

Are multinational companies good for trade unions?

Evidence from six central and
eastern European countries

Edited by
Martin Myant

etui.

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Print: ETUI Printshop, Brussels

D/2023/10.574/01

ISBN: 978-2-87452-657-2 (print version)

ISBN: 978-2-87452-658-9 (electronic version)



The ETUI is co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the ETUI. Neither the European Union nor the ETUI can be held responsible for them.

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Chapter 1

Multinationals and trade unions: summarising the results

Martin Myant

1. The key questions

Multinational companies (MNCs) frequently undertake investment in countries with lower wages and worse trade union representation than in their home country. An obvious expectation, and one repeated in much of standard management literature (Leat 2003: 282-3), is that this will lead to a generally stronger position for capital relative to labour with employers able to exploit labour's divisions and play off one location against another. However, there have also been hopes that MNCs might be expected, or persuaded, to improve conditions in host countries by transferring practices from their home country. That is one of several hypotheses in a substantial body of research on the European experience, referred to below. It has attracted attention in the USA where European MNCs have frequently chosen to base themselves in southern states with strong anti-union traditions. The AFL-CIO has coordinated campaigning, backed with detailed information on the behaviour of selected MNCs in these southern states (AFL-CIO 2019), hoping to persuade them to grant unions the same position that they seem willing to accept in Europe and to which they are often verbally committed in global policy statements.

The aim of this book is to analyse the behaviour of MNCs when they operate in a group of central and east European countries that joined the EU in 2004 (Czechia, Hungary, Poland, Slovakia and Slovenia) and in 2007 (Romania). The chapters are written by experts from those countries and include some background information on the individual country followed by case studies usually of two incoming MNCs in the automotive sector and two in the retail sector. The analyses are based both on published sources and on in-depth interviews with trade union representatives, both at company and sector levels, and with a smaller number of independent experts and representatives of management. The great majority of MNCs covered are western European albeit with a small representation for east Asian companies and there is one case from another new Member State. This range provides a contrast in home practices in terms of employee relations.

The simple question is whether, when investing in another EU Member State, MNCs can be expected to respect employees' rights to the same extent as when at home. It appears from these case studies that, alongside a wide diversity of approach, MNCs rarely transfer good practice from their home countries voluntarily or willingly, although they do so on occasion. Much more frequently, they need to be persuaded and the outcome depends on MNCs' behaviour and on the strength and activities of trade unions as active joint creators of employment relations and not just as passive recipients of systems

decided by managements. Each chapter therefore looks at the power resources available to, and the strategies pursued by, trade unions to secure representation and collective bargaining rights and ultimately to defend and improve employees' conditions.

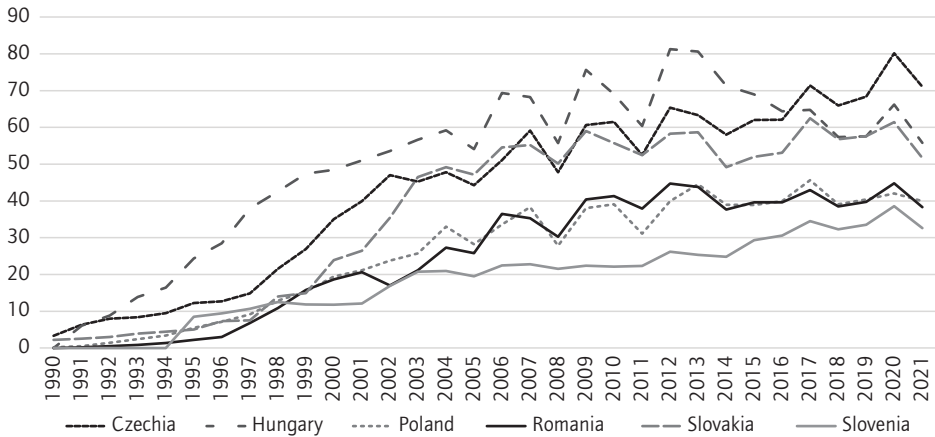
This chapter firstly provides comparative background on foreign direct investment (FDI) and MNCs in the selected countries, showing how this has been influenced by different government strategies and how environments have been made attractive to MNCs. Subsequent sections take up points from the chapters on individual countries, each of which stands on its own as a distinct study of one country. The aim is to find common elements and contrasts in MNC and trade union strategies, set against predictions from the existing literature. This includes a consideration of MNC strategies and of trade union responses based on the power resources available to them.

2. Transformation strategies and the opening to multinationals¹

Five of the countries studied here emerged after 1989 out of state socialism, with centrally planned economies and integration into the economic bloc dominated by the USSR. They broadly followed the advice of international agencies (the IMF and World Bank) to open their economies and apply a single exchange rate (replacing the previous system of multiple exchange rates) with massive devaluations from the previous official rate. Much of the established industrial base failed to compete in the new open environment, following the loss of traditional markets and the imposition of highly restrictive monetary and fiscal policies. Privatisation strategies, when emphasising rapid privatisation into domestic ownership, won praise from the international agencies but did nothing to improve enterprise capabilities and rather helped confirm the demise of established industries. The result was structural shifts in economies with sharp declines for much of manufacturing although raw materials, semi-manufactured goods and simpler industrial products did rather better thanks to low wages and low exchange rates. Slovenia, emerging from Yugoslavia's self-managed socialism, pursued a somewhat different strategy that preserved more of its heritage and saw a less dramatic structural change. This greater degree of continuity proved important for industrial relations.

1. The background to the transformation of former socialist economies is covered in Myant and Drahokoupil (2011).

Figure 1.1 Stock of FDI as a percentage of GDP, 1990 to 2021



Source: Calculated from UNCTAD database, <https://unctad.org/topic/investment/world-investment-report?tab=Annex%20Table> and World Bank database, https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=CZ-HU-PL-RO-SK-SI&name_desc=false

Incoming MNCs were increasingly welcomed as a salvation. They could solve the problem of 'building capitalism without capitalists' (Eyal et al. 1998), meaning that they brought owners with financial resources, access to new technology and global sales networks. Figure 1.1 shows the growth of FDI stocks relative to GDP. Annual fluctuations are not particularly important, reflecting partly changes in exchange rates and partly particular investments, such as the foreign takeover of a major utility, that can dominate one year's results. The rise in 2020 followed by a fall in 2021 reflects the fall and then rise in GDP levels related to the Covid-19 pandemic. Thus, the general picture is of a big inflow around the time of countries' EU accession and then a flattening off from around 2008. By then the kinds of firms interested in coming had largely established their operations and scope for new investment was also constrained by growing shortages of appropriate labour, exacerbated by significant emigration to western European countries where pay levels were higher.

The differences between countries in the course and timing of FDI inflows reflect differences in privatisation strategies, in investment incentive policies and in MNCs' perceptions of the country concerned as they gradually overcame initial doubts and gained confidence in the region as a whole.

Hungary was the early leader pursuing a privatisation strategy that included the sale of established enterprises to foreign companies partly as a means to repay debts built up over the years before 1989. After Viktor Orbán became Prime Minister in 2010, there was some reversal of the strategy of reliance on foreign companies and a return towards domestic ownership in some sectors. However, the model of dependence on foreign companies in modern technology and export-oriented manufacturing remained unchanged.

In Czechia in the 1990s there was a strong emphasis on mass privatisation to domestic owners alongside some prominent sales to foreign MNCs in the hope that they would help improve levels of competitiveness. In that respect, the sale of the Škoda car manufacturer to Volkswagen from 1991 was a clear success while the firms transferred to domestic private ownership generally failed. The major inflow of foreign capital came in the years after 2000 as the government sought revenue to cover the losses of previously privatised enterprises and as it bet on foreign MNCs as the core of a new economic strategy. Financial incentives and infrastructure investment made Czechia a ‘competition state’ (Drahokoupil 2009), doing all it could to match and outbid its neighbours in attractiveness to foreign companies.

Slovakia reached the same result slightly later, having also pursued an unsuccessful period of privatisation into domestic ownership. Its location, industrial base and political reputation under Prime Minister Vladimír Mečiar during much of the 1990s, referred to in Chapter 4, contributed to making it less attractive than Czechia at least until the end of that decade.

As all these three countries prepared to join the EU, they all competed for investment projects. The three other countries – Poland, Romania and Slovenia – were slower to reach high levels of foreign ownership.

Poland was actually quite quick off the mark with policies to attract inward investment from the start of the 1990s, but its subsequent economic strategies left more of the established economic base in state or joint state-private ownership. As a larger economy with a bigger domestic market, it was also less dependent on export-oriented manufacturing, a key area for inward FDI. However, foreign companies were still crucial in modern manufacturing.

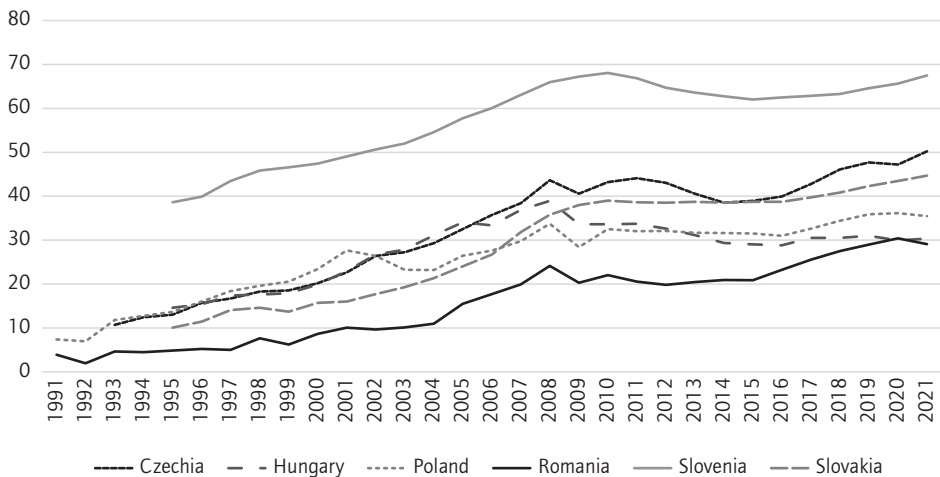
Romania also experienced a slower course of privatisation. It was from the start less attractive to inward investors due to greater geographical distance from western Europe, a less developed industrial base and doubts over its political direction. Through the 1990s it appeared less obviously friendly to foreign companies although that changed with the approach of EU accession. In fact, it was the country in which MNCs had the clearest direct influence on government policies and hence on the industrial relations system.

Slovenia remains a clearer exception within this group of countries. It avoided both mass privatisation and mass sales to foreign MNCs, leading to a slower inflow of, and smaller economic role for, FDI. The corporatist model without foreign ownership, established in the 1990s, gave an unusually prominent role to trade unions. This model underwent a degree of transformation with EU accession, leading to changes in industrial relations, as explained in Chapter 2. This was followed by changes in ownership structures after the 2008 economic crisis. Thus, incoming FDI came later than in the other countries, the inflow of capital accelerating as it was stagnating or declining elsewhere. Even then, differences persisted with the other countries as inward investment was more frequently a matter of the acquisition of a functioning and viable company with an established trade union organisation.

The literature distinguishes two broad motives for inward investment (Dunning 1993). The first is to reduce costs while the second is to access a market. In the second case low wages are not a relevant incentive as they are likely to be reflected also in lower spending power among the population. In the first case low wages are likely to be the principal factor encouraging investment by export-oriented manufacturing companies. As indicated below, the two motives for investment also have implications for trade union strategies as international solidarity appears to be a more effective power resource in the second case.

Figure 1.2 shows the development of wages in these six countries as a percentage of the German level, that being the higher-income EU member from which much of the inward investment has originated. Unfortunately, comparable data are not available on the AMECO database for all countries from 1991. Nevertheless, the essential message is clear. Nominal wages in all cases were a small fraction of the German level in the early 1990s. The gap closed somewhat in the years up to 2008 after which the trend towards convergence was halted, at least for a few years. Within this, Slovenia is an outlier, with a considerably smaller wage gap that has made the country less attractive for investment in the kind of export-oriented manufacturing based on low wages that dominates in the other countries, as explained below. Romania started from the lowest base, but was closing the gap by the end of the period. Even then, the low level of wages was leaving shortages of labour in several sectors as workers took the opportunity to emigrate in search of higher pay.

Figure 1.2 Nominal compensation per employee, percentage of German level, 1991 to 2021



Source: AMECO database, https://dashboard.tech.ec.europa.eu/qs_digit_dashboard_mt/public/sense/app/667e9fba-eea7-4d17-abf0-ef20f6994336/sheet/2f9f3ab7-09e9-4665-92d1-de9ead91fac7/state/analysis

3. Dependence on incoming MNCs

MNCs have been credited with being the main source of dynamism and growth in central and east European economies, bringing new technology and upgrading. It is difficult to make precise calculations of their contribution as a growing share of foreign ownership in economies partly reflects the takeover of domestic-owned firms as well as faster growth from MNCs. Nevertheless, various calculations suggest that the role of the first of these explanations may be small. In one estimate for Czechia, there would have been no significant economic growth between 1996 and 2009 without the contribution of MNCs (Chmelař et al. 2016). Taken together, these points have justified the use of the term ‘dependent’ to describe economies in the region (Nölke and Vliegenthart 2009; Myant 2018), albeit with the reservation that the degree of dependence clearly varies between countries.

Table 1.1 Percentage shares in value added of foreign-owned companies in the total business economy, manufacturing, automotives and retail, 2019

	Business economy	Manufacturing	Automotives	Retail
Czechia	42.7	59.9	93.2	48.5
Hungary	46.1	65.1	95.3	40.3
Poland	32.1	46.4	88.6	41.2
Romania	42.4	66.7	90.1	39.2
Slovakia	46.3	70.5	97.7	43.1
Slovenia	27.8	37.0	72.8	48.0

Source: calculated from Eurostat database, sbs_na_sca_r2 and fats_g1a_08

Table 1.2 Percentage shares in employment of foreign-owned companies in the total business economy, manufacturing, automotives and retail, 2019

	Business economy	Manufacturing	Automotives	Retail
Czechia	28.4	44.8	85.6	31.8
Hungary	25.1	49.8	91.2	23.6
Poland	21.0	34.2	82.8	25.2
Romania	28.6	49.0	91.7	25.7
Slovakia	28.0	52.1	94.6	23.6
Slovenia	23.5	34.3	71.5	46.5

Source: As Table 1.1

The shares of foreign-owned companies in value added and employment in the total business economy, manufacturing, automotives and retail are shown in Tables 1.1 and 1.2. The business economy excludes public services and administration so the share in total employment will be somewhat lower. These data confirm the greater importance of foreign ownership in Czechia, Hungary and Slovakia and also, by 2019, in Romania. It remains less important by these measures in Poland and Slovenia. The share in

employment is consistently lower than the share in value added, reflecting higher productivity in foreign-owned than in domestic-owned companies.

Table 1.3 Personnel costs per employee in foreign-owned companies as a percentage of the level for domestic-owned companies, 2019

	Business economy	Manufacturing	Automotives	Retail
Czechia	187.7	184.1	230.4	201.7
Hungary	255.9	187.9	196.8	219.0
Poland	178.2	166.7	161.4	207.5
Romania	184.0	208.8	82.3	186.8
Slovakia	221.9	220.0	242.6	245.7
Slovenia	125.6	112.7	106.3	106.4

Source: as Table 1.1

Table 1.4 Labour productivity in foreign-owned companies as a percentage of the level for domestic-owned companies, 2019

	Business economy	Manufacturing	Automotives	Retail
Czechia	196.4	166.4	164.7	208.3
Hungary	245.8	182.6	162.9	241.4
Poland	196.9	162.3	138.2	192.3
Romania	183.2	157.7	66.5	173.4
Slovakia	259.4	209.3	178.3	211.6
Slovenia	136.6	116.0	101.4	112.6

Source: As Table 1.1

The figures shown in Table 1.3 for relative personnel costs, a category including compulsory insurance contributions but dominated by wages, point to almost universally higher wages in MNCs. This applies across almost all sectors, albeit with some variations in its extent and with the exception recorded here of the very small domestic-owned motor vehicle sector in Romania which exists alongside some low-wage MNC activities. The gap is smallest for Slovenia both for the total business economy and for manufacturing and retail. The same applies for relative productivity, shown in Table 1.4, for which the high levels in MNCs leave scope for greater profitability than among domestic-owned firms.

As Tables 1.1 and 1.2 show, the role of foreign-owned companies is higher in manufacturing than in the business economy as a whole. They are again less important in Poland and Slovenia while accounting for most of the value added in the other four countries. The production strategies of MNCs have been described and analysed elsewhere (Myant 2018). Attracted to buy, or more frequently set up, manufacturing plants in central and eastern Europe by the low wages, MNCs invested first in simpler products and processes, less profitable products and older models, sometimes directly transferring production from western Europe. Published statistics show lower productivity than in

western Europe, but that is not necessarily because workers are less productive in terms of the work that they actually do. It is often a result of lower product prices, thanks to wages being less, leading to output appearing to be lower after production had been moved to those countries.

