

## One Company, Four Factories: Coordinating Employment Flexibility Practices with Local Trade Unions

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## One Company, Four Factories: Coordinating Employment Flexibility Practices with Local Trade Unions

**ABSTRACT** ■ This article reports a case study of employment flexibility patterns in four factories of a multinational company in western and central Europe. There is remarkable variation in these patterns, which structural and institutional factors alone do not explain. Rather, the interests of management and local unions, and the character of their mutual interaction, are central for workplace employment practices. In factories with cooperative industrial relations, unions are extensively involved in employment flexibility even if management lacks a legal obligation or economic incentives to do so. In consequence, the company policy is neither a straightforward adaptation to host country institutions, nor a simple diffusion of corporate 'best practice'.

**KEYWORDS:** embeddedness ■ employment flexibility ■ multinationals ■ social interaction ■ workplace trade unions

### Introduction

This article discusses, and seeks to explain, variations in employment flexibility of production workers in four factories of a Dutch multinational company (MNC) in the electronics sector. The company is referred to here by a pseudonym, Electra. The article is based on empirical research conducted in Belgium, France, Hungary and Poland in 2004–05. Although high flexibility is a priority in all factories, a remarkable variation exists in the organization of working time, headcount fluctuations and the workforce structure. These flexibility practices were not diffused from the company's headquarters, but developed locally by coordination with local trade unions, shaped by differing local labour market conditions in western and central Europe. How, then, to explain this diversity, and what is the role of coordination between the MNC and local trade unions therein?

The answer proposed is based on the assessment of structural, institutional, behavioural and social factors originating on the one hand in the MNC, and on the other hand in particular local settings. On the side of the MNC, interests can range from best practice diffusion, hybridization based on local specificities and corporate benchmarking, utilization of local conditions with the aim to deploy innovative flexibility practices, to adaptation to local employment practices in each host country. As regards local influences, the role of trade unions is central. First, union involvement in employment issues is legally regulated in all the countries studied, but yields different rights in each. Second, management interest in benefiting from local conditions may be translated in different kinds of social interaction with unions in different countries and factories. Whereas in one case the interaction with unions may be limited to legally stipulated negotiations, in others management may foster union involvement in developing employment practices that exceeds legal requirements. Finally, the unions' own capacity to engage in social interaction with the MNC and therefore in the process of developing employment flexibility matters influences the final outcome.

Based on these considerations, I study the particular way in which the MNC utilized local conditions and developed employment flexibility practices through interaction with trade unions in each factory. This interaction is socially embedded if the interacting parties share common values that motivate their coordination, even without a legal obligation to negotiate with unions, and there are no obvious economic benefits from involving the unions. Embeddedness may be a feature of MNC interaction with a variety of local actors, including other employers, but as employment issues are central to the trade union agenda, and union involvement is legally stipulated in each host country, the analysis focuses exclusively on management–union coordination.

The next section discusses the analytical framework and research methods, followed by presentation of the empirical evidence. Next I evaluate the structural and institutional factors that influenced managements, then I analyse social interaction with workplace trade unions and its explanatory relevance for varying flexibility practices. The concluding section summarizes the arguments.

## **Analytical Framework: Coordinating Employment Practices with Local Trade Unions**

Most analysis of workplace employment practices in MNCs focuses on the transfer of practices between headquarters and subsidiaries located in different host countries. Arguments range from convergence in management styles under the influence of the home country and corporate isomorphism

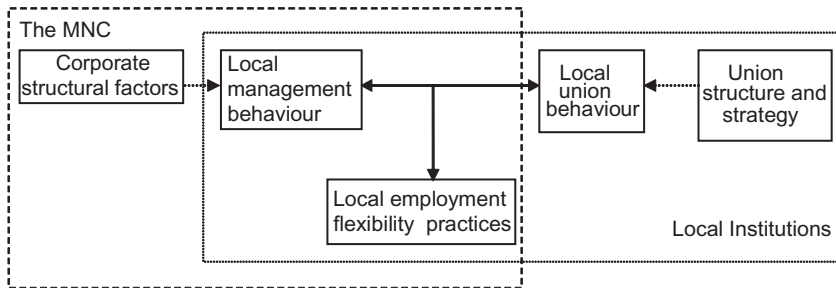
(Dickmann, 2003; Ferner, 1997; Ferner and Quintanilla, 1998; Geppert et al., 2003; Harzing and Sorge, 2003; Tüselmann et al., 2003) to adaptation of practices to host-country conditions, reflecting ‘societal effects’ and involvement in local networks (Kristensen and Zeitlin, 2005; Maurice and Sorge, 2000; Rosenzweig and Nohria, 1994). In between stands the notion of hybridization (Boyer et al., 1998; Meardi and Tóth, 2006) incorporating both company interests and external pressures to integrate home-country and host-country practices. The MNC can foster adaptation to local conditions, resulting in similar employment practices to those in other local companies; or can take advantage of local conditions to develop innovative or hybridized employment practices.

