

# Union recognition and collective bargaining in Multinational companies in east-central Europe

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# Importance of MNCs

Research on 6 countries (cz, hu, pl, ro, si, sk), 4+ MNCs, two sectors (automotive, retail; cost-reducing and market-seeking)

Reminder of importance of inward FDI for growth, technology, incomes; dominate export-oriented manufacturing (73% value added in automotive in si, 98% in sk)

Dominate big retail (39% ro, 48% cz and si)

Identifiably fastest growing part of (most) economies

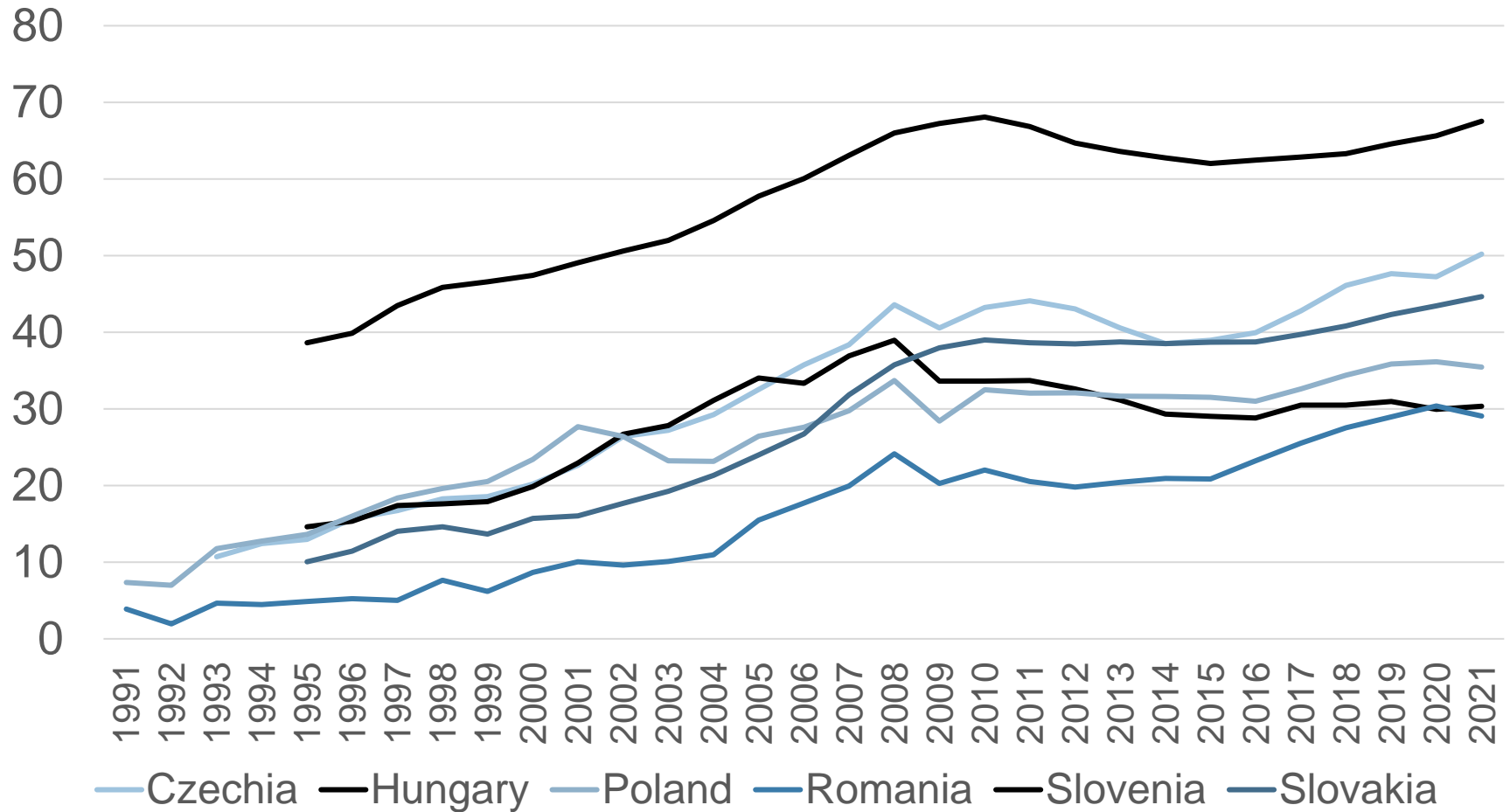
# Mexican example

Does union recognition and strength affect wage convergence?

Issue clear and topical from Mexico, closely tied into US sphere, manuf wages fell from 21% US level in 1994 to 12% in 2019. Implicitly blamed in USMCA on poor union representation, predicted big rises in wages with new agreement.

Less clear for ECE. Period of wage convergence. hard to separate out effect of unions, raise some wages? pull more up to market rate? little effect?

# Nominal wages/Germany



# Have MNCs raised wages?

- Wages higher in MNCs; 2X in retail (only small gap si), 2X in automotive (cz, sk), small gap in si,
- Partly kinds of activities (bigger units), *maybe* more union representation, *maybe* more willing to bargain, *maybe* can afford it (highly profitable),
- But wages based on country levels,
- Manuf; peripheral, lower wages for same work, or for simpler work (less clear in si),
- Retail; same work, lower wages than WEu.

