

Industrial relations and managing human resources business essay

[Business](#)



**ASSIGN
BUSTER**

List of TablesiiiiList of FiguresiiiIntroduction1Drivers for Foreign Direct Investment 1Multinational Corporations: In pursuit of Employee Rights2Low Employee Rights : A Preference for MNCs investing abroad 5List of References6ii

List of Tables Page

Table 1 Sectoral Direct Foreign Investment by Major Investing

Countries2Table 2: Measurements of Human Rights: FDI within Developing Countries3

List of Figures Page

Figure 1: Host Country Determinants of Foreign Direct

Investment1iiiiiiiAccording to Waddington (2010), the adoption of the European Council Directive on 22 September 1994, the first transnational legislation aimed at addressing the establishment of European Works Councils (EWCs) and promoting employee participation across international boundaries , has catalyzed significant developments in terms of the expansion of over 1, 100 EWCs across the European Economic Area. Underlying this expansion, according to Hall and Marginson, (2005), is the view that such shifts will herald a step towards a decentralised European Industrial Relations platform rooted in collective bargaining. However, despite the implementation of the EWCs directive, notable advances in EWC institutional development and the consequent expansion of EWCs within the European Market, Waddington (2010) notes that, as a result of a broad spectrum of divergent agency and structural factors, the " pattern of development, articulation and contestation of each EWC is unique"

(Waddington, 2010, p. 16). These processes of change have been uneven in effect and as a result, EWCs encompass a cornucopia of institutional forms and a marked variation in their functioning and effectiveness exists on a national, sectoral and organisational level. Eloquently stated by (Lecher et al (2001), although the prominence of EWCs within Europe has increased dramatically since the mid 1990's, an evident gulf remains between the establishment of such bodies, their functional capability of actively representing employee interests and their operational effectiveness. There is a marked divide between those EWCs that have become ineffective "paper tigers" and those, at the other end of the spectrum, which have flourished and proven to be a "Trojan horse" for transnational employee participation.

European Works Councils: An Introduction

" Works Councils are institutionalized, representative bodies with the purpose of promoting cooperation, improving consultation, maintaining desirable employment conditions, increasing employment security and heightening facilitating understanding of enterprise operations, finance and competitiveness"- Lecher and Platzer, 1998 Highlighted by Rogers and Streek(1995), European Works Councils are a relatively novel phenomenon within international groups. First established in the second half of the 1980s within European member states, EWCs were developed under the EU Directive as a means of encouraging self regulation, facilitating the development of flexible rule-making and providing a degree of autonomy. They were a means of adapting to increasing pressure on traditional forms of worker representation within centralized European economies and a means of improving the efficiency of industrial democracies through heightened

firm productivity, increased effectiveness of state regulation and reduced information asymmetry (Rogers and Streek, 1995). Hence, underlying the heart of their creation was the desire to improve the information and consultation of employees regarding transnational matters, which, given the increased permeability of international boundaries and heightened globalization forces characteristic of today's marketplace, was deemed imperative. According to Lamers (1998), European Works Councils have added a European Level to the culture of consultation, and following the implementation of the European Council Directive of 1994, a new means of establishing transnational industrial relations institutions in Multinational Corporations (MNCs) within EU-based operations was born, one with high potential added value (refer to figure 1). Echoed by Lamers (1998), European consultation bodies or not only act as a counterpart to internationalisation, adding a transnational dimension to the consultation culture within groups, but provide a European-level platform for communication on transnational matters between management and delegates. EWCs are a vehicle for information, communication, cross pollination and an integral catalyst for the development of the European Dimension and the establishment of support for decisions with transnational consequences (Lamers, 1998). As a result, it is not surprising that following the adoption of the directive, Lamers (1998) and Waddington (2010) highlighted that the European Economic Area (EEA) has seen a rapid expansion in the number of EWCs within organisations, with approximately 39.1 % coverage across EU MNCs. Despite the increase in the establishment and development of EWCs across European Member states, however, the processes through which they have evolved are distinct and as

a result, significant inconsistencies in regards to their ability to function effectively and transform theoretical benefits into a practical reality exist (Hall and Marginson, 2005). Reiterated by Waddington (2010), while EWCs across Europe are unified in regards to their core strategy and objectives, , this is not reflected in their ability to function effectively, reach their goals and allow various national realms of industrial relations to intertwine. Their scope for effectiveness is largely dependent on a broad spectrum of intrinsic and external factors (Lecher and Platzer, 1998).