However, the literature says little on the interest and the legal obligation of MNCs to coordinate employment flexibility endeavours with local employee representatives. Meardi and Tóth (2006) and Kristensen and Zeitlin (2005) discuss the attraction of local conditions for the MNC and the resulting involvement in local networks; however, the firm’s attempt to benefit from varying local conditions is presented as an internal decision and process, and it does not account for ongoing social interaction with external actors, such as local unions. In this article I do not ask whether particular employment flexibility practices have been diffused, adapted, or hybridized. Instead, I show that they are an outcome of interaction between the MNC and trade unions in each factory. This enables the company to benefit from the variety of labour markets and industrial relations systems in different countries.

I view employment practices as an outcome of behavioural coordination between actors within a given institutional framework (Scharpf, 1997). In other words, flexibility measures result from direct interaction between local factory managements and local trade unions (see Figure 1). The level of analysis is the local, referring to particular geographical and institutional settings in which each factory is located. The *local* is part of a national host-country institutional space, including labour markets, norms and employment practices, industrial relations systems, and the legal regulation. These factors influence behaviour and MNC–union interaction.

Besides local factors, company interaction with trade unions is influenced by structural factors such as the business cycle, production planning, and (de)centralization of corporate employment policies. On the side of the unions, the most important influence is local union strategy, which can be part of a broader union policy at sectoral, national or even transnational level. However, the unions active in the Electra factories are relatively independent and their strategies are firmly shaped by particular local conditions. Works councils in these factories are secondary to the unions, and are therefore not discussed. The extent to which the local factory management is independent from MNC headquarters, and

FIGURE 1. Analytical Framework



the extent to which it is embedded in local conditions and values, influences the character of management–union coordination and the resulting flexibility measures.

In management–union interaction we have to distinguish between obligation to coordinate employment flexibility practices with unions, which is prescribed by legal regulation, and management interest in trade union involvement in negotiating employment flexibility. This is the consequence of two sets of motives. The standard argument is that the MNC fosters trade union involvement only for economic reasons: union–management cooperation will develop when mutual economic gains are expected and the costs of sharing management decision-making with the unions do not exceed the expected benefits in terms of enhanced performance (Katz et al., 1985). However, it is questionable whether actors calculate costs and benefits of coordination extending beyond formally institutionalized bargaining to daily informal interaction between managers and factory union representatives. Every economic transaction is formed through and by social interaction (DiMaggio and Powell, 1991; Edelman, 2004): frequent interaction can lead to the emergence of trust, shared values, power struggles, and discretion (Fox, 1974). Therefore, I argue that the social motive to coordinate employment practices with local unions supplements economic motives and legal obligation. Moreover, this helps to understand why industrial relations and the role of the unions differ across factories when law and economic calculations are not plausible explanatory factors.

The capacity and interest of the MNC and the unions to invest in their interaction indicate social embeddedness (Granovetter, 1985, 1992; Krippner, et al., 2004). In other words, embeddedness refers to behaviour that opts for coordination even if economically and legally the same decision could have been taken unilaterally. Whereas in non-embedded coordination based exclusively on rational economic considerations the involved actors are not concerned with each others' preferences, values, and power relations, embeddedness incorporates favours to others with

an expectation of future returns not specified in advance. As expected economic benefits from coordination are unknown *ex ante* and favours are left to the discretion of managers and unionists, trust among them is essential. Trust, or confidence that the other party will not renege the actions promised and benefits offered, is an informal institution that lacks a specifically defined reciprocity and arises in social interaction (Fox, 1974). Finally, power asymmetries between management and unions may facilitate differences in coordination and thus employment flexibility practices.

In sum, structural and institutional factors influence MNC behaviour in local conditions. It is argued that the MNC is locally embedded if evidence is found of informal institutions in the management–union social interaction leading to trade union involvement in flexibility beyond legal stipulations and economic motives.

## Operationalization

The analysis examines employment flexibility practices and industrial relations in four factories, compares them with local practice and with other Electra factories, and examines the role of management–union interaction in shaping inter-plant variation. It proceeds in four steps.

First, it is essential to identify the source of variation in employment flexibility practices, the focus being numerical flexibility (fluctuations in worker headcount), external flexibility (the share of permanent, temporary and agency workers) and internal flexibility (the organization of working time) (Atkinson, 1984; Gallie et al., 1998).

