Coordination, employment flexibility, and industrial relations in Western European multinationals: evidence from Poland

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Published online: 20 Nov 2006.

To cite this article: Marta Kahancov & Marc van der Meer (2006) Coordination, employment flexibility, and industrial relations in Western European multinationals: evidence from Poland, The International Journal of Human Resource Management, 17:8, 1379-1395, DOI: 10.1080/09585190600804689

To link to this article: http://dx.doi.org/10.1080/09585190600804689
Coordination, employment flexibility, and industrial relations in Western European multinationals: evidence from Poland

Marta Kahancová and Marc van der Meer

Abstract Despite the significant investment of multinational companies (MNCs) in Central and Eastern Europe, we have limited information about the diffusion of employment practices in this region. This paper aims to fill this gap by conceptualizing and exploring coordination, employment flexibility and industrial relations in a Polish factory of a Western European industrial company. We argue that the MNCs’ corporate intention to utilize local conditions and an underdeveloped international coordination of trade unions within MNCs are the main factors explaining the local embeddedness of factory-level employment practices and industrial relations.

Keywords Multinational companies; coordination; employment flexibility; HRM; industrial relations; trade unions.

Introduction

Multinational companies (MNCs) operate simultaneously in various countries and labour markets. Lately, the diffusion of employment practices within MNCs has been at the centre of interest for researchers in the field of industrial relations and human resource management (HRM). A variety of authors conceptualized diffusion for different MNCs. The most important approaches can be summarized in three points. First, different MNCs can be viewed as innovators, adaptors or reverse diffusers of employment practices (Ferner and Varul, 2000; Marginson, 1992). Innovator companies diffuse from headquarters to foreign subsidiaries in countries where local labour market conditions differ from the MNC’s home country. Adaptor MNCs prefer adaptation of employment practices to local host-country conditions instead of diffusing common policies from the centre (ibid.). Reverse diffusion (Edwards, 1998; Ferner and Varul, 2000) takes place if employment practices originating in subsidiaries are transferred back to the MNC’s home country.

Second, Edwards et al. (1999) discuss structural and political determinants of diffusion. Structural factors include the country of origin effect (Ferner, 1997), degree of international production integration, international management structures, and the method by which an MNC has grown. Besides the structure, political processes within
MNCs based on power resources of both the headquarters and the subsidiary can foster or block diffusion.

The third conceptualization stresses the difference between diffusion outcomes and principles, and methods of diffusion. Boyer et al. (1998) argue that various combinations of methods and principles can lead to selective adaptation to local conditions or, in other words, to hybridization trajectories preferred by MNCs.

Despite the usefulness of the above concepts, more attention should be paid to the fact that whether the company’s choice for diffusion or adaptation materializes in specific employment practices depends on the interaction of several actors, including MNC headquarters, local subsidiary management, and (inter)national trade unions, that shape the diffusion process. Studying procedural interaction, or coordination, between these actors is then a constructive tool in understanding the dynamics of diffusion.

This paper presents an actor-oriented approach to study diffusion of employment practices in a Polish factory of Electra – a leading Western-European industrial MNC. Electra is an important employer in Poland; yet the Polish business environment considerably differs from the strongly regulated labour market in the country of origin. Our main question is to what extent employment practices in the subsidiary are diffused from headquarters and adapted to local conditions, and which forms of coordination are being applied between the MNC headquarters, the factory management, employees and their representative bodies, trade unions and the European Works Council (EWC)? This approach not only provides an explanation of the outcomes of interaction (i.e. developments in working time, pay and bargaining structures), but also a discussion on actors’ strategies. In this context, the paper offers several interesting empirical findings.

The paper first discusses the coordination model of this study and research methodology. Next, we present empirical evidence, followed by the analysis of coordination. The concluding section discusses the findings and addresses their implications.

The concept of coordination between the MNC, trade unions and employees

Coordination is a procedural interaction between actors, concerning priorities and issues of interest of all actors involved; relative to the institutional environment where interaction takes place (Scharpf, 1997). Actors are at the centre of each coordination process. We focus on actors with the most important influence on employment practices in the Polish Electra factory: the headquarters of the MNC Electra in Homeland, the local factory management in Poland, the local trade union in the Polish factory, and finally the European Works Council and trade unions in Homeland.

Both the MNC and the trade union strive to achieve certain goals, and their strategies related to these goals are influenced by the institutional context surrounding the actors. For example, the established employment practices or the tradition of collective bargaining differ in Poland and Homeland. Therefore, the MNC can opt for other goals in the Polish environment, utilizing the opportunities of the local institutional environment. Once we have identified the actors and the local conditions in which they function, we need to define the content of coordination or, in other words, the specific employment practices that are the subject of regulation, diffusion or adaptation. In this paper, we focus on four aspects of employment flexibility at the Polish Electra factory: production workers (or ‘directs’ in the company jargon) headcount, working time, work organization, and contract flexibility. These variables are subject to coordination between the management and the trade union, and also subject to legal regulation in Poland.
To understand the character of coordination between the MNC headquarters, the local factory management and the trade unions in greater detail, we distinguish between several coordination modes. These include control, competition, value sharing and cooperative exchange or interactive bargaining.