EWC

European Consultation Level Group Context: Positive effect on International Cross - Pollination Support for firm decision making Counterpart to Internationalisation Development of a European dimension European platform for communication Vehicle for information and consultation Social Cohesion Labour relations in group Local Employee participation Figure 1: Potential Added Value of European Works Councils (Adapted from Lamers, 1998)

EWCs: Causes for Variation

As noted by Fitzgerald and Stirling (2004, p. 15), European Works Councils are "at the interface of internal transnational corporate dynamics and external social and political relations with labour". Their structure, cohesiveness, strategic direction and potential for consultation, according to Lecher et al (2001), vary considerably as a consequence. The diversity of EWCs and the inadequate degree of uniformity in their operation is driven by the specific characteristics of the organizations in which they are established

and the circumstances under which they are required to function (Lecher et al, 2001). Thus, EWCs, their functioning and operational effectiveness, are a reflection of not only the constraints imposed by the underlying structural dynamics of an organisation, but those inextricably linked with the complexities of the external market in which it operates (refer to figure 2). Indeed, the peculiarities within EWC development and practice are a result of the internal idiosyncrasies within organisations as well as the social, political, and institutional framework within which it operates (Hertwig et al, 2011). Linking to this notion, Waddington (2010) highlights that European Works Councils and their propensity to function effectively are heavily reliant on a broad spectrum of structural and agency factors. Figure 2: Conditions that affect EWC functioning: A model (Adapted from Hertwig et al, 2011).

Institutions (Management, Trade Unions, National structures of employee representation)

Company type (business alignment, management structure, IR platform)

EWC trajectory

or path

dependency

EWC type and

internal dynamics

Echoed by Marginson et al(2004), while Eurocorporatism has, undoubtedly, created a framework for the establishment and development of European Works Councils, the forms through which they evolve within organizations

and within different contexts are diverse, largely as a result of the interaction between structural factors, such as strategic focus, management organisation and the existence of pre-existing IR platforms, and agency factors, including management policy, trade union capacity, and cohesiveness of internal dynamics (refer to table 2). Hertwig et al (2011) extends these conditions to include the existence of a risk community (Fetzer, 2008), power resources, solidarity and identity. It is the combination of these factors, according to Hertwig et al (2011, p. 210), that determines whether an EWC functions effectively, and hence, distinguishes those EWCs that are mere " tools" for the distribution of knowledge from those which are considered vital actors " in the overall processes of communication and interest regulation of companies at a European Level". Table 2 : Functioning of European Works Councils (Adapted from Fitzgerald and Stirling, 2004)

Factors that account for marked variation in EWCs

Structural Factors

Degree of diversification and difference in Geographical Spread
Pro Active and minimalist management policy towards the EWC
Degree of company internationalization and presence of incentives
Existence of an autonomous European level management structure
Presence of risk communities and an inherent shared sense of vulnerability

Agency Factors

Internal Dynamics within the EWC
Interaction between EWC and management
Presence of trade unions and interaction with EWCs
EWC and national structures of employee representation
Structural Sources of

