

## **International Human Resource Management and Industrial Relations: A Framework for Analysis**

**Sheikh Abdur Rahim<sup>\*</sup>**

### **Abstract**

*International Human Resource Management concerns with human resource problems of multinational firms in foreign subsidiaries (such as expatriate management). As multinational corporations (MNCs) increase in number and influence the national economy, so the role of expatriates in those MNCs grows up. This study is an attempt to find out the relation between human resource management practices and industrial relations. Effective human resource management practices are inevitable for the development of industrial relations in the multinational organizations. This study also reveals how human resource management and industrial relations influence each other directly. Finally, the author has suggested a framework of industrial relations to maintain industrial democracy in multinational organizations.*

**Keywords:** Human Resource Management, Industrial Relations, Framework, Expatriate, Management, Fashion, Octopus, Conglomerate, Industrial Democracy.

### **1. Introduction**

It is almost impossible to imagine a country in which companies do not have to take into account a whole range of regulations governing the way in which they are permitted to apply the factor – labor- in the production process. It seems that even in the most widely diverse national systems, there are parties other than company management which influence the form and content of human resource management in some way or other and to some extent. For example, issues which involve wages, employee participation, training and dismissal cannot be dealt with without taking into account a variety of collective agreement provisions set forth by the government. At the national level, then, there is an inextricable link between the nature and form of human resource management as practiced in companies, and the culture and structure of industrial relations in the country concerned ( De Nijis, 1992a). In this sense, industrial relations provide an important context factor: in its concrete interpretation of human resource policy, company management must in some fashion take into account rules and regulations which have been negotiated with other employee representatives or which the government has imposed.

It is, however, not the case that human resource management and industrial relations influence each other directly; instead, they form part of a complex and dynamic whole. Labor is regulated as much by human resource management as by industrial relations, e.g., through the rules governing remuneration, promotion, recruitment, employee participation etc. Company management functions as a strategic player in shaping the relationship with its personnel and in regulating the factor – labor. From this perspective, we can view human

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<sup>\*</sup> Assistant Professor, Department of Business Administration, Faculty of Business and Economics, Daffodil International University.

resource management as the strategy which company management develops in order to regulate the factor -labor -with its own organization. It is, in other words, an instrument which management uses in order to structure industrial relations within its own company as it sees fit. If we alternate the industrial relations perspective with the human resource management perspective, we arrive at the following essential proposition: the objective of human resource management is identical to that of industrial relations in a more general sense. Human resource management targets those substantive aspects of the employer- employee relationship which also form the core of industrial relations processes, namely the regulation of the employment relationship through consultation and negotiation among employers, employees, their organizations and government agencies.

## **1.2. Objectives of the Study**

The study is undertaken with the following objectives:

- To examine the key issues in labor relations as they relate to multinational firms and to compare industrial relations systems and behavior across national boundaries.
- To identify the similarities and the dissimilarities between human resource management and industrial relations in the domestic context and highlight those aspects that require a substantial modification of the international human resource management and industrial relations practiced by the multinational corporations.
- To explore the factors that are responsible for the development of an effective international system of industrial relations.
- To recommend some suggestions in order to overcome the barriers to effective international regulations for making active industrial relations.

## **1.3. Methodology of the Study**

This study is descriptive in nature. The descriptive method is simple and easily applicable to various problems irrespective of countries in the world. It is a fact finding approach related mainly to the present and abstracting generalization through the cross-sectional study of the present situation. A descriptive study tries to discover answers to the questions who, what, when, where and sometimes how. The researcher attempts to describe or define a subject, often by creating a profile of a group of problems, people or events. Studies may involve the collection of data and the creation of a distribution of the number of times the researcher observes a single event or characteristic (known as research variable), or they may involve relating to the interaction of two or more variables. A descriptive study, however, does not explain why an event has occurred or why the variables interact the way they do. The descriptive study is popular in business research, because of its versatility across disciplines. In all organizations, descriptive investigations have a broad appeal to the administrator and policy analyst for planning, monitoring, and evaluating.

The present study is conducted by the researcher on the basis of the secondary data / information. As Kumar (2000) thinks secondary data may be seen as 'second hand' considering that the data have been generated in older projects for using in new projects. However, the usefulness of secondary data to the current problem may be limited in several ways. Nevertheless the

importance of secondary data is unavoidable. Sekaran (2002) observed the situations such as availability of data, accuracy of data, time span and cost factor of the study, secondary data play significant role in research. Analyzing the advantages, effectiveness and the limitations of using secondary data / information, the author prefers to pursue the study based on secondary data/information. This report is basically qualitative in nature. Quantitative information is hypothetical/estimates.

Data collection methods are an integral part of research design (Sekaran, 2002). The selection of an appropriate method depends on the nature of the problems. However, data collection method for this study is based on secondary documents study. Since the study is based on secondary data/information, the author has collected data/information from many published research articles, different books, internet, various journals and dissertations (mentioned in the References part of the report) concerning the study.

