

McDonalds employee relations



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Q. a. What may McDonalds have considered in order to establish their approaches to collective bargaining in both Germany and the UK? 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.

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 same time provides incentives for employers to accept institutional constraints. 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 co-ordinated 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'.

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. 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, 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 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 companies. 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. 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 efficiently'.

Factors May have been considered by McDonald's

National Legislation:

National legislation must have been considered by the McDonald's in establishing their approached towards collective bargaining within the industry both in UK and Germany. In the UK legislation there is no specific preference regarding the mode of employee or industrial relationship for MNEs like McDonald's. So McDonald's is well known as anti-union giant in the UK and their approach towards collective bargaining is strictly negative.

In Germany on the other hand, has a highly regulated industrial relations system which, in theory at least, provides considerable constraints on the employee relations practices of MNEs. As a result McDonald had to thing the statutory bindings and regulations constraints regarding approaches to collective bargaining.

Codetermination and collective bargaining rights

The McDonald's in case of both Germany and UK has considered these rights as a different approach. German workers enjoy a dual system of representation, collective bargaining rights and co-determination rights through the institution of the works council and the supervisory board. Together with codetermination and collective bargaining rights, these legally enforceable and constituted rights appear to provide German employees with significant power resources compared to UK employees.

So McDonald's must have considered the issues of the both rights of the employees before establishing their bargaining approach.

Size of Franchise:

The McDonald's corporation established itself in the UK in 1974, in Germany in 1971. The corporation currently has well over 800 stores in Germany amongst approximately 65% outlets are franchisee where in there are a similar number of stores in the UK with some 20% franchisee with approximately 45, 000 employees in each country.

In this case being a fast-food market leader in both countries McDonald's have considered the size of franchise. The franchise aspect influence collective bargaining issues through local entity and regulations involvement. So size of franchise is also a factor that may have been considered.

Union Membership:

McDonald also may have considered Union membership. German unions are arguably better organized and have retained a position of relative strength

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compared to those in the UK. Union membership at McDonald's in Germany and in the German fast-food industry is very small at around 5 per cent. However, these low percentages are still higher than the percentage of union membership at McDonald's and the fast-food industry in the UK.

So this issue is an important consideration in establishing Macdonald's collective bargaining approach.

The increasingly anti-union climate:

The increasingly anti-union climate in the 80s and early 90s has encouraged Macdonald's in the UK to withhold or withdraw union recognition, and discouraged employees from joining unions and posed difficulties for recruitment. In Germany, union membership remains at around 5 per cent at McDonald's. The findings suggest that it is only where a works council has been established where still there is better union practice than the UK.

So this consideration may have been involved in planning McDonald's approach towards collective bargaining.

Characteristics of Workforce and Nature of the industry:

McDonald's have considered both the factors in case of both countries to design its approach towards collective bargaining.

Redundancy and employee apathy:

Redundancy and employee apathy amongst part-time, temporary, foreign or young workers undoubtedly play an important role in the low or non-existent levels of union membership. So this factor may have been considered in both UK and Germany.

Strong corporate culture:

Strong corporate cultures are seen as instilling appropriate behaviors and. This is essentially what is argued here with regard to the non-union approach of McDonald's in both the countries.

McDonald's Anti-union belief:

McDonald's is basically a non-union company and intends to stay that way. About unionization in the UK once McDonald's stated that..... unionization has risen its ugly head over the years, but you know, we feel that we offer a good deal to people, all kinds of ways in which we can communicate, so that if there was a problem they can bring it to management, we feel that we don't need unions. But in Germany McDonald's never been outspoken like in UK about union.

Public image

Macdonald's has a big public image and brand reputation which may have been considered both in the UK and Germany to establish collective bargaining approaches.

Employer Associations

Employer associations in Germany are stronger than UK. So the MsDonald'S approach in the UK is different from that of Germany.

