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Abstract

This article re-introduces the company in the analysis of labour market dualisation by studying local actors' (i.e. management and employee representatives) strategies as embedded in organisational and institutional contexts. Building on 12 case studies of multinational corporation (hereinafter MNC) subsidiaries in Belgium, Germany and Britain, the authors illustrate how organisational and institutional legacies influence (but do not determine) local actors' strategic arrangements regarding the working conditions of standard (insider) and non-standard (outsider) workers. The outcomes resulting from these local (negotiated) arrangements illustrate a variety of inequality patterns, rather than any single pattern. The study distinguishes between *convergence*, where differences in working conditions between the different groups of workers decrease as the result of reduced standards for the better-off group, and *divergence*, where these differences increase.

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Dualisation, inequality, labour market, multinational companies, non-standard work, segmentation

Introduction

Labour market dualisation helps generate inequality in contemporary capitalist societies. It refers to the division of labour markets into two segments, each following its own internal and institutional logic, leading to inter-segmental differences, for instance with regard to working conditions.

Dualisation has featured in the academic debate since the 1970s, highlighting differences between the internal and external labour market (Berger and Piore, 1980; Doeringer and Piore, 1971). The early sociological discussion emphasised the role of the company and company-level actors when explaining social cleavages in labour markets (Baron and Bielby, 1980). However, more recent comparative political economy studies have often focused on macro-developments (i.e. globalisation, institutional and technological change) when investigating dualisation. For example, by including labour market institutions (e.g. union density and bargaining centralisation and coordination) as control variables, Rueda (2005) argues that dualisation outcomes are the result of reforms engineered by coalitions of trade unions and (social-democratic) governments in favour of insiders, with their focus on protecting insider employment and collectively negotiated pay scales at the expense of outsiders such as the unemployed and migrant workers. Similarly, Palier and Thelen (2010) illustrate how changing macro-level conditions, such as welfare state reforms and labour market policies, weaken industry-level unions' bargaining power, thereby affecting dualisation.

However, current research stresses the importance of local actors within MNC organisational settings concurring to shape workplace arrangements and segment working conditions in terms of flexibility and employment security, under specific institutional and company-level conditions (e.g. Pulignano and Signoretti, 2016; Pulignano et al., 2016). Such studies critically discuss 'political coalitions' and 'insider-outsider' views, claiming that differences in the use and working conditions of non-standard workers (outsiders) stem from preferences to protect standard workers (insiders) (Pulignano et al., 2015). They thereby demonstrate that dualisation is a complex socio-political phenomenon whose causes and implications reside in the conditions enabling social actors at various levels to overcome differences in interests (Doellgast, 2012).

This article adds to this debate by offering an analytical perspective, looking at how local actors (i.e. workplace-level local management and employee representatives) are embedded in the same organisational and institutional context. It uses two sets of variables (i.e. organisational and institutional) at different levels to examine local management's and employee representatives' strategies towards dualisation. Although organisational and institutional factors were considered in previous research (e.g. Benassi et al., 2016; Doellgast, 2012; Pulignano and Keune, 2015; Pulignano et al., 2016), knowledge about their interplay, and the way this interplay affects (and is affected by) local actors' strategies, and how these strategies impact standard and non-standard workers'

working conditions, is to date relatively limited. Moreover, through examining the effects of the organisational (company) level on dualisation, the article adds the dimensions of the market (competition) and the nature of production to the technology dimension at company level, thereby providing a more encompassing organisational configuration at the level of the company.

Dualisation is operationalised in terms of (1) the size of the core workforce (workers with standard employment contracts) and of the peripheral workforce (those with non-standard employment contracts); (2) the differences between the two groups in terms of working conditions (especially wages, working time, employment transition opportunities, training and development). Our operationalisation does not consider dualisation as an 'absolute' variable, i.e. it is not a 'taken-for-granted' outcome manifested through the traditional insider (core)/outsider (periphery) dichotomy. Instead, we are interested in empirically discovering the 'concrete' manifestations of dualisation, which we consider to be contingent upon (or 'relational' to) local actors' actions and strategies within distinct organisational and institutional contexts. Specifically, local actors (particularly labour) draw on the structural power deriving from these contexts, allowing them to negotiate within these contexts. This is consistent with existing studies illustrating that dualisation is not solely linked to employment contracts because of the large variation across (and within the same) contractual group (Doerflinger, 2016; Lautsch, 2002). Thus, whether there are just two groups (i.e. standard and non-standard workers) or more remains an empirical question. Our approach thus represents a useful analytical device for our multi-country and multi-company comparative study.

This article is based on empirical data from 12 subsidiaries of four MNCs in Germany, Belgium and Britain. Previous research shows that MNCs constitute fertile ground for exploring the interaction of institutional and organisational features and the role of local actors (Morgan and Kristensen, 2006). Building on this research, we illustrate that working conditions across different groups of workers are the result of local management and labour arrangements within institutional and organisational settings. We identify two broad patterns of dualisation or inequality: *convergence* where differences in working conditions between groups of workers decrease as the result of reduced standards for the better-off group or improved standards for the worse-off group, and *divergence* where these differences increase. By incorporating these patterns, the article illustrates the variety of 'dualisation' configurations.

The following section discusses relevant labour market dualisation literature. Based on this, we develop an approach combining actors' strategies with institutional and organisational conditions, allowing us to derive workplace dualisation patterns and outcomes as the result of this interaction. This is followed by an explanation of the chosen research design and methodology. The subsequent three sections present our findings, a discussion and concluding remarks.

Approaches to dualisation

Early work on segmentation in organisations (Berger and Piore, 1980; Doeringer and Piore, 1971) distinguishes between a primary segment consisting of well-paid and secure jobs governed by the rules of the organisation's internal labour market and a secondary

segment featuring poorly paid and insecure jobs subject to a demand and supply logic. Since then, the dualisation debate has been followed up in various ways (for an overview, see Davidsson and Naczyk, 2009). For example, rising unemployment in the 1980s led to labour economists developing theories about labour market insiders (employed standard workers) and outsiders (employed non-standard workers, the unemployed) (Lindbeck and Snower, 1988; Saint-Paul, 2002). Increasing employment levels and use of non-standard staff have however recently shifted attention towards the contractual divide, i.e. workers employed on permanent contracts versus those on temporary ones (Eichhorst and Marx, 2011). Inequality between these groups is often considered as resulting from specific national institutions and regulations. Apart from contractual reasons for their less secure jobs, non-standard workers tend to earn less for comparable work and struggle to access company-based training and other benefits. Furthermore, non-standard jobs are not always a stepping stone towards regular jobs, meaning that workers may be trapped in a series of non-standard contracts interrupted by spells of unemployment, thereby cementing inequality over time (Muffels and Luijkx, 2008). The literature also points to variation in terms of the size of the two groups and the extent of such differences between countries, sectors and occupations (Eichhorst and Marx, 2015; Emmenegger et al., 2012).

