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Pulignano, V.; Keune, M.

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Understanding varieties of flexibility and security in multinationals: Product markets, institutional variation and local bargaining

Valeria Pulignano
KU Leuven, Belgium

Maarten Keune
Universiteit van Amsterdam, The Netherlands

Abstract

Most studies of flexicurity have focused on formal institutions within distinctive national labour market systems. However, the level and types of flexibility and security in a national labour market are to an important extent influenced by company-level processes, relationships and policies; thus a micro-perspective should be integrated into the study of flexibility and security. This article advances understanding of the influences of decentralized rule-making and its links with the macro level by drawing on case study research in four multinational companies, each with subsidiaries in Germany, Belgium, Italy and the UK. It reveals major differences in terms of flexibility and security between companies operating in the same country, and major similarities between the subsidiaries of the same multinational. Product market characteristics affect local autonomy to define human resource policies; national institutions and local circumstances then affect the capabilities of trade unions and works councils to negotiate local flexibility-security trade-offs.

Keywords

Belgium, employment security, flexibility, flexicurity, Germany, human resources, institutional variation, Italy, labour markets, multinationals, social policy, UK, unions

Corresponding author:
Valeria Pulignano, Centrum voor Sociologisch Onderzoek (CESO), KU Leuven, Parkstraat 45 bus 3601, Leuven 3000, Belgium.
Email: valeria.pulignano@soc.kuleuven.be

Introduction

Flexicurity, the attempt simultaneously to increase flexibility and security in the labour market, has become a key (though contentious) feature of the European policy debate (Klindt, 2011; Lewis and Plomien, 2009). To avoid placing the burden to flexibility entirely on the shoulders of employees, the proposal is to provide employment security through increased employability (rather than protection from dismissal) and income security through unemployment benefits (Wilthagen and Tros, 2004). It is thus argued that flexibility and security need not be opposites, but mutually supportive labour market components.

This idea of a mutually reinforcing relationship between flexibility and security has become very popular with the European Commission and the other European institutions; it figures prominently in the long-term economic and social strategy *Europe 2020*, adopted in 2010, and in the 2012 Communication *Towards a Job-Rich Recovery*. It also plays an increasing role in national debates, as the core element in building national competitiveness. However, the flexicurity approach is insufficiently conceptualized (Burroni and Keune, 2011; Keune and Serrano, 2014; Schmid, 2010). In this article we focus in particular on one of its limitations, its reductionist view of the sources of flexibility and security, restricting itself to national level labour market and welfare policies, and its lack of attention to the differentiated developments at company level.

We start from two observations. First, the level and types of labour market flexibility and security prevalent in any nation are to an important extent influenced by company-level processes, relationships and policies. This involves both local relationships and those between the establishments of larger corporations, in particular multinational companies (MNCs). Second, we cannot simply read micro-level behaviour from macro-level institutions. Significant diversity exists within any national institutional context, while similarities can be observed across different national contexts. Thus, a proper understanding of flexibility and security requires a focus on the distinctive dimensions (macro and micro) and the factors pertaining to each dimension of flexicurity, which include labour market and firm-specific elements. Our main objectives are therefore to elaborate a multidimensional perspective on flexicurity by highlighting the need to introduce the company context into the debate; to discuss the factors influencing flexibility and security practices and policies in MNC subsidiaries; and to illustrate our arguments with case studies of MNCs in different countries.

We first elaborate on the importance of including a macro-micro link in the flexicurity debate. Then we discuss the strategic role of MNC subsidiaries in the interaction between micro-level forces and macro-level institutions, and outline our research propositions. We present our findings in subsidiaries of four different MNCs in Germany, Belgium, Italy and the UK, and examine the factors affecting variation in the negotiation of flexibility and security. Finally, we draw conclusions.

Flexicurity and the macro-micro link

Economic internationalization and increasing fluctuations in demand have led employers to seek increased labour market flexibility, lobbying for the reduction of dismissal protection and making increasing use of flexible contracts and outsourcing. At the same time, diversification of the labour market through widening female participation and 'atypical' employment is not reflected in existing systems of employment protection and social security. This has caused tensions between demands for a more flexible labour force and the maintenance of adequate levels of social protection which can provide reasonable security for workers and their families and allow them to balance work and private life.

