

McDonalds and collective bargaining techniques used



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To answer the above question we first need to know about basics of collective bargaining where Collective Bargaining is defined as the process of turning disagreements into agreements in an orderly fashion. Collective bargaining is the process followed to establish a mutually agreed set of rules and decisions between unions and employers for matters relating to employment. This is a regulating process dealing with the regulation of management and conditions of employment. Collective bargaining is used as the negotiation process between employees and employers with unions acting as the representatives of employees. The entire process depends on the bargaining powers of the concerned parties.

The process of collective bargaining is to settle down any conflicts regarding the conditions of employment such as wages, working hours and conditions, overtime payments, holidays, vacations, benefits, insurance benefits etc. and management regulations.

In line with the above definition McDonald's may have considered the approach and settings of collective bargains as an important issue of employee relations.

The German setting and approach McDonald's may have considered establishing their approaches to collective bargaining in Germany:

The traditional collective approach to Employee Relations (ER) in German companies is deeply rooted in the particular configuration of the German Industrial Relations (IR) system. This is characterized by a high degree of regulation and a dense, encompassing institutional infrastructure that imposes a uniform set of institutional constraints on companies, but at the <https://assignbuster.com/mcdonalds-and-collective-bargaining-techniques-used/>

same time provides incentives for employers to accept institutional constraints (Lane, 1995; Soskice, 1994). McDonalds, to establish its approaches to collective bargaining this ER and IR framework may have been considered in first instance. In addition, the institutional structure is highly integrated with strong linkages, not only within the IR system, but also to the wider German businesses system. Key elements of the German model, to which the majority of German companies subscribe, are the centrally coordinated sector based collective bargaining system and employee representation at domestic level via the works council system equipped with statutory participation and consultation rights. Food industry in Germany is not beyond this mechanism where McDonald's considerations regarding collective bargaining approach must have encompassed with statutory participation and employee consultation and codetermination rights.

Indeed, German employers have to negotiate a densely structured institutional framework inside and outside the company level. The German approach to collective bargaining is also underwritten by strong labor market legislation and an elaborate welfare system. Despite growing interest in individual bargaining style direct employee involvement mechanisms, their uptake has so far been comparably modest in German companies (Sperling, 1997). Because of the wide ranging rights of information, consultation and co-determination in the German food industry, the use of individual voice mechanisms is relatively unimportant in the German setting where collective bargaining still has the paramount influence. Therefore, in the international context, McDonald's may have considered a propensity to support a collective approach to ER in their international operations by recognizing

trade unions, engaging in collective bargaining and establishing strong workplace level employee representation systems.

Nevertheless, the twin pressures arising for subsidiaries of McDonald's in Germany from heightened international competition and reunification, which have led to a tendency to erode some of the elements in the German system. As employers McDonald's may have considered demanding for a more flexible, deregulated and decentralized IR system, especially in relation to collective bargaining. It seems to have gradually weakened the consensus on the benefits of the traditional collective ER approach (Bispinck, 1995; Tüselmann and Heise, 2000). Throughout the 1990s, a process of incremental internal reforms to the system has progressively broadened the scope for flexibility and strategic choice in companies (Schulten and Zagelmeyer, 1998; Tüselmann, 1996). Yet, this has so far been accommodated within the parameters of the flexible adaptation potential of the current system in the form of regulated flexibility and centrally coordinated decentralisation, pointing to a path dependent trajectory of change. Emerging ER in German companies may perhaps be described as a flexible collective approach to ER. However, it seems not entirely clear at this particular juncture whether the growing pressures of international competition can be arrested in the future within the current system by the process of negotiated and

consensual reforms, or whether these pressures will lead to the disintegration of the German model (Dörre, 1995; Streeck, 1997). In the latter case, the possible future ER approach in German companies could than no longer be described as flexible collectivism but may move towards the <https://assignbuster.com/mcdonalds-and-collective-bargaining-techniques-used/>