Variation According to Marginson et al (2004, p. 7), there are numerous structural conditions which " may serve to facilitate or to constrain the development of an effective EWC , and thereby the nature and extent of its impact". Linking to this notion, Waddington (2010) argued that structural sources of variation within European Works Councils and their effective functioning are extensive. Drawing on Waddington (2010), such structural factors include the degree of diversification and difference in geographical spread, the presence of a Euro management structure, the existence of a pro-active management policy towards EWCs, the degree of internationalization, and the establishment of an effective industrial relations platform in national operations. These, according to Marginson et al (2004) can be categorized into 3 dimensions: Business Alignment, Management Structure/policy and the Industrial Relations platform. Business Alignment The first set of factors, according to Marginson et al (2004), are inextricably linked with the nature of the organization's business operations in terms of internationalization, geographical spread, diversity of business activities and operational integration. Firstly, drawing on the degree of company internationalization, if business operations are, to a great extent, constrained within the boundaries of one country, the transnational dimension and hence, the relevance of, EWCs are likely to be of less significance than those with greater geographical spread. Furthering the notion of " spread", the second factor that potentially influences the functioning of EWCs is the extent of diversity within the firm's business activities. Marginson et al (2004) notes that in companies with high levels of diversification (i. e. multiple business lines), issues in regards to coordination

and interest aggregation could prove detrimental. Reiterated by Fitzgerald and Stirling (2004), unlike their counterparts, companies with undifferentiated core products, a single business focus and low levels of diversification provide a formidable platform for the effective functioning of EWCs . However, even within such a firm, cross border alliances within the EWC are strained by competition between subsidiaries and strong national identities, On a final note, Marginson et al (2004) argues that the effectiveness of EWCs is dependent on the degree of integration and cohesiveness across business operations. Cross-border interdependency of operations is likely to promote coordination, aid in the identification of mutual interests and facilitate the development of an effective EWC and its role in regards to information exchange, consultation and negotiation.

Management Structure and PolicyAs noted by Marginson et al (2004) the second set of structural factors which are responsible for the marked variation in the functioning of EWCs across Europe are associated with the existence of a European Level management structure. According to Lamers (1998), in the absence of a European Level of management organisation, a lack of " fit" between management and the EWC will likely be present. This, in turn, will catalyse a deficit of mutual involvement which will hinder the ability of the EWC to function effectively. A strong European level management structure not only facilitates integration, but is linked with the adoption of a more pro-active management approach aimed at enhancing the contribution and functioning of the EWC in its entirety(Telljohann, 2005). Unlike the minimalist approach, a proactive management strategy facilitates EWC functioning through the enablement of information exchange, the

promotion of resource sharing, the development of strong communication networks, and the encouragement of co-operation through incentives and playing on local interests (Marginson et al, 2004). On the other hand, where management are wary of implementing EWCs as result of the high costs of EWCs, the potential impact EWCs have on management decision making and the transparency that might result from their presence within an organisation, management policy might be developed with the aim constraining EWC functioning and transnational labour solidarity (Waddington, 2010). Industrial relations platform in national operations According to Marginson et al (2004, p. 8), " the existence of an industrial relations platform on which the EWC can build forms the third set of structural conditions". This, in turn, is linked with the existence of both national group-level structures of employee representation and a pre-existing international network aimed at facilitating the communication across international boundaries. Marginson et al (2004) argues that the absence of a national level group structure or an established international network of communication, both of which act as a " springboard" for consultation, negotiation and mutual exchange of resources, poses significant challenges for the functioning of EWCs. This is not to say, however, that in countries where national structures are established, such as Germany and France, EWC functioning will be more effective. As highlighted by Lecher and Platzer (1998), competition between EWCs and traditional national structures of employee representation might be as detrimental to the functioning of European Works Councils as an absence of such national group-level structures of employee representation. Agency Factors In addition to the