#### **1.4. Limitations of the Study**

The main limitation of the study is that the author did not use primary data/information. Despite these limitations, in this report, the author has summarized some key aspects and integrated models (both national and international) of industrial relations. Its findings can be helpful for designing human resource management and industrial relations for international personnel of multinational and international entities.

### **2. Review of Existing Literature**

There has been extensive literature survey on international human resource management and industrial relations by De Nijs (1989), Schregle (1981), Poole (1986), Prahalad and Doz (1987), Drucker (1989), Peter and Water (1982), Noda (1989), Vogel (1987), Brewsler (1989), and Abegglen (1984). According to De Niji (1989), "A human resource manager of a multinational and national organization must establish a standard labor-management relation system in order to encourage higher workers productivity and faster rate of economic growth of the organization as well as the country". Schregle (1981) has observed that industrial relations phenomena are a very faithful expression of the society in which they operate, of its characteristics/ features and of the power relationships between different interest groups. He also explained that industrial relations can not be understood without an understanding of the way in which rules are established and implemented and decisions are made in the society concerned. Poole (1986) has identified several factors that may underline these differences:

- The mode of technology and industrial organization at critical stages of union development;
- Methods of union regulation by government;
- Ideological divisions within the trade union movement;
- The influence of religious organizations on trade union development; and
- Managerial Strategies for labor relations in large corporations.

Prahalad and Doz (1987) notes that the lack of familiarity of multinational managers with local industrial and political conditions has sometimes needlessly worsened a conflict that a local firm would have been likely to resolve. Increasingly, multinationals must recognize various

shortcoming and admitting good industrial relation policies which will be flexible enough to adapt to local requirements. Drucker (1989) said that Japanese firms encourage productivity through the development, involvement and recognition of its employee. Vogel (1987) has explained Japanese managers and employees believe that they cannot run industry if they always fight with each other as enemy. They consider each other as equal partner in the race of industrial peace and progress. Mead (1996) observed that Japanese managers see employees as an asset that provides their firms with sustainable competitive advantage. Japanese managers treat workers as human beings. If workers are treated as human beings, they will, as a rule, behave as human beings. Japan's has achieved remarkable level of productivity to give credit most of the researchers and management experts. Noda (1989), Brewster (1989), and Abegglen, (1984) to its unique style of management that emphasizes sound labor-management relations and co-operation. The successful companies of USA and Germany also hold this attitude-treating people as asset. Excellent companies of USA, as viewed by Peter and Waterman (1982), also put top emphasis on the philosophy of productivity through people. Experts characterize Japanese labor-management relations as harmonious and collaborative. Japan has the lowest labor unrest among the industrially developed nations and the number of man-days lost due to the strikes is only one eighth that in the United States (Noda, 1989).

Finally, before examining the key issues in labor relations as they relate to multinational firms, it is needed to consider some general points about the field of international labor relations. These are as follows:

**a) First**, it is important to realize that it is difficult to compare industrial relations systems and behavior across national boundaries; a labor relations concept may change considerably when translated from one industrial relations context to another. The concept of collective bargaining, for example, in the United States is understood to mean negotiations between a labor union local and management; in Sweden and Germany the term refers to negotiations between an employer's organization and a trade union at the industry level. Cross-national differences also emerge as to the objectives of the collective bargaining process and the enforceability of collective agreements. Many European unions view the collective bargaining process as an ongoing class struggle between labor and capital, whereas in the United States union leaders tend toward a pragmatic economic view of collective bargaining rather than an ideological view.

**b) Second**, it is generally recognized in the international labor relations field that no industrial relations system can be understood without an appreciation of its historical origin.

### **3. Human Resource Management and Industrial Relations in International Perspective**

The interrelation between human resource management and industrial relations means that, in the majority of countries, company management is rarely able to act autonomously in determining human resource / personnel policy. Human resource management in each industrial nation has been embaded in the society at large. That means that this policy domain is subject to societal rules, norms and values. Human resource management has been and is influenced by multiple 'policy centres' such as trade unions, co-determination bodies and government authorities. The degree of societal 'embeddedness' and the concrete way in which this happens in each individual country vary enormously, however. This is one of the important reasons why, in actual practice,

human resource management is subject to the same national variation with respect to content and form (De Nijis, 1899, 1992b).