Exploring the reasons for dualisation, functionalist and structuralist theories consider it to be principally the result of globalisation and technological and structural change. Such developments require organisations to increase flexibility, for instance by creating a layer of flexible workers to reduce costs and adapt to market fluctuations (Kalleberg, 2009). Moreover, the decline of industry and the growth of services linked to outsourcing have boosted the use of non-standard employment (Castells, 2010). On the other hand, and in line with this, institutionalist theories consider institutions as filters of structural pressures which possibly drive dualisation. Thelen (2014), for example, argues that dualisation is caused by a 'drift' towards a growing service sector which is in turn often characterised by weaker industrial relations and lower wages and working conditions. Likewise, industrial and employment relations regimes may affect dualisation, depending on whether trade unions only defend their members' interests, i.e. those with well-paid and secure jobs (Lindvall and Rueda, 2014), or also those of non-union members (Keune, 2015). A further indicator is the collective bargaining coverage rate, indicating the share of workers covered/not covered by protective collective agreements (Palier and Thelen, 2010).

Dualisation from an organisational perspective

Although the aforementioned theories are essential for understanding labour market dualisation, there are two limitations. First, they tend to neglect the role of local actors' strategies and the processes these generate at the organisational level. Second, companies are treated as equal and uniform, essentially as 'black boxes' expected to simply follow the path dictated by institutions, markets and technology. Overall, the aforementioned approaches focus on structures, but hardly on how actors engage with them and how they affect workers.

Our article addresses these limitations by demonstrating that dualisation is related to the interplay of organisational (i.e. technology, product standardisation/differentiation,

market competition) and institutional (i.e. employment protection legislation, the regulation of work, collective bargaining and representation systems) features, as markets, technology and/or national institutions alone do not determine local actors' strategies (Scharpf, 1997; Streeck and Thelen, 2005). Rather, they provide a context constraining or creating opportunities for local actors' action (Crouch, 2012). Hence, the organisational and institutional context creates scope for management and labour actors to make strategic choices (Ferner et al., 2005).

Our article thus looks at how and under what conditions dualisation is produced within the workplace, the level at which employment relationships are shaped (Kalleberg, 2009) and at which local management and labour continually negotiate the organisation of work. The importance of organisational processes in shaping work and employment relations is underlined by empirical accounts studying similar organisations operating within the same institutional and market contexts, but producing diverse outcomes. For example, Benassi (2013) shows substantial variation in the use and working conditions of non-standard workers in German automotive plants. Thus, we need to identify the key forces shaping workplace dualisation. Achieving a better understanding of dualisation implies studying workplace management and labour strategies as embedded in organisational and institutional contexts. We expect these contexts to affect (and to be affected by) local actors' strategies, in the sense of constraining or fostering distinctive workplace arrangements, resulting in different dualisation patterns and outcomes.

National institutions

National institutions provide workplace actors with opportunities and constraints, e.g. regarding the use of standard and non-standard contracts. Employment protection legislation (EPL), national regulations governing standard and non-standard employment contracts (e.g. equal treatment principle) and collective bargaining and representation systems are of key importance in this respect. Strict EPL for standard jobs, as found in Belgium and Germany, may be accompanied by internal labour markets and functional flexibility since workers cannot be easily dismissed (Belenson and Tsolmon, 2015). However, this may also incentivise employers to use non-standard contracts to guarantee numerical flexibility (OECD, 2004). Similarly, strict EPL for fixed-term contracts (as in Belgium) decreases their attractiveness as a numerical flexibility instrument used by employers. As regards temporary agency work, the question arises whether the equal treatment principle is enforced or not.

Where national legislation foresees the equal treatment of workers on standard or non-standard contracts (Belgium), the incentive to use non-standard contracts declines. By contrast, its absence enables employers to exploit (regulatory) differences between groups of workers (Germany and Britain). Overall, greater regulatory leeway for employers to use non-standard contracts tends to create a larger peripheral workforce; conversely, where legislation sets similar conditions for both groups, the differences between them tend to be smaller (as in Belgium in comparison to Germany and Britain).

Collective bargaining and representation systems may also be of importance. Single-employer bargaining systems (e.g. Britain) give local actors a high level of discretion to implement their strategies. In multi-employer bargaining systems (e.g. Germany,

Belgium), agreements are often concluded for entire sectors. In Belgium, these standards are imperative and organisations are only allowed to derogate from them in favour of the workers. The favourability principle also applies in Germany, though opening and hardship clauses exist, allowing organisations to derogate from sectoral agreements, sometimes to the detriment of workers (Keune, 2011a). We expect multi-employer bargaining systems without the possibility of derogation (Belgium) to decrease the scope for dualisation, as they reduce organisational autonomy. Systems with this possibility (Germany) may increase this scope, as employers have more autonomy to differentiate working conditions between groups of workers (Pulignano et al., 2016), though not to the same extent as in single-employer bargaining systems.

In addition, union-dominated works councils operating within multi-employer bargaining systems with weak derogation possibilities and within regulatory frameworks establishing the equal treatment of standard and non-standard workers (more in Belgium than in Germany) may allow unions to easily coordinate sector- and local-level agreements, reducing dualisation (Pulignano and Doerflinger, 2013). It may also be argued that organisational power resources deriving from a union's capacity to collectively organise a workplace (Belgium) can be used to maintain encompassing local bargaining structures, favouring the provision of good working conditions for different groups of workers.