Control entails power of an actor to take decisions and impose these on others (CPB, 1997: 57). The strengths of control are certainty, enforcement, protection against opportunism of other actors, and no need for consultation with a variety of actors. Control may invoke rent-seeking behaviour or restriction of individual freedoms. Effective exercise of control involves high costs of information gathering (ibid.). In MNCs, implications of control include, for example, headquarter control over a subsidiary’s business processes (see Harzing, 1999).

Competition entails rivalry between actors striving for something that not all can obtain (CPB, 1997: 56). Competition can achieve efficient allocation and provide incentives for individual flexibility, freedom and privacy. Competition may also lead to rent seeking, decrease commitment of actors to long-term agreements, and producing a socially unacceptable income distribution (ibid.). Within a company, competition can occur between actors on the same level of hierarchy, e.g. between a unionized and a non-unionized workforce.

Coordination by common values and norms can be characterized by a congruent set of preferences within the MNC, the workers and the unions. Repeated interaction fosters solidarity and consensus, and actors are strongly motivated and committed to achieve their common goal. In a MNC, the company culture is a value shared on various levels of the organization. Other examples of shared values include international trade union solidarity, or a common interest of managers and trade union leaders in specific local conditions.

Finally, coordination by interactive bargaining or cooperative exchange indicates a bargained consultation and cooperation between otherwise independent parties with different preferences (CPB, 1997: 58). Emergent trust between the MNC headquarters and the local factory management, and between the local management and the trade union, is a crucial element of interactive bargaining. Due to an increased flow of information between these actors, their knowledge about each other’s intentions increases and mutual learning raises the quality of coordination and improves its effectiveness. Actors are motivated to stay alert, innovative and to exploit existing opportunities in order to achieve their goals.

The final element in studying coordination between MNCs and trade unions is the coordination outcome or, in other words, diffusion of employment practices or their adaptation to local conditions. The employment practices resulting from coordination can be deployed via various instruments. For example, control of management over the workforce can not only be implemented in a form of individual performance-related appraisals but also as a control of selection in job upgrading.

Acknowledging the elements of coordination described above, we will now turn to an empirical investigation of coordination between Electra headquarters, local managers and trade unions. The main aim is to evaluate whether the interaction between MNC headquarters and the local factory management, and trade unions, can be characterized by control, competition, value sharing or interactive bargaining, what strategies the managers and trade unions adopt, what employment practices arise as a consequence of such interactions, and whether these resemble diffusion or adaptation to local conditions.

The main research method was qualitative interviewing using semi-structured questionnaires. In 2004, the first author conducted 42 interviews with managers, trade
Managers and trade union representatives on all relevant levels of the hierarchy were interviewed. All interviews but one took place in the respondents’ offices without participation of third persons. All interviews were tape-recorded; one interview lasted on average 65 minutes. We also collected company statistics, reports and presentations, and visited the factory’s shop floor. Participation in a company social event enabled us also to observe informal interaction between managers and trade union leaders.

In the next section of this paper, we provide empirical evidence and analyse several coordination channels. We will start with a brief description of Electra, its Polish factory, and the factory-level employment flexibility and industrial relations.

The case study

The Electra company

Electra is one of the world’s largest industrial companies in the relevant sector employing over 164,000 employees in over 60 countries (EIP Briefing Document, 2004). Facing the challenges of internationalization of markets and increased competition, Electra has undergone several reorganizations in the past 15 years. Being organized in a top-down hierarchy, the current corporate strategy stresses integration of various levels and activities, which requires a development of a cooperative culture to capture convergence opportunities (Electra EWC, 2001). Therefore, coordination transcending the traditional organizational structure is fostered mainly in core business activities and support activities, including HRM of knowledge workers and managers.

In Poland, Electra contains over 10,000 mostly manufacturing jobs in several sites. Moreover, over 10,000 jobs were created through local suppliers. The access to

Table 1 Interview respondents

<table>
<thead>
<tr>
<th>Organizational level</th>
<th>Respondents, number of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management subsidiary</td>
<td>General manager (1); HR manager (7); HR specialist (5); production managers (3); corporate communication manager (1); shift leaders (4)</td>
</tr>
<tr>
<td>Headquarters Poland</td>
<td>Country HR manager (1); industrial HR manager (1)</td>
</tr>
<tr>
<td>Headquarters Homeland</td>
<td>Business unit: HR manager (1); industrial strategy manager (1) Product Division: International HR audit specialist (1) Regional: Industrial relations manager Europe (1)</td>
</tr>
<tr>
<td>Factory trade union</td>
<td>Trade union leader (6)</td>
</tr>
<tr>
<td>Regional trade union</td>
<td>Trade union leader (1)</td>
</tr>
<tr>
<td>National trade union</td>
<td>International coordinator (1)</td>
</tr>
<tr>
<td>Other site’s trade union and EWC Poland</td>
<td>Trade union leader (1)</td>
</tr>
<tr>
<td>Trade Union Homeland, EWC</td>
<td>Electra trade union leader (1); EWC representative (2)</td>
</tr>
<tr>
<td>External</td>
<td>Wilno Labour Market Board Director (1); Investment and development specialist, Wilno Municipality (1); Former production worker Electra Wilno (1)</td>
</tr>
</tbody>
</table>
a relatively large Polish market, favourable local conditions, political stability, legal regulation, Polish employment practices, and Electra’s corporate strategy contributed to a gradual expansion of the company in Poland during the 1990s. Electra Industries Poland (EIP) in Wilno – the factory under scrutiny in this paper – is one of four European manufacturing sites within Electra’s Business Unit BUC2 (see Figure 1). This mass assembly centre of consumer goods, mainly for European markets, was established as a greenfield site in 1991 in Wilno (Northern Poland). The current functioning of the factory dates back to 1995.