Second, the investigation focuses on corporate and local factors and their effects on flexibility. Structural factors that influence the company's local embeddedness include its international experience and administrative heritage, business cycle and production seasonality, cross-factory coordination of production and HRM, management structure and corporate policies on local industrial relations (Bartlett and Ghoshal, 2002; Edwards et al., 1999; Rosenzweig and Nohria, 1994). In Electra the management of production workers is an operational issue without close headquarters control; thus local embeddedness is likely if all factories face similar structural constraints and are to a similar extent independent of headquarters. Then the analysis focuses on the impact of host-country labour law, system of industrial relations, labour market characteristics and common flexibility practices. Information on host-country institutions is based on secondary sources and opinions of managers, trade union leaders and employers' association representatives.

Third, I examine workplace management–union interaction and its effects on employment flexibility, giving particular attention to informal

institutions, shared values related to factory performance, trust and informal agreements. These are evaluated according to subjective perceptions of managers and union representatives on cooperation, conflict, power relations and trust. Even if a Polish trade union is much weaker than one in Belgium, it may evaluate interaction positively, because the benchmark is not the Belgian situation, but that in other Polish companies. Qualitative observations concentrate first on the regularity of managers meeting the unionists to discuss issues of mutual interest. Although they may not like each other, do they respect each other's role and does their coordination involve regular conversation, bargaining and compromise? Second, what is the style of communication in terms of (in)formality, threats and informal trade-offs, value-sharing, willingness to compromise, and oral as against written communication?

Finally, I evaluate how far Electra involves trade unions in employment flexibility issues and whether this stems from its legal obligations, economic motives or social motives discussed above. The main guideline for identifying embedded coordination is union involvement not explained by legal obligation or particular economic benefits known to Electra beforehand.

The author conducted 114 interviews with HR and production managers, workplace union representatives, regional and national representatives and HR managers and union leaders at Electra headquarters. The similarity of factories on the one hand, and the differing host-country laws, industrial relations systems and common employment practices on the other allow control for corporate influences, and at the same time clarify management behaviour and social interaction with local unions in different institutional environments.

## **Employment Flexibility and Industrial Relations in Electra Factories**

Electra is the largest electronics producer in Europe. The challenges of growing internationalization have led to several strategic reorganizations involving a decreased focus on manufacturing and a gradual decline of headcount to the current 164,000 employees worldwide. In contrast to a traditionally centralized production planning, in HRM and industrial relations the company remains decentralized.

The factories studied are comparable in products assembled, seasonal shifts in production, and related to that a high degree of employment flexibility. Geographical distance from Dutch headquarters does not affect their position within the company. Information on employment and industrial relations in the four factories is given in Table 1.

The Belgian factory (hereafter EBE) is a product development centre and initial manufacturer before assembly is transferred to mass production

TABLE 1a. Characteristics of the Four Factories: Employment

Factory	Established	High-season headcount (production workers) <sup>a</sup>	Local unemployment
EBE Belgium	1950s (brownfield)	1301 (401)	Low (7.37%)
EFR France	1972 (brownfield)	800 (600)	Medium (12%)
EHU Hungary	1991 (greenfield)	2392 (2200)	Low (4%)
EPL Poland	1991 (greenfield)	Ave. 984 (872)	High (27%)

<sup>a</sup> EBE and EPL (2003); EHU (2004); EFR (2005).

Source: Electra, local labor market authorities, Manpower France.

centres. Its special position requires even higher flexibility than the other three plants. Despite a high proportion of engineers, production organization and HRM for production workers are similar to other plants. Most important agreements related to employment flexibility are concluded at the workplace level. Building on the unions' formal and historical power and their workplace recognition, the factory's industrial relations are interactive and mostly cooperative with agreed tradeoffs. Both unions and management respect each other, communicate on a daily basis, conclude many informal agreements and avoid open conflicts. Besides daily informal interaction a monthly works council meeting formalizes EBE's workplace industrial relations.

The French factory (hereafter EFR) is a large-scale producer, among the most important employers in a small industrial town with relatively high unemployment. Employment flexibility is central and most agreements are concluded at the workplace level. The existence of four unions with ideological differences complicates management–union coordination. Industrial relations are less cooperative than in EBE and include threats and militant action. Management–union interaction is limited to formal monthly meetings, and informal agreements are rare.

The Hungarian factory (hereafter EHU) is a successful mass assembly centre established in 1991. The rapid expansion of industrial parks over the 1990s account for the region's low unemployment; and EHU secures enough workers by 'importing' them from great distances. EHU's industrial relations are exclusively workplace related. Because of relatively high membership, the workplace trade union is more powerful than in other locally established MNCs, in the majority of which a union does not exist. Industrial relations have always been confrontational, involving conflicts and union-initiated court cases. However, management's interaction with the works council is cooperative. This leads to tensions



TABLE 1b. Characteristics of the Four Factories: Industrial Relations

Factory	Number of unions	Unionization (production workers)	Union members	Employers' association membership	Key bargaining level	Works council	Industrial relations
EBE	2	95%	Permanent/temporary workers	Yes	Workplace	Yes	Cooperation
EFR	4	High	n/a	No	Workplace	Yes	Conflict
EHU	1	50%	Mostly permanent workers	No	Workplace	Yes	Conflict
EPL	1	35%	Permanent/temporary worker	No	Workplace	No	Cooperation

between union and works council leaders although the works council's bargaining rights are limited.