Organisational features: Technology, market competition and product nature

Technology, the nature of the product and competitive pressure play an important role in the use of different contractual categories of workers and their respective working conditions (Pulignano and Keune, 2015). In companies using low levels of technology to produce standardised products, workers with low and non-company-specific skill profiles can be hired, facilitating the use of non-standard workers (Osterman, 1987). Employers may do so to contain costs and absorb fluctuations in demand. Such a configuration also means that regular workers can relatively easily be replaced by workers on non-standard contracts (Pulignano et al., 2016). Vice versa, in companies using high levels of technology to produce differentiated products, skill requirements are higher and more specialised, meaning that core workers cannot easily be replaced by non-core workers, as the latter would need extensive training, which employers prefer to offer to their core workforce (Osterman, 1987). Therefore, non-standard workers would probably be used for peripheral, subordinate tasks. If this configuration comes along with limited competitive pressure, organisations will face less cost pressure and thus be less motivated to resort to non-standard employment.

Management and labour strategies

Workplace-level management and employee representatives are embedded in a context shaped by organisational and institutional features. This context defines their room for manoeuvre, but does not determine their actions. There is space for developing their own strategies, meaning that employment relations are continually (re-)negotiated between employer and employee representatives. We expect the interplay between institutional

and organisational features to influence local bargaining and its outcomes. Specifically, management strategies can be contested by employee representatives' interests and vice versa. While management wants to generate high flexibility to cope with economic uncertainty, employer representatives will focus on coping with social uncertainties by providing job security (Marginson et al., 2014). Negotiation outcomes are likely to be shaped by the actors' power, influenced by the resources available in the organisational and institutional context (Benassi et al., 2016). However, Lautsch (2002) illustrates that, even within the same organisation, outcomes may differ, in the sense that non-standard workers may have different working conditions and outcomes in different departments, depending on technology and local management (e.g. project-based external IT consultants vs agency-provided production workers). Hence, studying such variation within the same organisation may contribute to creating a better understanding of dualisation, and inequality more generally.

In general, we expect that organisations operating in a highly competitive environment are at greater risk of losing customers, meaning that employee representatives have less room for negotiation and are thus more inclined to make concessions to increase flexibility – for instance through the use of non-standard contracts or through different conditions for standard and non-standard workers. Furthermore, in markets featuring standardised products, the organisation of work may be relatively similar across production units. This may invoke benchmarking across subsidiaries, putting pressure on local actors to use non-standard workers, potentially on conditions different to those of core workers (Pulignano et al., 2016). Yet, the organisational context also interacts with the institutional system, i.e. we expect that in more encompassing institutional systems, local actors' reduced leeway may discourage the use of non-standard contracts, whereas in systems where institutions are less encompassing, local actors' greater leeway may encourage their use, possibly on conditions different to those of core workers.

Research design, methodology and operationalisation

Dualisation patterns and outcomes were analysed for the entire workforce of 12 subsidiaries of four MNCs in the manufacturing sector in Germany, Belgium and Britain. We comparatively studied three similar subsidiaries per MNC in each country in terms of nature of the product, production technology and level of competition. Table 1 shows the key company characteristics. Company names are anonymised (a requirement for their participation and set forth in previously signed informed consent letters). Table 1 shows that the selected MNCs (and their subsidiaries) fall into two kinds, with the Metal1 and Metal2 subsidiaries using low levels of technology to manufacture standardised products for a highly competitive market, while by contrast, the Metal3 and Metal4 subsidiaries use a high level of technology to manufacture differentiated and mostly customised products, and competition is low.

The choice of the subsidiaries' host countries (Germany, Belgium and Britain) reflects different institutional arrangements regarding employment regulation (Table 2). In Belgium, employment protection is strong for both standard and non-core workers, whereas in Germany it is strong for standard workers but weak for non-standard workers, and in Britain overall generally weak for all categories. Moreover, Belgium and Germany

Table 1. Key characteristics of the four MNCs.

	Metal 1	Metal 2	Metal 3	Metal 4
Country of origin	USA	USA	France	France
Global workforce	130,000	24,000	70,000	100,000
Subsidiary workforces	GER: 1700 BE: 2500 UK: 1550	GER: 1500 BE: 1600 UK: 200	GER: 4300 BE: 600 UK: 8000	GER: 2800 BE: 1000 UK: 4000
Products	Construction machines, components for the automotive and shipbuilding sector	Emission control and ride control systems for the automotive industry	Defence, security, ground transport, space and aerospace	Transport, power generation and transmission
Workforce	Mostly blue-collar	Mostly blue-collar	Mainly white-collar	Mainly white-collar
Customers	Private	Private	Mostly public, less private	Mostly public, less private
Technology	Low technology	Low technology	High technology (strongly R&D based)	High technology (strongly R&D based)
Products	Standardised	Standardised	Differentiated	Differentiated
Competition	High	High	Low	Low

Table 2. Selected institutional characteristics of the host country.

	Germany	Belgium	UK
Employment protection for standard work (OECD)	High	High	Low
Employment protection for non-standard work (OECD)	Medium	High	Low
Bargaining system (Marginson and Galetto, 2016)	Multi-employer (articulation through delegation and derogation)	Multi-employer (articulation through delegation)	Single-employer
Country-level collective bargaining coverage rate 2013 (ICTWSS database, 2016)	57.6%	96%	29.5%
Country-level union density 2013 (ICTWSS database, 2016)	17.7%	55.1%	25.6%
Local trade unions present in the plants	IG Metall	ACV-CSC, ABVV-FTGB, ACLVB-CGSLB	UNITE

feature multi-employer bargaining systems, while Britain has a single-employer system. This means that in Britain collective agreements are mostly concluded at workplace level, whereas in Belgium and Germany the sector is the dominant bargaining level. In Belgium, (inter-)sector bargaining covers all organisations within a particular sector, and deviations from sector-level provisions via opening clauses are hardly possible (Keune, 2011b). By contrast, the German bargaining system allows for such deviations via the use of opening clauses, hence increasing workplace actors' leeway. The three countries also differ with regard to other relevant industrial relations indicators (see Table 2). Belgium's high union density results in high and stable collective bargaining coverage for standard and non-standard workers. Although German works councils benefit from co-determination rights, German unions have had to cope with declining membership. While there are no official data on the unionisation rate of (different kinds of) non-standard workers, according to Meyer (2013: 113), it is very low, especially among agency workers (density around 5%). Nevertheless, union density and collective bargaining coverage in the metal sector are still among the highest in Germany. In Britain, union density is slightly higher than in Germany, but bargaining coverage rates are low for all groups of staff.¹

Conducted between late 2011 and 2013, fieldwork consisted of 60 semi-structured interviews (of one to two hours) with strategic management, HR managers and employee representatives, both at European headquarters and subsidiary level. To learn more about how situations had evolved, interviews looked retrospectively at workplace developments over the previous 10 years.² The interviews provided insights into local negotiation processes and their outcomes regarding working conditions for standard and non-standard workers. In addition to these interviews, we talked to representatives from employer associations and trade unions to deepen our understanding of the sectoral

context. We also carried out extensive site visits, participant observations as well as document analyses (of collective agreements, corporate publications, press reports, etc.). Data from different interviewees were triangulated to improve validity and provide a comprehensive representation of developments and bargaining processes in the subsidiaries. The following empirical section is a synthesis of all these data, although the interviews were the most important source of information. NVivo was used to structure and analyse the primary and secondary data.