The concept of flexicurity promises to overcome such tensions by reconciling high levels of flexibility with similarly high levels of security (Wilthagen and Tros, 2004), notably for weaker groups in and outside the labour market. However, the focus of debate has been at the macro level, discussing such national institutions as employment protection legislation, unemployment and other social benefits, active labour market policies, leave regulations, childcare facilities and wage policies. Yet the interconnection between labour market flexibility and security depends to an important extent on company-level processes, relationships and policies. It is here that decisions concerning a number of issues at the core of the flexicurity debate are made: whether to train workers and in what skills; to hire and fire and to use open-ended or flexible contracts; to rotate personnel; to use variable pay systems; to make use of flexible working time schedules. Companies create 'within-country' institutional diversity (Lane and Wood, 2009; Morgan et al., 2005). Macro-level institutions provide direction to the way actors behave at micro level, but they do not determine their actions (Scharpf, 1997). Hence the impact and effectiveness of a flexicurity strategy embraced at national level depend to a large extent on institutional variations at company level (Crouch and Keune, 2012), where actors engage in 'institutional entrepreneurship' and 'recombinant governance' and where the confrontation of interests between workers and entrepreneurs or managers is shaped by their power differences, their degree of collective organization and their capacity to bargain and compromise.

A number of studies have examined how subnational actors and types of governance affect flexicurity. Some have drawn attention to the role of sectoral collective agreements in shaping flexibility and security, thereby creating substantial within-country diversity (Ibsen and Mailand, 2011; Marginson and Galetto, 2013; Schils and Houwing, 2010). Others have demonstrated how company policies or company collective agreements introduce diversity (Eurofound, 2012; Ilsøe, 2010; Rydell and Wigblad, 2011). These studies demonstrate an important impact of collective agreements and company policy on policy fields that figure prominently in the flexicurity debate, but devote less attention to the question of what firm-level factors influence such decentralized policies and how we can understand the links between the macro and micro level. These questions are central to our article.

Studying flexicurity practices in multinationals: Research propositions

We examine micro-level forces in MNCs and their subsidiaries, which are par excellence sites where micro forces and their interaction with macro institutions can be observed.

MNCs operate in different national contexts and coordinate and control subsidiaries across national boundaries. They are also key strategic and political actors (Ferner and Edwards, 1995), using their 'power to shape the conditions under which they conduct their productive activities' (Bélanger and Edwards, 2006: 24), interacting with local and national authorities, politics and interest groups. Moreover, MNCs constitute a 'contested terrain' in which managers and other occupational groups use a broad variety of power resources to improve their position within the subsidiary and within the larger company (Edwards and Bélanger, 2009). They reflect not only national institutional settings, but also the relationship between headquarters and subsidiary, as well as local conditions, power relations and employee characteristics. As a result, social actors in a subsidiary can be seen as operating between two competing institutional 'pulls' (Ferner et al., 2005): that exerted by the parent company and derived from its home-country business system (Whitley, 1999), as it attempts to transfer policy to the subsidiary (home-country effect); and that exerted by the domestic institutional context within which the subsidiary operates (host-country effect) (Almond et al., 2005). Moreover, within the context of these two pull factors, subsidiaries develop their own strategies at local level, follow their own specific interests which may deviate from those of the parent company and negotiate with other local actors like organized labour or local public bodies. Indeed, flexibility-security policy arrangements will be contingent not only on the parent company and the national institutional context of the home country, but also on the local context in which the subsidiary operates. For example, Meardi et al. (2009) show that the transfer of working time, functional flexibility and variable pay in US and German MNC subsidiaries in Central and Eastern Europe was not uniform, mainly because of the 'contested' and 'contingent' nature of the process of transfer of employment practices. Likewise, a study of a cross-border merger in the pharmaceutical sector (Edwards et al., 2006) illustrate that severance payments, outplacement systems, training and functional flexibility are mostly the result of micro-level arrangements. Pulignano (2011), analysing restructuring in seven European countries, shows wide diversity in the responses from local management and unions to restructuring pressure.

Thus employment and social policy within subsidiaries reflects a complex interaction between national institutions that enforce certain standards; the parent which attempts to impose home-country rooted policies or practices; and negotiation between management and (groups of) employees. Outcomes depend on the content and strictness of national rules and regulations, the character of headquarter policies and its hierarchical power to impose them, the interests of and power relations between local management and employees and their capacity to negotiate with the parent company and other local actors.

