Unions in Transnational labour markets. A tentative theoretical frame

My thesis aims at a comparative analysis of German and British trade union politics in multinational business firms between the late 1950s and the late 1980s. There will be one smaller part analysing general attitudes of two national federations, IG Metall in Germany and the Transport and General Workers Union in Britain. The remaining bigger part of the thesis will deal with two case studies in the car industry, namely the German and British subsidiaries of Ford and General Motors.

The first question arising from this topic is of course how to conceptualise trade unions operating in a multinational business firm. Unions can be (and have been) seen as political or social emancipation movements, expressions of working class culture, mutual insurance funds, instruments of state corporatism etc, etc.

However I have decided to conceptualise unions as labour market agents, that is as organisations, which influence the level and the price of employment, to put it in crude economic terms. Immediately, two further questions appear: 1. Is this concept of trade unions not an economistic reductionism? 2. How can a multinational business firm be seen as a (transnational) labour market?

Ad 1.
To interpret unions as labour market actors is not reductionist for two main reasons:

a.) It conceptualises unions as actors in an economic environment which can hardly be contested in the case of a multinational business firm. Unions have to be aware that they are operating under market constraints here. This is, however, not to say, that unions thereby loose all their social, political and cultural characteristics and develop into some sort of collective “homo oeconomicus”. On the contrary, historical research has shown that this vision of unionism which is still present in many textbooks of labour economics, is inadequate. Motivations to join unions, collective bargaining processes or strikes can not simply be inferred from an economic cost-benefit calculation. There are always other social, political, cultural factors coming into play, e.g. different union organisation structures, the
relations between union leadership, local officials and the rank-and-file, the embeddedness of union politics into legal and political systems, specific ideological affiliations etc. Moreover, it is wrong to see unions simply as the collective expression of workers interests. A union composed by many different sub-groups with often contradictory interests so that union politics is always selective aggregation that needs to be legitimised. The term “the union” does not refer to a homogenous actor, but needs to be analysed in terms of an internal social network.

b.) Labour markets themselves are not the perfect markets as they are seen by neoclassical labour economics because the assumptions that are made by such models do simply not exist. The competition between job-searchers on the supply side is highly segmented along occupational, geographic, social and cultural lines. Job searchers as well as employers lack “perfect knowledge” about labour market conditions because they operate under high time and money constraints. Moreover, they often rely on personal networks rather than rational-choice-search for job changes imply changes in family life, contacts to friends, housing etc. Employers fear high transaction costs of labour turnover and therefore often prefer to rely on “internal” firm labour markets. In addition, there is often a set of shared norms and values, e.g. about “fair” wages or employment conditions. Finally labour markets are usually regulated by institutions, too. Employment and wage levels are indeed subject to supply and demand pressures but these pressures are mediated through bargaining between employers, trade unions and state bureaucracies. Bargaining relations themselves are again deeply embedded in specific policial, social and cultural patterns, e.g. social security systems, local or national identities etc. etc.

Thus, labour markets can be seen as a mix between economic and non-economic factors. The very existence of trade unions is one example for this “mixed” character. Trade unions belong to the institutional actors on labour markets that themselves reflect and mediate both the economic forces and the wider social and cultural patterns of labour markets.

Ad 2.

So far neither historical nor sociological or economic research on multinational business has used the labour market concept. If labour issues are treated in this literature the term

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2 Vgl. z. B. Richard Hyman, Social values in Industrail Relations…
“industrial relations” is employed\(^3\). IR is a purely descriptive category serving to bring under one heading the most diverse aspects of relations between management, workers and trade unions in multinational firms, including questions of labour law and industrial sociology. These practices are then often compared to those prevailing in the respective host country in order to discern the specificity of multinational firms. A second research strand concentrates on the description of (mainly failed) efforts to bring about transnational collective bargaining between multinational firms and international trade union organisations\(^4\).

Though all these questions are of course important for the concerned national trade unions it seems that the “industrial relations” approach is too broad and analytically too vague for my project. The fact that the relations between employers, workers and unions in multinational business firms are shaped under market conditions is difficult to address in IR analysis. In other words: If neoclassical labour economics exaggerates the importance of market mechanisms, the IR approach on the contrary pays too little attention to it. Not by chance the concept has been fruitfully applied for comparisons of workplace relations in market and centrally planned economies\(^5\). “Industrial relations” – as its name already indicates – is primarily concerned with the labour implications of industrialism which can take shape in very different economic systems. These differences result also in very different roles of trade unions - as can be seen by a look at unions in Eastern European countries before 1989. Also historically, unionism in market economies took its shape mainly with the breakthrough of commercialism rather than industrialism\(^6\). Therefore, “transnational labour market” analytically seems to be a more promising conceptual approach for my thesis than “transnational industrial relations”.