We argue that different combinations of contextual factors (i.e. organisational and institutional) and actors' strategies lead to diverse dualisation patterns and outcomes. This is because management and labour actors strategise, bargain and conclude policies determining not only the size of the groups of standard and non-standard workers, but also the differences between them. Moreover, such parameters are by no means stable and can change over time.

Evidence from fieldwork

The role of organisational features

The Metall1 and Metall2 subsidiaries used low levels of technology to manufacture relatively simple, standardised products. As the simple production processes encouraged imitation, the subsidiaries faced high competition, particularly from 'cheaper' developing countries. For the workforce, this meant performing monotonous and repetitive assembly-line tasks, and facing the risk of being replaced by workers on flexible and potentially cheaper non-standard contracts. Furthermore, there was a constant threat of production relocation resulting from headquarters benchmarking its subsidiaries: key performance ratios were regularly compared to discipline weakly performing plants to cut costs, increase flexibility and improve productivity. Hence, such pressure forced subsidiaries to increase the use of non-standard contracts for cost and flexibility motives, resulting in relatively large peripheral workforces.

Although Metall1's brand name helped subsidiaries gain orders, the use of non-standard workers increased to enhance flexibility and contain costs. At the time of our research, the German subsidiary used 20% agency staff, the British plant 30% agency staff and the Belgian one 20% fixed-term staff.

It is a flexible workforce; as always when you have peak employment, agency work makes a lot of sense because when this peak is gone, it's quite easy to reduce your workforce to an acceptable level without the need to terminate the jobs of people in your team. (European HR manager, Metall1)

In Germany, the use of agency work had not only grown in recent years, but had also been putting downward pressure on the working conditions of standard workers, with management comparing the different groups of workers to enhance performance. Moreover, working time was made highly flexible for the core workforce to increase internal adaptability, especially in times of fluctuating production volumes, leading to work intensification during demand peaks. Similarly, in Belgium, the core workforce

was exposed to increasing pressure. For example, instead of hiring new employees to cope with production peaks, core workers had to work (paid) overtime to cope with peaks, leading to work intensification as in Germany. In Britain, the working hours (and thus the pay) of blue-collar workers and the salaries of white-collar workers were cut. Furthermore, standard workers stopped receiving a premium for night shifts. Overall, under relatively unfavourable organisational conditions, the working conditions of Metal1's core workforce were downgraded, nearing those of the peripheral workforce across subsidiaries (convergence).

The high number of competitors constituted the challenge faced by the Metal2 subsidiaries. Moreover, producing just-in-time for different customers within local markets increased flexibility demands since customers could dictate flexible order quantities under the threat of shifting orders to other suppliers in the same region. Benchmarking across plants was widespread, and Metal2 headquarters regularly threatened 'inefficient' plants with closure. This led to subsidiaries being forced to increase the use of non-standard staff (up to 15% agency staff in Germany, 7% in the UK and 10% fixed-term and 5% agency staff in Belgium). Non-standard workers ensured that production peaks could be covered, and that declining volumes could be handled by dismissing temporary staff. Across subsidiaries, the production process did not allow the separation of standard and non-standard workers, thereby creating internal competition between the different groups of workers. To compete, standard workers had to accept changing working conditions. For example, in Germany 'team performance pay premiums' led to 'coercive comparisons' between permanent and agency workers, putting pressure on the former to enhance their productivity. Furthermore, there was an unpaid working-time extension of 2.5 hours per week for core workers. In Belgium, the shift system was linked to production volumes, meaning that it changed on a weekly basis, thereby reducing workers' control over their working time. Moreover, standard workers needed to be able to operate more than one machine/workstation to increase the plant's internal adaptability. In Britain, standard workers had to adapt to the newly implemented shift system and regularly worked overtime (unpaid) to deal with production peaks. Finally, the annual training budget was cut as a cost-saving measure. Overall, the Metal2 subsidiaries had to cope with high levels of pressure from the market, customers and headquarters alike. As with Metal1, the working conditions of the core workforce approached those of the peripheral workforce across subsidiaries (convergence).

In sum, the cases of the Metal1 and Metal2 subsidiaries illustrate that in situations where a low level of technology is used to manufacture standardised products subject to high competition, plants tend to use relatively high numbers of non-standard workers to cope with the aforementioned flexibility demands. At the same time, convergence occurs as the working conditions of the core workforce approach those of the peripheral one.

The situation was different in the Metal3 and Metal4 subsidiaries due to low competitive pressure and high market-entry barriers, combined with the long-term character of orders. High levels of technology were used to manufacture differentiated and often customised products, a situation inhibiting benchmarking.

In the Metal3 subsidiaries, the core workforce was largely shielded from external pressures because of the high degree of specialisation and customer demand for tailor-made products. Low use was made of temporary workers, at about 8% in Belgium and

the UK, and less than 4% in Germany. Non-standard workers performed subordinate production activities and did not compete with core employees as the production process allowed the tasks of the two groups to be easily separated. Differences in the treatment of the two groups reflected their respective skill levels. Extensive training was provided to constantly upgrade the already high-skilled workforce, but access was limited to standard workers. In Germany, wage levels for core employees exceeded the rates set in the sector-level agreement to stimulate employee retention. Furthermore, lifelong working-time accounts constituted a strong incentive for core workers to stay with the subsidiary, since they could be used to extend parental leave or take a sabbatical.