A key further point is that incoming companies did not bring the full range of their activities. Research and development and the newest technologies tended to remain in companies' home bases such that central and east European facilities were integrated into the wider European economy as subsidiary and dependent elements. Research was more likely to be practised on a significant scale where MNCs took over established companies with established products and brand names, as in the case of the Škoda car manufacturer in Czechia and, even more clearly, that of many companies in Slovenia. As indicated above, higher wages in Slovenia had made a pure sub-contractor strategy unattractive for inward investors anyway.

MNCs' dominant role is very clear for the automotive sector in both value added and employment, leaving very little under domestic ownership, albeit with somewhat more in the case of Slovenia. Productivity and wages are also higher in foreign MNCs, albeit with the gaps being small for Slovenia and negative for Romania. Production includes some more labour-intensive activities but also large-scale assembly using the newest technology. Here the lower wage locations are used for less profitable models, notably smaller cars, again giving the impression of lower productivity even with the same production technology as in western Europe. These large assembly factories have created favourable conditions for trade union activity, but multi-plant companies also have the additional weapon of threatening to move production between plants and countries. Although this does not appear in the case studies in the form of direct threats, the perceived need not to dissuade MNCs from maintaining investment is a factor encouraging trade unions to be amenable to companies' demands.

Retail presents a somewhat different picture. MNCs appear less dominant in the sector as a whole because of the continuing presence of many smaller, domestically-owned shops. The data in Tables 1.1 and 1.2 show similar shares for MNCs to those for the business economy as a whole. However, the difference between foreign- and domestic-owned companies is enormous with the former absolutely dominant in larger units and in the big retail chains. They remain significantly more productive and pay substantially higher wages.

MNCs are also responsible for the overwhelming majority of trade union members and unionised workplaces in the sector. Unionisation is difficult in retail because of the dispersed nature of workplaces, high levels of precarious working practices and rapid labour turnover. However, there is no competition for jobs between locations in different countries and that may be one factor facilitating cooperation and solidarity across international borders. As the case studies demonstrate, unions in retail are much more positive about the potential of international contacts than those in the automotive sector. Indeed, international support appears in some cases as a crucial resource for unions while the lack of active support can be a source of frustration in the automotive sector.

4. The strategies of MNCs

The legal and institutional environment that MNCs find when they invest in central and eastern Europe has been described in various comparative studies of collective bargaining, trade unions and industrial relations (Müller et al. 2019; Myant 2023). In comparison with western Europe, trade unions appear less favourably placed with generally lower membership densities. Collective bargaining is less firmly entrenched and overwhelmingly focused on the company rather than on the sector or the national level. Legal frameworks, revised in the years after 1989, secured employees' basic rights and protections and set rules and conditions for unions' legal existence, for strikes and for collective bargaining. However, there are some differences between countries and some changes over time which, as the following chapters show, can make substantial differences to trade unions' power resources. A clear example is Romania which saw dramatic changes in 2011 from a system more favourable than most to collective bargaining to one that imposed tough conditions on unions for the right to represent employees and which effectively ended sectoral and national-level bargaining. Slovenia also differed with stronger structures of sectoral and national bargaining which, although weakened in the aftermath of EU accession and the financial crisis of 2008-2009, continue to mark the country as the one with the strongest trade unions.

The existing literature contains several predictions on how an MNC could behave in a host country (summarised in Drahokoupil et al. 2015). Areas of debate have centred on how far it transfers its home practices and how far it accepts the environment of the host country, with scope for hybrid solutions and also for some other options, such as using the host to escape strong employee representation at home or even to experiment with new systems that could then be introduced also in the home country (Morgan 2001: 19-20; Lane 2001; Meardi et al. 2011; Bluhm 2007; Krzywdzinski 2011). The case studies in the following chapters give some support to established explanations while also showing the flexibility in, and evolution of, MNC strategies as the companies learn more about the environment and their possibilities.

The optimistic view, that MNCs could become agents supporting a tendency for the convergence of employment relations systems towards ones that give labour a stronger voice, has been strongly contested (Katz and Wailes 2014). In fact, the more common advice in management textbooks is that 'what they cannot and should not do is try to change the local culture' (Tayeb 2000: 444). Even what could be judged the best cases in the following chapters do not necessarily show the transfer of good practice. Thus, Volkswagen's relatively good relations with unions in Czechia, Poland and Slovakia can be interpreted as a company readily accepting established union organisations after buying formerly state-owned companies. Indeed, such brownfield investment has consistently given unions a better position than greenfield investments in which a union organisation has to be established from scratch. Thus Volkswagen, one of the first large-scale investors in central and eastern Europe, was happy to choose the brownfield route precisely because it was less frightened by the regional environment, including the presence of union organisations inherited from the past.

A few cases have been quoted of MNCs taking it for granted that there should be independent employee representation and working to introduce the German system, for example in some specific enterprises in Hungary (Drahokoupil et al. 2015) and in Russia (Krzywdzinski 2014), but they are rare. An example in the following chapters is Mercedes-Benz in Hungary.

Even in cases where unions are accepted with little question, either inherited from the past or newly established, relations may actually worsen over time as the employer becomes more aware of trade union weakness, as in Stellantis in Slovakia. Moreover, an easy beginning does not mean that conflicts will not arise, as they did in Mercedes-Benz in Hungary, or that relations may not sour over time. Union representatives are just as insistent that they need to fight for gains when confronting seemingly good employers as when confronting clearly more hostile ones. The differences concern the issues raised in disputes and hence the specific gains that unions make and, as indicated below, in the methods they use.

The expectation of a transfer of home country practices is often tied to a belief that company 'culture' strongly influences behaviour. Firms' competitive positions, it is argued, are built on certain 'core competencies' (Hamel and Prahalad 1996; Morgan 2001: 4) which could include cooperative employment relations. This finds some support from some of the union interviews here but is rejected in others. One problem is that culture may be as much a matter of image that is not necessarily reflected in activity: the requirement from case study retailers in several countries to hide their identities could suggest that realities are in conflict with appearances. A further problem is that there are big differences between individual managers with many local managers – a particularly important level in retail with its small, scattered outlets – unaware of rules and laws, and of any company global agreements, but all too aware of pressure to reach sales targets. Nationality often matters. Quite a common perception, reported for example in the Hungarian automotive sector, is that the first managers are foreigners but they are then replaced by local managers who are less sympathetic, having no understanding of union roles. Some may also be deliberately seeking to appear tough, as expressed in the concept of 'comprador elites' of local origin, trying to win accolades for being 'holier than thou', meaning more vigorous than their foreign employers (cf. Zarycki 2007).

Transferring home practices can also mean transferring hostility to trade unions. That appears to be the approach of German retail discount chains, applied with great determination. For Slovenia, their presence means a clear worsening in comparison with standard conditions. This is a specific kind of company out of step with usual perceptions of German industrial relations.

In some cases, country of origin is an indicator of company thinking. East Asian companies frequently are more hostile, as illustrated by the South Korean Kia in Slovakia and Hyundai in Czechia, both linked within the Hyundai Motor Group, and the Japanese company Suzuki in Hungary. However, coverage of the first two shows that they can be pushed into grudging acceptance of the legal and institutional frameworks of the countries in which they operate. That indicates again that industrial relations

systems are not simply imposed by MNCs but are the outcome of conflicting inputs from multiple actors, including most obviously trade unions, employees and courts.

The hypothesis that central and east European countries may provide MNCs with a testing ground for new employment relations systems does not find definite corroboration in the case studies presented below. Trade union representatives quite frequently refer to a benefit of international cooperation in terms of the information it provides on management initiatives elsewhere. They can check whether what is proposed to them really is in line with the company's practice at home, as the employer may claim, or whether it is a novelty being tried out on them first, as may sometimes be the case. However, it cannot be confirmed that this reflects a deliberate strategy from the company's head office rather than an initiative of local management although, should an initiative prove successful for the management in one country, it could then be implemented in other countries too.

Closer to reality in many cases is the notion of opportunistic adaptation, as formulated to describe experiences in Poland (Czarzasty 2014; Czarzasty 2019: 469). Thus, many MNCs see no reason to accept unions if they can be avoided. If some form of employee representation is unavoidable, then it is better for the employer if representatives are proposed and controlled by management. As reported in one of the Romanian case studies, it all goes much more easily for management if they can choose the representatives: negotiations can be over in two hours, including the farewell lunch.

MNCs therefore do not reproduce their home institutions but adapt, sometimes gradually, to the new environment. They can take advantage of weaker institutions and the weaker entrenchment of collective bargaining rather than challenge it. They can work with, and around, the laws and the practices they find. They can aim to adapt systems of collective bargaining, with a clear preference for company-level rather than sectoral bargaining. Adaptation can also mean trying to ignore laws. The behaviour of companies in Romania indicates widespread attempts to do so such that 'bending the rules is the rule' with at least one retailer seeming to have had informal political backing in its efforts to obstruct the formation of a trade union organisation.

MNCs may try to change laws but are rarely aggressive in this. Romania is something of an exception here after the effects of the 2008 crisis gave an exceptionally strong position for anti-union policies. More generally, lobbying for changes to the law has focused on issues of flexibility from the employers' point of view over working hours, epitomised in Hungary's so-called 'slave law', referred to in Chapter 5, which has given employers greater power over shift patterns. Governments, keen to support and encourage inward FDI, are clearly willing to attend to MNCs' preferences when they feel able and the effectiveness of any trade union opposition is then dependent on finding political allies.

The case studies show a number of methods in use by MNCs to hamper the formation of trade union organisations or to weaken the position of the organisations that have been formed. There are cases of intimidation and dismissal of union activists. The ITUC annual survey of substantial violations of workers' rights in 2022 found 'systematic' violations in Romania and 'regular' violations in Poland and Hungary while violations

were classified only as ‘repeated’ or ‘irregular’ in the other three countries.² It should be added that evidence from the case studies, although consistent with differences between countries, does point to some violations in all of them. Violations are found among domestic-owned firms as well as among incoming MNCs. In fact, some union representatives judge there to be no difference between the two while some see MNCs as often better: survey evidence from Poland in 2005 and 2007 pointed to stronger union positions in MNCs.

MNCs often try actively to discourage employees from joining a union, indicating that it would be seen as an anti-company act; sometimes agreement not to join a union is required before an employee is able to start work. As shown in Table 1.3, on average they pay more than domestic-owned companies. They have the scope to do this in view of higher productivity and also greater profitability. Higher wages are a means to ensure a more stable workforce but are also used to support efforts to keep unions out. A frequent argument put to employees is that they have everything they could ask for without a union organisation. This can be a persuasive argument as employees are often more concerned with the pay level than with representation rights or strict adherence to employment law.

Once an organisation is established the employer can try to outflank it by giving the same additional benefits to employees, such as discounts on goods that it may be able to negotiate, as are offered by the union to its members. It may implement changes as negotiated with the union organisation but present them as its own ideas. It may seek the means to bypass the union organisation by using a works council or directly elected employee representatives that have been proposed by management – as is made possible by employment law in some of the countries – both of which give the impression of consultation while actually giving management control over what is decided. Should a union organisation try to stage strike action, some companies in Slovakia, sensing union weakness, have gone to great lengths to approach employees to offer a small individual pay increase if they sign a declaration that they will not strike.

5. Trade union strategies and power resources

The aim of a union organisation starts with being accepted and respected as a partner able to operate openly, free from harassment and victimisation. Its representatives should have appropriate facilities and the right to bring in outside union help and expertise. Representatives should be able to communicate with employees, approach and recruit new arrivals and speak freely on conditions in the workplace. Once firmly established, they should be able to engage in collective bargaining and reach binding collective agreements that bring real benefits to employees. That is a reasonable description of the best cases, but not a general description of the situation in MNCs in central and eastern Europe.

2. <https://survey.ituc-csi.org/?lang=en>

The resources available to unions differ depending on the level of development attained. Things are consistently easier with brownfield than greenfield investment although it should be added that the former is no guarantor of an easy ride. Thus, the French retailer Auchan took over an existing company in Romania and then sought to dismantle the union by dismissing its members, leaving a hard battle to re-establish a union presence. The French retailer Carrefour, operating in the same country, took over a chain from another MNC and sought to eliminate the union presence but was held in check when the union received help from abroad, including after a direct approach to the company's senior management.

There is a clear distinction between the activities open to a well-established and accepted union organisation and those required to build a union organisation from scratch. The latter process is described in several case studies and probably more or less inevitably takes pretty much the same form as that described for the Vasas union on greenfield sites in Hungary. Starting from a small base of individuals with specific grievances, the first steps involve creating and stabilising an organisation, arranging payment of membership dues, ideally through automatic deductions, and taking up cases with management where employment law has not been respected. Only then can the union think of starting negotiations on a full collective agreement.

An important aim throughout is to portray the union as a reasonable and potentially constructive partner for management that does not seek conflict. Nevertheless, as indicated below, conflicts and the ability to mobilise members have been important in stabilising bargaining.

Paradoxically, as union organisations become stronger, so the increased expectations may work against them. A common finding is that the union side can be weakened by division and the creation of a plurality of unions. Some may be management creations, intended from the start to weaken the union side, and some may result from individual personal ambition. However, an important factor is that some employees may find an organisation too timid. In a number of cases union representatives refer to their side being weakened by fragmentation and by the need to be careful to find the right balance between fostering a reasonable image to management and avoiding being outflanked by new, more militant, unions. Scope for this increases as union organisations become established and accepted and fears of victimisation recede.

In the early stages of creating a union organisation, satisfaction can be gained from seemingly very modest gains. Simply to be able to raise individual grievances can be judged progress. In several companies in Poland, it is judged a success to be able to negotiate over wages even if, as very frequently happens, management still opposes a full collective agreement. When collective agreements are signed, they often contain little more than repetitions of employment law without providing significant further advances, but that too can be judged positively as it is a much better basis for ensuring that employment law is observed and it also results in less of a need to involve courts in settling disputes. Thus, in all cases, even small advances can bring satisfaction and help a union organisation win respect from the workforce.

Unions' methods differ somewhat between countries and companies. This is approached in individual case studies in terms of unions' power resources, as summarised by Schmalz and Dörre (2018) and Gumbrell-McCormick and Hyman (2013). These are categorised in individual chapters as 'structural' (broadly the labour market situation); 'associational' (the power that comes from a membership base and from the ability to mobilise that base); 'institutional' (legally sanctioned or otherwise established rights of representation and collective bargaining); and 'societal' or 'borrowed' (power from allies outside, including domestic politics and often also help from abroad). The case studies suggest that some activists at least implicitly assess the resources at their disposal as a starting point for their strategies, recognising that weakness in membership, quite inevitable in newly formed organisations, needs to be compensated by finding alternative sources of power, meaning help from other union organisations or from other forces in society.

The labour market situation, the main structural resource referred to in the case studies, is not open to trade union influence, but it does provide a background to union possibilities. There are significant differences between regions within individual countries. Tight labour market conditions in some regions strengthen labour's position while the absence of alternative employment in regions with less economic activity is not always unhelpful: it may reduce the turnover of union representatives, helping to stabilise union organisations. It also limits the scope for exit rather than voice as an employee response to bad working conditions. Generally, however, labour shortages favour labour's bargaining position and are reported as an important factor in several countries in the period from 2016, exacerbated by the very low pay that attracts MNCs but which also leads local workers to seek employment abroad.

Where unions lack associational power, help through international organisations can be crucial to gaining recognition and acceptance from employers. This is judged unimportant in the Slovenian case studies where union membership is higher and contacts are seen as useful only as sources of information on what companies are offering, proposing or prepared to concede elsewhere and on their longer term plans. That is a significant help, but international contacts are much more important for retail in several other countries where the union has started from a weaker position and where they provide a channel to senior management in companies' home bases.

This is a mechanism whereby a home country effect – the transfer of practices from the MNC's home base – could apply. MNCs that purport to support social dialogue as part of their image, and that practise it at home and often in global agreements, can be pushed into practising it abroad as well if the union in the host country is able to persuade its international contacts to apply the necessary pressure. Unions in central and east European countries frequently report the benefit of contacts through international union confederations (UNI Global and IndustriALL) and this is demonstrated in some of the case studies. They also report frequent disappointment. International contacts are usually welcomed for providing useful sources of information, but central and east European unions sometimes feel disappointed and marginalised by their west European partners.

An arena for frequent disappointment is the EWC (European Works Council). EWCs are information and consultation bodies which can be formed in companies operating in more than two countries and with more than 1000 employees. Their form varies between companies and only a minority provide direct formal representation for trade unions.

EWCs have been set up in many of the companies covered by the case studies, but with varying impacts. Despite their limited powers, they are the most visible form of international contact at company level and union representatives in central and eastern Europe have often put significant hopes in them. They are of little value where the employee representatives are not linked to trade unions but imposed or suggested by managements. Even with union representation they are not a means for resolving issues in individual countries. Typical complaints from representatives in central and eastern Europe in the cases covered in the following chapters are that they receive only the information management wants to give them, that western European colleagues do not support them in specific grievances and that EWCs do not provide the channel to senior management that they would like.