individualistic Anglo-Saxon approach. Indeed, trade unions and employers' associations are already losing members (Deutscher Gewerkschaftsbund, 2000; Schulten und Zagelmeyer, 1998), which starts to challenge the traditional structure of the organisational foundations of collective bargaining and hampers the achievement of unified strategies. Despite the recent reforms, there has also been a growing incidence of disorganised decentralisation, whereby employers tend to ignore the terms of collective agreements – frequently in co-operation with works councils (often as a quid pro quo for safeguarding jobs). They establish pay provisions and working time arrangements which violate the collective accords, thereby contesting the adaptation potential of the system (Bochum and Dörrenbächer, 1996). Large German companies increasingly tend to insert the strategic use of DFI and the threat of locational flexibility into their negotiations with works councils to secure such deals (Mueller, 1996). As one of the major employers in German food industry McDonald's may have considered the above set of changing conditions.

The UK Setting and the UK Approach to Employee Relations

In contrast to Germany, the contemporary British system of collective bargaining is characterized by a weak regulatory framework and a thin, fragmented institutional infrastructure, which imposes relatively few barriers and constraints on labour relations practices (Lane,

1995; Soskice, 1994). The fragmentation of the institutional structure goes hand in

hand with weak linkages both within the IR system and in connection to the wider

national business system which obviously includes food industry in the UK. Because of the relative permissiveness of the contemporary IR context, the UK seems to be a particularly suitable country for McDonald's, as subsidiary, to explore the country of origin effect in international operations, since home country approaches to ER can be transferred relatively unconstrained by host country institutional arrangements. However, to uncover the existence of possible ownership effects it is necessary to establish the differential space between the home and the host country

ER approaches. Contrary to the German experience, no distinct stereotypical UK ER approach can be identified. Traditionally the cornerstone of labor relations was the pluralist workplace industrial relations system, characterized by the Donovan Report (1968), which subsequently collapsed in the 1980s in the wake of the neo-liberal labor market policies under the Thatcher government. These reforms are most important issue to be considered in establishing collective bargaining approaches in the UK which have encouraged employers to dispense with collective labour relations and to individualise ER along the lines of US style HRM (Edwards, P., et al., 1998; Clark, 1996). Indeed, by end of the 1990s a collective approach to ER is no longer representative of the economy as a whole, but is increasingly confined to the public sector and a dwindling minority of private sector

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companies (Cully, et. al., 1999; Millward, et. al. 1992, 1999; WERS 1998). In the private sector, trade union recognition collapsed throughout the 1980s and 1990s and with it the incidence of workplace level trade union representatives. The institution of collective bargaining dramatically declined. By 1998, two-thirds of private sector employees had their pay fixed by management decision without any union involvement. Non-union channels of interest representation, such as staff representatives of joint consultative committees (JCCs) (the weaker version of the German works councils), are relatively rare and also in decline. They have not filled the vacuum left by the dramatic decrease in union recognition and workplace level union representatives. There is large and growing representation gap in the UK and an absence of any kind of collective voice mechanism in the majority of firms (Millward, et al., 1999). In those firms where a collective approach to ER still occurs, it takes place within a changed power balance between employers and collective labor actors and on a decentralized basis. With the retreat of the collective ER approach there has been much discussion and expectation that HRM style direct ER may become a major feature of British ER. Although direct employee involvement methods have become increasingly common among UK workplaces, various studies point to a rather ad hoc and sporadic adoption of such practices (Sission and Marginson, 1995; Wood and Albanese, 1995). Companies with comprehensive HRM involvement packages are far from the norm. Furthermore, a large percentage of them tend to be firms with trade-union recognition (WERS 1998). The combination of the low incidence of a collective approach of ER and the high incidence of comprehensive HRM

style employee involvement schemes found in firms with a collective ER approach, indicates that many companies have not developed a coherent alternative approach to collective labour relations, other than the unfettered reign of the management prerogative. Here,

employees are neither represented by collective voice mechanisms, nor do they enjoy a comprehensive individual voice mechanism. In case of establishing McDonald's may have considered those conditions and changing mechanisms to establish their approaches to collective bargaining so that they can kill the snake without breaking the stick.