EIP experienced gradual production growth and attracted a number of suppliers to the Wilno Industrial Park. The overall flexibility of this factory, including an outstanding production and workforce flexibility, cost competitiveness and high product quality, account for EIP’s world-class performance vis-à-vis other Electra factories and competitors. In 2002, a major reorganization and outsourcing of two (out of three) factories took place. This reorganization did not significantly affect employment in any of the concerned factories, because the majority of Electra’s suppliers had already adopted a similar flexibility model due to supply-chain interdependence with Electra. Creating over 4,500 jobs, mainly in production, EIP and its suppliers gradually became the second largest employer in the city with 27.2 per cent unemployment. In total, MNCs created around 90 per cent of all jobs in Wilno and its surroundings. With its reputation as an industrial hub, Wilno is a positive outlier when compared to neighbouring counties where unemployment levels reach 30–40 per cent.

Before discussing the local employment practices at EIP, we will highlight the coordination between Electra headquarters and EIP Wilno. Figure 1 explores two coordination channels between Electra headquarters and the Polish factory: first, the functional channel through the product division and the business unit; second, the regional channel via European and Polish headquarters.

Direct coordination between Electra headquarters and the factories in employment practices materializes in standard systems of job grading, performance appraisals, management development plans, and shared company values that penetrate managerial decisions at all organizational levels. The majority of existing central policies and control mechanisms that are diffused from the headquarters to subsidiaries relate to HRM of indirects, such as recruitment, training and internal labour market mobility. Headquarters are not directly involved in operational management or control of the directs’ employment practices in the Polish site. The Business Unit (C2) headquarters only control the factory’s total headcount, and working time matters are part of financial reporting to headquarters, i.e. due to overtime payments. According to the HR manager at EIP Wilno: ‘anything [that] comes from headquarters normally refers to people above certain levels ... These are people who are ... far away from the production level ... [Production] employees are not in the centre of interest of headquarters.’ Similar to HRM, Electra does not have any corporate, product division or business unit principles and guidelines concerning industrial relations in the factories. The only relevant policy is the Polish headquarters’ Electra Social Policy in Poland. Although being an attempt of coordination, this policy further encourages decentralization of industrial relations within Poland (EIP Briefing Document, 2004).

In summary, there is no direct control by headquarters over the Polish factory’s employment practices and industrial relations of directs. Factory-level management and its coordination with local employees and the trade union are the most important actors shaping directs’ employment practices and industrial relations at the Wilno factory. Consequently, management–union coordination, factory employment practices and workforce flexibility can be considered a local solution to the MNC’s needs.
Figure 1 Electra organizational structure

Source: Authors’ summary based on company document and interviews
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Employment flexibility

Local conditions, including high unemployment, lack of job opportunities in the region and the availability of a young, motivated workforce considerably increased EIP’s labour market authority. Although the company provides fair working conditions and payments to its workers, high employment flexibility and favourable labour costs are an important source of the factory’s competitiveness. Below we will discuss four aspects of employment flexibility related to ‘directs’: headcount, contract structure, working time, and work organization.

First, the share of directs on the total headcount varies between 77 and 87 per cent according to seasonality. About 53 per cent of ‘directs’ and 74 per cent of ‘indirects’ are 25 to 35 years old; 49 per cent of directs and 52 per cent of indirects are women, and the share of women in managerial positions is around 30 per cent (EIP, 2003). The majority of directs finished secondary education and the majority of indirects have a university degree. The company does not formally distinguish between skilled and non-skilled directs.

The production’s seasonality is directly reflected in directs’ employment flexibility: when the product demand falls in the first half of a calendar year, only part of the workforce is employed; and in the year’s second half, when the demand rises, a large group of temporary workers is hired under the same working conditions as the permanent workforce. Many seasonal workers return to EIP every year in the winter and work in farming in the summer. Electra’s good reputation in not discriminating between permanent and seasonal workers in pay, benefits and working conditions, higher pay compared to small local companies, and finally the company’s respect to the Polish labour law (whereas small local employers often evade the law) are factors that contribute to workers’ loyalty to EIP. The high motivation of directs to work at this factory simultaneously raises competition among them and extends control of the management over the workforce and over the labour market selection. A system of individual evaluations, used both for the temporary and the permanent workforce, is a continuous inspection of employee motivation and results. This evaluation of directs is conducted by their foremen and shift leaders and is decisive for position upgrading, an increased salary, change from temporary to permanent contracts, or a prospective temporary job in the next year’s season.