Staffing policy and personnel development are crucial factors for the company's future. If we don't invest in our employees we will certainly lose our current position in the market. (German HR manager, Metal3)

In Belgium, training for the core workforce was stepped up to prepare workers for the necessary job rotations caused by project work. While corporate training policy foresaw extensive training for the core workforce, peripheral workers only received on-the-job training and health and safety instruction on entering the plant. Similarly, training complementing the group-wide training programme was offered to the British subsidiary's core workforce, but, as in Belgium, non-standard workers were not entitled to it. Overall, local policies across subsidiaries focused on improving working conditions for the large core workforces while those of non-standard workers remained stable (divergence).

Similarly, the economic situation of Metal4 and its subsidiaries was healthy, with a strong order backlog creating financial stability. Although non-standard workers were used extensively to guarantee flexibility to the customers (35% agency staff in Britain, 20% in Belgium and 10% agency and 10% fixed-term staff in Germany), they mostly performed auxiliary functions. Furthermore, their presence did not lead to cuts in the size of the core workforce. Metal4's strategy focused on R&D and after-sales services, implying the need for a high-skilled core workforce, with temporary workers providing flexibility on the periphery.

What we're trying to do is to develop the classic model of a core workforce and then, outside of that, having either our own temporary people that we will use an agency to recruit for us, or if appropriate and we don't have the capacity from a manufacturing point of view, we will subcontract some of the metal bashing. (British HR manager, Metal4)

The German subsidiary offered numerous training programmes for upskilling its core workforce. At the same time, non-standard workers – who were not allowed to take part in company training courses – performed subordinate functions and helped cover production peaks. In Belgium, training and development programmes were available to the core workforce, leading to a rising level of internal adaptability. Complementing these, mobility schemes for the standard workforce existed, enabling them to be posted to other plants in neighbouring countries for short periods to respond to workload fluctuations and strengthen international mobility and intercultural skills. In Britain, structured training programmes and long-term competence development plans for the core workforce ensured that the required skills were present in the future. Non-standard workers had no

access to such programmes since they were used for subordinate tasks. In sum, the working conditions of the core Metal4 workforce improved, while those of non-standard workers remained stable across Metal4 subsidiaries, leading to divergence.

Overall, the cases of the Metal3 and Metal4 subsidiaries illustrate that in situations of low competition, high levels of technology, diversified products and direct control, divergence is likely to evolve. In other words, the working conditions of the peripheral workforce remain stable while those of the core improve, especially for the purpose of skill retention.

The role of institutional features

While the previous section demonstrated the importance of the subsidiaries' organisational features, this section highlights the role of the institutional context.

Belgium is characterised by high levels of employment protection for both standard and non-standard workers, and the equal treatment of workers on different contracts is guaranteed by law and collective agreements. The equality principle is strictly enforced in workplaces by the powerful and encompassing Belgian unions. Flexible forms of work offer no cost advantages to employers, as the wages of core and peripheral workers are comparable. Moreover, Belgian unions give preference to fixed-term contracts over temporary agency work. As a result, subsidiaries seeking increased flexibility (Metal1 and Metal2) tend to resort to fixed-term contracts instead of agency work.

In contrast to Belgium, Germany features a more dualised system, with high employment protection for standard and lower protection for non-standard workers. In particular, the Hartz reforms in the early 2000s deregulated the use of temporary (agency) work to increase flexibility, leading to growing gaps between sheltered core workers and the flexible periphery. These gaps are most pronounced between workers employed by the (user) company and agency workers, as very different sectoral agreements apply. Moreover, the statutory equality principle does not apply because of the existence of a valid sector-level agreement for agency workers. Soon after the liberalisation of agency work, the Christian Trade Union Confederation for Temporary Work and Staffing Agencies (CGZP) negotiated a collective agreement with the employer association in 2003, which defined sub-standard wages and working conditions for temporary agency workers. Due to the negotiation of various sub-standard collective agreements, the CGZP lost its right to collectively bargain in 2010, resulting in all concluded collective agreements being declared null and void. Since then, unions belonging to the Deutsche Gewerkschaftsbund (DGB) have struggled to substantially improve the earlier defined low standards. This has created a strong cost incentive for employers to use agency work, apart from the flexibility it provides. Since 2012, the metal sector collective agreement has foreseen wage premiums for agency workers and has empowered works councils to negotiate workplace-level agreements. However, this has not closed the gap between core and agency workers – contrary to fixed-term workers who, like core workers, are covered by the metal sector agreement. As a result, the peripheral workforces at the Metal1 and Metal2 subsidiaries predominantly consisted of agency workers for cost and flexibility reasons. Metal4 also employed agency staff but largely for flexibility reasons, i.e. in response to demand fluctuations.

Agency work was officially introduced to cope with large-volume orders and to provide flexibility. But now we see that these workers are mainly hired to cut costs. (German works councillor, Metal2)

In contrast to Belgium and Germany, employment protection is generally low for all groups of workers in Britain. Although British law provides for equal treatment between core and agency workers, enforcement is patchy and working conditions can differ between core and agency workers. Nevertheless, the British subsidiaries of Metal1, Metal2 and Metal4 used agency work mainly out of flexibility considerations and less out of cost considerations. Fixed-term contracts were hardly used in the subsidiaries since, in terms of flexibility or costs, they hardly differed from standard contracts.

About 35% of our workforce are agency employees, which is really, really helpful. The benefit to the company is that, if there's a drop, we can reduce the temporary segment very quickly. (British HR manager, Metal1)

The role of local actors

Local management and employee representatives negotiate and compromise to shape the organisation of work, respective working conditions, the size of the core and peripheral workforce and the differences between the two groups dependent on the strength deriving from the respective institutional and organisational contexts in which they are embedded. For practical purposes, we present the findings by country, discussing the strategies and compromises of local actors across subsidiaries, framed within their respective room for manoeuvre. This does not however mean that we are assigning more weight to the institutional dimension.

Germany. Management and the works councils in the German Metal1 and Metal2 subsidiaries reached agreement on agency work quotas (respectively 20 and 15%) in response to market and headquarters pressure related to the rather unfavourable organisational features. Under the threat of closure during a severe crisis in 2001, local Metal1 management and the works council reached a compromise to safeguard operations, using a sectoral opening clause to negotiate an increase in working-time flexibility. Management also indicated to works councils that a 20% agency staff quota was necessary to avoid closure. At the time of data collection, the differentiation of wages and working conditions between standard and agency workers incentivised the use of agency staff for cost considerations. Management also requested cuts in non-statutory premiums for the core workforce. Aware of the wide-reaching changes for the core workforce (i.e. intensification of work, less control over working time, financial penalties), the works council was able to negotiate an employment guarantee for the core workforce in exchange for these concessions. This was facilitated by a 75% unionisation rate in the plant and the consequent high associational power.