Q. b. How may McDonald's have considered individual bargaining as an alternative or additional approach in both Germany and the UK? What benefits and/or problems may this have brought in both countries?

Individual bargaining:

' Individual bargaining is the process by which an employer and an employee negotiate an individual contract of employment, regulating the terms and conditions of employment'.

Individual Bargaining: Advantages

' The main advantage of individual bargaining is it is a single voice and thus there is no conflict in matters'

' Another advantage of individual bargaining is that it expresses the views and opinions of one person and thus there is no compromising'

Individual Bargaining: Disadvantages

' The main disadvantage of individual bargaining is that the manager will not take a lot of notice of just one person's views or opinions and therefore nothing will happen'

' Thus there is not a lot of chance that individual bargaining will have an influence on company decisions and policies'.

Collective Bargaining: Advantages

' The main advantage of collective bargaining is that the manager will not take a great deal of time in deciding on what action to take on an individual level'.

‘ The employees have greater influence in the final decision the manager will take’.

‘ There is also a chance of the employees getting what they demand’.

Collective Bargaining: Disadvantages

‘ The main disadvantage of collective bargaining is that it is seen as depriving the individual worker of their individual liberty and voice’.

‘ The major changes in the industrial relations in UK i. e. a shift away from collective bargaining towards individual bargaining were in the favour of McDonald’s own strategy’.

‘ The turn down in the union membership in both UK and Germany also helps McDonalds to practice the individual bargaining in their organization’.

Benefits:

‘ Improvement in the relationship of management and workers within the organization as it is evident from the statement of John cooke McDonald’s US Labour relations chief as: ‘ We feel that we offer a good deal to people, all kinds of ways in which we can communicate, so that if there was a problem they can bring it to management’.

‘ As employees are generally unaware of their rights they can take advantage of the situation to save their costs. As example is given cleaning of uniforms. And also regarding pay, performance related pay, probation and notice for redundancy, paid leave’.

Individual workers can never be a threat for McDonalds where there may have a chance in the existence of trade union.

Disadvantages:

‘ Loss of public image in Germany that subsequently decrease their sale & growth in German market. Large compensation need to provide for violating employee’s rights in different work place’.

Q. c. How may the approach to collective bargaining in Germany and the UK influence employee relations for McDonald’s internationally?

‘ McDonald’s opposition to trade unions is now well-documented; however, the extent to which it

can operate without unions or can avoid or undermine collective bargaining with unions and/or statutory works councils varies considerably in different countries and over time. Consequently the ability of national unions and their GUFs to improve pay levels and conditions of work has been limited, variable and by no means static’.

‘ This is nicely illustrated by McDonald’s operations in New Zealand where the corporation

responded pragmatically to changes in government and labour legislation, excluding unions from and then returning to collective bargaining ahead of law reforms aimed at strengthening unions in 2000, but continued to keep unions out of its restaurants wherever possible. Attempts to regulate McDonald’s employment conditions are therefore an ongoing struggle in which without pro-union

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labour law, unions have little chance of organising workers and even less chance of establishing collective agreements. This may come as no surprise in countries such as the and Ireland where unions have had either no success or short-lived successes in gaining union recognition only to be denied before collective agreements can be established or enforced. However, even unions located in countries with more stringent labour legislation (e. g. Denmark, the Netherlands, France, Italy, Germany, Sweden and Norway) have had varying success in achieving some improvements in employee representation, pay and conditions of work and even where improvements have been achieved they are often under threat. Union attempts to increase the number of union-backed works councils and establish a company-level works council (Gesamtbetriebsrat) have completely failed, resulting from a number of sophisticated union-busting practices’.

Furthermore, ‘ despite some success in persuading McDonald’s to accept collective bargaining in Germany in the late 1980s, McDonald’s withdrew from collective bargaining in 2002 and has threatened to deal exclusively with a ‘ yellow’ union’.