The Polish factory (hereafter EPL) is a mass assembly site located in a small industrial town where 90 percent of jobs are in foreign firms. With its adjacent suppliers it is the second largest local employer. In a decentralized industrial relations system, management and union learned to interact with each other and developed a cooperative, exclusively workplace-related, relationship. In contrast to Belgium, the union does not have a formal power resource through a strong supporting sectoral organization, but its position is recognized and respected mainly informally. Shared values on local employment and frequent interaction prevent industrial conflicts.

In all four factories, production seasonality results in great numerical flexibility for the production workforce (in contrast to administrative and managerial staff). EFR, EHU and EPL show a similar fluctuation pattern, because being mass production centres their seasonality is relatively regular. EBE's workforce fluctuations are even larger and less regular than in the other sites.

The factories reveal great differences in their responses to the seasonal workload, in terms of the balance between permanent and temporary contracts or use of temporary agency workers. EBE has roughly equal numbers of permanent workers, temporary workers (monthly contracts) and temporary agency workers (weekly contracts). Exceptionally an agency worker advances to a temporary Electra worker; however, the factory no longer hires permanent blue-collar workers. EFR has a stable pool of permanent workers but does not hire its own temporary workers; agency workers account for about 25 percent of headcount. EPL does not normally hire agency workers, regarding direct recruitment as a positive work incentive. About 60 percent of production workers are on temporary contracts, the rest are permanent. Because of high unemployment in their region and the above-average working conditions, EFR and EPL do not face difficulties in finding workers willing to work under flexible conditions. Finally, EHU does not hire its own temporary workers. As in the case of EFR, high demand for temporary labour initiated the development of temporary labour agencies in the region, and 75 percent of EHU workers are hired through these agencies. Although hiring permanent workers is more constrained than before, agency workers do have chances of getting a permanent contract. An interesting feature of EHU's flexibility is that nine percent of the workers come through an exchange with a nearby ice-cream factory with opposite seasonality. Once admitted to the factory, no discrimination between permanent, temporary and agency workers in working time and pay was found in any of the factories.

The factories also show several differences in their internal flexibility over working time. Although high-season weekly working hours equal

to 40 in each factory, differences are observed in the number of shifts per day, shift frameworks, and the compensation for overtime (see Table 2).

All factories prepare annual working-time calendars. In EBE and EPL, these are negotiated with the unions; in EFR and EHU the unions are simply informed. Changes in the calendar take immediate effect in EPL; however, they are discussed with the union. In EBE and EFR, at least a three-month shift framework must be maintained after prior negotiation or consultation respectively. In EHU, an eight-week working time annualization is possible according to the law and the factory's collective agreement. Working-time preferences of individual workers cannot be extensively considered given the size of the workforce and the intrinsic characteristics of shift work.

In EBE and EFR, weekly high-season working time exceeds that legally stipulated (36 and 35 hours, respectively), and extra hours are compensated with more holidays. In EBE, this is by agreement with the unions. EPL developed a unique working-time flexibility building on the loose provisions of Polish labour law. To enable seasonal production and avoid low season dismissals, EPL introduced min-max contracts, or annualized working hours, with longer working in the high season and shorter in the low season. Workers are minimally paid for half-time work even if they stay at home because of reduced production. If production increases, they are mobilized and work up to 40 weekly hours, receive shift premia for non-standard hours, and overtime payments when exceeding the 40-hour-week. In EHU, the standard working time is a

**TABLE 2. Internal Flexibility**

	Shifts	Weekly working hours, high-season	Working time pattern	Shift frameworks	Compensation for extra hours
EBE	1-2×8 hrs	40	Full-time, part-time	3 months	16 extra free days/year, overtime pay, shift premia
EFR	2-3×8 hrs	40	Full-time	3 months/12 weeks	Min. 7 extra free days/year, overtime pay, shift premia
EHU	3-4×8 hrs	40	Full-time	8 weeks	Overtime pay, shift premia
EPL	3-4×8 hrs	40	Min-max	Annual, operational changes	Overtime pay, shift premia

three-shift regime or a continuous four-shift regime over seven days a week, with a 48-hour break after working four days and before switching to another shift. Extra working days for workers with assigned free days have to be announced three days in advance according to the factory's collective agreement.