In addition, focusing on the behaviour of MNCs allows us to consider how diverse production structures interact with micro-forces to influence local capabilities to negotiate autonomously over employment issues (Ferner et al., 2012). These structural variables influence local management and union behaviour and the local bargaining dynamics that shape local flexibility-security outcomes. In a recent article, Edwards (2011) discusses the factors encouraging MNCs to develop an international human resource management (HRM) policy, with standard patterns of work organization and mobility of managers across borders and sites. He argues that we should take account of whether the MNC pursues financial economies or synergetic linkages, whether it segments or replicates its activities across borders, and, most importantly, whether its products are standardized or differentiated. Here we emphasize in particular the issue of standardization or differentiation: products or services may be homogeneous internationally, or tailored to nationally specific regulations or requirements, and this affects the degree to which local actors have the autonomy to develop production processes in general and employment and HR policies in particular. Such autonomy is expected to be higher when products are differentiated, since these require more locally specific elements in the design of production, the organization of work and management of the workforce.

Thus we can expect that where subsidiaries produce different products, managements will have more autonomy to engage in local negotiations on how to best produce locally. This will also mean a greater role for unions or other types of workers' representatives (works councils), creating space for local bargains on HR policies, including flexibility and security. A central question is how local workers' representatives (trade unions or works councils) use the available policy space to address flexibility and security. Where headquarters management attempts to push subsidiaries towards flexibilization, local workers' representatives can use this space to attempt to participate in the definition of the extent and type of flexibility (internal or external), to trade off flexibility against improved security, or to strengthen security without having to accept more flexibility. As studies on the micro-politics of multinationals illustrate (Bouquet and Birkinshaw, 2008; Morgan, 2001) the local settings (institutional context and local embeddedness) provide strategic resources and 'tools' for actors to influence and resist strategies and practices by the parent company.

Conversely, local autonomy is likely to be less in a standardized product market because patterns of work organization and the nature of the work process will be relatively similar across sites. This makes it easier for central management to compare productivity and performance across borders and to develop standard approaches to HRM and work organization. It also facilitates the threat of relocation to put pressure on local workers' representatives and to reduce their influence. Meardi et al. (2009) found that MNCs in standardized market products are more likely to be associated with relocation threats as the result of benchmarking activities.

Accordingly, we suggest two propositions:

P1: The nature of the product market (standardized or differentiated) affects the degree of subsidiary autonomy over the design and implementation of employment and HR policies, with differentiated product markets enhancing local autonomy.

P2: More local autonomy provides workers' representatives with more possibilities to participate in the definition of the extent and type of flexibility, to trade off flexibility against improved security, or to strengthen security without further flexibility.

Research design and methods

We test these propositions empirically through a series of case studies. The analysis is based on fieldwork carried out during 2011–2012 in four MNCs in the manufacturing sector. Two are American- and two French-owned, each with subsidiaries in four countries: Germany, Belgium, Italy and the UK (see Table 1). Because of confidentiality

Table 1. Key features of the subsidiaries.

Company	Manu 1	Manu 2	Manu 3	Manu 4
Product	Standardized	Standardized	Differentiated	Differentiated
Flexibility-security	Flexibility	Trade-off	Trade-off	Security
Subsidiary autonomy	Low	Low	Medium	High
Employees: Total	125,000	24,000	60,000	90,000
BE	1250	4200	600	1000
DE	1300	1200	4300	2800
IT	200	320	2200	2500
UK	200	1550	8000	4000
Union density (%)				
BE	95	80	95	85
DE	75	95	75	75
IT	90	60	50	30
UK	79	70	50	30

requirements we term them Manu 1, 2, 3 and 4. The product market is standardized in the first two cases, and differentiated in the others. All four companies compete in global markets. Additionally, both American- and French-based multinationals tend to centralize policy-making, with American MNCs relatively but not consistently more centralized than French. In this respect, the country of origin is used as a control variable. The comparison between the four host countries is particularly interesting since they represent the traditional institutional differences between coordinated, mixed and liberal market economies (Hall and Soskice, 2001; Molina and Rhodes, 2007), with major differences in the institutional systems that regulate the labour market.

Our analysis is based on 45 semi-structured interviews with headquarters and local managers and with local unions and employee representatives within the 16 plants. For each plant, at least one management and one employee representative (usually unionized) was interviewed. We interviewed at least one manager at each of the headquarters, and a sectoral union representative in each country. Interviews were integrated with direct workplace observations; company and trade union policy documents; reports and published articles; and European-, sector- and plant-level collective agreements. Interviews and observations were carried out by multiple members of the research team to guarantee consistency and internal reliability of the qualitative data. Triangulation was also used in order to guarantee validity. Company case studies carry the disadvantage that results cannot easily be generalized, but they do allow us to give a convincing illustration of our main arguments concerning product markets, local policy autonomy and negotiated flexibility and security outcomes. This study therefore offers analytical insights which can provide the basis for future research in other sectors, companies and countries.