However, no attempts have been made so far to render the concept applicable for the analysis of multinational business firms. Most labour market research, both historical\(^7\) and sociological/economic\(^8\), assumes that the nation is the almost „natural“ geographic unit for the organisation of labour markets. There are some exceptions in the field of labour migration

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\(^6\) Cf. for instance: Christiane Eisenberg, Deutsche und englische Gewerkschaften im Vergleich, Göttingen 1986.


studies. Here, some authors have suggested to talk about “global labour markets”\(^9\). However, the focus of this approach is entirely on labour migration processes, a fact, which corroborates a basic assumption of the general labour market research, namely that the term “labour market” should not be applied unless labour mobility has reached a certain scale. This assumption makes the labour market concept useless for an analysis about multinational business for labour mobility within such firms has been negligible until nowadays. However, considerable labour market effects have indeed taken place within multinational companies. For instance, the employment levels in the British subsidiaries of Ford and General Motors have heavily dropped over the 1970s and 1980s while at the same time additional employment opportunities have been created by the two firms in Spain\(^10\). This shifts can only be explained if the existence of transnational labour markets is not bound to the existence of large-scale cross-border labour migration. Two other factors need to be taken into consideration: international trade and cross-border capital mobility.

Such a broad understanding of transnational labour markets can be based upon recent work in institutional economics, namely the concept of “institutional competition”. This model departs from an analogy between product markets and institutions, the latter conceived of as broad regulatory frameworks of all sorts. On international markets such “immobile ressources” compete against each other to attract the mobile ressources, namely workers, capital and purchasing power\(^11\). Following Albert Hirschman’s seminal work, competition is thought of in terms of “exit” and “voice”\(^12\): The mobile ressources use “exit” options; labour and capital migrate where investment or employment conditions are best, consumer purchasing power shifts to cheaper or better (“better” of course a subjective matter!) foreign products.

Importantly, the functioning of this modell depends on prior regulatory efforts of nation-states since free trade, unrestricted capital movement and the freedom of establishment are indispensable to use “exit” options.

With this conceptual approach, multinational business firms can be treated as transnational labour markets since their involvement into international trade and cross-border capital movements provides the necessary basic economic mechanisms.

Having lended the theoretical frame for the economic “portion” of transnational labour markets the concept of “institutional competition” proves far less valuable as far as the non-

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economic “portion” is concerned. Indeed, it considers institutions, hence also trade unions, as important actors in such markets. However, the way in which institutions are conceptualised would be far too narrow for the question of the thesis. For one thing, the nation as organising unit for institutions is taken for granted in the model. Institutions are not seen in their contingent historical evolution, their social and cultural stabilisation constructions. The concept does not allow for a critical reflection about potential or “missed” alternative paths. Moreover, according to Ambrosius, institutions will use their “voice” option solely in the national arena, e.g. by pressing for institutional adaptations or for the restriction of exit options of the mobile resources. Doing so, they enter into competition with the institutional regimes in other countries. On the other hand, the model excludes explicitly the possibility for institutional regulation on the transnational level unless this regulation aims at a further liberalisation of resource flows.

This restriction cannot be accepted for an analysis of trade union politics in multinational companies because the institutional architecture of multinational firms (e.g. the centralisation of decision-making structures) necessarily entails a good degree of regulation on the transnational corporate level, also in terms of labour market patterns.

Now, before trying to provide my own tentative theoretical frame for trade union labour market policies in multinational business firms it seems appropriate to give first of all an account of union labour market strategies in its historical context and evolution. For the analysis aims at a comparison between Germany and Britain, contextualisation is more difficult, not only because two traditions of trade union historiography are to be taken into account, but also because the two “narratives” must be made compatible analytically to render a comparison meaningful. In addition – as a third historical context – the question of union politics in transnational labour markets outside multinational business firms has to be taken into account, a context furthermore that has not at all been subject of trade union historiography. Hence the need for a theoretical frame going beyond these three relevant contexts while at the same time allowing to place the research in the existing literature about Germany and Britain.