Using domestic power resources can involve open conflict with management. Although trade unions do not openly seek conflict, preferring an environment of stable negotiations, the terms of the relationship between a union and an employer are often strongly influenced by specific, if rare, protest actions. Two, often related, forms of action are public protests, including strikes, and the use of mass media to mobilise outside support or, more simply, to threaten the company's reputation.

Strikes are very rare because of low membership levels, an absence of traditions of militancy, legal requirements for lengthy prior consultation and mediation and, finally, the need to pass significant ballot thresholds. Nevertheless, the case studies presented here show that the few that do take place can represent powerful demonstrations of a union organisation's support and strength, leading in several cases to more cooperative relations and lasting dialogue. The threat of a strike, including the declaration of strike alerts,³ can often encourage expressions of support from outside as well as media coverage that helps the union side. Actual strike action could help enormously, both when the union is the active organiser and when the action takes place without union involvement. A prime example of the latter was an action in Hyundai in Czechia in 2009 in which a group of workers staged a short stoppage after which, although not involved in the action, the union organisation gained greater, albeit still grudging, acceptance from an otherwise hostile management.

Strike action is not a realistic option for unions in most of the case studies presented here, however. A more realistic weapon is the use of bad publicity with the potential reputational effects being of particular concern to retail chains. This is a natural and obvious weapon in some countries, noted for example in Slovenia as a key to winning outside allies in the tough battle for acceptance against the systematic anti-union stance

3. These amount to publicising a grievance by raising the possibility of strike action. It has no significance in employment law and there is no necessary commitment actually to take further action.

of a German company. Even so, it is a weapon that could provoke further hostility from some managements where unions are already in weak positions. In a Hungarian retailer, relations improved after an implicit acceptance that this weapon would not be deployed. In Romania it is regarded as a 'nuclear option' that undermines bargaining channels: a key to establishing negotiations in one case was a pointed decision to keep the media away from a protest action, a move greatly appreciated by the company's senior management. In Poland, where it has proven exceptionally difficult to influence employers in retail, a combination of societal and institutional power contributed to a change in legislation leading to a ban on Sunday trading in 2018.

6. Conclusions

The chapters in this volume rely for their conclusions on a small number of case studies in two particular sectors. Nevertheless, the picture they paint is remarkably consistent. There are different approaches among the companies and the country of origin does matter, even if it is not a determinant. However, in all cases industrial relations systems and outcomes are a result of change, evolution and learning on both sides. In each case, they are a result of the interplay between common interests (both sides want the business to be successful) and conflicting ones (managements either do not welcome employee representation or do not welcome the demands put by employees).

A key message for unions is that the case studies highlight that some progress and gains can be achieved. Some of the gains might appear rather modest while all organisations are under some degree of threat with the implications of declining membership hanging over them in every country studied here. Moreover, even when things appear to be going well in a particular company, relations can sour. A second message is that the methods unions use may vary, depending on their stage of development and the power resources at their disposal. Sometimes mobilising their own members is the best weapon. Very frequently, however, they may need to use alternative resources, seeking help from other social actors and from international trade union solidarity. Accurately evaluating the resources at their disposal and taking initiatives on the basis of that evaluation seems frequently to bring results.

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All links were checked on 03.10.2022.

Chapter 2

Slovenia: From corporatism to localised conflict

Branko Bembič

1. Introduction

Slovenia has two important features which make it different from most of the other countries of central and eastern Europe that joined the EU as part of the eastward enlargement in and after 2004. Firstly, its neocorporatist industrial relations system (Bohle and Greskovits 2012; Stanojević 2012) which appears much more akin to the continental western European model than to other countries in central and eastern Europe. Secondly, its reliance on domestic sources of capital accumulation, which is in sharp contrast with the Visegrád countries that relied heavily on foreign direct investment (FDI).

Both of these distinctive features changed after the integration of Slovenia into the EU. The unionisation rate among employees fell from 50–60 per cent in the early 2000s to 20–25 per cent around 2020 (Broder 2016; Toš 2021a, 2021b); while near-universal collective bargaining coverage in 2004 fell to around 70 per cent in 2016.¹ The same period saw the sale of many companies to foreign owners, pointing to a possible link between the increased role of foreign capital in the Slovene economy and the position of trade unions. Some observers (Meardi 2012: 151–152) have suggested that the strength of Slovene trade unions is primarily based in domestically-owned companies where managers are well acquainted with the benefits of their role in facilitating ‘flexible production’. Alternatively, could foreign multinational companies (MNCs) be expected to follow the industrial relations practices common in western Europe and potentially become leverage for increasing union power, as has been suggested for central and east European countries in general (Myant 2014: 378; Myant 2020: 23)?

The chapter is organised as follows. The next section provides a description of the transition from self-managed socialism to capitalism with special emphasis on developments in industrial relations and in the ownership structure of companies. The following sections feature four case studies of MNCs operating in two important sectors of the economy: automotives and metal and electrical equipment and food retailing.² The fifth section summarises the main findings and concludes.

1. <https://ilostat.ilo.org/topics/collective-bargaining/>

2. The case studies are based on desk research and interviews with workers’ representatives at sector (one in each case) and company levels (two in Tradiret; two in Disco, including one with two activists; one in Appliprod; and two in Autosup). An interview with a management representative in Tradiret was also used. Some of the interviews were conducted as part of the SEGNEED project, funded by the Slovene Research Agency (J5-9335). Pseudonyms are used in the case studies for the names of the Slovene companies involved.

2. Foreign ownership and industrial relations

Slovenia has often been characterised as a neo-corporatist exception among central and east European countries (Bohle and Greskovits 2012) or as a coordinated market economy (Feldmann 2007; Stanojević et al. 2016). A crucial feature in this apparent exceptionalism in the early period of the transition was the level of employee mobilisation (Crowley and Stanojević 2011); this was formative of the Slovene pattern of industrial relations and of crucial importance in the bid to preserve national ownership of industry by establishing a domestic capitalist class. This was helped by the legacy of Yugoslav self-managed socialism that allowed Slovene workers to articulate their interests in opposition to the relatively autonomous management of their companies (Stanojević 2018). This in turn enabled trade unions to express workers' oppositional voice when growing discontent resulted in a massive strike wave during the early 1990s (Stanojević 2018). This established trade unions as an important actor, able to influence the course of a privatisation which favoured insiders (workers and managers) and marginalised foreign bidders (Crowley and Stanojević 2011: 280; Simoneti et al. 2004). Thus, an important link between industrial relations and corporate governance was established.

Moreover, this newly acquired power enabled trade unions to enter political exchanges with capital and the government by means of a series of social pacts (Stanojević and Krašovec 2011). In exchange for incomes policies, unions were able to influence social and employment policies through a tripartite body leading to a statutory minimum wage, a relatively favourable labour code that sets out an important role for collective bargaining and an acceptable reform of the pension system. At micro level, the labour-capital compromise materialised in the form of 'coalitions of survival' (Stanojević 2004) in which workers and their representatives bargained high levels of work intensity for employment and wage stability. Insofar as management was successful and able to ensure employment stability and the regular payment of wages, trade unions adopted a relatively cooperative approach (Stanojević 2001: 240).

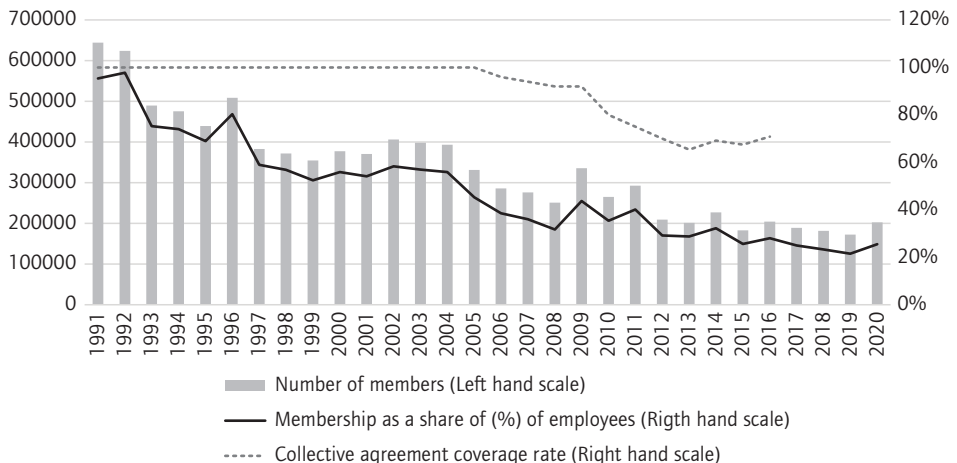
However, in the absence of external sources of finance, investment was dependent on internal funds, leading to a sharp trade-off between investment and wages (Domadenik et al. 2000). Hence, investment finance could only be forthcoming on the back of a redistribution from wages to capital, facilitated in practice by the incomes policy. The compensation of workers as a share of GDP fell sharply precisely during the time of the most intensive period of social pacts, from around 60 per cent in 1993 to some 51 per cent in 1999, albeit thereafter stabilising.

This industrial relations model underwent upheaval from the mid-2000s as the room for political exchange narrowed considerably after the country entered the Eurozone in 2007 (Stanojević 2018: 721). Some important laws were amended and both the government and employers gradually changed their approaches. The system of social pacts was paralysed after 2004 as the government pushed the unions into opposition by trying to pass neoliberal reforms unilaterally (including flat-rate taxation that was deflected and a reform of the social system that was adopted) and was only briefly resuscitated during the 2007-2009 period.

Before 2005, mandatory membership of the main employer organisation, *Gospodarska zbornica Slovenije* (GZS; Chamber of Commerce and Industry of Slovenia) and a general collective agreement for the private sector provided for virtually total coverage of the workforce by collective agreements. This was undermined by a 2006 law which reformatted GZS as a voluntary organisation, prompting a radicalisation of its positions, while collective bargaining was decentralised from national to sector level as the general collective agreement for the private sector was cancelled in 2005 (Stanojević and Klarič 2013). This started a gradual erosion of collective bargaining coverage (Figure 2.1), tempered somewhat by the extension mechanism provided in the 2006 law on collective bargaining.

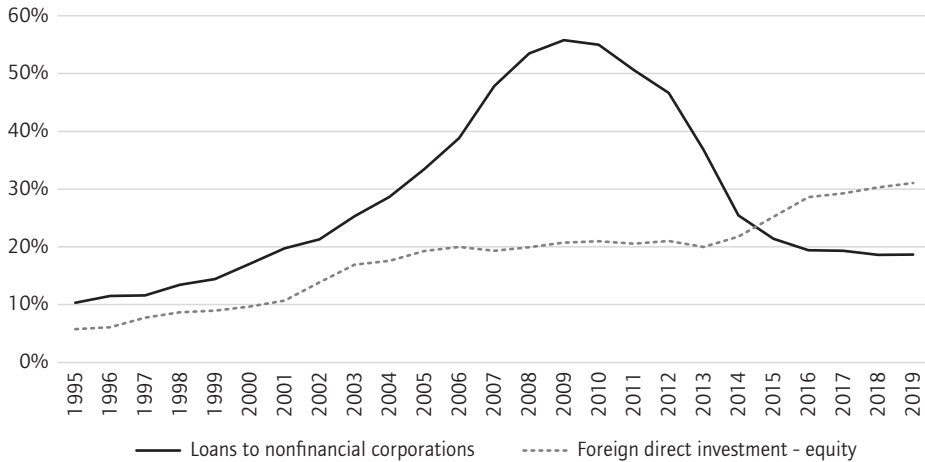
Employers sought to defend competitiveness by an intensification of work and by resorting increasingly to agency labour (Stanojević 2018: 717) while changes to the welfare system (Leskošek 2011) pushed the unemployed into precarious jobs, further weakening the bargaining position of the lowest paid workers and making union recruitment more difficult. Union membership fell sharply between 2004 and 2008 (Figure 2.1). This coincided with easy access for companies to credit as Slovene banks could borrow on foreign financial markets. Loans to non-financial corporations increased from 21 per cent of GDP in 2002 to 56 per cent in 2009. The link between neocorporatist industrial relations and corporate finance was thereby severed as the domestic capitalist class no longer needed to extend concessions to the working class in return for incomes policies.

Figure 2.1 **Collective agreements coverage, union membership and density in Slovenia, 1991 to 2020**



Sources: Broder (2016); Toš (2021a, 2021b); Visser (2019); and Statistični urad Republike Slovenije (SURS, Statistical Office of the Republic of Slovenia) <https://pxweb.stat.si/SiStat/sl>.

Figure 2.2 Bank loans to non-financial corporations and FDI stock, percent of GDP, Slovenia, 1995-2019



Source: Bank of Slovenia (2020).

The financial crisis of 2008, coupled with procyclical measures by the central bank as well as reactions on the part of the commercial bank sector, brought heavily indebted companies to the brink of collapse (Prašnikar et al. 2015: 32-34) and external actors (European Commission, international financial markets) gained influence over policy making in Slovenia. Collective bargaining coverage fell further during the crisis due to the cancellation of some sector agreements. During the early years of the crisis, trade unions were able to hold ground, for instance by preventing the introduction of mini-jobs for the unemployed (2011) and even to improve on some labour standards, such as the sharp increase in the minimum wage in 2009. However, besides the labour market and pension reforms that were agreed by the social partners, several measures such as the mini tax reform, austerity measures (2012), the fiscal rule (2013) and the restriction of referendum rights (2013) were passed despite trade union opposition. Collective bargaining coverage declined between 2008 and 2013 owing to the cancellation of the general collective agreement for the private sector and of some sector agreements.

Regarding corporate finance and ownership, the most important measures were the establishment of a 'bad bank' in 2013, able to convert non-performing loans to companies into equity shares which were to be progressively sold off; a privatisation plan from 2013 for 15 state-owned enterprises; and the sale of most of the state's shares in banks after their recapitalisation. Taken together, these measures led to an increase in the stock of FDI from 2013, as shown in Figure 2.2.

As shown in Table 1.1 in Chapter 1, the share of foreign-owned enterprises in total value added remained lower in Slovenia than in other central and east European countries, at some 28 per cent in 2019, with the stock of FDI as a proportion of GDP standing at around 34 per cent. Foreign ownership is predominantly concentrated in manufacturing,

the financial sector and trade, with most investors coming from Germany, Austria, USA, Italy and Switzerland (Bank of Slovenia 2020: 22-23, 26).

However, the standard indicators of industrial relations do not demonstrate the negative impact of foreign ownership on trade union strength. Firstly, trade union membership decline was strongest during the 2003-2008 period, when FDI as a share of GDP was stagnating, but was much more stable during the 1997-2003 and 2013-20 periods, when FDI was increasing more rapidly. This can be seen by comparing Figures 2.1 and 2.2. Secondly, as Figure 2.1 shows, while collective bargaining coverage fell rather abruptly after the mid-2000s, owing to the factors already highlighted, it stabilised and even marginally improved after 2013 as some of the cancelled sector collective agreements were renegotiated.

Interviewed in 2018, sector representatives of Zveza svobodnih sindikatov Slovenije (ZSSS; Association of Free Trade Unions of Slovenia), the largest trade union confederation in Slovenia, reported that the differences in approach to trade unions and collective bargaining between domestic and foreign-owned companies were rather small (Bembič 2019). Most reported that coverage by company collective agreements was about the same in foreign and domestic companies, with two out of the nine representatives interviewed claiming higher coverage in foreign MNCs and two lower. Neither did the difficulty of collective bargaining differ much between domestic and foreign-owned firms. However, three out of the nine representatives claimed that establishing union organisation and recruitment might be more problematic in foreign MNCs, as those from the German-speaking area often preferred to deal with works councils³ instead of unions, while others emphasised difficulties in greenfield companies although these are rather rare in Slovenia.

These aggregate impressions could conceal important changes in the quality of relations and trade union strategies within MNCs. This could be compatible with the selective transfer of practices from home countries (cf. Jürgens and Krzywdzinski 2009; Krzywdzinski 2011) or, as argued by other researchers, a decision to undermine the social dialogue in the new EU Member States (Meardi et al. 2011; Meardi 2012).

The outcome in Slovenia, more so than in other central and east European countries, is more likely to be influenced by relatively strong trade unions capable of using a range of power resources – mainly structural, associational and institutional ones (Gumbrell-McCormick and Hyman 2013: 30-31). As regards trade union strategy (Boxall and Heynes 1997), when management is able to guarantee a high degree of job security, Slovene trade unions traditionally follow a rather cooperative approach while their strategy towards the membership mostly consists of servicing and only rarely encompasses a resort to organising (see below).

3. Works councils can be established in any company in Slovenia with more than 20 workers. The larger ones have the right to choose representatives of workers to sit on the company board and, in general, they have relatively strong information and consultation rights. For some decisions their formal agreement is required, but they do not engage in collective bargaining. Works councillors are protected against dismissal and are afforded time-off for carrying out their duties.