Findings

We first give an overview of the four cases, focusing on product market standardization or differentiation and the impact on autonomy for local actors. We then present evidence of workers' representatives' attempts to use such local policy autonomy to influence flexibility and security.

Product market and local autonomy

Manu 1 is a US multinational engaged in the design, manufacturing and marketing of emission and steering control products and systems for the automotive industry. It employs approximately 24,000 people worldwide and has 80 manufacturing sites, 10 distribution facilities and 14 engineering and technical centres in Europe, North America and Asia-Pacific. The product is highly standardized and each production unit is located close to its customer. The four sites examined here all produce for a global manufacturer such as Ford, GM, Volkswagen, BMW and Ducati. The company performs comparable tasks, uses the same technologies and employs a similar profile of workers in all four sites; thus it adopts similar patterns of work organization as well as a common coordinated strategy on how to manage the workforce internationally. As the European HR manager states:

> First of all we have a clear strategy regarding how to manage our total workforce across the different units. In general, we would like to have at least 15 percent flexible workforce globally on average, including contractors or interims. That means that we have places where the flexible workforce is 5 percent but there are other places with 35 percent.

A standardized product and a high similarity of operations, workforce composition and technology enhance the scope for benchmarking across sites. The similar nature of the product allows corporate management easily to compare across different sites to see 'where' it is more competitive to produce and impose HR policies on each subsidiary (P1). The immediacy between firm and customer results in strong pressures towards flexibility, given the need to adapt promptly to customers' production requirements, making high flexibility part and parcel of the company's international strategy and leaving little local autonomy to reduce this. Of our four cases, Manu 1 leaves least autonomy to its subsidiaries.

Manu 2 is also US-based, with 300 sites and over 120,000 employees worldwide. It operates across the manufacturing sector, including construction machinery where its plants in the four countries are active. The production units in the various countries cover distinct parts of the production process and are vertically integrated. Almost 75 percent of components are produced in-house and exported internally to other production units of the group. The production processes are continuous and relatively simple; production within each plant is driven by an automated production line, with workers performing basic and comparable manual assembly and packaging functions. The product is standardized internationally given the nature of construction machinery. This standardization, combined with the comparability of the production processes in the various plants, provides a strong incentive to develop an international approach towards HRM and work organization. To achieve this, the MNC has adopted minimum employment standards that apply across sites through a Code of Conduct which includes employment development practices. It implements very similar HRM and operating principles across the sites, and moves managerial staff across borders in order to internationalize and strengthen the linkages between the different production units. In the words of the European HR manager:

> You have a model plant, let's say in country X, and then you open a facility in country B, you take the model plant as an example and you transpose that system in country B. It means that you have the same basic operating principles and the same people development practices. We transfer mainly management people. In fact their role would be first to implement these processes, whether they are HR processes, accounting processes, manufacturing processes or whatever.

The standardized nature of the product and the similar nature of the work process led the parent to benchmark across borders and enforce common HRM policies among the different production units, in order to increase performance and to maintain control over the local subsidiaries; at the same time, patterns of work organization may to some extent reflect the distinctive nature of each operating unit (P1). As a result, the subsidiaries have some limited autonomy to define their own local personnel policies and hence to develop a locally specific flexibility-security mix.

Manu 3 is a French-based MNC operating in the business of power generation and transmission and transport infrastructure. It has a workforce of almost 60,000 distributed across more than 200 manufacturing centres in almost 100 countries. The company manufactures differentiated products for the transport sector, which are then tailored to national markets because of distinctive national regulations and market demand in this sector. Production within each unit follows a continuous process with 'lean' organizational principles at the core. The products differ substantially across sites as do working conditions, even though workers may have common skills and expertise. The vertically integrated structure of the corporation produces incentives to adopt an international approach to employment policy, but the differentiated nature of the product at each site does not provide a strong basis for cross-national comparisons and benchmarking. The European HR manager explained:

> Although still more than half of the total labour force is made up by blue-collars, in the German and Italian sites the percentage of white-collars (especially engineers) is slightly increasing whereas in Belgium and UK skilled employment is already now the majority. These differences reflect the different technology we have in different units, which in turn reflects the different product we produce in each unit. This means that across these different plants we cannot benchmark a lot neither say to one union in one plant 'if we do not do this here we get in serious trouble'. . . On the contrary what we have to do is to engage the employees to be within each site productive enough and find the best way to be competitive. . . thereby local management and unions play a key role.