In contrast to the contract flexibility of directs, indirects are relatively stable in number and contract structure (see Figure 2).

The structure of contracts is the second aspect of employment flexibility linking production plans with the number of directs. Since 2000, the share of full-time open-ended contracts has been gradually declining and has been substituted by long-term or short-term

**Figure 2** Electra Wilno headcount per month in 2003
Source: Authors’ calculations based on company statistics
contracts with flexible working time. While in 2000, 42 per cent of directs had full-time open-ended contracts, by 2003 this share decreased to only 2 per cent while the share of open-ended and fixed-term contracts with half time or three-quarters time models increased: to prevent dismissals in the low season, the factory decreased full-time contracts to three-quarters time contracts. Although not favoured when production changes affect the workers, the union supported this decision. In general, EIP changes the contract type of expiring contracts only; and this policy proved to be successful in avoiding dismissals.

The third measure of employment flexibility is the working time schedule of directs that has been developed locally, utilizing Polish labour law. To secure the company’s ability to increase and decrease production output within short periods of time (on a weekly basis), min-max contracts have been deployed: workers are minimally paid for 50 per cent of legally stipulated working time even if they stay at home due to low production plans. However, if production increases, these directs are mobilized and work according to the factory’s needs, whereas their working time varies between 50 per cent and 100 per cent of the standard 40-hour-week. The workers are then paid according to the actual hours worked. This arrangement decreases the employer’s financial burden and permits high flexibility. Acknowledging flexibility of both contracts and working time, we refer to this arrangement as to dual employment flexibility.

Finally, work organization – directs’ allocation to production lines, seats and their rotation – is the last aspect of employment flexibility studied. A small group of multi-skilled employees, called butterflies, has been trained to avoid production stoppages in case of regular workers’ breaks or absence. Moreover, directs work in mini-companies of 9–10 persons, and rotation within one’s mini-company is without limitations. The concept of mini-companies, based on the experience of a Western-European Electra factory, proved successful especially for workers’ individual motivation and responsibility. A regular mini-company performance assessment and various awards (such as the employee of the month and the team of the quarter) are stimulating factors for employees to improve their commitment to performance and quality. At the same time, this performance assessment is a tool of managerial control over the workforce, together with unilateral managerial decisions concerning directs’ contracts and working time.

The role of Electra headquarters in developing and maintaining EIP’s flexibility measures is limited; it is part of Electra’s overall strategy to decentralize employment practices of directs and adapt them to local conditions. However, in the case of EIP, we cannot confirm such adaptation, because EIP’s employment practices were developed exclusively at this factory, utilizing local labour market conditions in combination with several best practice processes from other Electra factories. Working time and contract flexibility have gradually been implemented also at several EIP’s local suppliers, but without direct coordination with EIP. The involvement of other Electra subsidiaries in Poland and abroad in EIP’s HR management is also negligible. Thus, the local management and the local trade union, and coordination between them, are decisive in shaping the employment practices at EIP Wilno.

The trade union and industrial relations

The factory-based trade union was established in 1996, several years after the factory’s establishment. After two unsuccessful attempts, a group of ten female directs convinced other workers that a union would be useful in order to improve their work conditions. The union became part of Solidarnosc, and was accepted by EIP’s management without reservations. The unionization level at EIP is about 30 per cent, twice as high as the Polish average (see Kahancová, 2003), with the majority of union members being directs.
Since the union is based inside the factory, frequent informal interaction with workers and (potential) members is well developed and the union does not face a membership decline.

Gradually, both EIP management and the union learned to interact with each other. Electra headquarters did not interfere in the process of developing industrial relations at EIP Wilno; and the union did not develop strong links with higher-level Solidarność factions. Therefore, rules of management–union interaction at EIP developed almost exclusively on the site. As the outcome, both bargaining parties respect the jointly established rules and avoid (threats of) industrial action, with a single exception of a collective conflict solved by a court mediator in 1998. Moreover, Polish Electra managers appreciate the unions’ awareness of business processes, which allows productive union–management interaction in employment-related issues.

While both managers and unionists view their relationship as open and friendly, and claim to have decent industrial relations, the coordination between the parties is to a certain extent based on tough bargaining between both actors. The union’s strategy is to keep employment in Wilno, increase employment security and, related to that, increase its control over the workforce. This strategy is linked to the fact that high unemployment in the region allows considerable power asymmetry between management, workers and the union. Since dual employment flexibility became the factory’s priority only in the years when the union was already functioning, it is likely that managers saw an opportunity to channel employment flexibility measures to the directs via the relatively weak trade union.