This brings us to an essential point within the field of industrial relations associated with the special realm of human resource management in human resource management in international companies. Specially, it is precisely these companies whose national subsidiaries are constantly being confronted with and intruded upon by the multitude of country-specific regulations which not only differ from one another in a formal and technical sense, but which are often also the expression of specific and deeply rooted cultural traditions and beliefs in the field of industrial relations. One important problem which international companies must solve is how to deal with these differences within their own 'walls'. Although each multinational cooperation has a different approach to solving the problems of centralization versus decentralization of human resource management, no single MNC can afford to ignore the influence of the local culture and structure of industrial relations on human resource management at its various subsidiaries. In addition to providing a 'meeting place' for various national practices, the multinational corporation forms an interesting object of study for another reason. Until now the agreement has been that the interrelation between human resource management and industrial relations manifests itself principally within strictly national contexts. Human resource management has been subject to a country's own norms, rules, customs and practices. The question automatically arises whether, in the wake of the increasingly international organization of production and services, an international regulatory system has been created, in the same fashion as nationally organized economic activity promoted specific national systems. Seen within this context, the multinational corporation is more than a passive institutions which runs up against a wide range of configurations in industrial relations through its subsidiaries; the MNC is also a strategic actor in what may be an internationalizing system of industrial relations, within which human resource management is subject to and possibly measured against international norms and regulations.

#### **4. The International Corporation as a Special Policy Domain**

The phenomenon known as the international corporation is almost as old as the economic order from which industrial capitalism arose. Many large and well known multinationals such as Philips, Shell, General Electric, Standard Oil and ITT developed their international structure around the turn of the century. Not only companies but also associations of employers and employees rapidly made their appearance on the international stage. The best known examples were the 'International', Organized under Karl Marx's inspiring leadership; the first of these was held as early as in 1864. The 'internationals' were the first more or less structured gatherings of national trade unions in which an attempt was made to join forces on an international scale in the struggle against the rise of world capitalism, as it was still called in those days. The present international associations of employees such as ICFTU (International Confederation of Free Trade Unions), WFTU (World Federation of Trade Unions) and CWCL (Christian World Confederation of Labor), are descendants of the collective organizations which developed at the beginning of the century. Even at this early stage the creation of these organizations seemed to meet the most important criteria for the constructions of an international system of industrial relations, namely, the presence of actors organized across national borders in order to coordinate policy and strategy.

By the late 1960s multinational corporations began to appear as an item on the policy agenda of national and international trade union organizations. This happened at a time when it was more or less ‘the done thing’ to uphold radical and critical views on the functioning of the market economy by association or corporation. In scholarly circles this led to what at that time seemed to be a definitive split into two opposing schools of thought. International companies were held more or less responsible for global inequality, for supporting dictatorial regimes and so on. The increasing amount of attention focused on Multinational Corporation by the trade unions during this period was also prompted by major international restructuring efforts leading to company closures and reorganizations within subsidiaries of multinational corporations.

Until the 1960s, multinational corporations were almost exclusively an American problem. Most multinational corporations had the United States as their base and concentrated direct investment in the European continent. Europe was in the midst of its post war reconstruction and the trade unions greeted the arrival of US subsidiaries within open arms as they brought jobs and prosperity to Europe. The 1960s and the 1970s saw tremendous growth in foreign direct investment by European and Japanese multinational corporations. They ultimately surpassed the United States in this respect, transforming the latter from largest ‘home country’ to most important ‘host country’ for direct investment. The establishment of the European Economic Community (EEC) in 1958 and the expansion of this organization in the late 1960s were also important steps toward encouraging the internationalization and globalization of European companies. As a result, trade unions and sometimes even governments were forced to face up the more negative aspects of multinational corporations. Instead of employment importers, they were seen as employment exporters as they transferred production on a massive scale to the so-called low wage countries. Union calls for collective action against multinational corporations increased. Voices were raised in favor of international collective bargaining; global enterprise councils were occasionally set up and the EEC was put under pressure to create modified policy frameworks.

## 5. Two Schools of Thought as a Point of Departure

The issue of Multinational Corporation and industrial relations only began to attract the attention of a wide range of scholars in the 1960s. This happened more or less in conjunction with a growing social awareness (particularly within the trade unions) of the influence exercised by these companies on the socio-economic functioning of society. The political and ideological spirit of the times had a major impact on scholarly attempts to devise a global framework for analysis and interpretations. As with other important themes so with the study of industrial relation, theoreticians split into two fairly rigid ideological camps, the **radical school**, based on Marxist sources of inspirations, and as diametrically opposed to it, the **institutional school**, which more closely resembled the social system theory. The two theoretical camps scarily engaged in constructive dialogue, because choosing the scholarly perspective of one or the other, immediately implied a certain political position and vice-versa while the radicals automatically associated themselves with the real interests of workers and trade unions, the institutional school was all too rapidly and unjustly associated with those who might benefit from maintaining the status quo and, as a consequence, a system in which class inequalities essentially persisted. These two approaches not only had different substantive views on multinational corporations, but they also recommended different policy approaches for gaining more control over MNCs. This