The differentiated nature of the product market hence reinforces local autonomy (P1) and the capacity of the local unions and works councils to bargain over local production methods and HRM policies.

Manu 4 is also French-based, operating in a differentiated and highly specialized product market (defence, security, ground transport, space and aerospace), with nearly

70,000 employees worldwide and a strong presence in Europe (10 plants). Almost 20 percent of revenues are invested in research and development; there is a highly specialized workforce with 73 percent being engineers, specialists or managers, of which almost 30 percent work in research and innovation.

The various operation units perform different functions and local regulations play a key role in defining product specifications. The high skills and specialization of the employees mean they are not easily replaceable. This means that local plants are granted substantial autonomy (P1) to organize production and to manage the workforce. In particular, local management can offer substantial levels of job security to guarantee the availability of the required specialized skills. As the European-level HR manager argues, 'we are considered a very secure company, we pay a lot of attention to our workforce; we do not want to find ourselves in a period where we have to let people go; it is a "prudence policy"'. However, this does not mean that the company does not seek to increase flexibility. Indeed, as we discuss below, it often attempts to combine job security with internal flexibility.

Implications for flexibility and security

As seen above, of the four MNCs in this study, *Manu 1* leaves least policy autonomy to its subsidiaries. The strong competition and just-in-time requirements faced by such firms in the automotive sector create strong pressure to increase internal and external flexibility; in addition, the standardization of the product imposes pressure on unions to agree to increased flexibility, which they accept is imperative for the company because of the need to remain competitive. This demand for high flexibility and adaptability to the customer's needs is satisfied without any (negotiated) trade-off in terms of job security or other types of security (P2). Competitive pressure and the just-in-time organization of production function here as a disciplinary instrument of labour control, regulating the social relationships across the supply chain (Pulignano and Stewart, 2005).

Where internal flexibility is concerned, there is a competitive requirement for multitasking, high worker commitment and teamwork. As the Belgian HR manager states, they require not only the relevant skills, but also appropriate employee attitudes: 'workers are expected to join and cooperate effectively in teams in order to be able to respond to the customer with the right quantity and quality'.

Following fluctuations in customer demand, management and the works council at the German site negotiated a working time reduction (from 36.5 to 36 hours) and the shortening of the daily 30-minute break by 10 minutes. Likewise, in the UK, a reduction in working time from 36.5 to 32 hours and shorter daily breaks were negotiated with local unions; the local HR manager commented:

> A customer says to us that if you want to have more business with us you have to follow us where we are and adapt constantly to our production flows. So this means we have to be very flexible in adapting working time, shifts and so forth to the customer's needs on a daily basis. . . we do not have another choice.

As well as extensive internal flexibility, the use of temporary and fixed-term contracts has been accepted by the unions or works councils in all sites: they enhance numerical flexibility and increases adaptive capacity. Temporary workers are easier 'to flex' than regular employees and are therefore seen to strengthen the company's competitiveness:

> We use contractors to keep our workforce flexible and to reduce our legal liabilities. If I sign a contract with an employee in Italy and I want to terminate the person I'll have to pay a big severance fee. If I use a contractor, that means he/she works for me on an hourly basis and I pay the money to the agency, I can normally terminate on short notice and without any severance payment.

During the crisis period, reduced demand also provoked cost control strategies. In Britain and Germany a 10 percent pay cut was negotiated, while in Belgium and Italy costs were reduced through the use of temporary unemployment schemes.

Clearly, the scope local unions and works councils have to bargain on flexibility and security is severely restricted by competition and customer demand. Flexibility is imposed and employees receive no security in return. The only 'security' is provided by legal requirements and by the market: the willingness of the customer to continue to buy from the supplier.