The Metal2 subsidiary was similarly subject to relocation threats and demands to enhance flexibility and reduce costs. Management and the works council agreed on increasing working-time flexibility based on a sector-level opening clause as in Metal1.

This improved the plant's competitiveness, thus enhancing its chances of gaining orders in intra-company bidding procedures. Core workers thus had to adapt to a changing shift system and comply with an unpaid working-time extension of 2.5 hours per week.

Every permanent employee works 2.5 hours per week for free. This system is part of an agreement to secure flexible and cheap solutions to the customer. Cost considerations made us enter into negotiations with the unions some years ago to make the plant more attractive for customers. (German HR manager, Metal2)

The absence of 'equal pay' between core and agency workers (related to the two groups being covered by different sectoral collective agreements) was used by management to stimulate performance improvements, with wage premiums used to enhance agency workers' performance while putting pressure on the plant's core workers. Similarly in the Metal2 subsidiary, management introduced so-called 'team performance pay premiums'. As all team members – independent of contractual status – were entitled to the same amount of money, 'coercive comparisons' across standard and agency workers became possible. Overall, under immediate threat of closure, management and works councils developed 'closure avoidance strategies', based on concessions for the core workforce and extending the size of the peripheral workforce. In terms of dualisation, this resulted in relatively large numbers of agency workers and reduced differences between standard and non-standard workers (convergence).

The German Metal3 subsidiary made only little use of temporary workers, instead focusing on skill development and employee retention in accordance with corporate policy. It needed a high-skilled workforce to handle the company's sophisticated technology. In this context, employee retention was considered by local management as key to preserving and enhancing competitiveness. Its modalities were the subject of local negotiations, in which the employee side had a strong bargaining position. The works council successfully demanded wage levels for core workers above those set in the sector-level agreement based on the favourability principle (which means that local standards can differ from sectoral agreements when they are more favourable for the workforce). Furthermore, local management set up lifelong working-time accounts for core workers as an incentive for them to stay with the subsidiary. These accounts could be used for example to extend parental leave or take a sabbatical, thus providing positive working-time flexibility. Moreover, when management wanted to handle a sudden surge in demand by using an opening clause to raise weekly working hours from 35 to 40 hours, the works council refused to give its consent (required to trigger the opening clause) as it feared increasing work pressure. The works council's refusal forced management to resort to agency staff for such short peaks.

The company is always interested in greater flexibility. But I think – and this is the opinion of the works council – that whenever greater flexibility is introduced, it automatically exploits our employees. We have to protect them. (German works councillor, Metal3)

Similarly in the German Metal4 subsidiary, two 10% quotas for fixed-term and agency staff respectively were introduced to deal with volume fluctuations. While the fixed-term

workers were integrated in core worker teams, agency workers performed subordinate production tasks and were thus isolated from the rest of the workforce, i.e. their presence had no influence on the size and working conditions of the core workforce. Core workers benefitted from various skill development programmes, from which the temporary workers were excluded. For example, upskilling programmes were widespread to fulfil the headquarters and market requirement for multifunctionality (facilitated by the favourable organisational configuration). Job rotation was used extensively to maintain a high level of internal adaptability, while production peak flexibility was provided by temporary workers. The works council also persuaded management to provide financial support to former apprentices for continued education at a technical college or university, a further qualification option offered to core workers. Moreover, on the basis of working-time opening clauses, management and the works council agreed on working-time accounts for core workers. This not only increased the plant's internal adaptability, but also enabled core workers to take extended parental leave or a sabbatical.

Local compromises at the German Metal3 and Metal4 subsidiaries thus helped improve the core workforce's working conditions and job security, while those of the peripheral workforce remained relatively stable (divergence).

Belgium. Twenty per cent of the Belgian Metal1 subsidiary's workforce had fixed-term contracts. Although local management initially wanted to use agency workers to increase flexibility, the unions did not give their necessary consent, instead proposing the use of less flexible fixed-term contracts. Due to the equal treatment principle, cost considerations did not drive management's interest to use agency work.

We don't use agency work because we think that it's better to have only one workforce. The fixed-term contracts – it's the same. They have the same pay scheme, the same benefits as the others and they are Metal1 employees, so there is no difference. (Belgian HR manager, Metal1)

Encompassing collective bargaining institutions provide limited opportunities for employers to exit agreements or decentralise bargaining via opening clauses. This enabled unions to negotiate the 'nature' of the non-core workforce, while giving employers little scope to adopt differing working conditions for standard and non-standard workers. Indeed, local unions were able to negotiate an agreement on employment paths, ruling that fixed-term contracts would be upgraded to permanent ones after a certain period: one year for white-collar employees and three years for blue-collar workers. Local management agreed because employment paths still offered a certain flexibility to deal with fluctuations, while at the same time ensuring the plant's supply of workers. However, management also demanded higher levels of flexibility from core workers, requiring them to work overtime to handle production peaks. The trade unions agreed because the sectoral agreement provided for paid overtime. Similarly, Metal2's 15% flexibility quota (10% fixed-term and 5% agency staff) was negotiated by local management and trade unions and directly linked to employment paths. Under this agreement, workers who enter the plant via staffing agencies are given a fixed-term contract after six months, which is upgraded to a permanent one after two years. Furthermore, in both Metal1 and Metal2, management enforced job rotation to increase internal adaptability. Local unions

did not oppose this since the encompassing nature of the metalworking agreement foresaw that such measures should augment workers' job security and employability.

Our blue-collar workers have to be able to work on more than one machine. We want them to learn to operate more and more machines to be more flexible. Previously, people who started working here thought that they would work with the same machine until they reach 58 and retire. That used to be the mentality here, but this needs to change. (Belgian HR manager, Metal2)

In sum, the core workforce's working conditions approached those of the peripheral workforce (convergence) because of the ongoing quest for flexibility. However, local unions in the Belgian Metal1 and Metal2 subsidiaries were able to offset the deterioration in the working conditions of the core workforce with a slight improvement in those of the peripheral workforce. The Belgian institutional framework with its equality principle and encompassing bargaining system hardly allows for derogations, thus providing unions with the resources to influence the nature of increased flexibility.