Looking at the list of trade union instruments as set out by Bernaciak and Kahancová (2017: 13), unions with considerable structural, associational (including organisational) and institutional power resources could be expected to rely more on traditional instruments, such as servicing and collective bargaining, supported by mobilisation when necessary. In contrast, weaker trade unions might resort to ‘borrowed resources’ (Gumbrell-McCormick and Hyman 2013), such as moral or discursive and coalitional power resources, correspondingly putting more weight on alternative instruments such as protests, public mobilisation and political discourse (Kahancová 2015) in the domestic arena. Unions facing hostile management might shift from a cooperative to a more adversarial approach and try to internationalise conflict either because they are weak and need to boost their resources by eliciting the support of trade unions in the MNC’s home country (Myant 2020) or simply because the instruments at their disposal and the response framework at national level might no longer prove appropriate (Marginson 2016). Finally, trade unions might turn to active organising in order to replenish their power resource which, nevertheless, requires a break with past practice as well as some resources to start with (Myant 2020: 31).

3. The retail sector

Labour Force Survey data⁴ show that about 80 000 people work in the retail sector of whom some 64 per cent are either in standard (i.e. full-time and permanent) employment or are full-time permanent agency workers. The remainder are engaged on non-standard contracts. The average wage was 79 per cent of the national average in 2019.⁵ Foreign-owned MNCs in retail accounted for 48 per cent of value added in the sector in 2019, with productivity and average wages slightly above the average levels in domestic-owned companies, as shown in Tables 1.3 and 1.4. In food retail, foreign MNCs are even more prominent: the five largest companies control more than 90 per cent of the market (UMAR 2015: 11) and only one of them is in domestic ownership.

Several trade unions are present in food retail, but only *Sindikata delavcev trgovine Slovenije* (SDTS; Trade Union of Workers in the Trade Sector of Slovenia), a member of ZSSS, is officially represented at sector level. All the major food retailers, including the MNCs, are affiliated to the largest employer association in the sector, *Trgovinska zbornica Slovenije* (TZS; Chamber of Commerce of Slovenia), but most are also members of other associations, predominantly GZS and *Združenje delodajalcev Slovenije* (ZDS; Employer Association of Slovenia). Trade union density is around 15 per cent in retail as a whole and about 15-17 per cent in food retail, albeit with wide differences between chains. Density in the largest, foreign owned Tradiret, is around 30-40 per cent but in the second largest retailer it is just 10 per cent.

The domestic trade sector is covered by a collective agreement, extended across all employers. This includes clauses on wages and various further benefits, establishes detailed provisions on working time, including rest periods and holidays, and sets

4. SURS, <https://pxweb.stat.si/SiStat/sl>, available upon request.

5. SURS, <https://pxweb.stat.si/SiStatData/pxweb/sl/Data/-/0701011S.px>

conditions for the operation of trade unions within companies. In the majority of areas, the sector agreement improves upon the labour standards laid down by law, but it also exploits the derogations allowed by the Slovene labour code in specific areas.⁶ The agreement formally sets the lowest wages at levels below the statutory minimum; pay cannot fall below the statutory minimum, however, and the provision in the agreement is purely a computational category used to calculate wage supplements. A notable achievement of the 2018 sector collective agreement was that it banned work on national holidays.

In food retail, only Tradiret has a company collective agreement while other companies, especially the MNCs, prefer to negotiate only at sector level.

The sector union representative (Interview 2.8 and 2.9) reports no major differences between domestic companies and MNCs in the area of collective bargaining (other than the latter preferring to negotiate at sector level) or in attitudes towards unionisation. Furthermore, there have been no major changes after takeovers by foreign MNCs. The most pronounced differences relate to mode of entry as it is more difficult to unionise greenfield companies than retain presence on brownfield sites. The business model is also important and the discount chains in particular tend to resist unionisation.

In general, the sector trade union's strategy in relation to employers is cooperative and the representative claims that social dialogue operates at a very high level. Besides collective bargaining other instruments deployed by the trade unions include litigation, collaboration with political parties and media campaigns such as the successful 2020 campaign against Sunday working in the retail sector where SDTS cooperated with the parliamentary party Levica (The Left). Industrial disputes in the sector are extremely rare. Despite cooperation with trade unions from other countries, mainly ex-Yugoslavia, Germany, Austria and Italy, and an affiliation to UNI Commerce, SDTS has never tried to use these links to put pressure on the management of an MNC. International contacts are used to gain access to information and the dissemination of best practice.

Membership recruitment and establishing union organisations in unorganised companies, such as greenfield MNCs, mostly relies on a servicing model: the trade union first identifies breaches of a sector collective agreement or of the law, usually after workers' complaints, and then approaches management on behalf of workers to solve the issue in a cooperative manner. Workers usually join the union after the successful intervention. For instance, SDTS spotted that payroll accounting in the French MNC Leclerc was incorrect and, after the problem was solved in dialogue with management, some 20 per cent of the workforce joined the union.

The strategy of a cooperative approach towards employers and a membership servicing model is, however, reversed when a company refuses to cooperate with the trade union or even resists unionisation. In such cases the trade union may call in the labour inspectorate which can cause major problems for companies by making it more difficult

6. Derogations from the law are only allowed in sector agreements in specific areas. This option was introduced in the 2001 labour code and extended by the 2013 reform.

to obtain work permits for foreign workers, especially in the prevailing situation of labour shortages. The single most effective instrument, however, is media campaigning as companies in retail are very sensitive to negative publicity. If faced by MNC resistance to unionisation, SDTS is willing to incorporate certain elements of the organising model and build coalitions with external activists.

3.1 Tradiret – the traditional retailer

Tradiret was established in the period of self-managed socialism and was privatised in 1993 when two state managed funds became the largest owners. It expanded quickly by merger and acquisition to become the largest food retail company in Slovenia, but also a heavily-indebted one. Positioning itself as a channel retailer (Rudolph and Meise 2012: 137), it features various formats from small convenience stores to supermarkets and large hypermarkets. After the two state funds sold their shares, the company ended up in the hands of a private domestic owner that failed in 2008, with the shares seized by domestic banks. In 2013, these were sold to another highly indebted conglomerate from central and eastern Europe. Employing some 10 000 workers and controlling about 30 per cent of the market, the company remains the largest retailer in the Slovenian food retail industry.

Tradiret's business strategy as a channel retailer relies on quality of service requiring involved and skilled employees who are, however, in short supply especially in the delicatessen, butchery, fishmongery and bread departments that involve intense contact with customers. The company's high level of indebtedness narrows management's room for manoeuvre, leading to low wages despite the skill requirements, a major source of discontent in the company. The skill retention problem has led Tradiret to offer standard contracts of employment from day one (previously contracts were for fixed terms) and to the employment of agency workers from ex-Yugoslav republics via a Slovak temp agency for deskilled shelf-stacking jobs. After a certain period, foreign agency workers are offered direct employment with Tradiret.

Tradiret is a case of brownfield investment in which there is a long history of employee representation. The new owner brought no substantial change, accepting the demand for binding commitments put by the unions before the takeover in respect of consultation on employment related issues, workers' participation in management, social dialogue and the collective agreement, as well as on retention of the company brand and the long-term development of the company. Trade unions have good access to management and, when needed, the president of the largest union in the company can arrange a meeting with the president of the management board at a few days' notice. As the union president recounts:

I have to say that [the new owner] always had a warm attitude towards the trade union and labour. On 'D day' he became owner of Tradiret at 12 o'clock and by four the two of us had already sat down for a coffee. (Interview 2.2)

This level of cooperation also continues in terms of union recruitment. Management allows the union president to visit stores and warehouses and to present the benefits of membership to employees. The HR department even notifies the union of each new employee and the president sends an invitation listing all the services and benefits associated with union membership. Company headquarters plays no role in employee relations beyond issuing guidelines on labour costs. In fact, the trade union sees itself as a barrier against the importation of bad practices and lower labour standards from abroad.

There are actually two unions in the company that together organise 30-40 per cent of employees. Although in the past relations between the two were often quite tense, by 2020 they were cooperating closely and coordinating their positions on all important issues. There is also a works council and employee representatives on the supervisory board. The strategy of the largest trade union towards management is cooperative, accepting the argument that the company is unable to pay higher wages due to its financial situation and being willing to exchange wage moderation for an enhanced role in the regulation of non-wage issues. Both the unions are signatories to the open-ended company collective agreement which mostly improves on the pay and conditions set down in the sector agreement while also removing some of its derogations. Wages were renegotiated following minimum wage rises in 2020 and 2021.

The trade unions within the company mainly rely on institutional power (legally sanctioned structures of worker representation, established collective bargaining) and associational power (relatively high union density), temporarily enhanced by structural power (i.e. from the presence of the shortage of skilled labour).

The company is affiliated to two large employer organisations, TZS and ZDS, and management acknowledges the need for a sector collective agreement to establish a level playing field. The collective agreement in the company is seen as useful for allowing the consensus-based regulation of important areas, strengthening the legitimacy of the adopted rules.

The works council and both trade unions are involved in the regulation of all work-related developments which have an impact on workers' wellbeing, including training and health and safety issues where improvements have been achieved in providing workers with ergonomic equipment, making changes to company-provided footwear and addressing unsafe work processes. Workers' representatives are involved in the regulation and management of all company-backed social benefits, such as the company's holiday facilities, humanitarian fund and supplementary pension insurance. In relation to workers, union strategy is predominantly service oriented, mostly dealing with members' individual grievances and providing various services, such as holiday facilities, consumer loans, social assistance, etc.

In all, Tradiret is a case of the relatively successful survival of the established model of Slovene industrial relations at company level, even after takeover by a foreign company. Trade unions still enjoy relatively high density and are able to negotiate a collective agreement that significantly improves working conditions and wages. However, cases

of disillusioned workers leaving the unions and the gradual erosion of membership suggest that the traditional model might not be sustainable in the long-term.

3.2 Disco – the discount retailer

Disco is part of a large MNC organised in two divisions employing hundreds of thousands of workers worldwide. Entering Slovenia in the mid-2000s it employed some 1800 workers in 2019 across 60 stores and one logistics centre. In contrast to Tradiret, Disco is a greenfield investment expanding its retail network gradually by reinvesting profits and via long-term loans. The company has increased its market share – at the expense of traditional retailers – from 4.4 per cent in 2010 (Rabuza 2017) to approximately 10 per cent in 2017 when it was the fifth largest food retailer in Slovenia (Bratanič 2018). Disco's hard discount business model (Rudolph and Meise 2012) was developed in Germany and applied in Slovenia with minimal adjustment.

Unlike channel retailers, the motto of a hard discounter is cost leadership, i.e. offering a limited assortment of private branded goods with high turnover at the lowest possible price for good product quality (Rudolph and Meise 2012; Andersen and Poulfelt 2006). The level of instore customer service is low: there are no service counters, no decoration and even shelf-stacking has been greatly simplified (Rudolph and Meise 2012). Thus, anything beyond basic generic skills becomes largely superfluous. A deskilled, malleable workforce with little autonomy is subject to strict hierarchical control with detailed rules of conduct according to the most 'efficient' practices alongside a high degree of workplace flexibility, workers swiftly switching between deskilled tasks. This permits the company to operate at minimum levels of staffing but it also results in heavy workloads.

High work intensity makes for high productivity, allowing the company to pay (hourly) wages which are above the sector average while still achieving a much lower ratio between the total wage bill and sales than traditional retailers (Andersen and Poulfelt 2006; Rudolph and Meise 2012). At the start, only part-time contracts were offered to shop assistants, partly because the required level of work intensity cannot be sustained for eight hours and probably partly also to keep staffing levels in line with fluctuations in activity, as explained by Jany-Catrice and Lehndorff for European retail trade in general (2002: 509). However, the high workload coupled with detailed rules of conduct increases the likelihood of mistakes, allowing the company to intimidate workers with disciplinary measures – a practice sometimes called 'terror tactics' (Hamann 2006: 57). Some 10 per cent of Disco's shopfloor workers were subject to a formal warning or dismissal in 2020.

Disco is affiliated to the two largest employer associations, TZS and GZS, both signatories to the sector collective agreement, but, given the hard discount model, the trade union in the company is treated as an unwanted interference in management's unilateralism, obstructing the deployment of the most 'efficient' working practices. There is no company collective agreement.

Being a greenfield investment, there was no trade union legacy in Disco and, until 2018, all attempts by SDTS to establish a union organisation failed. However, after more than 10 years of operations in Slovenia, one was established by a store manager although it only achieved a membership of around 20. Company management never recognised the union and, despite numerous attempts, the union president never managed to establish dialogue with higher management (Interview 2.5). In a conversation with the union president, one district manager even referred to the union as ‘something she does in her leisure time which does not concern the company’ (Interview 2.6). In late 2019, management put pressure on the president by scanning her work in search of mistakes and fired her in early March 2020.

Although management is not legally permitted explicitly to forbid workers from joining a union, it does everything in its power to discourage them. In an attempt to bypass the union, a ‘social worker’ from the human resource department has been appointed in order to deal with employees’ complaints and concerns; management regularly removes union application forms from the staff kitchen; when union activists wait for workers outside stores in order to contact them after work, management complains to SDTS about alleged employee harassment; and management has never replied to any of the written suggestions and complaints from the union, passing the email directly to a hired law firm that always denies any wrongdoing but demands from the union the names of the individuals making complaints.

Thus, in the case of Disco a transfer of practices from the home country did occur – German hard discount chains are notorious for their hostility towards trade unions (Hamann 2006; Geppert et al. 2015) – bringing industrial relations standards which were much lower than those established in Slovenia.

Faced with an MNC which was resisting unionisation, SDTS abandoned its traditionally cooperative strategy in favour of a more adversarial stance towards the company while, in relation to workers, it combined its servicing approach with several elements of organising and coalition building. Organising deskilled shop assistants with low union density and lacking institutional support besides those provided by legislation and the sector collective agreement, the trade union could not count on structural, associational or institutional power resources. It had to make the best of organisational power by involving members and trying to borrow resources from the community.

Facing growing pressure from management, in late 2019 the president of the union in the company entered a coalition with a small socialist organisation, Center za družbeno raziskovanje (Cedra; Centre for Social Research) which was able to deliver a research and campaigning capacity with people trained in union organising (Interview 2.15). A two-pronged approach was adopted.

First, a public campaign to defend the president was prepared and carried out during Covid-19 lockdowns. The campaign aimed at exposing the hard discount business model using an online petition which was signed by several thousand people; and it also sent public letters of solidarity from the sector union and various organisations to the company demanding the president’s reinstatement. The union obtained additional

visibility by participating in the campaign against Sunday working in retail launched by SDTS in spring 2020.

Second, an organising approach was adopted. Two workshops with union members financed by SDTS were arranged where members were introduced to mapping techniques⁷ and urged to approach their colleagues in the stores to unionise them. A committee comprising the most active members from various stores was established and held meetings every few weeks. Activists made periodic calls to selected members in every store in order to check on the recruitment process. A communications channel – a chat application similar to those used by workers and management in the stores – was established and all union members were added. Here a lively debate on virtually every aspect of trade union organisation and politics takes place, affording members access to information and giving them a voice in union related matters.

The public campaign did not achieve its ultimate goal as the union president remained dismissed, but it gave an additional boost to the organising campaign by enabling employees to identify with the grievances voiced by the union and by showing them that change is possible, as for example in the successful campaign against Sunday working. By May 2020, union membership had increased from 1 per cent to 3 per cent of employees which was considered quite a success in view of the Covid-19 lockdown and the prior sacking of the president that had been intended to intimidate workers.

Researching working conditions through interviews and surveys of workers, with the results presented to members, strengthened internal cohesion. Some potential members that anonymously attended teleconferences presenting the research results later joined the union. The research results also enabled the union to formulate demands to management. While the company rejected most of the claims, management did issue written guidelines on the issue of working time registration according to which preparation for work was to count as working time. This was in line with the union's demand and was presented to potential and actual members as proof of the union's effectiveness. The union also successfully attacked the company's practice of sending workers home before the end of a shift when sales are low in order to achieve daily productivity targets without counting the scheduled hours as if they had actually been worked. This constitutes a breach of Slovene labour law.

In the first half of 2021 the union established a coalition with the environmental movement, taking an active part in a campaign against a water regulation law proposed by the government that was subsequently rejected by a large margin in a referendum. During the campaign the union gained visibility as it was criticised by media close to the right-wing government (with one article being re-tweeted by then Prime Minister Janez Janša himself) as well as by a lawyer hired by Disco (a notable liberal opponent of the government). Both castigated the union for transcending the narrow focus on wages and working conditions. In response, the environmental movement rallied behind the

7. Mapping techniques consist of listing workers in the workplace targeted for unionisation and rating them in advance of recruitment in terms of their propensity to become members with special emphasis on those that enjoy the respect of their colleagues (Blyton and Turnbull 2004: 131).

union, with many activists joining efforts to recruit union members by approaching employees as they left work at the end of the evening shift. These ‘evening actions’ brought some new members and many new contacts among workers that were later approached personally and persuaded to join.