The most important content of union–management interaction is negotiating work regulations, annual working time calendars and their operational revisions, and annual salary increases. The rule to discuss all changes in the calendar with the union was established locally and is based on the legal stipulation that working time issues are subject to such negotiation. According to the union, directs accept decisions as to whether they will or not work on certain days (in case of min-max workers) better if the union approves such decisions. Besides the working time, annual salary negotiations are a crucial part of management–union coordination. The concluded agreements apply to all factory employees, except management team members and several key position holders. Such agreements are signed in a written form, however, not in the form of a collective agreement, and without an effective sanction mechanism in case of non-implementation of agreed stipulations. The non-existence of collective agreements at EIP\(^5\) allows for managerial freedom in operational decisions, as well as for an implementation of performance-related pay that is part of the direct workers’ monthly pay.

Although employment flexibility is an important source of EIP’s competitiveness, the union claims that ‘a seasonal min-max contract negatively affects the psyche of a worker who does not know how much he/she will work and earn’. The union struggles for increased employment security, but the actual trend is a further increase in flexibility. Contracts of many employees with full-time temporary contracts have been substituted with min-max temporary contracts, thus, with inferior conditions and pay because of less hours worked annually. Moreover, workers are tied to Electra; as they do not know long enough in advance\(^6\) when they will work, they cannot complement their half-time contract at EIP with a half-time job at another company (although the number of available jobs in the region is limited). Dual employment flexibility secures more jobs than in the case of a fixed headcount of full-time directs. However, in the eyes of the union, flexibility decreases solidarity among directs and cultivates competition, hostility and informal networks on the shop floor. Despite attempts of the union to change these practices, the real effects seem to move in the opposite direction.
The union’s unsuccessful efforts to increase employment security are related to limited patronage of higher-level union organizations and power resources of company-based trade unions in Poland. Contacts of the EIP-based union with regional and national Solidarność headquarters are limited to informal interaction and some regular meetings. The fact that industrial relations at EIP are better than at many other companies in the region further limits the union’s involvement in higher-level structures, because even the trade union prefers to solve all issues behind the gates of the factory. An informal network between union representatives of several Polish Electra factories does exist, but it has not led to harmonized or centralized decision making. The unions would like to see more company-level centralization — analogous to the enterprise agreement for all sites in Homeland — but in Poland Electra favours decentralized factory-level bargaining and utilizes regional labour market differences.

Regular international contacts among trade unions at Electra in Poland, Homeland, and other countries are limited. According to an Electra Homeland union representative: ‘national, international or global cooperation is not the first priority of [Homeland] workers and unions’. Electra’s Polish unions initially expected more cooperation with Western unions and were disappointed by the lack of interest from Homeland, however they understand that ‘there is no sentiment in business’,7 especially when factories face internal MNC competition. The only functioning channel through which international cooperation is assured is the European Works Council (EWC) that incorporated two Polish employee representatives from May 2004.

The data described above suggest that due to decentralized industrial relations and HRM, coordination between the factory management and the factory-based trade union has been decisive in shaping employment practices and flexibility at EIP. In the next section, we will analyse coordination between relevant actors that affect employment practices at Electra Wilno.

Analysis of coordination at Electra

Before analysing coordination in greater detail, we emphasize that coordination between selected actors can be simultaneously characterized by several coordination modes. In other words, we can find control, competition, value sharing and interactive bargaining in coordination between the majority of actors studied. Table 2 summarizes empirical evidence on the variety of coordination modes.

For example, coordination between EIP management and the trade union can be characterized by interactive bargaining on issues of working time, but also by control and common values: the management does have certain leverage over the union because it provides facilities for union activity on the company campus. At the same time, management and the union share values concerning the factory’s performance in order to avoid production relocation and job losses in Wilno. As this example suggests, there is no exclusivity between various modes of coordination. However, as the strength of different coordination modes may vary, we aim to identify the dominant mode of interaction.

Coordination between Electra headquarters and the local factory management

According to acquired data, there is a consistency in policies between different levels of headquarters (corporate, functional and regional). Therefore, we restrict our analysis only to coordination between functional headquarters (Electra BUC2 – see Figure 1) and the EIP Wilno management.