The Belgian Metal3 plant rarely used agency or fixed-term workers. Although this may be explained by the fact the plant hardly experienced production fluctuations because of the long-term character of orders, it should be stressed that general company policy focused on employee retention. Hence, when any need to cope with potential peaks occurred, management required its core workforce to work overtime. The union agreed since the sector agreement defined attractive financial compensation for such. Management and unions also agreed on increased training for the core workforce to promote upskilling, thereby enabling job rotations and internal mobility as a way of fostering both employment security and employee retention. Such measures were not available to agency workers, who only worked for short periods in the subsidiary, in the relatively rare case of unexpected peaks.

As a trade union, we defend permanent employment and avoid having many temporary workers, but we also have an ally in management because if you don't give good people a good contract, they will leave. (Belgian unionist, Metal3)

In contrast to Metal3, the Belgian Metal4 subsidiary used about 20% agency workers. Core and peripheral tasks were very much segmented, resulting in a workforce division based on skills and on blue-collar (mostly agency workers) versus white-collar functions (core workforce). Due to this segmentation, management decisions concerning the peripheral workforce had no repercussions on the core workforce. Training and development programmes were available for the core workforce, especially for engineers and former blue-collar workers moving up to take on white-collar functions. This led to rising levels of skills and internal adaptability, beneficial for dealing with diversified customer requirements and thus welcomed by management. However, training and upskilling schemes were not available to the non-core workforce, used to provide the plant with the necessary flexibility. Furthermore, the unions successfully demanded permanent contracts for newly-hired skilled workers right from the start to emphasise job security and skill retention.

Overall, negotiations in Metal3 and Metal4 improved the core workforce's working conditions, facilitated by favourable organisational configurations. At the same time, those of the peripheral workforce remained stable (divergence).

Britain. Within a strongly deregulated context where unions have only limited institutional resources and power, the British Metal1 subsidiary used a ca. 30% agency staff quota to increase flexibility as a reaction to market pressure and headquarters demands, while the Metal2 subsidiary had only ca. 7%. Differences in the use of agency staff can be understood as the outcome of the diverse dynamics and actors' interests and preferences at workplace level. Local unions at Metal1 were under pressure through regular threats of production relocation, leading to them accommodating management's request to have a 30% agency staff quota to increase the plant's flexibility, hence safeguarding operations in the short term. The situation was different at Metal2, where local unions used national unions' opposition to institutional loopholes exempting employers from equal wages for agency workers under certain conditions (referred to as the Swedish Derogation) to enforce equal treatment between core and agency workers, hence making the use of such workers unattractive to management. As a result, management reduced the number of agency workers to 7% of the workforce. At the same time, a wage increase for agency workers slightly improved their situation.

Before, we would employ agency workers on a specific rate of pay which is less than what our employees get but above the national minimum wage. Now we have to pay the same rates, terms, and benefits as our own employees. (British HR manager, Metal2)

The limited possibilities to use agency work to cut costs made local Metal2 management consider alternative ways to reduce costs and accommodate the flexibility pressure from customers and headquarters. It started to enforce higher levels of flexibility for the core workforce, including unpaid overtime to deal with production peaks and a flexible shift system. As local unions did not want to risk endangering the plant's future, they accepted these changes. Yet, concessions to the detriment of agency workers were no option for local unionists, who wanted to promote equality across different groups of workers. By contrast, at Metal1, the unions did not oppose the unequal treatment of agency workers and accepted a 30% agency worker quota at the plant. They also made concessions on the increased use of overtime for the core workforce (mostly unpaid), who also suffered the loss of a premium for night shifts, a move possible under the decentralised British bargaining system. Furthermore, the system allowed for wage cuts, and management and local unions agreed to cut the wages of white-collar employees to save costs. In the British Metal1 and Metal2 plants, we observed that local unions – constrained by relatively unfavourable organisational and institutional conditions – accepted unpaid overtime, higher internal flexibility and wage cuts for the core workforce to safeguard jobs. Hence, their working conditions approached those of the peripheral workforces (convergence), especially at Metal2 where conditions for agency workers improved slightly.

The British Metal3 subsidiary used low levels of agency staff to cope with possible volume fluctuations and alleviate shortages of certain skills. Since such workers were only employed temporarily, local management and unions focused on negotiating working conditions for the core workforce. However, in the decentralised and deregulated institutional context, local unions had relatively few 'institutional resources' available to improve employees' working conditions. Nevertheless, management and unions agreed

on ensuring the constant upskilling and retention of the workforce through group-wide training programmes as a factor contributing to increasing competitiveness. This reflected management's interest in tying high-skilled workers to the company, an interest supported by the local unions. One of the tools used for creating and retaining a multi-skilled workforce was internal mobility, meaning that workers could be shifted across tasks and sites for short periods for training purposes. Moreover, a 'graduate scheme' was implemented, easing the entry of newly-hired graduates, for instance through the provision of specific training courses and mentoring. All these measures were only available to core workers. By contrast, the small group of agency workers mostly stayed for short periods only and were thus not covered by the subsidiary's long-term retention policy.

Similarly, local management and unions in the British Metal4 subsidiary agreed to offer structured training programmes for the core workforce, complementing the already existing long-term skill development plans. These measures ensured that highly specific competences were retained, while at the same time increasing the plant's internal adaptability to cope with changing (skill) requirements, a management demand. Such programmes were not accessible for Metal4's 35% agency staff, used predominantly for subordinate tasks and thus kept isolated from the core workforce. Hence, semi-skilled agency and high-skilled core workers did not compete in terms of functions and skills. The presence of the peripheral workforce had hardly any influence on the core workforce, and the unions generally found it difficult to bargain on their behalf due to the weak institutional framework.