As seen above, in *Manu 2* there is limited local policy autonomy. The company engages in benchmarking exercises and pushes for further flexibility, under the threat of restructuring and relocation of production to China, Eastern Europe or Brazil, putting local unions or works councils on the defensive. This is because the MNC is efficiency-seeking and has no need to be located close to the customer, making the threat of relocation to countries where labour costs are lower or flexibility is higher credible. In addition, the cross-national standardization of the product enhances scope for benchmarking. Hence cross-national standardization and the threat of relocation both enhance the pressure on the unions for more flexibility. Yet there is relatively high union density at all plants, and as a result all four subsidiaries have responded to the threat of restructuring by accommodating headquarters demands for more flexibility but demanding (short-term) job guarantees in exchange (P2). They have negotiated a 'trade-off' between flexibility and security, even though this trade-off is not necessarily a balanced one: the company obtains the flexibility it demands while the workers receive only temporary job guarantees.

Flexibility takes different shapes depending on local circumstances. In the German subsidiary, local negotiations resulted in a 'collective agreement on securing the plant' (*Standortsicherungstarifvertrag*) by trading off flexibility against job security: 'if we give something to the company, we want to have something back, too. The management agreed on securing the location for the future' (works councillor). The works council negotiated investment and employment guarantees, and hence reduced job insecurity, by accepting not only a reduction of working time by 10 percent but also a 10 percent wage cut and the use of short-time working schemes. Because of the rising cost pressures, the works council had to push for an employment guarantee in exchange for accepting increased external (numerical) flexibility. This involved greater use of temporary (agency) work rather than temporary unemployment schemes as a less expensive way for management to reduce labour costs. A 20 percent quota on the use of agency work was agreed locally to cushion fluctuations in product demand (Pulignano and Doerflinger, 2013).

In the Belgian subsidiary, the threat to relocate production again led local unions to negotiate increased flexibility, allegedly necessary to keep the plant competitive and avoid job losses. However, the powerful unions (with 95% membership) stressed the use of internal flexibility, such as a working-time reduction, working-time accounts, job rotation and the use of temporary unemployment schemes. Reflecting the strong position of the unions, wage losses resulting from temporary unemployment were compensated from company funds. The extensive and flexible temporary unemployment scheme available in Belgium also reduced the need for other forms of flexibility, particularly agency work. In addition, in contrast to Germany, in Belgium temporary (agency) work is highly regulated and therefore not cheaper than permanent labour. As a result, the Belgian unions successfully resisted wage cuts and external flexibility.

In Italy, as in Belgium, local unions could rely on temporary unemployment schemes (*Cassa Integrazione Guadagni*) and existing working time accounts to enhance flexibility in exchange for job security, while they also accepted additional working-time reductions. There were no wage cuts.

In the UK, no temporary unemployment schemes were available and external (numerical) flexibility was mainly used. About 35 percent of all blue-collar workers at the time of the research were temporary (agency) workers (about 30% of the total workforce). Because management in the UK is not legally obliged to negotiate the use of temporary work with the trade unions, agency labour was prevalent together with wage flexibility. Key developments were a 10 percent wage reduction and a working-time reduction from 39 to 35 hours per week. Furthermore, the unions agreed more flexible shift patterns and increased job rotation as a way to reduce the relatively costly overtime during peak production. In this way the unions were able to accommodate the fluctuating nature of the company's business and enhance (temporary) job security.

Hence while at all plants flexibility was traded off against limited employment guarantees, the content of the bargain differed according to the national institutional context: in particular, the availability of temporary unemployment schemes and the degree of regulation of external flexibility (particularly temporary agency work) and the power and strategy of workers' representatives.

In *Manu 3* the parent company attempts to harmonize the type of flexible practices which should be used to adjust to market fluctuations: 'the best way to face a crisis or fluctuations in market demand is to be flexible, which means to use collective forced redundancies if needed' (European HR manager). The company favours the use of temporary (agency) work to increase flexibility. However, the differentiated nature of the product reduces cross-national comparisons and benchmarking while enhancing scope for unions and management at subsidiary level to bargain on local solutions to accommodate local interests and production requirements.

In the German subsidiary, despite the headquarters position, the works council and management negotiated internal mobility as an alternative to temporary (agency) work. They decided not to reduce the workforce through compulsory dismissals, but to rely on the transfer and rotation of workers across different sites when peaks or slowdowns in production occur. Local management prefers such bargains with the works council because of its interest in skill retention, with the share of skilled employees (particularly engineers) on the increase, and also from a desire to avoid conflict with the unions. The result has been a relatively high level of permanent contracts. Hence a trade-off was negotiated between high security for employees (particularly the skilled) and higher (internal) flexibility for the employer.