Headquarters are not directly involved in any aspect of managing employment flexibility of directs on the site, and the EIP management has a remarkably large scope in
<table>
<thead>
<tr>
<th>Mode of coordination</th>
<th>Actors involved</th>
<th>Content/instruments of coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>Electra headquarters; EIP Wilno management; workers</td>
<td>Autonomy of subsidiary in exchange for meeting production targets set by headquarters; Management control over the workforce: individual worker evaluations and selections of workers with min-max working time based on evaluation of immediate supervisor; Management control over the trade union: providing facilities and equipment for union activity; Worker control over the trade union: shaping the union agenda through feedback and interaction with the union</td>
</tr>
<tr>
<td></td>
<td>EIP Wilno management; trade union; workers</td>
<td>Management control over the trade union: providing facilities and equipment for union activity</td>
</tr>
<tr>
<td></td>
<td>Workers; trade union</td>
<td>Worker control over the trade union: shaping the union agenda through feedback and interaction with the union</td>
</tr>
<tr>
<td>Competition</td>
<td>EIP Wilno management; trade union</td>
<td>Would apply if evidence on management discriminating between unionized and non-unionized workers would have been found empirically</td>
</tr>
<tr>
<td></td>
<td>Trade unions Homeland; trade unions Poland</td>
<td>Low international trade union solidarity within Electra, Homeland union members do not support union contacts with Polish representatives; Postponed inclusion of Polish representatives in the EWC</td>
</tr>
<tr>
<td></td>
<td>workers</td>
<td>EIP workplace competition: low solidarity between workers, gossip, individual efforts to be the best in order to improve one's performance evaluation, contract and working time model</td>
</tr>
<tr>
<td>Common values and norms</td>
<td>Electra headquarters; EIP Wilno management; workers</td>
<td>Company culture; good reputation of Electra and the EIP factory as an employer; Adaptation of employment practices of production workers to local conditions</td>
</tr>
<tr>
<td></td>
<td>EIP Wilno management; trade union; workers</td>
<td>Common goal to keep the factory (and employment) in Wilno; mutual learning, avoiding conflicts that increase the chance of relocation</td>
</tr>
<tr>
<td></td>
<td>EWC representatives</td>
<td>Sharing employee experiences within Electra; best practice across various European countries; exchange of information (limited empirical evidence)</td>
</tr>
<tr>
<td>Interactive bargaining and cooperative exchange</td>
<td>Electra headquarters; EIP Wilno management</td>
<td>Decisions concerning the factory allocation and/or relocation</td>
</tr>
<tr>
<td></td>
<td>EIP Wilno management; trade union</td>
<td>Union–management negotiations and bargaining over working time, contract structure, work organization at the factory, based on Polish legal regulation</td>
</tr>
<tr>
<td></td>
<td>Trade union; workers</td>
<td>Worker feedback and (in)formal interaction with the union concerning working time models and contract structure</td>
</tr>
</tbody>
</table>
HRM for autonomous action of directs. This is shown in the absence of detailed policy guidelines at headquarters concerning management of directs and industrial relations in the factories, a limited number of expatriates in Wilno (except the general manager, even the few expatriates that work at EIP have the goal to grow a local successor), no direct control of headquarters’ HR management over the factory HR managers, and no detailed reporting on industrial relations and employment practices of directs to headquarters. The instruments of coordination in this case include general audits, process survey tools and motivation surveys, covering both directs and indirects. From the analytical perspective, headquarters define the space for strategic action of EIP’s management by giving the management a large degree of freedom.

This can be explained by several arguments: first, as both headquarters and EIP are in a hierarchical relationship within one company, they share the same company values and the interest of maintaining EIP’s competitive position within the MNC. Both actors appear to have the same strategic objective to decentralize employment practices in local conditions. Second, assuming these same objectives, headquarters find it more reasonable to delegate local industrial relations and management of directs to the factory-level management, since the factory management’s knowledge of local conditions is considerably larger than the headquarters’. Due to limited knowledge of local conditions, headquarters face the risk of not choosing the most appropriate strategy in the ‘game’ with local trade unions. To avoid this risk, headquarters let local managers decide their strategy vis-à-vis unions, according to their best local knowledge. Coordination between headquarters and subsidiary management is thus not dominated by control over employment practices of directs and their instruments but by value sharing within one corporate culture. In other words, the MNC fosters decentralization and adaptation to local conditions through value sharing instead of control.

This finding on direct workers contrasts with observations concerning employment practices of indirect employees, especially knowledge workers that are considered Electra’s key assets. For these, recruitment and training is centralized within Poland. In Western Europe, however, Electra has established shared service centres for employment, training and cross-factory benchmarking of indirects, although working time and pay are determined locally based on national legislation. In contrast to directs, indirects’ management is to a large extent dominated by headquarter control and top-down diffusion.

Management–union coordination at EIP Wilno

Coordination between management and the union at EIP is embedded in local conditions, since both actors are relatively independent from their headquarters. The relatively weak trade union position and the non-existence of collective agreements allowed EIP to develop the employment flexibility model conforming to Polish labour law. Simultaneously, trade union involvement in decisions concerning employment flexibility is limited, except in fields where union–management negotiations are legally stipulated (pay negotiations and working time negotiations). Furthermore, the strategy of management and the union is shaped by a common value to safeguard employment in Wilno (see Table 2). The union strategy is to try to exercise control over the workforce, whereas the management strategy focuses on best performance compared to other factories within and outside Electra.