13 Ambrosius, note 11.
So, the first question to answer is how trade unions influence employment levels in labour markets in general, labour markets understood in the above described “mix” of economical and institutional factors, the latter itself being shaped by numerous political, social and cultural patterns.

Employment levels are, in the most basic economic sense, a result of the interaction between labour demand and labour supply. Thus, two basic options can be differentiated: Unions can try to influence labour supply on the one hand and labour demand patterns on the other.

1. Unions may seek to increase or decrease a certain type of labour demand. For labour demand itself is mainly derived from product demand (driven by prices or by quality) and the organisation of production union strategies will vary between sectors and industries. For instance, if the production process is labour-intensive (that is, labour costs constitute a major share of the overall costs) and product demand mainly determined by price competition wage policy will be the most powerful union instrument. Conversely, if production is capital-intensive, and the product demand is driven by quality wage policy is much less important. For competitiveness depend more on issues such as scale economies, efficient capacity use and regular investments to upgrade technology. Hence, union employment strategies will need to focus on these issues, for instance the stability of high-quality output or the question of how to encourage (or discourage) regular capital investments. Apart from that unions sometimes also try to influence directly the volume of product demand by public campaigns (CGT: “Buy French”) or by supporting marketing activities and other sales promotion. Moreover, there is the whole inventory to ask for state intervention to restrict or promote a certain type of product demand (e.g. by subsidies, regulations etc.). Historically, both in Britain and Germany, union influence on product demand was not very strong. However, this description is not just a theoretical game because, as I will hopefully show in my thesis, unions will become much more active in this respect under the conditions of transnational labour markets in multinational firms.

2. Clearly, the control of labour supply was the major device for unions on the labour market in Germany and Britain, from the early times of local unions in the 18th century. Given this situation a short account of major historical changes in this process is given. A distinction is made between union politics in national and transnational labour markets in order to
In the 18th century local unions in Britain had an impressive inventory of labour supply control at hand. They restricted the number of available craftsmen (e.g. through apprenticeship regulations) as well as output levels (“a fair day’s work”). If employers (or union members themselves) did not comply with these conditions they were banned from the labour market. Control was mainly exercised over the entry into the market – hiring was often organised through so-called union “hiring halls” which in reality was the biggest local pub. In the second half of the 19th century this system of labour supply control came more and more under pressure: There was a general trend of product market widening beyond the traditional local borders of which the emergence of international trade was part. In fact, the product market widening produced both national and international labour markets\(^\text{14}\). For one thing, this led to increased competition and rising employers’ resistance against customary work rules of craft unions that would allegedly endanger national/international competitiveness. For unions until then had entirely relied on the control of labour supply it was these supply regimes that came under pressure. Unions had, for instance, to relax their rules on apprenticeship, manning and output levels. In the capital-intensive “new industries” such as engineering this effect was multiplied since the need to remain competitive had to be matched by mechanisation and rationalisation which, in turn, further eroded the customary union control of labour supply, e.g. with regard to skill demarcation\(^\text{15}\). In short: The threat of employment substitution by non-local workers and/or new machinery brought unions to accept a changing power balance in favour of the employer’s side. Existing labour supply regimes had to be adapted to the changed labour demand patterns. There was, however, a second aspect of this process, and it is here that the differences between the national and the international sphere, and thus the institutional characteristics of labour markets come into play.

This second aspect is related to the problem that an internationally more volatile labour demand not only affects existing union control mechanism over labour supply but also puts constraints on the capacity of unions to modify labour supply patterns in their favour in the future. On the national level unilateral job control by craft unions was replaced by joint regulation with the employers in most industries, including the state to different degrees. As research for Britain and Germany has shown, unions have therein managed to regain considerable influence over labour supply issues such as manning, skill demarcation or machine speed, mostly through the negotiation of standard wage rates\(^\text{16}\).
complex institutional negotiation framework emerged including firm managements, regional or national employers’ federations, state bureaucracies, national and local union officials. Even if it has meanwhile been demonstrated that employers – for different reasons- were also quite interested to get such a system established a major task for the union side remained, namely to prevent that bargained supply regimes were undercut from within its own ranks. In other words: Close co-ordination and solidarity between different local union branches was necessary, a concern, which was one of the driving forces for the amalgamation of local union cartels into national federations at the end of the 19th century. Thus throughout the 20th century the effectiveness of union control over labour supply issues was to depend not only on the functioning of joint regulation with employers but also on the degree of co-operation between local and national union officials. In Britian, close co-operation between plant shop stewards and national union officials proved essential; where it was not achieved union influence over labour supply declined. In Germany, as in most continental European states, national union federations had very little power in determining labour supply conditions except for their efforts the reduce overall working time. The regulatory bulk was performed on the local level through a statutory system of “Works Councils”. After 1945 these councils got a major say in manning and working time issues for employers had to agree with term over the hiring of new workers, the introduction of overtime or short-time work. Even though established by law, as a matter of fact most of the works councils were closely linked to the German industrial union structure, and their national co-ordination, e.g. by IG Metall can be compared to the British case.