The union actively uses social media in order to communicate with potential members, personally approaching those who like the union’s posts. The impact of a social media presence was revealed in the second half of 2021 when management offered workers annexes to their contracts of employment for a temporary increase in hours; the union criticised this in its channels on the grounds of the lower hourly rate, prompting workers to refuse the company’s offer. This occasioned the first direct contact between company headquarters and the new union president, as two employees from the HR department turned up in her store for a discussion about employment issues.

The case of Disco is not only about a transfer to the host country of a model hostile to trade unionism, which it undoubtedly is, but also a case of a shift from a cooperative to an adversarial trade union strategy, combined with organising, when traditional approaches prove unviable. It also demonstrates extensive use of borrowed resources in the face of a lack of structural, associational and institutional power resources. The outcomes of these strategies remain an open question, as collective bargaining and formal union recognition have yet to be won while working conditions do seem poorer than in traditional retailers, especially in regard to work intensity, health and safety issues and the harsh discipline. However, membership had increased to 7-8 per cent of employees by March 2022 despite high levels of labour turnover. With members’ enthusiasm fuelled by gains readily acknowledged as small, the union strategy does seem to be bringing results.

4. The automotive and metal and electrical equipment sector

This sector employed an estimated 35 000 employees in 2019 (GIZ ACS and GZS 2020), 80 per cent of whom are either on standard contracts of employment or are full-time permanent agency workers.⁸ Average wages were around 93 per cent of the average national wage.⁹ As shown in Tables 1.1 and 1.2, the share of MNCs in value added has risen, from 41.8 per cent in 2008 to 72.8 per cent in 2018, while their share of employment has increased, from 38.5 per cent to 71.5 per cent. Productivity and wages were only slightly higher in MNCs in 2019.

The largest trade union organising the sector is Sindikat kovinske in elektroindustrije Slovenije (SKEI; Trade Union of Metal and Electrical Workers of Slovenia), which claims official representativity in each of the three subsectors of metal, metal materials and foundries, and the electronics and electrical equipment industry. Employers are organised mainly by GZS and ZDS. Union density across the sector is stable, probably between 25 and 30 per cent, but somewhat lower in motor vehicle production.

8. SURS, <https://pxweb.stat.si/SiStat/sl>, available upon request.

9. SURS, <https://pxweb.stat.si/SiStatData/pxweb/sl/Data/-/0701011S.px>

The sector is covered by three collective agreements, one in each of the sub-sectors listed above, and with the extension mechanism applied in all. The agreements cover pay and a range of conditions, including in this case some regulation of non-standard employment. They appear more favourable to workers than the agreement for the trade sector, but they also provide employers with greater flexibility, notably with respect to working time. According to SKEI's main negotiator, more than half of unionised companies have reached company collective agreements.

There are no important differences between domestic and foreign-owned companies in terms of their relations with company trade unions, according to the president of SKEI (Interview 2.13 and 2.14). The most important factor influencing unionisation is mode of entry as greenfield sites appear much more difficult to unionise compared to retaining union organisation in brownfield investments, which is the more frequent mode of entry. Foreign MNCs do appear more willing to enter collective bargaining at company level, especially those coming from the German-speaking area, although this may be due to them being simply larger than domestic companies. However, she categorically rejects the suggestion that Slovene managers are in any way defenders of social dialogue or that domestic ownership is in any respect more favourable to trade unions. Both domestic and foreign-owned companies alike are keen to devolve an increasing number of provisions to company collective bargaining. Finally, inducing competition for investment and playing off workers in one location against those in another does not constitute an important factor. MNCs might threaten the relocation of production, but the representative is convinced that succumbing to such threats of ceasing operations only slows down economic development and wage growth:

I think that we are, in a way, gradually growing up in this area. Of course, the fear is always present and at the end of the day it turns out that [wages] are a factor [in MNCs' decisions]. But maybe it is sometimes better if they leave sooner rather than later. Because in this way they make room for others that may be better. (Interview 2.14)

The leadership of the sector union believes that there is a commonality of interest with employers, including foreign MNCs, and it has therefore adopted a strictly cooperative strategy. Typically, the process of the establishment of a trade union within a company starts with a call by a disgruntled employee. A meeting with workers follows and, if there is consensus about organising a union, a representative of the sector union contacts the company, arranges an interview and explains that a trade union is going to be established, trying to persuade management that it is in the best interest of both sides that everything runs as smoothly as possible. Management rarely resists unionisation. Hence, collective bargaining and social dialogue are the instruments of choice when dealing with employers. Notwithstanding the cooperative approach, the union is able to mobilise its membership when needed: trade unions in the sector recorded the highest level of strike activity in the Slovenian private economy during the 2009-2018 period, with SKEI being one of the few trade unions able to carry out a successful sector-wide strike after 2009 (Žunec 2019: 25 and 29-30).

When dealing with European MNCs, SKEI often uses contacts with trade unions in the home country, but mostly to enable the union to obtain information on financial conditions and on trends across the MNC during collective bargaining rather than as a means of pressurising headquarters. Media pressure in the host country and direct contacts with headquarters may also be used, but are not particularly important.

The union bases its strategy in relation to workers on the servicing model, especially in supporting individual members in their relations with management and in ensuring compliance with laws and collective agreements. Litigation and legal assistance are important instruments. Other services include loans at reduced interest rates and various consumer-oriented benefits, plus union-organised sports events such as fishing and football tournaments. Despite being able to mobilise the membership for industrial action when needed, SKEI does not appear to adopt an active organising approach.

4.1 Appliproduct – home appliances producer

Appliproduct is a producer of home appliances but two of the company's subsidiaries – producers of tools and industrial equipment – form part of the Slovene automotive and mobility cluster. As an employer the company is of immense importance to the local community and is a major exporter from Slovenia. It has long been considered a role model and as a trendsetter in industrial relations, such as in 2009 when a spontaneous strike broke out with a final settlement that induced a very similar increase in the national minimum wage a few months later. Appliproduct employs around 10 000 workers across Europe, including some 6000 in Slovenia.

After experiencing deep troubles for some years, the company, which used to be one of the largest MNCs headquartered in Slovenia, was sold in 2018 to a Chinese owned MNC with tens of thousands of employees around the world. On the part of the buyer the motivation for the takeover was probably access to the European market, expansion of the product range and access to technology. The company was also strong in innovative design; R&D remains concentrated in Slovenia and was even expanded in 2020 when Appliproduct became the MNC's R&D centre for cooking appliances and washing machines. Nevertheless, the new owners brought an increased reliance on non-standard, mainly fixed term, contracts and announced redundancies of around 1000 workers in early 2020. There was also a notable increase in the intensity of production after the takeover with a sharp increase in physical productivity.

Being a brownfield investment in a company with highly-developed industrial relations, the new management accepted the trade union and collective bargaining from the outset but had less understanding of the works council:

We found it difficult to explain to them about the works council. [...] They said: Yes, you have some kind of socialism and self-management. But we replied: No, we have worker participation. (Interview 2.10)

Management has never objected to the works council's existence, although foreign managers rarely attend the meetings where sharp exchanges sometimes take place between worker representatives and management. The president of the trade union has no problem accessing the director of the company, although relations with management are now more business-like and less consensus-based than under domestic ownership.

The structures of employee representation have undergone substantial changes following the takeover. With integration into the MNC's European operations, the existing European Works Council (EWC) was disbanded and a new one covering the wider group has yet to be established. The legal status of Appliproduct was also changed from a joint stock to a limited liability company, which meant abolishing the supervisory board that used to include employee representatives, depriving workers of an important channel of representation.¹⁰ The worker director retained his position after the takeover, but his influence was weaker without the support mechanism of employee representatives on the supervisory board. Furthermore, he retired in 2021 and management does not seem at all keen on engaging a replacement. All these changes have substantially reduced the flow of information to the trade union.

Under the new owners there has been a notable shift in approach from consensus-based relations to ones marked by managerial unilateralism. The redundancies announced in March 2020 were opposed and eventually deflected (see below), while threats of relocation are ever-present but do not seem to play a major part. The new management tried to increase the share of variable pay, unilaterally imposing a performance-related pay scheme despite the union's opposition. However, the scheme backfired as even those workers that financially benefited from it refused to have anything to do with it, claiming that it was unfair.

After these failures of unilateralism, it seems that management has begun to accept the role of the union as a negotiating partner which confers a certain legitimacy on the measures they agree. Despite greater difficulty in reaching a collective agreement, the inherited labour standards remain largely intact while the wages of the lowest-paid and workers with skill profiles which are in short supply are regularly negotiated to reflect increases in the minimum wage and to reduce turnover.

The overall strategy of the trade union in Appliproduct towards management remains largely cooperative as company survival and success is still seen as an important shared objective. Despite the change in relations with management, the union views the takeover positively, as a factor stabilising the company's financial position. The union often presents its demands as consistent with the company's objectives, for instance by emphasising the loyalty of long-serving employees when arguing against fixed term contracts.

10. The legislation provides a certain number of seats for workers' representatives at board level in shareholding companies (both two-tier structure and those with a single board structure), but not in those with limited liability. In both shareholding and limited liability companies with more than 500 employees, the works council can propose a worker representative on the management board (worker director) who is then appointed by the supervisory board (in companies with a two-tier structure); or one of the executive directors who is then appointed by the board (in companies with a single board structure).

When faced with managerial unilateralism, the union could have tried to turn to a more adversarial approach, but mobilising workers proved difficult with the increased share of workers on non-standard contracts and after the announcement of redundancies in 2020. Instead, the union used its institutional power resources through the worker director and the union-controlled works council, which has a statutory role in collective redundancy procedures, and was able to stall the process. Finally, with its diminished capability to mobilise workers the trade union increasingly turned to borrowed resources, building a coalition with the local community for protest action, including the local press, to put pressure on management and expose the company to bad publicity. As the union president admits:

I have been the president of the trade union since 2009. But now, since [the new owner] and all this started to happen, I am getting much more involved with the local community than before. (Interview 2.10)

The combination of procedural devices, media campaigns and protest was eventually successful in preventing the layoffs as it bought enough time until demand for the company's products had picked up, forcing management to abandon the plans for collective redundancies.

International contacts do exist, mostly within IndustriALL Europe, and could potentially turn useful but are kept as a weapon of last resort. In relations with the membership the union retains a predominantly servicing strategy. A large part of membership recruitment used to take place at worker assemblies although these were discontinued during the Covid-19 pandemic.

To summarise, the takeover has tested the power of the trade union in Appliproduct. Faced with a sharp turn from a long tradition of consensus-based relations to management unilateralism the union found itself ill-prepared, but nevertheless managed to use institutional resources with a degree of flexibility, combining them with borrowed resources afforded by the local community. Resilience has paid off and the union has been able to preserve most labour standards while, after some failures, the new management has come to realise the value of having a collective representation of workers with which to negotiate. The weakest link seems to be the union's approach to members as, in the absence of established routes for membership recruitment, even the advantage of a large workplace in what used to be a stronghold of trade unionism has proven to be no barrier to a gradual decline in the density rate.

4.2 Autosup – the automotive supplier

This company has been owned by various state managed funds, including the 'bad bank', and was one of the companies listed for privatisation in 2013. Producing electrical equipment for automotives and other industrial sectors, the company had long-term contracts with several producers of industrial vehicles and was developing its own automotive programme. Its exports reach some 97 per cent of production. It was bought in 2014 by a German-based supplier of auto components employing almost

100 000 workers. With some 1500 people at home and another 1000 abroad before the takeover, Autosup has always been of great significance to the regional economy.

Even before the takeover the company had a strong R&D department in which it had invested heavily and where some 8 per cent of all its workforce in Slovenia was employed. Five years after the takeover, employment at sites in the country had expanded by one-third, reaching approximately 2000 workers, while the R&D department had expanded even faster, to around 300 workers, constituting some 15 per cent of total employment. The Slovene site became one of fifteen major R&D centres in the MNC. For the acquiring company, the takeover therefore meant access to cheap but highly skilled professional labour as well as production facilities.

After the takeover some production was transferred from Austria, taking advantage of lower wages in Slovenia but arousing resentment and fears from the local management that the new owner would turn it into a low-cost production operation. In fact, there was increasing worker discontent over wages, the starting level of which lagged behind a relatively fast growth in the statutory minimum wage, placing an increasingly large share of workers on the minimum. In addition, as the company sought to attract engineers in a tightening labour market with high starting salaries, seniority differentials were eroded, arousing resentment among senior engineers. The trade union thus demanded a new wage payment system.

Before the takeover, Slovene managers worked hand-in-hand on the new payment system with the trade union which was in any case deeply involved in the everyday operations of the company and the regulation of working processes (Interview 2.11). Similar to Tradiret, the foreign buyer agreed before the takeover to the binding commitments demanded by the union regarding social issues and the development of the company in the five years following the takeover, while the new management was also reported as being very open towards the trade union.

However, the new wage payment system proved to be an immediate stumbling block: the negotiated system would have set the lowest starting wage at the level of the minimum wage while the pay structure would be compressed in order to keep the resulting increase in the total wage bill to 8-12 per cent. Senior management regarded this as unacceptably high and decided to pull out of the negotiations and adopt a hostile approach towards worker representatives in place of the previous cooperative one.

Accusing the trade union of destructive behaviour by striving to increase costs beyond any level that was reasonable, the flow of information to the union dried up overnight. This followed a change in the shareholding structure to a limited liability company that took place soon after the takeover and which meant the abolition of the supervisory board, stripping workers of an important source of information and influence. The established practice of a union seminar for new hires taking place after the mandatory health and safety training, which presented the single most important channel for the union's recruitment, was discontinued. Finally, management tried tactically to divide workers' representatives by refusing to hold joint sessions between the trade union and the works council, retaining cooperation with the latter and trying to isolate the former.

Management also tried to take control of the works council although elections to this body, carried out by postal ballot due to the pandemic, failed to reach the requisite quorum. Workers' representatives were also frequently reminded about the possibility of the relocation of production but, being aware of the MNC's investment plans and labour shortages in Slovenia, they largely ignored these threats.

The growing conflict was eventually resolved after industrial action. After management pulled out of negotiations and started to put pressure on workers' representatives, the latter first responded with a media campaign and by directly contacting company headquarters with a letter signed by a large number of workers. This enraged local management. Once the trade union realised that management was not willing to consent to the new wage pay system, it called a warning strike, demanding an across-the-board increase of 15 per cent, a substantial increase in holiday bonus and the return of annual leave entitlement that management had denied during the conflict.

The warning strike was hugely successful. Management agreed to virtually all of the union's demands (with the exception of wages that were increased by 5 per cent in 2021 and by another 5 per cent plus inflation in 2022) and changed its approach once again. The flow of information from management to the union resumed and the latter revived work on the new wage payment system in cooperation with the HR department. A local manager with competence in the area of social dialogue was appointed to the management board while the head of the HR department was replaced with one more attuned to cooperation and who seems to perceive the union as a partner in her efforts to reduce labour turnover. Finally, new regulations on working time and on annual leave, as demanded by the union, were agreed. In sum, relations improved substantially.

Despite the conflict, the trade union has adopted a thoroughly cooperative strategy in its approach to management as it is oriented towards the company's development and its market success, prioritising its long-standing role as a provider of valuable input from a worker standpoint and in facilitating work processes. Even the contentious issue of the wage payment system had been formulated as a means to reduce turnover among highly skilled professional staff. Also, the union did not hesitate to sign an agreement on shorter working hours with a corresponding reduction in wages in order to support the company during the pandemic.

Such a cooperative approach by the trade union has, however, been adopted from a position of strength. The main power resources at the union's disposal are structural power, due to the large share of highly skilled workers coupled with a tight labour market for engineers, and considerable associational power and organisational power, as the strike has amply demonstrated. Underpinned by these resources, the union relies on traditional instruments of collective bargaining and social dialogue, but it readily resorts to mobilisation when needed:

The difference is noticeable. Obviously, the new team failed to detect that the union has such power and influence and this warning strike gave them a cold shower. (Interview 2.12)

The trade union used its international contacts to gather information on the foreign buyer when the company became shortlisted as a potential new owner but, after the takeover, borrowed resources – that is, international contacts via the EWC – have not played a particularly prominent role. The EWC is important in the view of representatives mostly because it allows the local trade union direct contact with headquarters, bypassing local management.

However, the union's approach to the membership could be a source of longer-term problems. The strategy relies largely on a servicing model with the most important services being the organisation of various events, sports and legal assistance. According to representatives, members also appreciate the ability to influence the internal bylaws of the company that regulate work-related issues. With few new members and an ageing membership, union density in Autosup has declined. Reliance on employer-granted access to the means of recruitment, here as in many Slovene companies, might turn out to be a significant liability in the case of protracted conflicts in the event of which the union would have to invent a more self-reliant approach to recruitment.

5. Discussion and conclusions

The cases presented above show that the arrival of MNCs has had a substantial impact on industrial relations in Slovenia. The picture is one of foreign ownership bringing major upheavals in the established pattern of Slovene industrial relations alongside attempts at the realignment of power relations in favour of capital and management. These can, to a certain extent, be countered by changes in trade union strategies.

