour and Organisation Studies and one in Human Resource Management. In addition, it organizes special courses in co-operation with other organisations such as the Netherlands Centre for Social Innovation (NCSI), the Netherlands Institute for Small and Medium-sized Companies (MKB-Nederland), the National Centre for Industrial Relations 'De Burcht', the National Institute for Co-determination (GBIO), and the Netherlands Institute of International Relations 'Clingendael'. AIAS has an extensive research program (2004-2008) on Institutions, Inequalities and Internationalisation, building on the research performed by its member scholars. Current research themes effectively include:

- Wage formation, social policy and industrial relations
- The cycles of policy learning and mimicking in labour market reforms in Europe
- The distribution of responsibility between the state and the market in social security
- The wage-indicator and world-wide comparison of employment conditions
- The projects of the LoWER network



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