Contrary to the national level no serious attempts for re-regulation of labour supply issues were undertaken on a transnational scale – neither by joint regulation with employers nor by co-ordination between unions themselves. Like in diplomacy, the principle of non-intervention in national affairs was the deeply entrenched basis of international union politics since the late 19th century, particularly in labour market issues, and there was no question of transnational bargaining with employers. Neither existed a state-like international organisation.

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As a consequence, the available institutional framework for unions was actually the same in transnational labour markets as on the national level: domestic firm managements, employer organisations, state bureaucracies. However, this is only part of the story. Since the transnational labour market consisted of many of these national institutional „clusters“, which were connected through the „exit“ option of purchasing power a “virtual”, non-institutionalised system of interaction emerged whereby institutional adaptations in one country could have immediate effects in other countries. Also national union politics in the field of labour supply control could have a considerable impact on the employment levels in other countries. To what degree it has actually had this impact is highly controversial, as far as Britain is concerned. Whereas some authors clearly perceive the union’s labour supply strategies (e.g. with regard to skill and machine work) as one the most important factors to push the country away from a more capital-intensive global market strategy\(^{23}\), other scholars reject this hypothesis, claiming that capital structures and product market considerations were far more important for the the emergence of different production and trade regimes in Britain, Germany and the US in the late 19\(^{th}\) century\(^{24}\).

Be that as it may the immediate consequence of this situation for national unions was a precarious stability of their domestic labour supply regimes in trade-intensives sectors. Employment policies needed to take into account that radical changes would put into danger the competetiveness of national products on the world market. Moreover, the actions and reactions of the numerous other independent actors in the market (foreign unions, employers, governments) were not at all foreseeable – unions were operating under a high degree of uncertainty. All in all, these charateristics reduced the autonomous action capacities of national unions with regard to the control of domestic labour supply and increased the importance of labour demand patterns for the determination of employment levels.

The situation in multinational firms was not much different from this general pattern until the late late 1950s. The trade-led mechanism of shifting purchasing power affected union strategies in all sectors that were exposed to global product markets, regardless whether firms were subsidiaries of multinational companies or not. In fact, many MNC subsidiaries competed against each other on different product markets.

Major changes started to occur in the 1960s. MNC subsidiaries became part of two different transnational labour markets: On the one hand they continued to be players on the macro-level

\(^{23}\) If the contribution of trade unions to these different globalisation “paths” is not very clear this applies all the more for the converse relationship: The impact of emerging product market globalisation on trade union organisations in the late 19\(^{th}\) century has not yet been seriously analysed

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international product markets. On the other hand, they were now also part of a micro-level transnational labour market – the multinational business firm itself.

**Unions in multinational companies (1960s-1980s) – a changed picture**

Some key points about the changed nature of transnational labour markets within MNC:

**Economic “portion”:**
- centralisation of decision-making structures
- standardisation of products, transnational market outlook
- increased intra-firm trade
- in capital-intensive sectors increasing importance of regular investments for employment – capital mobility becomes second “exit” mechanism

**Non-economic “portion”:**
- labour demand more negotiable than outside MNC
- bigger potential for transnational regulation (regular negotiations with central management, institutionalised contacts with foreign unions, some attempts for EC supranational legal regulation)
- complex interaction system between local, national and transnational level

some of the strategic challenges for British and German unions – central research questions:

1. Betting on labour supply or labour demand – from class struggle to Co-management?
2. Multilateralism or go it alone – the changed role of international trade union co-operation
3. Revival of localism? Works Councils and shop stewards vis-à-vis the national union leadership