The most visible changes relate to the institutional area. Even though in most of the case studies the existence of trade unions and the presence of collective bargaining within companies were accepted by the foreign owners, the established institutional arrangements were upset in three out of four of them: supervisory boards which had reserved seats for worker representatives were abolished; the EWC of one Slovene MNC was disbanded; there were attempts to substitute the trade union with the works council; and breaches of formal law and/or collective agreements also occurred. Beside changes to narrowly understood institutions, efforts to reshape the balance of power have taken various forms from outright union busting by ignoring its existence, preventing recruitment and dismissing the union leader (Disco); enlarging the share of non-standard employment and making threats of major redundancies (Appliprod); and disrupting established channels of recruitment, curtailing information and attempting to co-opt and take over the works council (Autosup). Interestingly, however, in neither of the two manufacturing plants have threats of relocation played a major role in all this.

Furthermore, it is important to note that the transfer of industrial relations practices from western Europe is not necessarily favourable to the power of trade unions in Slovenia, as illustrated by our two cases of German MNCs. In the case of Disco the transfer brought substantially lower labour standards than those prevailing in the Slovene retail sector, while the attempt to substitute the trade union with the works council in the case of Autosup was obviously a bid to outmanoeuvre the union.

How are unions responding to these attempts and are they successful in overcoming the challenges? As our case studies show, when faced with management's bids to reshape internal relations, traditionally cooperative trade unions have added a more adversarial string to their bow, mobilising various resources and deploying a wide array of instruments. Based on our case studies, we are able to propose a few hypotheses on the factors that influence trade union success in foreign MNCs.

Institutional power resources, defined either as 'social compromises that were agreed upon in the past' (Dörre et al. 2009: 37) or the 'legacy' of union existence and collective bargaining in brownfield investments, appear the single most important element in trade union presence and collective bargaining practice. As suggested by most sector trade union representatives, foreign MNCs tend to accept these two basic institutions of industrial relations in Slovenia. But, as shown in Appliproduct, while legacy may help, it is no guarantor of improvements.

The most effective instrument enabling unions to achieve tangible results through collective bargaining seems to be mobilisation which, however, may require abundant organisational and/or structural power resources. This is most clearly visible in the case of Autosup. Here, the union was able to resolve the conflict, increase wages and holiday pay and force management to cooperate with the union by mobilising members, despite its attempt to scale down the structures of employee representation (institutional power) and to sideline the union.

Apart from the mere existence of unions and collective agreements, institutional power resources matter because unions can rely on them to defend the gains achieved and improve working conditions. Tradiret provides a clear case of institutional power which was not challenged by management and which enabled the union to improve working conditions. The trade union in Appliproduct made ample use of institutional arrangements to delay collective redundancies for several months until demand had picked up, after which the plans for redundancies were scrapped. Furthermore, the company's management eventually realised the drawbacks of managerial unilateralism. Another example is Disco, where the identification of breaches of labour legislation and the sector collective agreement (institutional power) helped the union force the company into compliance which was, in turn, used as proof of union effectiveness. Another important aspect of the institutional environment is the minimum wage which increased by almost 15 per cent between 2020 and 2022, encouraging unions to bargain for wage increases in Tradiret, Appliproduct and Autosup.

Where basic power resources (structural, associational, organisational and institutional) are found lacking or inadequate, a combination of what does exist and borrowed resources may help. The cases of Appliproduct and, to an even larger extent, Disco are good examples of such alternative approaches as both unions entered coalitions, with the latter transcending traditional concerns with wages and working conditions. That paid off handsomely in terms of visibility and support from other movements. In line with our expectations, the use of borrowed resources also implies changes in the instruments deployed – media campaigns and the use of a political discourse appear much more

prominent in Appliproduct and Disco than in Tradiret and Autosup where more traditional instruments were able to bring results.

Somewhat surprisingly, although most of the trade unions in our case studies have many international contacts, they do not seem to expect much from them and rather rely on local resources that appear to continue to be sufficiently effective.

The employment of organising instruments seems to be of crucial importance for the long-term viability of Slovene trade unions. Servicing alone seems insufficient for retaining an adequate membership base while reliance on employer-granted access to prospective membership makes unions vulnerable to employer sanctions. The failures of trade unions in Autosup, Appliproduct and Tradiret to increase membership seem to point to troubles in membership recruitment even when unions are able to deliver relatively large gains from collective bargaining as well as provide a wide array of services. On the other hand, the trade union in Disco has been able to make significant progress by investing heavily in organising tactics in a hostile environment and by achieving superficially rather modest gains in terms of employer concessions.

Finally, structural power in the form of tight labour markets and scarce skills obviously matters as indicated by the shift to permanent contracts in Tradiret; by the sheer mobilising capacity of a trade union organising a site with a large share of disgruntled professional labour alongside a strong R&D department in Autosup; and by trade unions' ability to negotiate improvements in the wages of those whose skill profiles are in short supply in Appliproduct. It remains open, however, whether these gains can be sustained during the hard times of economic downturn.

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All links were checked on 03.10.2022.

Annex

List of interviews and communications

ID	Position / organisation	Sector / level	Date of interview
Interview 2.1	Worker representative, Tradiret	Retail / company	March 2016
Interview 2.2	Worker representative, Tradiret	Retail / company	February 2020
Interview 2.3	Management representative	Retail / company	June 2020
Interview 2.4	Worker representative, Disco	Retail / company	December 2018
Interview 2.5	Worker representative, Disco	Retail / company	November 2019
Interview 2.6	Worker representative, Disco	Retail / company	2020-2022 (personal communication)
Interview 2.7	Worker representative, Disco	Retail / company	2021-2022 (personal communication)
Interview 2.8	Trade union representative	Retail / national	January 2018
Interview 2.9	Trade union representative	Retail / national	December 2021
Interview 2.10	Worker representative, Appliprod	Automotive and metal / company	October 2021
Interview 2.11	Worker representatives, Autosup	Automotive and metal / company	September 2021
Interview 2.12	Worker representative, Autosup	Automotive and metal / company	January 2022
Interview 2.13	Trade union representative	Automotive and metal / national	January 2018
Interview 2.14	Trade union representative	Automotive and metal / national	July 2021
Interview 2.15	Cedra activists	National	August 2021

Note: Some interviews were conducted as part of the SEGNET project funded by the Slovenian Research Agency (J5-9335).

Chapter 3

Czechia: Persistence of social dialogue in the face of multinationals' reluctance

Adam Šumichrast and Monika Martišková

1. Introduction

Foreign direct investment (FDI) was supported by governments as the major driver of economic development in the countries of central and eastern Europe, including Czechia, by the early 2000s (Pavlínek et al. 2017). The policies of that era mostly focused on competitive bidding and creating a legal framework favourable to foreign investors such as offering corporate tax concessions and changing labour regulations to reduce the level of employee protection (Bellak et al. 2008; Drahokoupil 2008). Major investments were further supported by the local financing of related infrastructure in industrial zones, including roads and highways, as well as in residential areas. Most of the inward investment went into greenfield projects for the low value-added parts of production processes, notably assembly, taking advantage of comparatively low labour costs, proximity to large markets and state-provided incentives, although many other investments took the form of a takeover of former state-owned companies.

In 2019, 28.4 per cent of Czech employment in the business sector was in foreign-owned companies, one of the highest figures among EU member states. Investments by foreign capital went primarily into banking and financial services (28.3 per cent of investments) and industry (27.1 per cent), followed by retail (12.2 per cent); the rest was formed by various services related to real estate, consultancy, finance and IT.¹

The high share of foreign ownership in the Czech economy has led to its description as a 'dependent market economy'. It benefits, however, from integration into global production networks with some production that is relatively sophisticated (Pula 2018). Companies also invest in R&D in Czechia more frequently than in other central and east European countries. However, even with a degree of upgrading, working conditions and wages are below those of comparable workers in 'multinational companies' (MNCs) home countries and remain similar to those of workers elsewhere in central and eastern Europe.

The significant and persistent difference in working conditions between home and host countries has led some researchers to hypothesise that companies relocate from west European countries to escape high labour standards at home, entering central and eastern Europe because of considerably lower labour standards as well as lower labour costs. Jürgens and Krzywdzinski (2009) framed this debate as 'high road' and 'low road' models but argued that, in terms of the labour experience, central and east

1. https://www.cnb.cz/export/sites/cnb/cs/statistika/platebni_balance_stat/publikace_pb/pzi/PZI_2020_CZ.pdf

European countries amounted to a partial high road model due to the high degree of employment security for core employees but at the expense of the flexibilisation of short-term contracts at the margin, leading to a dualisation of working conditions. ‘Regime flight’ was thus not confirmed. On the other hand, Pavlínek (2018) found that cost-cutting reasons were the major driver of investment decisions to relocate to Slovakia, confirming a competitiveness model for central and east European countries based on low labour costs.

However, the literature also points to diversity in employee-employer relations resulting in differing levels of working conditions. This suggests that national institutional frameworks and labour protection legislation, the degree of technological development in production and the strength of trade unions are the most important factors (Krzywdzinski 2017). For central and east European countries it is also important to acknowledge the employment structure which is significantly skewed towards manual worker positions with lower bargaining power and lower wages. A low trade union membership base and limited collective bargaining coverage can only partially contribute to the improvement of working conditions.

This chapter follows the development of labour relations in the subsidiaries of MNCs in the automotive and retail sectors in Czechia, illustrated by two case studies in each sector. The company perspective makes it possible to study the intersection of intra- and inter-firm relations against the background of the institutional setting and the position of the sector in the economy (Kahancová 2007). In following trade unions’ interaction with management, and with their counterparts abroad, the aim is to understand the strategies by which trade unions establish social dialogue in the local subsidiaries of MNCs and advance working conditions. The evidence is based on in-depth interviews with trade union representatives at company level, desk research into specific cases and statistical data on the extent and nature of MNCs’ presence in Czechia.

2. Employment relations in Czech multinationals

Industrial and employment relations are formed by the practices of parent companies, the position of subsidiaries in value chains and the local institutional setting (Kahancová 2007; Drahekoupil et al. 2015). In what follows we briefly introduce MNCs’ practices in Czechia before moving on to the institutional setting which shapes industrial relations in the country.

In most sectors in which MNCs operate, they offer relatively stable and well-paid jobs, at least in the context of the region or specific locality, especially to their core workers. MNCs are, however, known to make extensive use of flexible work arrangements in the form of high levels of overtime, heavy workloads and high levels of work intensity (Čaněk 2016; Drahekoupil et al. 2016). Home country practices are the most significant driver of adversarial employee relationships in Asian companies, as demonstrated in the literature on the examples of the South Korean companies Kia and Hyundai (Martišková and Uhlerová 2016; Drahekoupil et al. 2015) and also Japan’s Suzuki and the Taiwanese firm Foxconn (Čaněk 2016). On the other hand, cooperative industrial

relations are brought mostly from European countries such as Germany and France. Volkswagen, the owner of the car producer Škoda, is regarded as the flagship example of cooperative relations with trade unions with the latter also being strengthened by high membership levels (Drahokoupil et al. 2015). Nevertheless, there have been exceptions, such as the German company Robert Bosch, which tried to prevent trade unions being formed in 2001, and Lidl. Lidl was still actively discouraging the formation of a trade union in Czechia in 2022.

According to the OECD database, trade union density oscillates around 11 per cent while collective bargaining coverage fell from 47 per cent in 1995 to 33 per cent in 2020.² Collective bargaining in Czechia is primarily decentralised so that negotiating improvements in working conditions is carried out at company level. This contributes to heterogenous results among companies and may lead to different wages and working conditions even at different sites within one MNC where each is individually responsible for collective bargaining. This decentralisation of collective bargaining causes difficulties in terms of the trade union coordination of wage increases and advances in working conditions (Martišková et al. 2021). Coordination at sector level is legally supported but carried out only in some, such as in construction and in retail. Even then, the negotiated terms do not significantly differ from what is set out in the legislation.

Only three employees are required to set up a trade union organisation and to start collective bargaining. This increases the chances of trade unions being established but it can also undermine their credibility (Drahokoupil et al. 2015), even facilitating the establishment of organisations demanding the right to participate in collective bargaining and to receive information despite not representing significant numbers of employees in a given company. Collective bargaining can, by law, only improve working conditions relative to the stipulated legal minima; downwards derogation is not permitted. This has encouraged trade unions to push for strong protection through national legislation, taking advantage of their political contacts. This can be seen as compensating for low collective bargaining coverage and is welcomed in both low wage (retail) and high wage (automotive) sectors alike (Martišková et al. 2021). This serves to limit the potential space for collective bargaining and thereby arguably contributes to a decrease in coverage rates.

After 1989 a number of trade union confederations emerged, with the dominant one becoming Českomoravská konfederace odborových svazů (ČMKOS; the Czech and Moravian Confederation of Trade Unions). This represented almost 300 000 members in 2022, around 70 per cent of all trade union members. Further fragmentation of the trade union movement, resulting from differing views on ČMKOS's internal functioning, led to the establishment of Asociace samostatných odborů (ASO; Association of Independent Trade Unions) in 1995, creating the second largest confederation in Czechia. ASO claimed around 80 000 members in 2018. Both organisations include affiliates active in the automotive and retail sectors.

2. <https://www.oecd.org/employment/ictwss-database.htm>

3. The automotive sector

The automotive sector contributes around 9 per cent of Czech GDP. Production rose from 197 000 cars in 1991 to over 1.4 million prior to the Covid-19 pandemic while employment increased from 160 000 in 2009 to 236 000 in 2021.³ Consequently, passenger car production accounted for 4.6 per cent of total employment with a bias towards manual jobs.

Inward investment in the automotive sector started with privatisation by sale to foreign companies, notably that of the Škoda car manufacturer to the Volkswagen group in 1990 although the historic Czech brand name was continued. Greenfield investments, encouraged by various state incentives, came to the fore later including the arrival of Toyota-Peugeot-Citroen in Kolín in 2002 while South Korean Hyundai came to Nošovice in 2006. In 2014, a separate plant of Škoda in Kvasiny was refurbished to produce new SUVs, creating another 1500 jobs.

The level of labour skills and know-how has allowed for a functional upgrading of production sites, either towards more sophisticated production or even towards an R&D role. This has been the case mostly for tier one suppliers able to compete with other sites on price and, at the same time, raise the level of technology. This has helped convince investors to relocate more advanced production than originally planned, thus contributing to further FDI inflow in the form of reinvestments (Pavlínek et al. 2017).

The upgrading of suppliers in the industry has meant only partial improvements in working conditions, however. Wages are higher than the national average, in final producers (OEMs) exceeding the average wage by 60 per cent, although in suppliers the average wage in 2020 was only 10 per cent higher than the national average.⁴ Significant wage rises were reported between 2015 and 2020 as a result of labour shortages in the sector: this enabled trade unions and individual workers to demand better working conditions while there was also an increasing dependence on foreign workers who took up mostly manual vacancies.

Škoda accounts for 65 per cent of the production of Czech cars, spread over three factories – Mladá Boleslav (Škoda headquarters), Kvasiny and Vrchlabí – while its more than 33 000 employees make it the country's second largest private-sector employer. It has the largest union organisation and has generally played a key role in setting union agendas. However, the Škoda union split from the sector organisation in 2013 with reference to long-standing problems with the central office and the latter's refusal to meet the former's demands.⁵ Another reason for secession was the issue of affiliation fees which the Škoda union resented in view of its own success and hence powerful position (Myant 2020: 17). Trade unions do indeed have a unique position in Škoda Auto. Their chair, Jaroslav Povšík, is a member of the company's supervisory board. Alongside generally cooperative relations with management, Škoda trade unionists

3. Eurostat database, <https://ec.europa.eu/eurostat/data/database>, lfsa_egan22d.

4. <https://autosap.cz/wp-content/uploads/2021/07/prumerne-mzdy.png>

5. http://www.odborykovomb.cz/assets/File.ashx?id_org=200202&id_dokumenty=1129

have declared strike alerts⁶ on several occasions, staging actual strikes in 2008 and 2017.

Most trade unionists in the automotive sector are associated with the metal workers trade union Odborový svaz KOVO (OS KOVO), the largest sector level organisation in Czechia and which is affiliated to ČMKOS. The unionisation rate in the automotive industry hovers around 34 per cent, according to our own research, exceeding the average of 11 per cent for Czechia as a whole, although worker organisation decreases further down the supplier chain. As Table 3.1 shows, trade unions are present and bargaining takes place in all final producers. Collective agreements are reached in only 39 per cent of tier one suppliers; in tier two the share further decreases to 25 per cent; and it drops to only 4 per cent in tier three. Coverage rates are a little higher, reflecting trade unions being present mostly in the larger companies: around 57 per cent of employees working in tier one suppliers are covered by a collective agreement but this falls to 37 per cent in tier two and to only 5 per cent in tier three.