Also in Italy and Belgium, local agreements deviate from central management intentions by trading off job security for internal flexibility. In Italy, unions strongly rejected the use of temporary contracts, particularly agency work. Because of the local need for skill retention they bargained on increasing internal forms of flexibility, in particular working-time and functional flexibility (job rotation). They also agreed resort to the existing temporary unemployment schemes (*Cassa Integrazione Guadagni*). This explains why at the Italian site, contractual flexibility (agency work, fixed-term contracts) is relatively low (3% of total employment in 2012). As a union representative argued:

> we negotiated with local management on the use of measures of flexibility which offer employment guarantees to the workforce, rather than following the company's desire to increase the use of temporary work, and particularly agency work, and thereby enhancing vulnerability for our workers. Local management easily agreed with us because of the importance of retaining skills in the plant and their shortage in the labour market.

In Belgium, job security was traded off against resort to temporary unemployment schemes, increased working-time flexibility and requalification measures which mainly consist of job mobility and retraining. Working-time accounts (debit-credit system ranging from under 150 to over 500 hours) were introduced to limit overtime and reduce non-productive hours.

In the UK, job security was improved through standardized procedures of internal promotion which were negotiated with the unions and formalized in a detailed assessment handbook comprising competences and training. Local management gives priority to training, not only because of health and safety issues, but also because of skill upgrading. Furthermore, despite headquarters requests, local management agreed to limit the use of temporary (agency) workers to peak production times and to use a number of apprentices instead, who are hired every year in order to ensure a constant skill supply.

In *Manu 4*, local autonomy is high, creating ample space for unions and management to bargain on flexibility and security, also in situations of crisis and fluctuating demand. Factors such as the threat of relocation and market competition, which in the other companies forced union concessions, are less significant because of the differentiated nature of the product which constrains the threat of cross-national benchmarking. In addition, management and unions in the subsidiaries both have an interest in employment retention: management aims to avoid losing specialized high-skilled workers and the unions to reduce job insecurity. As a result, the emphasis is on maintaining and strengthening security for the workers, and this is not necessarily traded off against more flexibility. As the local German HR manager argued:

> In Germany we are currently facing big problems in recruiting and retaining the highly-skilled workforce we need. Therefore we decided together with the works council to focus on

'permanent employment' to tie employees to the company. . . . This may be a bit different from what the HQ asks us. . . . Flexibility is extremely important in [*Manu 4*] but this is our internal strategy.

However, this does not imply that corporate management does not challenge the local unions to increase flexibility in exchange for the security offered. Indeed, central management has attempted to introduce several types of flexibility. For example, the Belgian site went through a heavy restructuring process in June 2012: because of falling orders linked to the economic crisis, the parent threatened collective compulsory redundancy for almost 30 percent of the workforce. The main aim was to force the unions, considered rather adversarial and hostile to management, to accede to several corporate demands, in particular wage flexibility. In turn, the unions, backed by high membership in the plant and by the availability of employment alternatives for the high skilled workers in the Belgian labour market, rejected any concessions in return for job security. As the local manager said about the unions' response to the threat of collective redundancies:

When we challenged the trade unions in June 2012 with forced collective redundancy we did not receive any response. The local unions seemed not to be interested in seeking a compromise with us by exchanging flexibility for job security. This is simply because employees prefer to look for another job elsewhere; these people are not disposed to lower their working conditions in exchange for guarantee in job security; they are better off somewhere else!

Similarly, the local manager at the German subsidiary reported that when there was a threat of collective redundancy for some 25 percent of employees during 2009–2010:

The works council was not interested in accommodating headquarters' demands. They were not prepared to exchange flexibility for job savings. The reason was that indeed there was 'no reason why they should have been!' Because of the high specialization of the unit and their high qualifications, employees prefer to look for another job somewhere else rather than giving in on wages and working time!

At the Italian site, the union rejected the parent's request to increase the use of agency work. Rather, it argued for flexibility through the use of overtime, and used its strong position towards management to negotiate a firm-level overtime premium (not prescribed for employees above a certain category in the relevant sectoral agreement).

In Britain, local unions did not reject central management's proposal to use (high-skilled) agency work to increase flexibility, but rather negotiated new terms and working conditions for the agency workers. Unions and management agreed higher wages for the agency workers, as well as transition to permanent employment after six months.