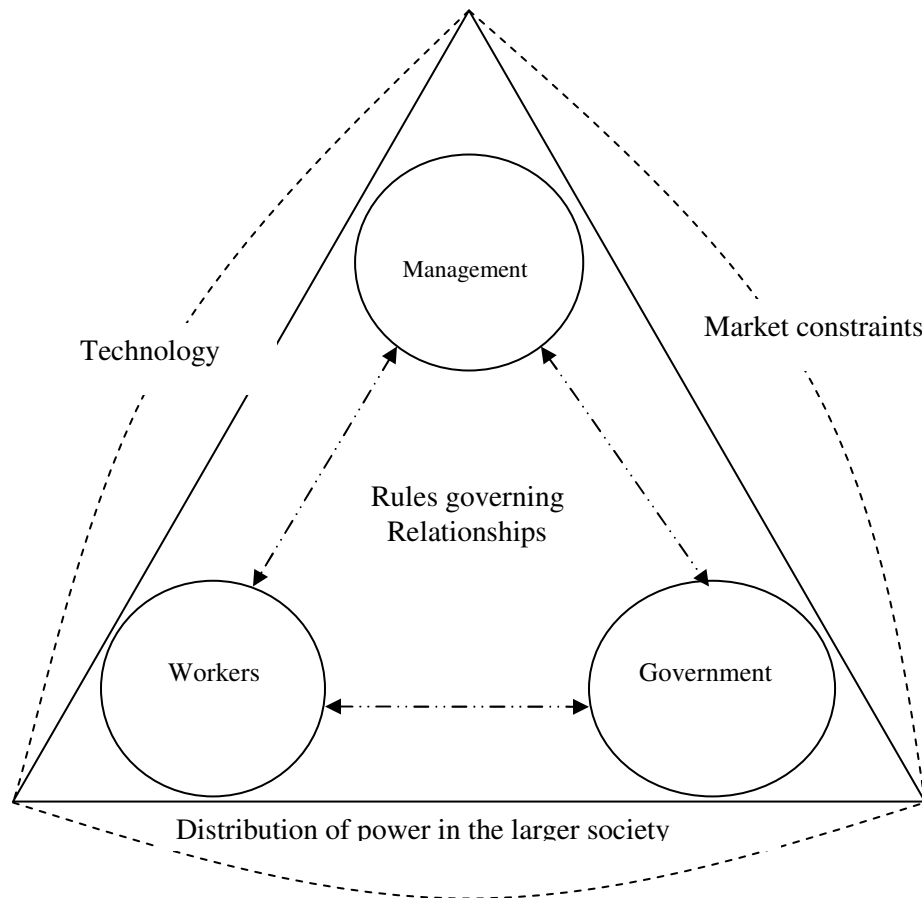
distinction became evident in the way each camp labeled such enterprises. In the radical camp, the term used was 'international concern' or 'monopoly', because this best expressed the main problem: the fact that these companies exploit the differences and contrasts between the various different countries where they are established or are planning to set up operations. The institutional camp preferred the more neutral and in any event, broader term of multinational operations, which implies that the most important characteristic is that a company of this type has multiple subsidiaries in more than one country and that it, is this which sets it apart fundamentally from the national enterprise.

## **6. The System Model of National Industrial Relations**

Dunlop (1958) provided an important impetus toward using a specific analytical framework in the study of industrial relations by applying system theoretical insights. The core of this framework consists of the idea that industrial relations can be viewed as a system of sub-system of society, just as we speak of political or economic subsystems. For a proper understanding of this approach, we must emphasize that it is an analytical as well as an abstract presentation of issues. To talk in terms of a system of industrial relations is not intended 'simply to describe in factual terms the real world of time and space' (Dunlop, 1958; 16). In Dunlop's view, this type of system of industrial relations consists of four basic components:

- a. actors or parties;
- b. the rules;
- c. an ideology; and
- d. an environmental context.

The actors are employees and their organizations, employers and their organizations, and the government. These three actors maintain relations with one another within an environment made up of three tightly interwoven contexts, respectively the technological features of the work situations (the technological context), the market opportunities or limitations (the economic context), and the relative distribution of power between the actors (the political context). These contexts should be understood as dynamic forces which bring about constant change in the relationships and the results of the interactions between the actors. The most important objects of study in industrial relations are the rules, which are in effect the product of mutual corporations and opposition between the actors. These rules are both substantive and procedural in nature. Substantive rules are the requirements and conditions for the application of labor, whereas procedural rules involve the way in which the parties actually arrive at and formulate these rules. Finally, the system is completed by an ideology which binds the separate actors to one another. This is "a set of ideas and beliefs commonly held by the actors that help to bind or integrate the system together as an entity" (Dunlop, 1958:16). Each actor may have its own ideology, but if no form of consensus exists between them, there can not be a stable system of industrial relations. Dunlop's analytical framework is illustrated in Figure-1.

**Figure1: The System Model of National Industrial Relations according to Dunlop (Bomers, 1976:5).**

Source: *International Human Resource Management: An Integrated Approach*, Edited by Anne-Wil Harzing and Joris Van Ruysseveldt (Page: 281).