Employers are represented by AutoSAP, but this has a diverse membership, extending to universities and research centres. This diversity enabled AutoSAP to convince a court in 2020 that it should not participate in sectoral social dialogue. This followed a long-running dispute between OS KOVO and AutoSAP about collective bargaining during which the latter refused to start negotiations.

Table 3.1 Trade union presence and estimated coverage rates in the Czech automotive industry, 2016

	Number of employees	Number of companies	Number of companies with trade unions	Percentage of employees covered by a collective agreement (estimate)	Percentage of companies with a collective agreement
OEM	38 000	3	3	100	100
Tier 1	60 564	85	33	57	39
Tier 2	42 109	75	19	37	25
Tier 3	49 734	134	6	5	4
TOTAL	190 407	297	61	20	34

Note: The number of employees is based on individual company reports from 2016.

Source: Own calculations (based on a database of companies in the automotive industry provided by Ján Ženka in 2018).

In the following sub-sections, we introduce one case of a final producer and one of a supplier. The first case is the South Korean MNC Hyundai, known for its adversarial attitudes to trade unions; while the second outlines the more standard management-trade union relationship found in French-owned Valeo.

6. An announced intention to go on strike. The alert has no legal force, but it is a powerful tool for attracting media attention when there is a problem in collective bargaining.

3.1 Hyundai

The automotive plant of Hyundai Motor Manufacturing Czech, located in Nošovice in the north-east part of Czechia, is one of the largest greenfield foreign investments in the country with an initial investment of 34.4 billion koruna (1.3 billion euros). Production started in November 2008 and, by 2012, production capacity had reached 350 000 vehicles per year. It employs 3000 employees of whom 95 per cent are of Czech nationality. This is the only Hyundai plant in Europe although Kia, owned by the same company, has a production site close by in Slovakia.

A trade union was established in the company shortly after production started, but social dialogue was resisted by management which instead set up a works council with a consultative role but no powers to bargain collectively. Management was thereby able to avoid collective bargaining while still claiming to be in touch with employee representatives (KPK 2010). Thus, although the trade union was set up because of discontent over working conditions, management's first reaction was dismissive. As our interviewee expressed it, the response was: 'If you don't like it in here, go outside the gate, there are thousands of others waiting there; and if you are referring to some labour code and so on, it ends right there at the gate. Korean law applies here' (Interview 3.1).

The situation of the trade union changed in subsequent years, enabling regular social dialogue, thanks to two important factors. The first was an unofficial strike of employees in 2009 which forced management to enter dialogue and conclude a collective agreement, mostly in order to preserve peace in the company. The second factor was a change in the leadership of the trade union which contributed to an increase in membership and greater respect from managers when bargaining.

In December 2009, a year after the start of production, a short unofficial strike took place at the plant. The reason was dissatisfaction with unpredictable and unpaid overtime, workplace bullying and violations of the labour code. A small group of employees on assembly lines and on chassis production, acting quite independently of the trade union organisation, stopped the lines after their eight-hour shift in protest at being ordered to work another two hours overtime without prior agreement. Announcement of overtime at the last minute was common practice, at least from October 2009, and thus on 2 December lines were stopped by a relatively low number of workers – 400 out of a total of 2000 employees took part in the strike – but the domino effect paralysed production in several other sections (KPK 2010).

The strike lasted for one hour and, after discussion with management, it was agreed to start negotiation to prevent similar events in the future. Negotiations with management began on 4 December, involving the trade union in addition to the workers who had initiated the strike. The union announced a strike alert a few days later, ending on 15 December after an agreement was signed guaranteeing immunity for the initiators of the strike. It was also agreed that overtime would not be ordered 'to the same extent as before' and there was a promise 'to improve communication between the company and the union' (KPK 2010: 6). At the same time, the union agreed to oppose any unofficial work stoppages in the future.

The brief work stoppage was an exceptional event in the Czech automotive sector. It helped the trade union start negotiations with management but, in return, the union did rule out future unofficial protests in the company. The radical left interpretation was that the union had taken the opportunity to reach an agreement with management at the expense of a bold and explicit fight against capitalism (KPK 2010). From the point of view of the development of industrial relations, the event induced dialogue between management and worker representatives and helped establish collective bargaining over working conditions. However, as we shall see, the union remained for a long time a rather weak actor with a difficult relationship with management.

From the very beginning, the management side tried to limit the union role. The Koreans, aware of the militancy of unions at home, were afraid. Therefore, the narrative against unionised employees was that, if they were in the union, they were actually against the company (Interview 3.1). This pressure was more intensive for white collar employees in management positions and working as team leaders. As a result, in some cases, workers in exposed roles would conceal their membership from management. To this end, the Hyundai union organisation developed, alongside a system of membership dues being deducted by management under which membership is visible to the employer, an alternative system of direct payment by the member. Of the 1000 members in 2019, 201 were paying membership dues under this separate arrangement (Interview 3.1).

The union sought to provide members with various benefits in an effort to show that membership gave value for money. Collective bargaining was not seen as a sufficient advantage for the membership as agreements applied also to non-members. The union organisation therefore established a long list of unique benefits for members, such as offering beer after shifts in the summer or various discount vouchers for goods purchases. In response, management tended to shadow the perks provided by the union to undermine its position among employees. As an example, a cold drink was offered to all employees a week after the trade unions offered it to their members (Interview 3.1).

Nevertheless, union membership increased over time, contributing to an improved situation for the union. 'When we were 300 or 400 they used to tell us that we are only a club of dissatisfied employees but now, when we are 1000, we are no longer a recreational club but a trade union organisation worth bargaining with' (Interview 3.1). The main reason for the increase in membership is judged to be the increased activity and quality of the leadership.

Collective bargaining, taking place regularly, is aimed mostly at wage increases and other benefits. In the words of the representative we interviewed, negotiations are rather tough. Management accepts and applies the labour legislation and honours the benefits to employees agreed through collective bargaining, but it also exploits legislative loopholes where possible. As an example, the need for work injury compensation is not easy to identify and provide for, while legislative loopholes allow the company to minimise contributions to employees or even to deny that the workplace caused the health problems being complained of and, thereby, the compensation due to workers for the loss of work capability (Interview 3.1).

The capacity of the trade union is enhanced by provisions in the collective agreement allowing paid release for the entire union committee. The chair is released for four days per week while the vice-chair is released for two; the rest of the members of the committee have one day per month to be allocated to union activities. Given the size of the factory, this could be judged inadequate.

International contacts are limited to the South Korean companies operating in the region. The closest partner for Hyundai is Kia in Slovakia; thanks also to the proximity between the languages, collective bargaining is aided greatly by this mutual interaction and the rich information exchange that takes place. There was an effort by the Friedrich-Ebert-Stiftung to connect the various companies of Hyundai and Kia in Europe, Asia and North Africa. Management, fearing international trade union cooperation, tried to discourage participation in this (Interview 3.1). The Czech Hyundai trade union representative had felt that it was important to try to help sites with even poorer working conditions than those in the EU, but the initiative was not successful (Interview 3.1).

The Hyundai trade union is a part of a Hyundai/Kia network which has functioned since 2009 on the basis of support from IndustriALL. This has facilitated contacts with Korean counterparts which have proven useful when local management has claimed to be applying Korean management decisions over which it has no control.

We have a contact there [in South Korea] and if we learn something [from the management], we can write to them and they have the power, with their collective agreement, to learn whether it is true or whether our managers are only hiding behind Korean headquarters. (Interview 3.1)

Furthermore, ‘there is also an initiative to establish a global framework agreement on working standards for Hyundai-Kia, which would basically help trade unions in countries where working standards are low. It would not have a direct impact on us, however’ (Interview 3.1). This initiative builds on the ratification of ILO conventions ensuring minimal labour standards in all countries where the Korean MNC has its subsidiaries.⁷

Summarising, the trade union mostly uses legal provisions and collective bargaining to achieve improvements in working conditions, while strike activity was last reported in 2009 in the unique spontaneous strike organised by people outside the union. It is important for the union to have a reasonably large membership base to demonstrate strength to the employer, but it is also important to show a willingness for mutual cooperation rather than emphasise militancy. ‘When management learned they should not be afraid of us, we gained more’ (Interview 3.1).

This case study highlights the difficulties for trade unions confronting a hostile MNC. It also shows the importance of the domestic legal regulation of collective rights for employees. Management, despite hostility towards trade unions, finally agreed to regular

7. <https://www.industriall-union.org/industriall-hyundai-kia-trade-union-network-a-platform-for-global-solidarity>

social dialogue in line with the legal rules in Czechia. The strike in 2009 helped towards the development of a predominantly cooperative relationship between trade union and management. Although strict adherence to the law imposes such severe restrictions that basically prevent strikes, and although the organisers of the spontaneous strike opposed the agreement between the trade union and the management, claiming it was too collaborative, the event helped to establish social dialogue in the company. The Korean management remains hostile to the trade union but accepts local rules which give trade unions leverage to attain at least some improvements in working conditions.

Hyundai in Czechia thus falls under the heading of a management that has adapted to the legal framework they found in the host country, while remaining rather hostile towards worker representation.

3.2 Valeo

Valeo is a French-owned supplier to the automotive sector, operating in 33 countries in the world. It has established six sites in Czechia, producing car components and undertaking R&D, employing 4000 workers. In four of the six sites, trade unions operate and negotiate separate collective agreements. The Rakovník plant was built in 1994 close to electrotechnical companies which had been operating in the area from the mid-20th century. The site produces electronic equipment for cars, especially radios, but, in the last 20 years, production has upgraded from classic radios to multi-functional touchscreens. It employed 1700 employees in 2020. A trade union was set up in Rakovník right after the company started to operate; joining a union was natural for members of the former trade union organisations prior to the transformation and nor was it obstructed by the Czech managers who were running the new factory. To them, too, trade unions appeared normal for the company and employment relationships (Interview 3.2).

The first leadership was judged too cooperative with management by employees who were unhappy mostly about their treatment by supervisors and middle management. A new leader was elected who had been employed as a blue collar worker after previous experience in a management role elsewhere in Valeo. He took a blue collar job to de-stress and 'have a clear head' when coming home (Interview 3.2). Faced with what he saw as unreasonable demands for increased work intensity, he turned to the management, unexpectedly interrupting a meeting:

After this incident I was afraid they would fire me, but I had nothing to lose and what was at stake was more important. Surprisingly they [management] wanted to know what was happening because increased workload was not their direct decision. Evidently, the problem was among supervisors and middle-management who were treating people badly. (Interview 3.2)

Competent and capable of speaking out, he was elected head of the trade union in 2002 and continued in post at the time of our research in 2022.

Relations between the trade union and management have largely been cooperative with mutual interest in a good relationship. Nevertheless, two protest events have occurred in the history of the company. An unofficial strike took place in 2006 leading to a wage increase; and, in 2008, a strike alert was called in support of trade union demands for a wage rise despite the developing economic crisis.

In general, the budget for the specific site cannot be increased until it is approved by central management. Thus, if the trade union demand is not in line with the approved budget, managers either decide to fight the trade union claim or demand a budget increase from central management. In the case of the 2008 strike alert, trade unions had to convince the local managers that a wage increase was justified so that the management would, in turn, put pressure on the headquarters in France. In that year, wages increased by 12 per cent which was attributed both to trade union pressure and the personality of the trade union leader and his ability to negotiate.

Trade union membership has remained at around 250 members out of the 1700 employees. Members are mostly blue collar workers, of which there are 550 in the company. Union density at this level is therefore quite high, almost 50 per cent. The collective agreement covers all employees, including those in white collar roles. There are also regular monthly meetings with management and, if necessary, immediate contact with the HR department, confirming the willingness of the trade union to maintain a cooperative relationship. Although this may be perceived as weakness by some employees, no competing trade union has emerged.

The main links with trade unions from other countries are through the European Works Council (EWC). Czech unions in Valeo have one representative on the EWC representing all four trade union organisations operating at the six different sites. They appreciate access to information about corporate strategies and about the company's future plans but, in terms of problem solving, the EWC is not considered a place where they can bring issues forward: the most usual reaction is that it is a specific country problem and should be solved there (Interview 3.2). French trade unions are also judged to be non-supportive. For instance, a Czech trade unionist in Valeo attempted to become chair of the EWC but was not supported by the more numerous French colleagues (Interview 3.4).

This case study highlights two important factors determining the level of cooperation between management and trade unions. The first is the context of the establishment of, and management's initial stance towards, trade unions. Here, a mutual understanding of the role of trade unions on the part of employers and employees was crucial. The second is the attitude of the trade union leadership, meaning that protest actions are considered the very last option for advancing working conditions.

Collective bargaining has led to relatively decent wages, but working conditions otherwise remain rather difficult, as documented by the high turnover of employees.

The Rakovník site experienced functional upgrading in the shift of production from classic old-fashioned radios to high-tech touchscreens. For workers, this meant a

reduced number of manual jobs but it also increased the demand for precision. Despite the increasing numbers of technical employees, not many are trade union members, however, raising questions about the future of trade unionism in an upgraded company in which white collar workers do not see themselves as needing trade union representation.

4. The retail sector

The retail sector was underdeveloped in the pre-1990 centrally planned economy but grew rapidly after the subsequent transformation, attracting substantial FDI. Czechia became a pioneer among central and east European countries in terms of the retail chains appearing on the market in the 1990s (Dries et al. 2007: 230-231). Foreign acquisitions and greenfield investment have led to a situation in which almost all the leading retail chains are foreign-owned with only one-third of the market being in domestic hands: mostly smaller retail shops like Hruška or COOP. The dominant chains are from Germany, Netherlands and the UK (see Table 3.2). The most successful in terms of profitability are Lidl and Kaufland, which have the same owner. The number of employees in food retail exceeded 140 000 in 2019.⁸

Table 3.2 The 10 biggest supermarket retailers in Czechia, 2020

Name of chain	Owner	Country	Number of employees
Kaufland	Schwarz Gruppe	Germany	23 500
Albert	Ahold	Netherlands	20 000
COOP	46 consumer cooperatives	Czechia	13 000
Tesco	Tesco	Great Britain	8400
Lidl	Schwarz Gruppe	Germany	8300
Billa	REWE Group	Germany	6500
Penny Market	REWE Group	Germany	5800
Globus	Globus Hypermarket Holding	Germany	4900
Hruška	Hruška spol. s.r.o.	Czechia	3420
Makro	Metro AG	Germany	3345

Source: Company annual reports from 2021 (or most recent available), via Veřejný rejstřík a Sbirka listin (Register of Companies) of Ministerstvo spravedlnosti České republiky (Ministry of Justice) (<https://or.justice.cz/ias/ui/rejstrik>)

Wages in the sector are below the national average, especially for non-managerial and manual jobs. In 2021 the average wage of cashiers ranged from 18 to 36 000 koruna (720 to 1440 euros). Lidl reports the highest entry-level wages, at around 30 000 koruna; in other retail chains, reported entry-level wages are around 25 000 koruna.

8. Eurostat database <https://ec.europa.eu/eurostat/data/database>, sbs_na_dt_r2.

The wage increases announced in the 2021 collective bargaining round were between 3 and 5 per cent.⁹ The sector also suffers from a high level of wage inequality.

In 2012, a Eurofound report assessed EU-wide working conditions in retail as unsatisfactory, especially in the global retail chains. This was attributed to efforts to increase competitiveness by pressurising employee flexibility, resulting in less motivated employees and contributing to poor service quality (Eurofound 2012). Trade unions had tried to establish dialogue with employers but the latter were reluctant, using their economic strength to resist (Eurofound 2012).

Trade unions in Czechia responded by using their international contacts to help with the establishment of social dialogue and this was most effective against companies that recognised unions in their home countries, notably Billa, Tesco, Albert and Penny Market (Sedláková and Martišková 2017). The sector is known for precarious working conditions, especially for shopfloor workers in the large retail chains who may be subjected to compulsory overtime, disrespectful behaviour and flexible contracts having limited job stability (Uhlová 2018). At the same time, the flexibility of work in retail can be an advantage to some vulnerable groups in the labour market, especially women, those with a low level of skills and migrant workers. This reduces the pressure to increase job security in the sector.

The principal union organisation in the sector is Unie zaměstnanců obchodu, logistiky a služeb (UZO; the Union of Employees in Trade, Logistics and Services), an affiliate of ČMKOS. Employers are represented by Svaz obchodu a cestovního ruchu ČR (SOCR ČR; the Association of Trade and Tourism of the Czech Republic) with which trade unions negotiate sector agreements. The current agreement was signed in 2019 but had only limited scope in terms of coverage in foreign-owned chains and in advancing working conditions (Myant 2020). Sector bargaining is less important than that at company level for improving working conditions and raising wages. UZO representatives are active in negotiating company agreements in the big retail chains, thereby helping their own company organisations: this indirectly contributes to informal coordination at sector level (Martišková et al. 2021).