Conclusions

As we have argued throughout this article, in studying flexicurity the dominant macro-institutional perspective should be complemented by a micro perspective. Company-level processes, relationships and policies determine to an important extent the types and levels of flexibility and security confronting their workers. These are partially independent of macro-institutions, which leave ample space for the local definition of flexibility and security, and companies constitute important sources of within-country diversity. We have demonstrated such diversity through the study of subsidiaries of four MNCs in four countries. The subsidiaries of different types of MNC display very different flexicurity profiles within the same national context. This diversity is matched by strong similarities across the national subsidiaries of each MNC.

This diversity is linked to two factors. The first is the nature of the product market: whether the product is standardized or differentiated. This strongly affects the degree of local autonomy of subsidiaries to define their own employment and HR policies: such autonomy is much greater when products are differentiated, since there is much less space for international comparisons and benchmarking, and fewer incentives for a uniform and detailed international HR policy. Second, greater local policy autonomy enables local workers' representatives (unions or works councils) to participate in defining the extent and type of flexibility (internal or external) that is imposed, to trade off flexibility against improved security, or to strengthen security without further flexibility. At the same time, the stronger the market competition the subsidiary faces, the harder it will be for worker representatives to impose their preferences. Hence the interplay between the level of local autonomy, as defined by the nature of the product, and the market competition faced, circumscribes local union and works council capacity to use institutional resources (such as legal rights or temporary unemployment schemes), power resources (membership density) and firm-related resources (specialized skills) to bargaining about flexibility and security with local management. This means that it is not only the institutional and power resources which are available to unions within their national systems (Frege and Kelly, 2004) that determine workers' influence on flexibility and security policies at company level, but also the space they have to use these resources. For example, even the most powerful union is likely succumb to pressures for increased flexibility in an MNC with very standardized products operating in a highly competitive market; the employer can easily use benchmarking to compare sites and can plausibly threaten to move to a different location if its demands are not met. Moreover, although from a macro-institutional perspective unions may have clear national identities, outlooks and strategies (Kittel, 2000), at the local level we see a wide variety of micro-strategies and practices in bargaining over flexibility and security, even within the same macro-institutional context.

Hence, examining flexicurity in the context of MNCs helps shed light on within-country variation (amongst the subsidiaries across different multinationals) as well as on across-country similarity (across the subsidiaries of the same multinational). This confirms the conclusion of Ferner and Edwards (1995: 247), that 'different combinations and patterns of power relations are likely to characterize different kinds of multinationals'. That is, the role of actors and their capabilities are shaped to an important extent by how the firm is structurally and organizationally configured. In line with previous studies (Almond and Ferner, 2006; Meardi et al., 2009) our findings caution against attributing too strong a role to home- or host-country effects alone in determining employment and HR policies in MNCs; rather, the structural and organizational characteristics of the MNC itself must be systematically integrated in the analysis of how micro- and macro-forces combine in generating flexibility and security outcomes. In this respect, the nationality of the MNC does not define the local outcomes, and local differences exist between companies from the same home country. Our study suggests that the institutional characteristics of the host country have a stronger influence on the type of flexibility used by management and/or conceded by workers (for example, working-time and pay flexibility, functional flexibility, agency work or temporary unemployment). The nature of the product and market competition, as we have argued, have a strong effect on the level of flexibility and security and possible trade-offs between them. However, this does not mean that flexicurity outcomes in companies can be predicted by these factors in a deterministic way. Rather, we argue that they set the context in which these outcomes are produced by local actors with their specific characteristics and resources, and operating in their specific local contexts.

These conclusions raise tricky issues for both academics and policy-makers interested in the flexicurity policy agenda. If flexicurity is shaped by both macro- and micro-dynamics, as well as by national and transnational forces, how can it be properly measured and its effects assessed? Similarly, if policy actors aim to promote flexicurity, to what extent can this be done effectively through policy interventions at the national level alone? Or does promoting acceptable levels of flexibility and security, as well as a balance between the two, also require interventions concerning the types of MNC that operate in a country, or micro-level interventions depending on the specific situation of specific companies? In this article we hope to have provided insights and instruments that can help further study of these questions.

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Author biographies

Valeria Pulignano is Professor in Labour Sociology and Industrial Relations at the Center for Sociological Research (CESO) - Katholieke Universiteit Leuven (Belgium).

Maarten Keune is Professor of Social Security and Labour Relations at the Amsterdam Institute for Advanced Studies (AIAS) and the Law Department of the University of Amsterdam, The Netherlands.