We first analyse union–management coordination according to content (working time, contract flexibility and work organization), and then we provide an integrated perspective on the interaction of these actors.
In working time issues, the union has relatively the largest power resource based on legal stipulations; therefore, it is a better strategy for management to cooperate with the union in working time issues, otherwise the company can lose its reputation of a good employer, face court cases and suffer extra costs. For the union, it is also better to cooperate, as long as the management cooperates. According to our data from EIP Wilno, the local management does cooperate with the union on working time issues, and both parties adhere to institutions established. The management’s cooperation is motivated mainly because of the existence of effective legal sanctions for the employer. The fact that EIP management negotiates its annual working calendar and operational changes with the union supports this finding. The union appreciates this cooperation; however, if the company decided to violate the established rules, the union would, based on the legally stipulated obligation to negotiate about working hours, be able to enjoy a stronger position vis-à-vis the management. This happened at the end of 2003 when the union and the management could not reach consensus concerning working time recognition of three individual workers. As a result, the union invited in the Labour Inspectorate and the management had to face effective sanctions. To sum up, a cooperative strategy and interactive bargaining is the most sustainable mode of coordination between EIP management and the trade union on working time issues.

Union–management coordination in contract flexibility differs from coordination related to working time, since the availability of skilled labour and high unemployment in the region increase the power of the management vis-à-vis the union. Although regulated by law, the union failed to influence the contract structure extensively. The management can achieve the highest gains in the form of employment flexibility by preferring a tough strategy to cooperation with the union. Facing a ‘tough’ employer, the union attempts to maximize at least the benefits it can reach with its weak position. For example, in 2003, in order to avoid dismissals of workers (which would have been the worst option for the union), the union opted for the second-worst strategy and agreed to change contract types of full-time directs to three-quarters time contracts.

Union–management coordination in work organization differs from the previous two aspects in that no legal obligation to negotiate the work organization with trade unions applies. Therefore, the union has very limited powers in affecting work organization at EIP, because work organization is a domain of management and the management’s responsibility is higher than the union’s responsibility. Most of the coordination related to work organization occurs through informal communication through which the union signals its possible concerns to managers. An effective sanction mechanism to penalize the company in case of no commitment to adopted work organization is not in place, since the company developed these employment flexibility measures internally.

To integrate the previous arguments and to propose a broader view on management–union coordination at EIP Wilno, we now turn to an integrated analysis of this coordination.

Based on information about coordination between the EIP management and the union over the past seven years, both actors realize that they reach better results through interactive bargaining with compromises, such as operative changes in the working time calendar of the factory achieved via mutual cooperation, adjustments in contract structure, and informal union feedback on work organization. This sustainable coordination mode suits the decentralized structure of Polish industrial relations where the employer attempts to maintain its bargaining power over the relatively weak union, and the union is better off by maximizing its possible achievements relative to the existing power asymmetry. Although the union is relatively weak, EIP has a well functioning interaction with the union when compared to stylized local employers. Both
the management and the union view the current situation as sustainable (relative to local conditions), and would not introduce major changes in the current relationship.

Related to management–union coordination at EIP Wilno, we formulate several further insights. Regarding the outcomes of coordination, in employment practices EIP does not adapt to local conditions, but utilizes these to the company’s flexibility needs. Given that sanction mechanisms are lacking, adaptation would mean that the company would be less concerned with the agreed rules. Second, adaptation would mean lower employment flexibility, which is the case in the majority of local and foreign employers not linked to Electra Wilno. Finally, with adaptation to local conditions, we would expect more open-ended contracts, and severance payments when dismissing employees with such contracts. Given these points, we conclude that neither diffusion nor adaptation; but utilization of local conditions through negotiated agreements and interactive bargaining with a relatively weak trade union is the dominant coordination pattern. Regarding the finding in coordination process, we argue that industrial relations are characterized by interactive bargaining, with the union being recognized as a legitimate bargaining partner, although weaker than the management. MNCs have in this respect a good reputation in Poland in contrast to small foreign companies and Polish employers.

Our further findings, related to coordination between the local management, workers and the union at EIP Wilno show that the management maintains its control over the directors through individual worker evaluations and selection procedures. However, we did not find evidence that management promotes competition between unionized and non-unionized workers; managers treat both groups equally. Finally, we can confirm the existence of shared values between the union and managers; namely, the wish of both actors to maintain a well-performing factory, and commitment to jointly established rules.

Coordination of trade unions and employee representatives

Finally, we analyse the international coordination of trade unions, the European works council at Electra, and the workplace-level union–workers relationship. In the company, managerial control to increase individual performance of directs often results in shop floor competition and individualization among the workers. This competition does not depend on union membership; however, a decreasing solidarity among workers is a threat to the union’s position. The worker–union relationship at EIP Wilno can be characterized by interactive bargaining with cooperative strategies, where feedback from workers mainly concerns their working time and contracts.