Not many agency staff are skilled, most of them are semi-skilled. They get basic training, including safety training. Companies do not want to have to spend money on training agency staff, so they employ semi-skilled workers. We only use them in production functions to manage flexibility. If we are running late for a certain order, we flood production with agency staff to help finish the job. (British HR manager, Metal4)

If there are too many agency staff, obviously unions then kick in and want to know what's going on because the company could recruit full-time staff if they're employing large numbers of agency staff. We are all for permanent positions. (British unionist, Metal4)

Furthermore, agency workers were not entitled to sick pay and holiday allowances, which made them cheaper than core workers, possibly encouraging management to use them for rather simple production tasks. Overall, in the British Metal3 and Metal4 subsidiaries, the core workforce prevailed in size, and their working conditions improved compared to those of the peripheral workforce, leading to divergence.

Discussion and conclusion

This work builds on our understanding of dualisation by demonstrating that different organisational and institutional features are leveraged as part of the mechanisms within (and across) different MNC subsidiaries, shaping heterogeneous local inequality patterns and outcomes. In particular, and as illustrated in Table 3, we found that differences in organisational features accounted for a number of inequality patterns and outcomes between standard and non-standard workers in the Metal1 and Metal2 subsidiaries on the

Table 3. Dualisation outcomes for different groups of workers.

	Negotiated practices for standard workers	Negotiated practices for non-standard workers	Outcome
Metal1	DE Higher working-time flexibility, work intensification, cuts in non-statutory premiums, but employment guarantee negotiated by the works council	20% agency staff on worse conditions (pay, fringe benefits, training)	Convergence (reduced conditions for standard workers)
	BE Overtime, work intensification, forced job rotation	20% fixed-term staff on similar conditions (avoidance of agency work), employment paths	
	UK Cuts in working hours and wages, (unpaid) overtime	30% agency staff on worse conditions (pay, fringe benefits, training)	
Metal2	DE Unpaid working-time extension, pressure through coercive comparisons	15% agency staff on worse conditions (pay, fringe benefits, training)	Convergence (reduced conditions for standard workers)
	BE Higher working-time flexibility (flexible shift system), pressure to be able to handle multiple workstations (forced job rotation)	10% fixed-term staff, 5% agency staff on similar conditions, employment paths	
	UK Unpaid overtime, cuts in the annual training budget, flexible shift system	7% agency staff, equal treatment through the use of the 'Swedish Derogation'	
Metal3	DE Wage levels higher than those of the sectoral agreement, lifelong working-time accounts, training provision, retention programmes, refusal of a paid working-time extension	Less than 4% agency staff on worse conditions (pay, fringe benefits, training)	Divergence (improved conditions for standard workers)
	BE Extensive training schemes, employee retention programmes, job rotation (also abroad)	8% agency staff on similar conditions (but no training)	
	UK Extensive training schemes, employee retention programmes, internal mobility, 'graduate scheme'	8% agency staff on worse conditions (pay, fringe benefits, training)	
Metal4	DE Numerous training programmes, financial support for former apprentices when studying	10% fixed-term staff on similar conditions, 10% agency staff on worse conditions (pay, fringe benefits)	Divergence (improved conditions for standard workers)
	BE Training and development programmes, mobility schemes, permanent contracts for new (skilled) hires	20% agency staff on similar conditions (but no training schemes)	
	UK Structured training programmes, long-term competence development plans	35% agency staff on worse conditions (pay, fringe benefits, training)	

one hand, and Metal3 and Metal4 on the other hand. The first two, using low levels of technology, producing standardised products and suffering from high competition, are characterised by relatively large peripheral workforces, competition between core and peripheral workers, and converging working conditions due to declining standards for the core workforce. The last two, operating with high levels of technology, producing differentiated products and enjoying low competition, featured a smaller peripheral workforce, no or only limited competition between the two groups and diverging working conditions due to improved standards for the core workforce.

Our work also illustrates that organisational features alone do not account for the observed differences across subsidiaries of the same MNC in different countries. These differences can be better understood by integrating the national institutional context in the analysis. Certain inequality patterns and outcomes may be encouraged or discouraged by labour legislation and industrial relations systems. For example, differences between core and peripheral workforces tended to be rather small in the Belgian subsidiaries compared to the German and British ones, because Belgian legislation enshrines the equality principle, and encompassing collective agreements and strong trade unions regulate and enforce equal treatment between the two groups.

Nevertheless, organisational and institutional features together do not determine the emerging dualisation patterns and outcomes. Instead they create a context which leaves considerable scope for local players to shape the aforementioned patterns and outcomes. In other words, local players use this scope to negotiate and compromise, thereby implicitly shaping convergent and divergent inequality patterns and outcomes concerning the working conditions of standard and non-standard workers. By focusing on the role of local actors in the same institutional context, and by analysing the aforementioned negotiation processes, we can for example understand that the size of the peripheral workforces in the British subsidiaries of Metal1 (30%) and Metal2 (7%) differ substantially as a result of local actors' different use of institutional resources (especially the so-called 'Swedish Derogation'), despite being under similar constraints due to a relatively unfavourable organisational context characterised by standardised products and technology and relatively high competition.

The above analysis thus demonstrates that incorporating the role of the company, i.e. examining actors' strategies within distinct organisational and institutional contexts, improves our understanding of how inequality in labour markets evolves and contributes to identifying the forms it takes. In particular, the article shows how the organisational (i.e. technology, nature of the product, competition) and institutional (i.e. employment protection legislation and bargaining systems) contexts in which subsidiaries operate contain constraints and opportunities used by workplace actors to negotiate employment and working conditions, thereby shaping inequality patterns and outcomes. Similarly, the article shows that dualisation is not an 'absolute' analytical category but is related to strategic negotiation within the workplace, which can produce different dualisation patterns, thereby supporting existing studies demonstrating the need to move beyond understanding the 'core' and 'periphery' as static concepts. Our study adds to this literature by arguing that these patterns are embedded in the organisational and institutional contexts actors operate in. Moreover, and directly linked to the above, our research shows that dualisation can take different forms as a result of local negotiations. We identified two analytical

configurations of dualisation: convergence and divergence. However, future research needs to investigate whether further differentiations exist within each configuration. For example, apart from the observed convergence, where differences in working conditions between the different groups of workers decrease as the result of reduced standards for the better-off group, convergence could also be caused by improved standards for the worse-off group. This would add complexity to the traditional dualisation dichotomy.

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Notes

1. Data on companies' average use of non-standard workers in the metal industry are not available in the countries investigated.
2. This was possible because most of the interviewees have been working for their respective subsidiary for more than 10 years, in some cases, even more than 20 years.

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