To sum up, the most striking difference is the factories' external flexibility: EHU chooses to hire a large number of temporary agency workers, EPL prefers to employ its own temporary workers, EBE hires both temporary and agency workers, and EFR hires more agency workers than EBE but less than EHU. Interestingly, EHU also exchanges workers with a local factory with opposite seasonality. In internal flexibility, the largest difference is that the seasonal working time modulation in EBE and EFR surpasses legal regulations in the high season. Workers in all factories work 40 hours per week, which is common also in other companies in Poland and Hungary, but exceeds the normal pattern in Belgium and France. The next section evaluates the impact of corporate and local factors on these flexibility measures.

## Impact of Corporate Factors

Belonging to the same business unit means comparable corporate influences on each factory. These constrain production and business decisions, and HRM for knowledge workers and managers, but not work practices and industrial relations for production workers. Factories do report headcount trends to headquarters, but except in EBE this has little influence on whether to hire agency workers or their own temporary workers. This duality between coordinated business management and decentralized HRM means that factories do not need to negotiate their strategic position within the company by engaging in local networks: they fully control their employment practices. Consequently, employment flexibility is a local matter despite its relevance for cross-factory competitiveness; it is the company's choice of benefiting from local conditions. Nevertheless, how factories interact with local institutions is beyond corporate control, and corporate factors do not explain the variation therein.

All factories have recently been exposed to reorganizations and changing production volumes that increase flexibility needs. The relative importance of EBE has increased, whereas EFR, EPL and EHU have maintained their position. The factories' previous role and union structure did not influence the introduction of flexibility. Currently the factories are exposed to similar business cycles and production seasonality; the high-demand periods in the autumn and winter are counterbalanced by low seasons when production falls. The emergence of flexibility in EBE and EFR relates to decreased mass production and increased product variety, and in EPL and

EHU mass production growth stimulated higher flexibility. Nevertheless, reasons motivating flexibility did not lead to similar flexibility practices in factories with increased mass production on the one hand, and increased product variation on the other hand.

Another corporate factor, the management structure, affects flexibility practices by fostering local responsiveness. All factories employ local HR managers. A limited number of expatriates work in departments that influence flexibility via production plan calculations; however, their goal is to foster locally effective production solutions.

To summarize, corporate pressures are similar in all factories: decentralized HRM of production workers, reorganizations, production seasonality and local HR managers. As these similarities contrast with the variation in flexibility measures, I argue that corporate structural influences do not directly account for flexibility variation. Their indirect influence is apparent through fostering HRM decentralization. Thus, the analysis must now turn to the specificities of local conditions and the company's behaviour therein.

## Impact of Local Institutions

First, host-country labour law is the basic benchmark for all factories. In Belgium, the law strictly regulates employment flexibility options and interaction with trade unions. Crucial provisions relate to part-time work and an obligation to consult workplace unions over working time, temporary agency workers and dismissals. The unions can veto the use of temporary workers; management is also obliged to inform the unions about operational issues. However, at EBE there is a voluntary cooperative interaction which goes beyond simple information exchange; while the unions do not obstruct recruitment of temporary workers. They are also extensively involved in working-time decisions.

In France the law is less prescriptive than in Belgium, but stronger than in Poland and Hungary. Electra is obliged to inform and consult the unions on such issues as working time, calendar revisions, Saturday work and use of agency workers, but not to negotiate. Union involvement in EFR only marginally exceeds the legal requirements; and where it does so, this has been achieved by unions' militant action rather than voluntary management initiative.

Polish labour law sets the benchmark on working time, employment contracts and dismissals, and the framework for union involvement at EPL. Working-time issues are subject to consultation in unionized workplaces; but the law does not oblige the employer to conclude collective agreements and grants significant freedom in flexibility measures. Despite limited legal prescription, cooperative management–union coordination

developed in EPL is based more on informal cooperation than on structural and legal constraints.

Finally, EHU strictly follows the Hungarian labour law that obliges the company to inform unions on most working time and employment issues, but not to consult them. The union's control over flexibility is limited, both by the law and through informal EHU rules shaped by workplace management–union relations. To compensate for its weak position, the union closely monitors EHU's legal compliance and has filed many court cases. Although it has lost the majority of these, it maintains that unfair employment practices and dismissals occur at EHU.

Although legal regulation differs across countries, this cannot fully explain the variation in flexibility practices. The laws in all countries allow similar choices between agency and temporary workers, but the factories choose different options. Nor does the legal regime explain whether Electra merely conforms to the law or cooperates with unions beyond the legal requirements.

Electra is responsive to host-country industrial relations systems and does not attempt to impose its home-country structure of centralized company bargaining. This occurs only in Belgium, but only in the form of framework agreements; all flexibility-related issues are negotiated at plant level. Both Electra and its unions prefer decentralized bargaining. The unions maintain that their work is most effective at shop-floor level, in close informal contact with their members – though especially in Belgium, the union agenda is influenced by regional and national concerns.