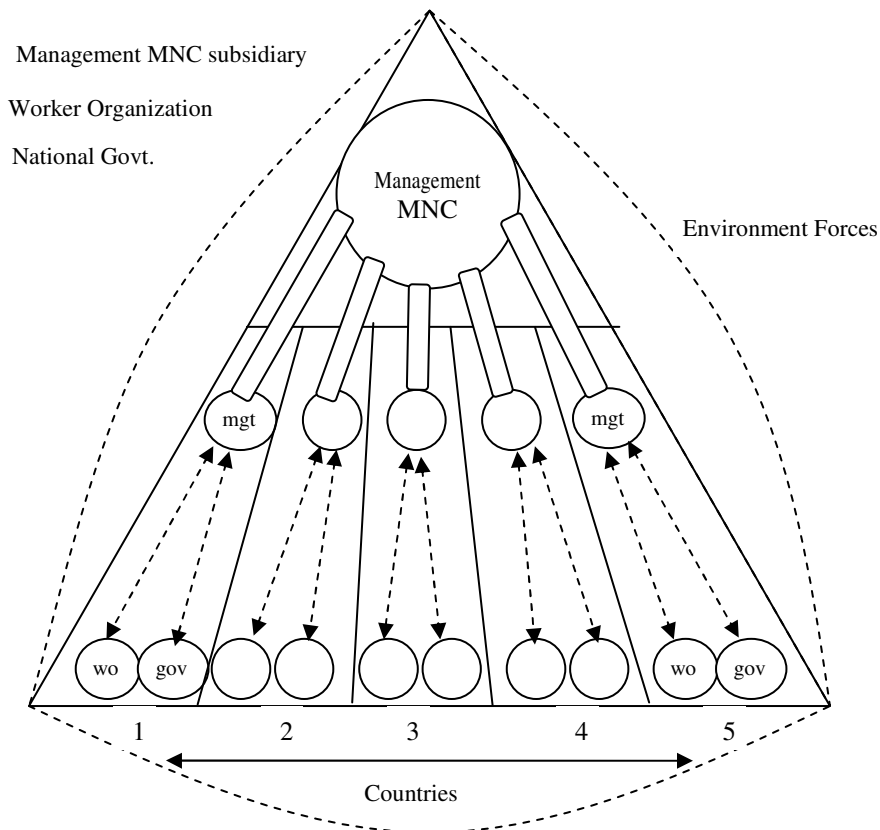
Bomers used Dunlop's model to construct a supplementary analytical framework for studies of industrial relations at an international level. Although Dunlop distinguishes between various levels of industrial relations, he did not by any means design this conceptual framework for the issue of the multinational or international relations. In Dunlop's view, the most general level of the system of industrial relations extends no further than the national borders of a specific country. That is why, in actual practice, his frame of reference is applied in particular to classify and describe national system of industrial relations. This leaves no room for the possibility that one of the actors might operate above or beyond the borders of the national system, or that there might even be a network of relations at the supranational level. As a result of the enormous growth in the number of MNCs and the development of the regional associations, an analytical framework which focuses purely on the national level is no longer enough. In Dunlop's model, the sources of power and rules are situated within strictly national frameworks. What makes a multinational so unusual from the industrial relations perspective is that this type of enterprise has a decision-making system which is no longer tied to borders of the national system. In this



respect, the definition of the MNC which Piehl (1974) gives is still the most appealing. Piehl mentions three criteria as decisive when identifying a multinational. In addition to the very obvious fact that such an organization trades products, capital and labor across national borders and that physical production, trade and services are spread across various different countries, Piehl identifies the presence of a concern centre as the most essential feature. This is where the most important strategic decisions are taken and where an international strategy is developed to be applied in various countries. It may well be, as most MNCs in fact claim, that the various national subsidiaries are legally and organizationally autonomous: the essential point is, however, that a multinational policy centre controls the decisions which are taken by these national subsidiaries and considers these a part of its international strategy. This means that although top management or headquarter of an international company may be located in a particular country in the physical sense, yet the decision making system takes no account of the borders of the countries.

An MNC operates as an actor in various different systems of industrial relations, and this very fact means that it will be viewed as a potentially destabilizing (or, in milder terms, asymmetrical) force within a national system of industrial relations. Bomers illustrated this as shown in Figure-2.

**Figure 2: Multinational Enterprises and National System of Industrial Relations (Bomers, 1976:15)**



Source: *International Human Resource Management: An Integrated Approach*, Edited by Anne-Wil Harzing and Joris Van Ruysseveldt (Page: 282).

This model is a good illustration of the core of the issue related to the functioning of a multinational corporation within national systems of industrial relations. First of all, the management of a local subsidiary does not function as a completely autonomous actor within a national system. Certainly in the case of essential issues, local management must coordinate its policy with the MNCs headquarters. Secondly, the model also provides a fetching illustration of the fact that in developing its strategy, management at headquarters moves above and beyond the borders of national systems, situating itself largely out of reach of the national parties.