In Denmark, ‘ where average union membership is much higher than Germany and labour law is equally stringent, McDonald’s only agreed to bargain collectively after a year of conflict and boycotts involving other Danish unions and support from Finnish and Swedish unions in the late 1980s’.

‘ McDonald’s has tried to roll-back the basic terms of such agreements ever since. Nevertheless, in Sweden, Norway and Denmark, McDonald’s workers do enjoy better conditions of work and higher pay than in other European countries and the USA itself. However, even in those countries it is very difficult to establish union representatives in the outlets, something which experience shows is essential if such collective agreements are to be properly enforced in’.

‘ Despite these difficulties European unions have undoubtedly had some success in bringing McDonald’s to the bargaining table, especially where sector-level bargaining is in effect compulsory and where labour law is more stringent and supportive of union rights and collective bargaining’.

Q. d. What additional or alternative methods could support good employee relations for McDonald’s? Consider the role an HR function could take?

‘ The HRM approach to employee relations can be described in terms of several prescriptions that McDonald’s can use for good employee relationship. An HRM model for employee relations focuses on a drive for commitment meaning that the focus of the organization should be to win the trust, motivation and commitment to the organization, participating in its development opportunities. Emphasis is on mutuality, meaning that employees share common goals, the vision and mission of the organization. Communication within the organization follows an established set of procedures that are agreed formally or informally and may include briefings, meetings with representatives, etc. HRM emphasizes the shift from collective bargaining to individual contracts’.

‘ Employee involvement in McDonald’s may be fostered and a number of techniques and approaches are followed to support their involvement. Total quality management aims at continuous improvement of quality’.

‘ Another initiative for McDonald’s is flexible working arrangements and focus on the life-work balance through harmonization of conditions for all employees. Finally the support of employee communities of practice and team spirit are of high priority’.

‘ Employee relations describe as in-terms employee communication, employee involvement, employee rights and employee discipline. Armstrong has identified the elements of employee relations as follows may have been considered in designing the employee relationship’:

‘ Formal and informal policies and practices of the organisation’.

‘ The development, negotiation and application of formal systems, rules and procedures for collective bargaining, handling disputes and regulating employment’.

‘ Policies and practices for employee communications’ .

‘ Informal and formal process regulating the interactions between managers and employees’.

‘ Policies of the government, management and trade unions’.

‘ A number of parties including state, management, organisations, trade unions, employees, etc’.

‘ The legal framework’.

‘ Institutions (e. g. ACAS) and the employment tribunals’.

‘ The bargaining structures, recognition and procedural agreements enabling the formal system to operate’.

Employee relations processes

Figure – Reconciliation of interests between employers and employees

According to the Industrial Relations Services there are four approaches to employee relations that can contribute in better relationship between McDonald’s and its employees are:

Adversarial – ‘ meaning that employees are expected to follow the targets identified by the Organization’.

Traditional – ‘ meaning that employees react on management proposals and directives’.

Partnership – ‘ meaning that employees are involved in assisting the organisation and consensus is reached in decision making related to policies’.

Power sharing – ‘employees are involved also in daily management apart from policy making.

Employee relations policies act to disseminate its preferred approach with respect to the relationship it wants to have with its employees and the empowerment of employees for certain activities’.

Employee relation policies cover several areas ‘ McDonald’s may have used in improving employee relations including:

Trade union recognition – ‘ meaning decisions with respect to the recognition or derecognition of

certain unions and preferences of the unions the organisation prefers to deal with’.

Collective bargaining – ‘ meaning the identification of those areas that should be covered from such a negotiation’.

Employee relations procedures – ‘ meaning procedures such as redundancy, grievance handling

and disciplinary actions’.

Participation and involvement – meaning the extent to which the organization shares power and

control with its employees.

Partnership – ‘ meaning the extent to which a partnership with employees is desirable’.

The employment relationship – ‘ meaning the extent to which employment terms and conditions are controlled by collective agreements or individual contracts’.