According to Western-European employee representatives, the role of EWC at Electra is limited to discussions dominated by Electra headquarters. This establishment does not yet play a significant role in bridging local differences in structure and power of employee representatives. Despite its limited role, evidence suggests competition between involved representatives from Western Europe and CEE. In the recent years, international union cooperation at Electra has been more important than the EWC. Trade unions are expected to be more eager to cooperate internationally in order to decrease the threat of social dumping for Western European countries and the emigration of their industries to lower-wage countries in CEE (Scharpf, 1997: 81). Unions would prefer shared employment regulation standards that would decrease competition between Western and Eastern Europe. Cooperating with trade unions in CEE is the first step in how to eliminate the threat of competition. Although this argument is based on the cooperation of national-level trade union confederations, a different picture for company-level union cooperation within Electra applies.
Based on interviews with trade union representatives and challenges and threats that unions have to face, we identify two sustainable paths for international union coordination: unions either cooperate with each other in order to lobby for higher regulation standards; or they compete with each other in order to maintain the local employment regulation and promote advantages of local variety. The first case characterizes national-level union cooperation; however, the evidence for company-level union cooperation at Electra supports the second option. Coordination between unions is dominated by competition, and Homeland Electra trade unions view Polish unions as a threat for employment stability in Homeland. Trade unions in Electra’s Polish factories, including EIP Wilno, would prefer cooperation with Homeland unions and a higher employment security and centralized industrial relations like in Homeland, but being disappointed by Homeland unions’ attitudes they opted instead for competition and local industrial relations. In the eyes of Electra’s Polish union representatives, Homeland unions fought to prevent East–West union cooperation and even postponed the involvement of Polish representatives in the EWC until their inclusion became compulsory. Currently there is no regular contact between Electra unions in Homeland and Poland, and even if individual Homeland union leaders attempt to visit unionists in Polish Electra factories, their action faces opposition from Homeland union members.

To summarize these findings, we can conclude that international company-level trade union coordination is dominated by competition that further deepens the embeddedness of employment regulation into local conditions and supports the persistent institutional and structural variation in industrial relations between centralized Western economies and decentralized CEE economies such as Poland.

Conclusions

In our debate on the diffusion of employment practices within MNCs, we have applied an actor oriented approach for a better understanding of coordination between MNCs and local actors in shaping employment practices in a Polish production plant. Three conclusions can be formulated. First, management of directors’ employment flexibility at EIP is not controlled by Homeland headquarters and has been developed exclusively utilizing local conditions including Polish labour law and the Wilno region’s labour market specificities. Although positive coordination and corporate value sharing dominate the relationship between Homeland headquarters and the EIP management, headquarters stay out of the process of managing employment practices at the Polish factory and grant a significant degree of autonomy to the local management. Consequently, coordination between the management and the union in the factory develops almost exclusively locally without involvement or control of third parties.

Second, we can speak neither about diffusion of employment practices nor about their adaptation to the local conditions. The management aims at utilizing local conditions and achieving a high degree of employment flexibility; whereas the union aims at increased job security. The power asymmetry between the management and the union in their interactive bargaining accounts for the fact that a growth of trade union power in shaping the factory’s employment flexibility has been effectively pre-empted by the management through utilization of labour market conditions and the trade union structure in Poland.

Finally, the international cooperation of Electra’s trade unions in Homeland and in Poland is dominated by competition, which further cultivates the embeddedness of industrial relations into local conditions. Moreover, competing trade unions increase the
space for the MNC’s strategic action and stimulate asymmetry in coordination between
MNCs and employee representatives at the international level.

The local embeddedness of industrial relations is not expected to alter considerably in
the near future, despite the membership of Poland in the European Union and the
participation of Polish representatives in Electra’s EWC. Polish unions expect that their
membership will produce improved international cooperation with Western unions on
the company level in order to understand global challenges better. However, unions
recognize that this cooperation cannot shift the current state of union–management
power relations in the Polish factories to their benefit, given that MNCs always have a
pool of potential host countries competing for foreign investments at hand due to an
international mobility of capital.

For MNCs like Electra, Poland will remain an attractive investment location
provided that the current labour market and industrial relations climate will not change
significantly. Other factors, such as changes on product markets, may lead to an
outsourcing of Polish factories, which is also the fate of the Wilno factory. Since
previous outsourcing of two Electra sites in Wilno in 2002 barely produced any
changes in employment-related issues, it is expected that the mode of coordination
between the management and trade unions as described in this paper are sustainable in
the current Polish labour market conditions.

Acknowledgements

The authors are grateful to Richard Hyman, David Marsden, Martin Kahanec, Jelle
Visser and the participants of the 19th Employment Research Unit Conference (Cardiff
Business School, September 2004) for constructive comments on earlier drafts of this
paper; and to all interview respondents.

Notes

1 Due to confidentiality, we refer to the company, its organizational units, home country and the
location of the Polish factory by pseudonyms.
2 Legal regulation applies to working time, recruitment/dismissals and contracts. The law does not
regulate work organization but health and safety regulations apply. For an overview see also:
3 Official figures from the Regional labour market board Wilno (31 March 2004).
4 That is, half-time social security contributions for a full-time employee. Source: authors’
observeration; EIP union leader.
5 Out of eight Electra sites in Poland, only two sites conclude a collective agreement (interview
Electra Poland industrial HR manager, 18 June 2004).
6 Managers prepare work schedules on a monthly basis. Workers are informed one month in
advance on which days and which shifts they will work. In case of operational changes or delays
in production inputs, changes are adopted even more often (source: EIP shift leader). The union
finds that workers are informed about their schedule too late; in some cases just 2 days ahead
(source: EIP union leader)
7 Source: international union coordinator, Electra Poland.

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