Litvak and Maule (1972:62) once described the MNC aptly as a corporation “Octopus”. Governments and trade unions in the various countries only deal with the tentacles of this corporation. The head of the nerve centre lies outside the sphere of influence of these parties. This tentacles structure makes it possible for the MNC to develop an international strategy in a largely unilateral fashion. Governments and trade unions do scarcely have any influence on this strategy, even though it may have a definite import on the vital interests of employees’ trade unions and governments in those countries where the MNC has set up subsidiaries.

To finish this section, we will provide a summary of the most important problems which MNCs may create for parties which are themselves forced to function within the framework of national systems of industrial relations. We will concentrate in particular on those aspects which might lead to a disruption of the preciously balanced negotiating relationship between national employee representatives and the management of a multinational’s national subsidiaries.

One of the most fundamental problems is that national governments, trade unions and even works councils may not know or understand the decision making process within the MNC. Although MNCs as a group display a wide range of differences with respect to the degree of calculation of decision making in actual practice, the competencies vested in the parent company and its subsidiaries are often strictly divided. Strategic decisions on investment, planning, research & development etc are generally highly centralized whereas local subsidiaries are allowed greater autonomy when it covers sales, purchasing and personal policy issues. Multinational Corporations claim that their national subsidiaries have to adapt to local customs and rules in industrial relations. The immediate suggestion is that local management is entirely autonomous in local industrial relations issues and that it complies strictly with the requirements and rules of the country in question. Any mention of the possibility that the negotiating relationship might be unequal is firmly denied in such circles.

Unions and works councils sometimes argue that the decision-making structure is often not nearly as clear and simple as the MNCs claim. In fact, they complain that in actual practice, the division of authority is consciously obscured. A very important condition for effective negotiations or other forms of regulations is to be able to determine precisely here for the authority of the parties you are negotiating with extends.

A second aspect which may have an equally negative impact on the equality of the parties in the local negotiating process, is that the local parties may not know or adequately understand the overall international strategy and the entire range of activities which the MNC carries out in various countries. An important fact impeding such understanding may be the obscure nature of financial reporting and clarification. There is no global standard governing such reports, and it means that the demands and requirements in the various countries where an MNC has established subsidiaries can be widely divergent. In this connection the phenomenon of transfer pricing should be maintained, which is a system of internal pricing between the various subsidiaries within an MNC.

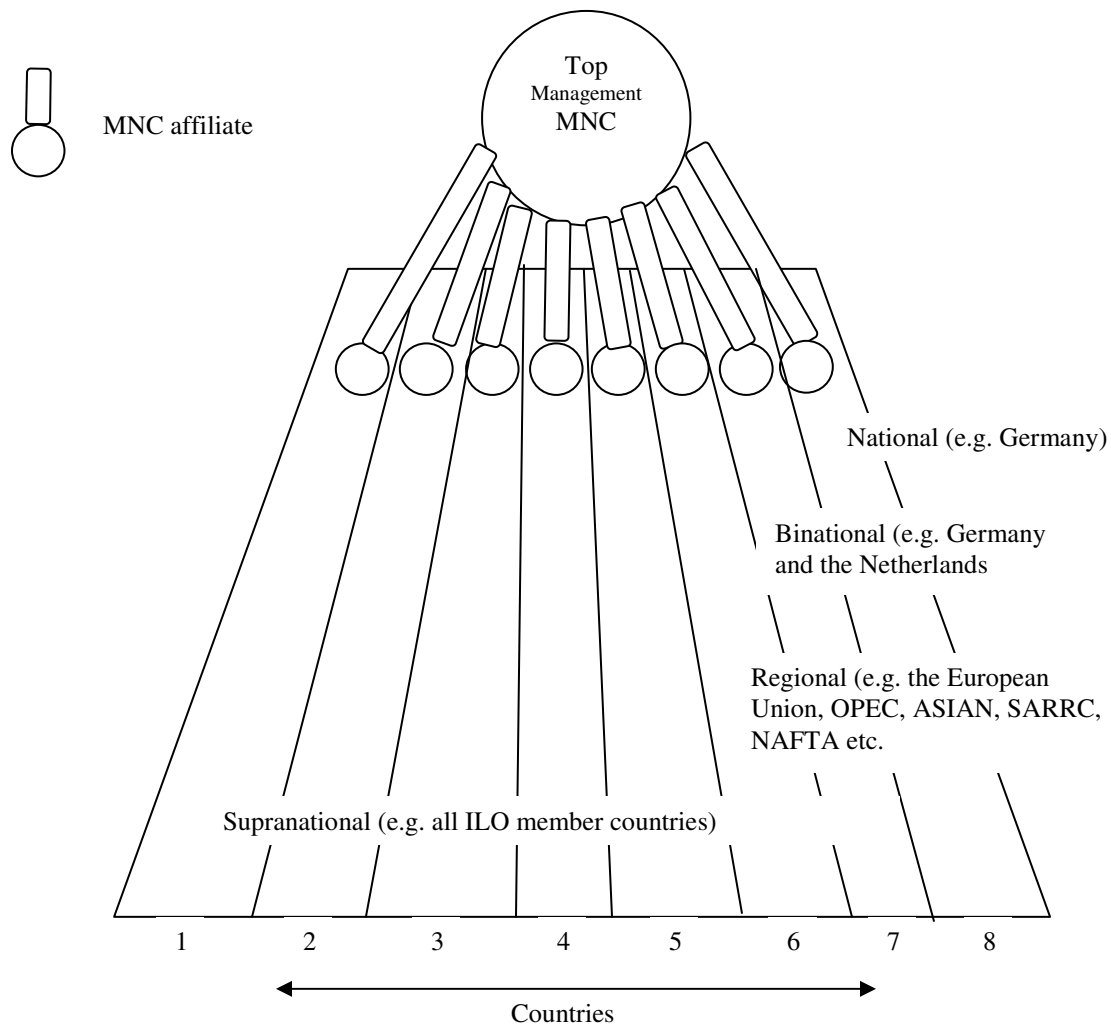
By maintaining different transfer prices, the MNC is able to manipulate the profit figures in its various subsidiaries without violating any legal requirements. The profit can accumulate at the location which is most favorable fiscally or in other senses, in this way misrepresenting the actual origins of the companies' profit in their entirety.