A third potential influence on flexibility practices is the pattern adopted by other local employers. But though approaches to numerical flexibility are similar at Electra and other local firms with seasonal production (electronics and food sectors), differences were observed in EBE, EPL and EHU in terms of the use of temporary agency workers and the length of their contracts. In EFR, practice resembles that in other local firms. In internal flexibility, the main differences from local practices include longer working hours in EBE and EFR compensated by extra holidays, working time annualization via min–max contracts in EPL, and a different shift regime in EHU from other local companies (see Table 3). This indicates that employment practices in other local firms do not determine the company's approach.

Although Electra complies with labour law in all countries, it searches for innovative flexibility measures by utilizing variations in legal regulation, especially stipulations concerning workplace industrial relations. Thus differences in laws and local practices create institutional spaces within which management choice occurs. The finding that trade union responses to the company's flexibility attempts are similar increases the explanatory relevance of management behaviour – especially its consistency in exploiting local opportunity structures. Unions prefer increased

TABLE 3. Variations from Local Employment Practices

	External flexibility		Internal flexibility	
	Electra	Local practice	Electra	Local practice
EBE	Agency workers (temporary full-time)	Own workers (temporary part-time)	40-hour week, extra holidays 16 days/year	36-hour week
EFR	Agency workers (seasonal full-time)	Agency workers (seasonal full-time)	40-hour week, extra holidays 7 days/year	35-hour week
EPL	Own workers (temporary min-max)	Own workers (temporary short-term full-time)	40-hour week, min-max time	40-hour week, full-time
EHU	Agency workers (temporary full-time), worker exchange between employers	Agency workers (temporary full-time)	40-hour week, full-time (3-4 shifts)	40-hour week, full-time (2-3 shifts)

employment security and do not favour temporary or agency workers, fixed-term contracts and flexible working hours. But they also realize that flexibility secures more jobs and is necessary for the factories to survive in international competition.

To conclude, neither corporate structure nor local institutions and trade union responses alone account for the variation in the company's employment flexibility practices. Management evidently respects local law and industrial relations norms, but its behaviour is not a straight-forward adaptation; it benefits from local circumstances through its coordination with workplace trade unions. The next section discusses how workplace management-union interaction helps the development of flexibility measures, and the extent to which this interaction is socially embedded.

### Management-Union Coordination and Embeddedness

Employment flexibility became central in EBE after the factory's 1997 restructuring. The unions obviously did not welcome this trend, but

simultaneously realized the growing pressures on the plant's competitiveness. Management can ultimately impose flexibility, but regularly consults the unions: a reflection of both extensive legal requirements for union involvement and management–union social interaction. Accordingly, it became less difficult for Electra to increase employment flexibility, and the debates with the unions have moved from the principle of temporary agency workers to the headcount permitted. Electra invested in an interactive relationship with unions even on issues where it could legally – and consistently with its business strategy – have acted unilaterally. This is obvious in negotiation over shift regimes, overtime compensation, informal approvals of agency workers' admission and the length of contracts; management accepted a range of union proposals concerning temporary night work, parking facilities, work conditions, and changing rooms for agency workers. Management–union coordination incorporates prevalent trust to adhere to informal agreements; managers and workplace union leaders can contact each other at any time even on private mobile phones. Both parties appreciate this opportunity, but know it should not be abused. To avoid recurring bargaining over central issues, framework agreements are formalized and used in informal daily interaction. Overall, both Electra and unions are relatively satisfied with their interactive coordination. The unions' ideal is job security, but they understand flexibility is central for maintaining the factory, and thus jobs, in Belgium.

In EFR, management–union relations are noticeably conflictual, with threats of strikes and overt union antagonism to the employer. In consequence, management designs the majority of its flexibility practices without union involvement. The level of management–union trust is low: to avoid repudiation of agreements concluded, all are formalized at a monthly works committee meeting. Otherwise management has little formal or informal interaction with the unions, and their voice in shaping flexibility only marginally exceeds the legal requirement. A typical issue of extra-legal union involvement, and at the same time a point of conflict, is planning the factory's collective summer closure. In the past, unions did not agree with the timing, organized a strike, and thus were able to achieve a negotiating role. Electra now obtains union approval on holiday dates. To sum up, as a consequence of ongoing conflicts, union involvement in employment flexibility issues in EFR only marginally exceeds the legally prescribed procedures. In cases where cooperation goes beyond the law, union input has been acquired by militant action.