structural factors that influence the functioning of European Works Councils. Waddington (2010) and Leher et al (2001) argue that the capacity of EWCs to function effectively is shaped by the interplay of various agency factors or "fields of interaction". Linking to Lecher et al's four fields of interaction, such factors incorporate (1) the internal dynamics within the EWC and their relationship with management (2) the interaction between EWCs and trade union organisations and (3) the relationship between the EWCs and national structures of employee representation. According to Lecher et al (2001), the nature of these forms of interaction affects the practice and functioning of EWCs through altering the degree of activity within the Works Councils themselves. In other words, the interaction of EWCs with their external environment, yields differences in an EWCs "capacity to act" and, in essence, their role as either "passive" (symbolic) or "active" representative bodies (refer to figure 3) (Hall and Marginson, 2005). Thus, the inherent dynamics of EWCs and their interaction with their external environment alter the fundamental roles adopted by the Works Councils and, consequently, are a driver for the marked divergence in EWC practice and effectiveness across Europe (Telljohann, 2005). According to Hall and Marginson (2005), from an "actor-centred" approach, factors which facilitate the emergence of an effective, "active" EWC include (1) an established internal structure, (2) cooperative, high trust relationships with management, (3) effective relations with trade unions and (4) strong links with national level employee representative bodies/structures (refer to figure 4 for summary).

Participative EWC

Symbolic EWC

Symbolic EWCs are characterised by a lack of functional operation. While established, internal capacity is limited and functioning is passive in nature. Such EWCs are typified by poor information and resource exchange, confined cohesive efforts, limited scope and poor relationships with trade unions and national structures. Participative or active EWCs exceed the scope of pure information and consultation to include negotiation and the development of formalised consultative procedures. It is characterized by efficient information transfer, mutual exchange of resources, the development of cohesive structures and the integration of trade unions. Figure 3: Distinction between Symbolic & Participative EWCs (Adapted from Lecher et al.

2001) The first agency-related factors which impact the ability of an EWC to function effectively, according to Lecher et al (2001), is the EWCs internal dynamics, structures, procedures and capacity for cohesion. The ability of the European Works Council in its entirety is largely dependent on the establishment of a coherent structure and formalised networks of communication, the development of effective business divisions and, in particular, the ability to establish strong, stable relationships with management (Telljohann, 2005). Drawing on the latter argument, Lecher et al (2001) highlights that the extent to which management grants the European Works Council, voluntarily or through means of a concession, scope for both operation (finances, time, facilities) and participation in regards to consultation, information and negotiation capacity is a considerable determinant for the effective functioning of the council itself. Based on

practical operation of European Works Councils, Lecher et al (2000) noted that this interaction between management and EWCs can be divided into 2 forms, the first of which is characterized by a deficit of information exchange and the latter, "information plus", which is distinguished by a high degree of information exchange and is, as a result, a driver for the effective functioning of EWCs. According to Lecher et al (2001), where the systematic flow of information is unsatisfactory, whether this is a result of quality, timing, or the means through which it was provided, effective functioning of the EWC will prove difficult as the underlying framework from which operational capacity is derived is incomplete and as a result, such EWCs are likely to part of the "symbolic" typology. As the EWC will not have access to vital information, it will be unable to develop its resources and extend its operational scope beyond "what exists by virtue of national arrangement" (Lecher et al, 2001, p. 54). Lecher et al(2001) claims that, at best, such EWCs can offer a modest degree of "European Value Added". Conversely, where dual information exchange is efficient, resources are readily available and management facilitates the inclusion of EWCs within formalised consultation procedure and negotiations, European Works Councils are more likely to be equipped with the knowledge and support network necessary to function effectively. Under these circumstances, EWCs become bodies for articulating and representing employee interests, "participative" EWCs equipped with a labyrinth of information that extends its scope for consultation and negotiation beyond normal parameters. Furthering this notion, Lecher et al (2001) notes that the division between Symbolic and passive EWCs, and consequently their degree of effectiveness, extends past