A final threat to national negotiations is the power of an international company to reorganize its production factors internationally. Depending on the chosen strategy, this may mean that in one country subsidiaries are being re organized, restructured or even closed down, while at the same time in another country, new subsidiaries are being set up or mergers of joint ventures are being entered into. This type of contradictory outcome of investment decisions which is a part of an international strategy naturally ensures that it becomes difficult for employees and trade unions to implement an international country strategy. The employees in the various subsidiaries often have conflicting interests where employers in our country may be facing redundancies as a result of a decision taken at the headquarters in another country. They will be heralding the same decision as a source of new employment. The power to recognize productions and services in an international scale naturally has a major impact on the negotiating process at national level. Multinationals can threaten to remove production units to another location or refrain from making necessary investments whenever they are confronted with demands and conditions which they find unacceptable. In this connection, we should mention a related factor namely that a multinational has the option of actually moving production temporarily to a production facility in another country in the event of strike action. In practice this kind of move can seriously undermine the negotiating position of the local trade unions, because it means that a strike will have very little effect on the total level of production or on the economic position of the company.

## **7. The System Model and International Industrial Relations**

Bomers (1976) has demonstrated that trade unions, employees and governments make attempts to achieve a balance of power at various different levels simultaneously.

**Figure 3: The various different levels at which attempts can be made to recover the power balance between employees, governments and MNCs (Bomers, 1976:24).**



**Source:** *International Human Resource Management: An Integrated Approach*, Edited by Anne-Wil Harzing and Joris Van Ruysseveldt (Page: 286).

Within MNCs, however, the centre of decision-making power lies beyond the reach of the national unions and governments, suggesting that the most effective approach is to form international power blocks as a counter weight. The other actors can set as many rules, requirements etc at national levels as they want, but the fact remains that they are regulating only a tentacle of the MNC. It would be difficult, for example, to forbid an MNC at the national level to decrease or even suspend investment in its subsidiary in the relevant country. It is unrealistic to think that the balance can be restored effectively at the national level alone. That is why in course

of time attempts have been made in this direction at various international levels. The binational level, for example, is when employees from the MNCs' subsidiaries in two different countries undertake joint action. The employees in one subsidiary can refuse to take over production of the other subsidiary in the case of a strike, or, coordinated action can be undertaken to reverse a corporate decision which has an impact on two or more subsidiaries. History presents us with many examples of similar types of action. The biggest problem is that the events are often of a temporary nature and do not lead to more permanent forms of regulation. There is a greater chance of this happening if the action undertaken is transnational in nature. The best example at the regional level is the European Union, which has already made a start at setting up a regulatory framework at the European level. The ideal is, finally, to develop a worldwide framework which is valid in every country in which the MNC has established a subsidiary.

This model can be an analytical illustration that recognizes the minimum conditions required for a system of industrial relations at the international level.



The most important initial obstacle is formed by the actors themselves. The biggest problem standing in the way of development of an effective counterweight against the multinational is the lack of autonomy and power according to the international representative organizations, both on the part of employees and governments. It is still the case that neither national trade unions nor national governments are making any concerted effort to transfer essential elements of their jurisdiction to international organizations.

It is no wonder then that international trade unions are viewed as 'Paper Tigers'. In a formal sense they can count on a large following, making it possible for them to mobilize employees in the various countries. When it comes to developing an independent supranational strategy and undertaking international action, they are entirely dependent on the willingness of the national unions to relinquish some of their power. In reality this leads to wide strategic inequalities between MNC and what should be their national international opponents. The fact is that the international trade unions do not have a worldwide or regional decision-making system at their disposal which in any way is comparable with that of the most MNCs. International trade unions are not capable of developing international strategies and activities in an integral fashion; neither are they able to direct their affairs from a powerful supranational policy centre. The few examples of international counter-moves vis-à-vis MNCs usually consist of temporary collaborations between national unions. It was only with difficulty that we were able to identify a case in which an international trade union undertook action against an MNC on behalf of its affiliated unions, and even then this action was limited to what we might call logistic support. Until now, the role of international trade unions has been limited to representation in international organs associated with the UN and the EU, and the majority of their time and energy goes into meetings and consultations.