In both Hungary and Poland, the law prescribes only limited union involvement in employment flexibility, and actual involvement in Electra reflects the general character of management–union relations. Industrial relations in EHU are well institutionalized, and a collective agreement has been concluded since 1991; but relations have always been noticeably



confrontational, with a lack of cooperation on operational issues. Such confrontational industrial relations are not common in other local companies. After a management change in 1997, regular informal discussions and monthly meetings gradually ceased. Except for the annual bargaining round, communication is limited to formal e-mails and occasional talks. 'Gentlemen's agreements' are limited although more likely than in EFR; because of low trust, most agreements are documented in writing. The union representative claims that Electra ignores the union and avoids contacts; however, management and external union representatives blame the workplace union leaders' personal antagonism, unrealistic demands and inability to cooperate. Electra claims the union is not democratic and representative: despite the rulebook provisions for regular elections, none have been held since 1991. EHU would prefer cooperative industrial relations to frequent court cases. The parties have concluded a formal agreement for at least three days' notice of overtime working, and for higher than obligatory shift bonuses. EHU would prefer working time annualization, but the union has repeatedly refused. Thus, as at EFR, the union influences employment flexibility practices not by cooperation but by confrontation with management. The union's actual involvement in regulating employment flexibility is thus limited and only marginally exceeds the legal requirements. The hostile management–union relationship is in strong contrast to the cooperation between management and the works council. EHU management constantly declares its willingness to cooperate with the union, but currently most employment practices are unilaterally decided, sometimes after consultation with other local employers. The chances for embedded management–union coordination are however higher than in EFR, because management's antagonism is directed to the current union leadership, whereas in France it relates to the unions' general ideological stance.

In EPL, management–union coordination evolved through mutual learning, because neither the managers nor the union leaders had previous experience with workplace bargaining. After initial trials of strength soon after the union was established in 1997, interaction has stabilized, and the parties agreed on work regulations – the most important formal document on EPL's employment practices. Although coordination is self-institutionalized and does not have a strong legal underpinning, frequent interaction takes place and management involves the union in various issues beyond the legal requirements, including revisions of the working-time calendar and limitations on the number of consecutive nightshifts.

To cope with low production in 2003, the parties agreed a temporary change of full-time to three-quarters time contracts, involving less pay but avoiding dismissals. Both realize the drawbacks of flexibility, and to compensate for negative effects on workers they agreed to improve working conditions for temporary workers and to recruit them both according to

performance appraisal and to social criteria (children, family income). There was no obvious economic motivation for Electra to prefer these alternatives; I argue this decision was based on shared values and enduring positive experiences in social interaction with the union. The union claims its involvement helps workers to cope with variable working hours and wages. Management appreciates the union's role, and the union appreciates management's willingness to respect informal agreements even if it occasionally exercises its informally determined veto rights. Both parties claim to have an open, trustful and cooperative relationship and mutual respect; they adhere to joint agreements, most of which lack written formalization; and they maintain that negotiations will continue until agreement is reached without resort to extreme action. Nevertheless, the union struggles unsuccessfully to increase employment security; its weakness is coupled with workers' fears of losing their jobs, which leads to an acceptance of inconvenient working-time arrangements. To sum up, EPL management favours positive coordination with the union, and treats union proposals as a useful input and feedback for local HRM even if legal obligations or economic motives are not obvious. This is similar to EBE, the difference being that Polish unions are much weaker, and a well-functioning relationship is primarily determined by management's willingness to cooperate. Although management attempts to contain union power within the existing framework of workplace rules, both parties are satisfied, and their interaction is more cooperative than in other local companies.

## Findings and Discussion

Several findings emerge from the analysis of management–union coordination in each factory. First, given the company's administrative heritage and responsiveness to local conditions (Bartlett and Ghoshal, 2002), managements in all the factories studied have an interest in cooperation with local unions, whether or not there are economic advantages or a legal requirement to do so. No evidence was found of breaches of legal obligations to consult unions. Thus, management behaviour is embedded, seeking coordination with local actors without knowing the benefits in advance.

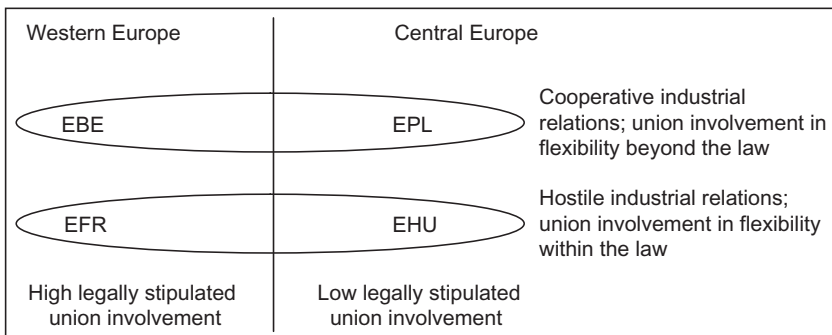
Second, the company's interest in coordination with local unions is a means to benefit from local conditions in the process of developing tailor-made flexibility practices. Both managements and unions in all the factories are aware of the power asymmetry between the company and unions; but management does not overtly exploit its power advantage in any of the factories. Although the company's intention to cooperate with local unions is similar in each factory, the goal of embedded coordination is not to implement the same employment practices everywhere. I argue that the company's aim is to develop locally optimal employment

flexibility practices relative to the opportunities and constraints of the labour market in each country.