information exchange to the interaction between EWCs and Trade Unions. According to Waddington (2010), European trade unions are inextricably linked with EWCs in regards to both their overall political approach and, more significantly, their practical operation. A study conducted in 2007, for instance, revealed that one of the most significant impediments to EWC functioning is a lack of trade union infrastructure required to support European Work Council, particularly those located within Eastern Europe where resource deficits are vast. Reinforced by Lecher and Platzer (1998), strong trade union presence and a capacity to support the functioning of EWCs through consultation, organizational assistance, and the transfer of knowledge, is of pivotal importance. However, national trade unions in numerous European countries find it difficult to meet the international and supranational demands raised by EWCs, and consequently, are merely "muddling through" the establishment of the support network required. In particular, small trade unions are usually so overstretched that they cannot guarantee, or for that matter, provide, the constant support needed at the outset of EWC work (Marginson et al, 2004). This, in turn, creates a formidable challenge for EWCs in terms of the development of a constructive relationship with the underlying national structures and existing workplace organisations. Eloquently stated by Lecher and Platzer (1998, p. 248), where countries lack a strong trade union presence and consequently, the vital infrastructure required to sustain a support network, it will be difficult to develop the type of relationship needed with national employee representation institutions to ensure the "legitimacy and efficiency" of EWCs belonging to the participative dimension of Lecher's typology. This,

according to Waddington (2010), is often compounded by trade union scepticism and exaggerated mistrust within certain countries, where not only is there a need for the development of a support framework, but a deep rooted lack of desire to pursue such initiatives for fear of relinquishing control. Linking to the latter argument, Lecher and Platzer (1998) note that one fundamental problem, which, undoubtedly, impacts the functioning of European Works Councils, is the existence of competition between traditional national structures of employee representation and EWCs. While subsidiarity has enabled governments of member states, in conjunction with national trade unions, to adopt the Directive, the harmonisation deficit found between EWCs and national structures has proved problematic for practical operation. Echoed by Lecher (as cited in Lecher and Platzer, 1998), one of the vital, if not the most vital, precondition for a successfully functioning EWC is its collaboration and indeed, it's integration, with national systems of employee representation. In order to function effectively, EWCs must hence, establish an organic network based on mutual trust and cooperation with national components, firmly anchoring operations within national information channels. Argued by Lecher and Platzer (1998, p. 237), in such circumstances, EWCs could " not only figure as a new body at international level but also establish themselves as an innovative forum for supra-workplace employee representation". This, according to Lecher and Platzer (1998), is of particular importance in countries with a highly developed structure of employee representation at organizational level, such as Germany and France. As such national structures are deeply embedded into the nation, constitute more established forms of consultation and are usually

stronger as a result of national statutory rights, the effective functioning of EWCs in such countries is likely to be challenging if competition is present as EWCs will be forced to take a " passive" role (Lecher and Platzer, 1998).

Agency Factors and the Effective Functioning of EWCs

Symbolic (passive) EWCs

Participative (active) EWCs

EWC Internally	EWC Internally	No capacity	No efforts to achieve
cohesion	Distinct internal structures, procedures & activities which guarantee	capacity.	EWC and Management
exchange	Scope for participation, consultation, negotiation	EWC and Trade	Unions
Unions	EWC and Trade Unions	Minimal formal integration	Integration of trade
unions.	Developed support network	EWC and National Structures	EWC and
National Structures	Minimal exchange of resources	Mutual exchange of	resources

Low operational effectiveness

High operational effectiveness

Figure 4: Agency factors, roles of EWCs and their propensity to function effectively (Adapted from Lecher et al, 2001)

Conclusion

With EWCs seen as a means to develop corporate strategy, facilitate organizational restructuring, foster effective transnational relationships and create a sense of strong corporate identity in the context of the wider international company, it is not surprising that there has been wide-scale

development of such works councils within MNCs across the European Economic Area (EEA). In spite of their increasing prominence, however, there is marked variation in their capacity for effective functioning, which, according to current literature, is a result of a combination of structural and agency factors. The diversity of EWCs and the lack of uniformity in their operation is reflection of not only the constraints imposed by the underlying structural dynamics of an organisation, but those inextricably linked with the complexities of the external market and Industrial Relations platform in which it operates.