Piehl (1974) compiles an almost exhaustive list of factors which still go a long way towards explaining the unwillingness of the national parties, in particular the trade unions, to delegate some of their authority with international collaborative organizations. We will limit ourselves to discussing the three most fundamental of these factors:

**a) The national context of the parties:** Trade unions were created within specific national systems; furthermore, after more than a century, they have grown used to relying on the national government to help them achieve their objectives, often in close association with political parties. The emphasis within trade unions is still on national political interests and their first impulse is to seek solutions within the familiar national frameworks and procedures which they themselves may have fought long and hard to create.

**b) Major strategic, organizational and cultural differences between trade unions:** These differences naturally result from the national context mentioned above. For example, the way in which the German trade union movement is organized, lobbies and positions itself in practices and government, not to mention its financial resources, is entirely different from the approach taken by French or British unions. The problems this causes when attempting to

formulate a strategy that each party can accept must not be underestimated, especially, not when a whole range of national and at times nationalistic elements starts to play a role.

**c) The enormous differences in the structure and culture of industrial relations:** These differences are often seen as one of the most important expressions of a particular nation's cultural heritage. This becomes especially pronounced if we look at national differences in the nature and intensity of legislation in the areas of industrial relations, level and approach to negotiations, the degree of involvement of the various pressure groups in socio-economic policy. These differences are so deeply rooted in specific national customs and traditions that they represent one of the biggest roadblocks on the route to harmonization of legislation, rules and requirements in the field of industrial relations with the regional associations. At times governments and member states even retain these differences as an argument against relinquishing any real autonomy to each country government within the regional associations.

## 9. Policy Recommendations

In order to overcome the barriers to effective international regulations for making active industrial relations, the recommendations are as follows:

- Since national differences in economic, political, and legal systems produce marketing different labor relations systems across countries, multinationals should delegate the management of labor relations to their subsidiaries. Subsidiary managers should maintain the peaceful interactions between the employer and the employees in the context of host country's rules & regulations.
- International human resource management approaches are utilized by multinationals for international labor relations. In this regard, multinational managers should set up international human resource management approaches according to the national conditions of each subsidiary.
- Multinational managers should have some prior experience in labor relations. For example, European firms have tended to deal with labor unions at industry level rather than at firms level. The opposite is more typical for U.S. firms. In the United States, employer associations have not played a key role in industrial relations system, and firm-based labor relations policies are norms.
- Multinational management attitudes or ideology concerning unions must play an important role in international labor relations. Because knowledge of management attitudes concerning unions may possibly give more complete explanation of multinational labor relations behavior that could be obtained by relying solely on a rational economic model.
- International human resource managers should understand international regulations and applying those to labor relations such as those developed by EC, ILO, and OECD, they should have versatile knowledge about the global environment and the international labor regulations.



- Multinational human resource managers should analyze labor relations issues that are common to all countries and also should conduct an analysis of the labor relations and practices in each of the countries within which the MNC operates and tries to develop a standard policy which is applicable irrespective of all countries throughout the world.

## 10. Concluding Remarks

In conclusion it may be stated that as long as national parties are unwilling to delegate fundamental elements of their autonomy to supranational organizations, the prospects for the effective internationalization of industrial relations remain rather bleak. MNCs will undoubtedly fully exploit and even speed up economic integration within the regional associations, and continue, for a long time, to reap the benefits of the faltering political and special integration in the field of industrial relations.

## 11. Future Research Directions

Recent research on multinationals and labor relations has provided useful information on the issues and challenges related to this aspect of international human resource management. Future research is needed on how multinationals view developments in international labor relations and whether these developments will influence the overall business strategy of the firm. Research is also needed on how global firms implement labor relations policy in various countries.

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### Appendix 1: Trade Union Structure in Leading Western Industrial Societies

Country	Trade Union Structure
Australia	general, craft, industrial, white-collar
Belgium	industrial, professional, religious, public sector
Canada	industrial, craft, conglomerate
Denmark	general, craft, white-collar
Finland	industrial, white-collar, professional, and technical
United Kingdom	general, craft, industrial, white-collar, public sector
Japan	enterprise
The Netherlands	religious, conglomerate, white-collar
Norway	industrial, craft
Sweden	industrial, craft, white-collar and professional
Switzerland	industrial, craft, religious, white- collar
United States	industrial, craft, conglomerate, white- collar
Germany	industrial, white-collar

Source: M.Poole, 1986. *Industrial Relations: Origins and Patterns of national Diversity*. London: Routledge & Kegan Paul, p. 79.