Third, despite the company's orientation to cooperate, union involvement on flexibility issues differs across factories. Does this reflect differences in legal regimes? If the degree of legally stipulated coordination between employers and employee representatives were central in determining the extent of union involvement in workplace employment practices, one would observe a regional pattern of coordination: there would be more extensive coordination with local unions in western than in central Europe because legal prescriptions are stronger. However, empirical evidence does not reveal such a divide. Instead, differences in the extent of union involvement in employment flexibility regulation mirror the contrast between factories with cooperative industrial relations, informal cooperation and a high level of trust, and those with hostile industrial relations, conflicts, and low trust, and examples of each pattern can be found in both regions (see Figure 2).

As for economic reasons to coordinate employment flexibility issues with local unions, evidence from Electra shows that management–union coordination is not limited to formal bargaining based on strategic calculations. Instead, workplace industrial relations obtain their typical spirit from the existence of informal interaction that rarely relates directly to particular economic benefits and utility maximization. In factories with cooperative industrial relations Electra involves unions in flexibility design even without a clear prior indication of economically superior outcomes. According to information available at the moment of union involvement, the company's managers could have taken the same decisions unilaterally. This finding supports the main argument that variation in employment flexibility across the factories is best explained by company and local union interests and their social interaction.

**FIGURE 2. Non-Regional Divide in Management–Union Coordination**



Finally, even if cooperative management–union interaction enhances union involvement in employment flexibility, it does not mean that conflictful industrial relations hinder the company’s pursuit of high flexibility. The consequence of union antagonism has been their exclusion from decisions that are reached jointly in factories with more cooperative industrial relations. This demonstrates that a detailed insight into workplace industrial relations is necessary to understand the actual way in which MNCs interact with host-country institutions and actors.

## Summary and Implications

This article discusses why different employment flexibility practices exist in Electra factories in Belgium, France, Hungary and Poland. Whereas all factories show a similar pattern of numerical flexibility, they differ remarkably in external and internal flexibility related to temporary workers and working time. It is argued that corporate structural influences on local flexibility and the mere existence of differing labour markets and laws in the host countries cannot adequately explain the observed variation. Instead, it is the interest and consequently behaviour of the company to benefit from local conditions via social interaction with local actors, particularly workplace trade unions, that explains the variation in employment flexibility practices. The importance of trade unions derives from legal regulation of their involvement in various employment flexibility practices, their own power resources, and also the management interest in coordination. Although trade unions in all factories desire higher employment security, they play an important role in designing and deploying flexibility measures through their coordination with management. This is a concrete way for the company to benefit from various local institutions in host countries and an alternative to hybridization of employment practices based on unilateral rational decisions.

Management interest in cooperation with local unions has translated into different kinds of management–union coordination across the factories studied. In those with cooperative industrial relations, shared values and extensive trust, industrial relations resemble embedded coordination. This means that management opts for union involvement even without legal obligations or economic motivation to do so, and thus local unions are more involved in designing employment flexibility practices. In contrast, in factories with hostile industrial relations and limited informal interaction the company has developed its locally optimal employment flexibility practices without extensive union involvement.

This argument points to the active role of the company in maintaining, or further enhancing, the existing variation in employment practices and local industrial relations in Europe, contradicting the thesis of

cross-national convergence. Second, it shows not only the company's responsiveness to local institutions, but also the conditions of its social embeddedness, and the engagement of local unions in the firm's decision-making. This challenges two arguments in the existing literature: first, the utilitarian argument that MNCs will attempt to overcome local differences and to disseminate best HRM practices across a variety of host-country conditions (Marginson and Meardi, 2006); and second, the image of the MNC as a homogenous and rational economic actor with internally determined processes of decision-making (Grandori, 1987). Through embedded social interaction, the rationality of the MNC is not undermined, but enriched.

My arguments are based on empirical evidence from a single company, which complicates generalizations on MNC behaviour and social interaction with local actors in different countries. What can be generalized is that whether a company fosters union involvement or attempts unilaterally to design most suitable employment practices in different conditions depends on a number of internal factors, as well as local institutions and union behaviour. Given the power asymmetry between MNCs and local unions, the most important among these factors is the company's administrative heritage or internal corporate values that encourage decentralized HRM and in particular responsiveness to local conditions via social embeddedness.

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