Harmonization – meaning the harmonization of terms and conditions of employment arrangements.

Working arrangements – meaning the extent to which unions are involved in the determination of working arrangements.

‘ Employee involvement is central to employee relations as Bratton and Gold discuss. Employee

involvement can be described in terms of the form of involvement (whether it is formal or informal), the level of involvement in the organizational hierarchy and the degree of involvement’.

‘ Across these three employee involvement dimensions several types of involvement can be rated from the lower ones in terms of empowerment, involvement and organizational level to the higher ones. Through wide range of employee involvement McDonald’s can start good employee relations process which never been in this organization’.

The following situations are ranked in an ascending order in terms of all three dimensions of employee involvement McDonald’s should take into consideration:

' Communication -> Financial Involvement -> Problem solving groups ->
Quality circles ->

Cross functional teams -> Self directed teams -> Collective bargaining ->
Worker directors ->

Works councils'.

' Employee involvement in McDonald's can be described as an involvement-commitment cycle, a communication cycle that builds an internal culture encouraging initiative, learning and creativity'. The cycle consists of the following stages:

' Managers perceive the need for involving employees in decision making

Introduce new forms, employee involvement and open communication mechanisms

Greater autonomy and input into decision making

Increased employee job satisfaction, motivation and commitment

Improved individual and organisational performance'.

Q. e. Conclude by taking the key elements of your observations in steps a-d regarding McDonald's approach to employee relations in order to make a short recommendation for similar countries or organisations with regard to developing and/or improving their employee relations

Findings & recommendations:

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 most areas, McDonald's German employees appear to enjoy better conditions than their UK counterpart. This is particularly so with regard to holiday entitlement but again this is still lower than for most German firms. The recent UK pay increase has brought pay levels close to those in Germany. In Germany the NGG are satisfied that by and large they have been able to improve pay and conditions for most employees, however, there remain two main problems.

' The above discussion suggests that there is an obvious need to scrutinise the powers of MNEs and it raises questions about the adequacy of labour legislation. Conditions of work and employment appear to be increasingly threatened, regardless of particular institutional arrangements. Weak or ambiguous legislation and continuing employer demands for flexibility, decentralisation and deregulation may increasingly allow MNEs to choose employee relations policies with interference from external labour market institutions. This may be too pessimistic, clearly more comparative work is

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needed in the area and it will need to concentrate on the common themes or tensions in all countries and examine how they are affecting the choices of micro-level actors and institutional arrangements in different societies’.

‘ Individual bargaining can be used as both of alternative to collective or in parallel. But my recommendation for Macdonald’s to use individual bargaining as an alternative approach specially in Europe and American territory whereas in Australia and New Zealand it could be used in addition’.

Due to decline in collective bargaining in all over the world it is now strongly recommended that McDonald’s should prepare to adapt with a change in the bargaining structure which is becoming more decentralised in Sweden, Australia, the former West Germany, Italy, the United Kingdom, and the United States, although in somewhat different degrees and ways from country to country.

We have also come to understand that bargaining structure both influences and is influenced by the distribution of bargaining power. Yet, data that allow clear tests of the effects of changes in bargaining structure on bargaining outcomes generally have not been available.

‘ The difficulty of assessing the effects of bargaining structure arises in part from the fact that there is no simple measure of the degree of bargaining structure centralisation, because the location of collective bargaining often differs depending on the subject of bargaining. In many countries, wages are negotiated in company or sectoral agreements, and work rules are set at a lower level, often in plant agreements. Furthermore, worker participation in decision making often occurs at still another bargaining level, or through

informal mechanisms (works councils or shop floor discussions, for example) rather than through collective bargaining agreements’.

‘ McDonald’s is now a biggest brand in the food industry world-wide. So it has its own responsibility to look into public image and good employee relations which are widely correlated. So McDonald’s should keep very efficient employee relation practice through an efficient Human Resource Strategy and functioning properly on HR roles’.

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