# Predictions

Literature predicts several possibilities;

MNCs mean a stronger position over labour in all countries – can play off one against another,

MNCs will accept conditions in host countries (often advised to),

MNCs will transfer practices (good or bad) part of ‘culture’,

MNCs will use ECE to experiment and use what works back home,

All may be present, but none seems typical!

# How researched

Published sources plus interviews, nearly all trade union side, themes of recognition, bargaining & results, conflicts (strikes, use of media publicity), solidarity, actual effect on wages and conditions, Assess MNC strategies and tactics (eg threaten to move, use political contacts and pressure), Assess union 'power resources' (structural, associational, institutional, societal or borrowed), Follow *narrative*, for changes over time and both sides learning.

# Legal & institutional environment

Similarities, legal protections for employees, rights to union bargaining, laws against victimisation,

Mostly company level (favoured by MNCs),

Union density less than WEu, bargaining definitely less, strikes difficult and rare,

Changes and exceptions; si 'corporatism' weakened with EU and crisis; ro restrictions from 2011; most hostile ro and pl; 'bending the rules is the rule', so are laws respected?



# Do companies differ?

A few, assume unions and bargaining from the start, mostly brownfield, from early privatisation, esp VW,

Reflects home practice, but not exactly, rather accepts environment it finds, incl big union org.

Some, find unions and try to eliminate them,

Some, greenfield, assume unions, see they are weak and ignore them,

Some reject unions but sometimes persuaded.

# Do companies have 'cultures'?

View of company culture, embodies sources of competitive strength, should include approach towards employees,

But often image, hence anonymity of cases (which and why?)

Links to country, and East Asian often hostile,

Do find, home country effect sometimes applies directly, but very often in conjunction with other union power resources (use of media publicity, use of foreign allies)

# Managers vary within one company

But caution; first managers often from home country, then replaced by more hostile locals (occasionally more reasonable), don't know about laws, global agreements, only sales targets (retail examples), Any change in managers, practices can change, Outcome not predetermined, also determined partly by union side and their strength and methods.

# How do unions respond?

Huge variation, depending on strength (in all our cases, they do exist!). Aim is recognition, right to bargain, ensure laws upheld, improve wages.

- strikes, very rare, but lasting impact, even if not organised by union (Hyundai), crucial to recognition + being taken seriously (si),
- Publicity, very effective in retail, works wonders in si, impossible in ro (but threat is there?),
- Solidarity, not crucial in si, crucial in retail in others, can get international agreements enforced,
- Ro, could reverse dismantling of union org.

# Where unions begin

Starting from scratch, very little impact,  
Gradually build membership (around respect for laws), then seek recognition and bargaining, always try to be moderate (so, still little impact on wages?),  
Strength from 'borrowed' resources, publicity, 'institutional' law, 'associational' strike (Hyundai, 2009, not organised, against illegal overtime)  
MNC can be changed (breaks from culture to accept [partly] local environment – Hyundai + retail),  
Can be unyielding 'because they can', pl retail.

# Changes over time?

Starting from recognition, MNC can see weakness and ignore,

Use all means to block strike action (interview every employee to get signature against strike),

ONLY changed when some kind of action happens,

When already recognised, can still face rival union formation, worsening of relations (Mercedes), need for action (VW), threats of moving (ignored in si)

# Unions and wages

Can see higher wages resulting from bargaining,  
also improved conditions and benefits;  
sometimes done to sidestep unions and bargaining,

Can see higher wages without bargaining,

- reflects labour market conditions? [often helps bargaining],
- Trade-off wages for work intensity? Argument with discount chains.

# Where to find union effect

Often, unions make minimal difference to wage levels, accept low increases,

Present only in some companies, and consciously moderate in many cases (strategy of survival)

Clear cases found of specific actions (strikes, publicity campaigns) leading to higher pay.

So, two tests, labour share (reservation: accounts may conceal how profit is made) and wage trends, comparing countries and over time,

MNCs only, using Eurostat statistics, fats\_g1a\_08.



# Labour share in MNCs

	auto	retail
Czechia	47	60
Hungary	39	70
Poland	45	49
Romania	61	51
Slovenia	52	62
Slovakia	53	52
Germany	88	61

# Labour shares

Labour share, % value added, automotive less meaningful (very varied activities, easiest to mask where profit is made), big difference to Germany, but otherwise hard to interpret

Retail, likely very similar activities,

Find; labour share lowest ro and pl (hardest for unions), drops in ro after 2011 (unions weakened), high shares in hu and si, then de.

Consistent with unions making some difference, but much else involved

# Link to union actions

Wage increases can be linked to union actions

Cz auto, 30% wage increase 2019/2016, after strike in Škoda and threats in others,

Sk auto, 24% increase, strikes & threats in VW, Stellantis and Kia (ro 27% without strikes)

cz retail, 32% increase 2019/2016, union campaigning, highest after sk 37%

Minimum wage rises cz (42%), sk (28%), ro (92%),

Wages pulled up by labour shortages? unions pull pay up to leading level (discount retailers)?

# Conclusion

No automatic transfer of practices, still less wage levels,

MNCs give potential for higher wages (higher productivity, can be held to stated principles),

But always want to keep wages low,

Evidence of some union influence is clear from some individual cases, but not provable from more aggregate data,

Too small? Cannot be separated from market conditions?