Collective bargaining has undergone important developments in the last 20 years. At the time when retail chains were mushrooming across the whole country, the willingness to recognise trade unions and to participate in social dialogue was at a very low level. Trade unions had to be created from scratch and management either did not support, or actively obstructed, this process. Organising workers was, and remains, difficult due to the geographical dispersion of retail outlets and flexible working contracts which are unfavourable to unionisation. Even where trade unions succeed in establishing organisations, management often shows minimal interest in engaging in social dialogue (Hála 2006). However, as the leader of the retail workers' union noted in 2017, 'Compared with years ago, when the management of some chains refused to meet with trade unionists, the situation has improved greatly' (Burianová 2017). This does depend

9. <https://zpravy.aktualne.cz/ekonomika/zvysovani-mezd-v-malobchode-pokracuje-albert-prida-svym-lid/r~1aa1bfc21db11ecbc3f0cc47ab5f122/>

on the chain, however: social dialogue has developed and operates most smoothly in Tesco, Billa, Albert, Globus and Makro, while remaining absent in Lidl (Interview 3.3).

Trade union effort has been focused on increasing wages and on campaigning for shop closures on public holidays rather than on fighting the high level of flexibility and precarity in the sector (Sedláková and Martišková 2017). In fact, unions have highlighted the positives of flexible working arrangements, arguing that these should be compensated by decent wages. Nevertheless, low unionisation rates of around 5-6 per cent do not give them much power to increase workers' protection (Sedláková and Martišková 2017).

In some workplaces, the presence of rival unions further paralyses social dialogue. Employees are located in different areas and encounter different problems in different stores, encouraging the formation of local unions alongside those affiliated to UZO. ASO, the second largest trade union confederation, represents unions in some chains, such as Billa and Penny, and its sector affiliate is also involved in company collective bargaining. The problem is that the retail chains, operating hundreds of stores around the country, are supposed to conclude one collective agreement for all employees. The practice whereby the largest organisation alone concludes an agreement with the employer was ruled illegal by a Constitutional Court decision in 2008. All the unions at one employer need to agree to a collective agreement, a rule that encourages the formation of 'yellow' unions.

In relation to working conditions, trade unions face difficulties in particular stores. Middle management usually lacks the necessary experience and knowledge of the labour law. People are deprived of the breaks they are entitled to, do not have regular schedules, their managers fail to keep accurate records of hours worked and mistakes are made in dismissing workers (Burianová 2017). On the other hand, negotiations with the top management of multinational chains are usually fair, thanks to efforts to use international contacts as leverage for improving social dialogue in Czechia. International contacts are by far the strongest resource for improving the position of trade unions. The membership power resource is exploited less frequently, mostly because of the low unionisation rates in the sector.

Trade unions have not undertaken strike actions in the last period as, in general, UZO considered efforts in that direction unrealistic and utopian. Nevertheless, some strike alerts have been announced, notably in 2015 in Tesco and in 2016 in Albert.

4.1 Tesco

Kmart, an American retail chain, bought thirteen department stores belonging to the state-owned Prior chain in 1992. In 1996, Kmart ownership was transferred to the UK supermarket chain, Tesco (Pollert 1999). Later, Tesco bought the smaller regional chains of Edeka in 2006 and Koruna and Žabka in 2010, selling back some of its stores in the Moravia region to the Hruška chain. During these 25 years, Tesco has enlarged

its chain to 190 stores, 17 petrol stations and one distribution centre.¹⁰ Employment decreased from 13 000 in 2007 to 8400 in 2021, thanks mostly to digitalisation and the restructuring of work processes, intensifying workloads among the remaining employees. Tesco had sales of approximately 1.7 million euros in 2020/21, placing it fifth among Czech retailers.

There is unusually large trade union plurality in Tesco in Czechia. In 2022, 19 organisations operating in different stores were affiliated with UZO; another 10 organisations were affiliated to Nezávislé odbory Tesco (NOT; Independent Trade Union Tesco), operating mostly in Brno and the South Moravian region; the sector trade union for the food processing industry organised some employees; and another smaller independent trade union operated in Novodvorská in Prague. Average membership density across all trade union organisations is estimated at 15 per cent (Interview 3.5).

Mergers had an impact on the development of social dialogue in Tesco as some of the acquired chains had functioning trade unions. Trade union organisation in the company was also inherited from the socialist period which gave a base for social dialogue at the outset of the company's time in Czechia. Trade unions from Edeka joined Tesco social dialogue activities but the union side faced coordination difficulties in 2006 and 2007. Poor cooperation between organisations greatly limited the union side's ability to put pressure on management which naturally did nothing to encourage cooperation between them and which, moreover, did not share information with them equally (Interview 3.5).

Realising the need for a common approach, the trade unions established a coordination committee enabling them to press for increased wages, better working conditions, the use of full-time rather than part-time contracts and reduced working hours during the Christmas holiday period. Facing resistance from management, the trade union side announced a strike alert in November 2006: this attracted media attention and forced management to start negotiations. Trade unions' ability to mobilise all organisations, alongside the media coverage of the pre-Christmas strike alert, helped create the basis for serious and lasting social dialogue in the company (Interview 3.5).

That committee still functions, undertaking a coordination role between unions and leading the dialogue with employer representatives (Interview 3.3). As suggested by the UZO representative, it is not always easy to coordinate, especially among those independent trade unions which have 'more radical ideas' (Interview 3.3), but the results are satisfactory. Indeed, between 2015 and 2022 they managed to increase wages by 40 per cent against a rise in inflation of 20 per cent. The last bargaining round yielded a 5 per cent average wage increase from July 2022 and 27 days of paid holidays compared to the 20 days legal minimum.

Pollert (1999) stated that Tesco's foreign management did not have a problem with the union at the start, but later reports indicated various disputes between trade unions and management. Veverková (2007), for Eurofound, reported difficulties in

10. <https://corporate.itesco.cz/o-n%C3%A1s/hlavn%C3%AD-%C3%BAdaje/>

the social dialogue because of the increased use of temporary and agency workers and management's unwillingness to close shops earlier during the Christmas period. At that time, the usual practice was for the majority of employees to be employed on part-time contracts and working serious amounts of overtime. In 2008, a strike alert was announced in protest at work overload and understaffing in stores.¹¹ The union repeated the strike alert one year later, calling it off only when management promised to increase the number of employees. Conflict continued in 2009 when Tesco changed the wage system without notifying workers and in violation of the collective agreement. Tesco raised employee salaries by 1.5 per cent but the unions did not accept this, demanding a 3 per cent increase and wanting to bring in a mediator.¹² An affiliate of NOT in Brno announced a further strike alert, but this was not supported by UZO.¹³

During collective bargaining, NOT, representing a minority of employees, declared another strike alert in 2010. The union's priority was to increase workers' pay by at least four per cent and to continue to do so each year. In addition, the union opposed the use of four-hour shifts. Employees also complained of frequent twelve-hour shifts, inability to go to the toilet and humiliating checks when leaving work.¹⁴ In 2015, a strike alert was announced in response to Tesco's possible withdrawal from central and eastern Europe, demanding that, in the event of such a withdrawal, there should be adequate compensation paid to redundant employees.¹⁵ In the end, Tesco did not leave the central European market and only two stores were closed.

International cooperation has often helped trade unions to resolve local disputes. Tesco has a functioning European Works Council that meets on an annual basis (except during Covid-19), gathering representatives from different countries. Information exchange between trade unionists is considered a powerful tool when demanding higher wages or wage bonuses because, once agreed in one country, trade unions usually learn about it and demand the same for their members too (Interview 3.5).

Trade unions assess interaction with management as currently satisfactory, but this is heavily dependent on the personnel involved. Thus, a change of the chief negotiator leads inevitably to uncertainty about the future development of the social dialogue (Interview 3.5). Rather than a transfer of practices from the home country, trade unionists see social dialogue as the outcome of their own efforts, achieved by a degree of radicalism and including the use of strike alerts (Interview 3.5).

To summarise the Tesco case, acquisitions in the 1990s saw trade unions potentially able to build on their established membership base. Despite this initially better situation, social dialogue became a standardised way of regulating wages and working conditions only in the 2010s and after a series of international appeals and strike alerts. Trade

11. <https://nezavisleodborytesco.blogspot.com/2008/11/v-pondl-zasedne-rada-odborov-organizace.html>

12. <https://ct24.ceskatelevize.cz/ekonomika/1385186-odbory-teska-vyhlasily-stavkovou-pohotovost>

13. https://www.idnes.cz/ekonomika/podniky/odbory-prodejen-tesco-se-prou-o-stavku.A090916_105110_ekoakcie_fih

14. <https://denikreferendum.cz/clanek/3506-prace-v-tescu-neplacene-prescasy-sacovani-vytykacky>

15. https://www.irozhlaz.cz/zpravy-domov/odbory-v-tescu-vyhlasily-stavkovou-pohotovost-boji-se-propousteni-_201501131441_mpolak

unions have not been able to build on their high membership base as flexibilisation and high turnover have hampered participation in trade union actions among a majority of workers. Dispersed locations and the large number of trade union organisations within the chain have also presented a lasting coordination challenge. This meant that sector organisations are involved in company collective bargaining while the coordination committee aligns union demands during collective bargaining.

This case study thus shows that social dialogue may be constrained not only by management's unwillingness to participate but also by internal coordination challenges on the trade union side and legal requirements for mutual cooperation between different trade unions. Although employment relations have stabilised, collective bargaining gains remain limited and wage growth does not exceed that in other retail chains. In fact Lidl, which does not recognise trade unions, reports the highest wages in the sector.

4.2 Albert

The Albert retail chain, owned by Netherland-based Ahold Group, had 20 000 employees in Czechia in 2021. It started its operation in 2000, merging smaller retail chains. Currently it runs more than 300 shops in Czechia. Trade unions are affiliated to UZO and organise between 6 and 10 per cent of employees. This weak membership base is one of the reasons why wages have, for a long time, been one of the lowest in the sector.

Trade union interaction with management is an example of the improvements made courtesy of international intervention following an escalation of conflict during collective bargaining. In 2016, in a period of increasing labour shortages in the sector, trade unions aimed to negotiate wage increases and communicated openly that wages in Albert were low. The precise position was unclear as different averages were communicated by trade unions and management, but many employees openly confirmed that their wages were low.¹⁶ The failure to persuade management of the case for a significant increase led the union side to consider requesting the intervention of a mediator after its announcement of a strike alert. Media image is very important to retail chains and this therefore provoked a response from management. The intention was not to strike but rather to reach agreement, the union side being aware of its weakness in view of low unionisation rates (Interview 3.3).

To support trade unions in the dispute, then Prime Minister Bohuslav Sobotka and the Minister of Labour and Social Affairs, Michaela Marksová, appealed to the Dutch Ambassador in Czechia expressing concerns about the Ahold Group's practices in Czechia. This initiative brought results and wages were increased by 10 per cent. Since then, a 'peace' has been concluded and discussions with the company have avoided acrimony, a point appreciated by the unions (Burianová 2017). Thus, for example, in 2022 trade unions pressed for a wage increase at least in line with inflation. While other

16. <https://byznys.hn.cz/c1-65515840-spor-o-nizke-mzdy-v-albertu-pokracuje-platime-vice-nez-rikaji-odbory-tvrdi-vedeni-obchodniho-retezce>

companies dragged their feet, citing the consequences of the Covid-19 pandemic, wages in Albert increased by 4 per cent.

Thus, in Albert the lack of associational power resources, related to low unionisation rates, represents a major source of trade union weakness. However, international appeals and the involvement of politicians have helped to redress the balance, at least in part.

Trade unions in the sector do not aim for radical improvements in working conditions, pressing rather for gradual wage increases. Surprisingly, even low increases of 2 per cent are perceived in a positive way, suggesting low expectations and a high degree of willingness to cooperate with management. The stabilisation of social dialogue therefore does not necessarily imply a significant improvement in working conditions. Nevertheless, the justification for the low collective bargaining aspirations can be questioned in view of the high wages at Lidl, the only non-unionised chain.

Lidl entered the Czech market in 2003. In 2021, it employed approximately 8300 people in 291 stores and five logistic centres. Despite the absence of unions, the company thrust the sector into a wage war in 2016 by increasing salaries by 25 per cent, a move followed by other major retail chains and provoking debate about low wages in the sector. The main reason for this development was the rising labour shortage which itself helped trade unions to increase wage levels and improve working conditions in the sector.

5. Conclusion

The two automotive cases indicated that trade unions aim to have largely cooperative relations with management as this has proven to be the main route to improvements in working conditions. At the same time, both highlight the importance of protest. At Hyundai and at Valeo, protests, both of them actually unofficial, resulted in trade unions achieving higher levels of recognition from management: at Hyundai, a short, spontaneous protest led management to reach agreement with the trade union in order to prevent unofficial strikes in the future; and at Valeo, an unofficial protest contributed to wage increases but, thanks to initially cooperative relations, this did not lead to a significant change in the relationship between trade union and management. In general, trade unions in the automotive sector thus mostly rely on collective bargaining, resorting to protest only rarely.

The retail cases highlight the sustained effort required of trade unions to establish satisfactory social dialogue. For that purpose they used international contacts and the legal regulatory framework for collective bargaining, lobbied local politicians and mounted media pressure to draw the attention of politicians and the public to working conditions in the sector. All this was necessary because of low membership levels, mostly because of the high amount of flexible work arrangements and the significant presence of vulnerable groups such as women, younger and older workers and migrant workers.

In the automotive sector, social dialogue was easily established in the French company while there were initially many more difficulties in the Korean one. Compared to retail, automotive trade unions are helped by the presence of a concentrated workforce, comparatively better working conditions and a lower share of flexible workers, leading to stronger membership bases than in retail.

For MNCs in both sectors, the relationship with trade unions was mostly framed by a reluctance to improve working conditions alongside the aim of extracting high profits at the expense of labour. In retail, MNC headquarters were generally not openly hostile to trade unions, but rather unaware of and uninterested in the claims and demands at their foreign subsidiaries. In the automotive case studies, we observed more of the transfer of labour practices from home country to host, in a negative sense in Hyundai and in a positive one in Valeo. International intervention has assisted trade unions in retail, but in the automotive sector international cooperation has been mostly declaratory with no practical impact.

In the last thirty years, trade unions have successfully established social dialogue in all the major foreign-owned retail chains, with the exception of Lidl, and in all final producers in the automotive sector as well as in a part of their supplier base. However, this has not prevented flexible working arrangements becoming inevitable features of jobs in both retail and automotives. Unions' primary effort has thus been concentrated on wage increases to compensate for job instability and overtime working in both sectors. Nevertheless, wages in the retail sector remain low and below the national average, although in part of the automotive sector wages are at comparatively decent levels. Unionisation rates have not increased, thus limiting the prospects for the further improvement of working conditions.

What did empower trade unions to attain wage increases in the years before the pandemic were the enormous labour shortages in both sectors. The pandemic brought an interesting twist in retail: while labour requirements increased in food retailers, elsewhere in the sector dismissals were recorded. On average, retail did not see an increase in employment during the pandemic and some segments remain exposed to labour shortages and substantial workloads for employees. In contrast, automotives were not touched by the pandemic, apart from some disruption to supply chains and the decreased availability of foreign workers because of pandemic measures (e.g. closing borders, requiring tests and quarantine measures and/or vaccinations). Nevertheless, trade unions again experienced reluctance from management to agree to wage increases, pointing to the uncertain situation in the sector. Thus, despite a stabilisation in social dialogue, improvements in working conditions are only gradual.

In the future, digitalisation and automation in both sectors will impose requirements in terms of skills upgrading and reskilling. Automotives are further endangered by structural changes in employment related to decarbonisation. Yet, trade unions gain only limited information about foreign companies' strategies and intentions which makes them weak in front of management. This may mean that workers are excluded from the decision making process. And, last but not least, our evidence from the automotive sector suggests that the increasing number of higher skilled workers is not

leading to an increased share of trade union members. This may imply that upgrading will see rates of unionisation further decline.

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All links were checked on 03.10.2022.

Annex

List of interviews

ID	Position / organisation	Sector / level	Date of interview
Interview 3.1	Local trade union representative	Automotive, final producer	November 2019 and May 2022
Interview 3.2	Local trade union representative	Automotive, first tier supplier	February 2018 and May 2022
Interview 3.3	Lawyer/sector trade union	Retail	15 December 2021
Interview 3.4	Local trade union representative	Automotive, first tier supplier	February 2018 and May 2022
Interview 3.5	Local trade union representative	Retail, local	3 June 2022

Chapter 4

Slovakia: Rough beginnings followed by some stabilisation

Adam Šumichrast and Pavol Bors

1. Introduction

Slovakia, as a central European post-communist country, has gone through several changes and important stages since becoming an independent state in 1993. Under Vladimír Mečiar's governments (between 1992 and 1998), the transformation from a state socialist, centrally planned economy to a capitalist market economy was driven by the creation of domestic capitalists and involved corruption and the targeted bankruptcies of privatised companies. An economic downturn at the end of the decade led to a rise in the unemployment rate from under 12 per cent in 1997 to 18.6 per cent in 2000. A subsequent change in policy direction included important reforms in the banking sector in relation to privatisation and in opening up to foreign investors (Kahancová and Sedláková 2018: 350; Pula 2018: 175). These policies were important for the westernisation and democratisation of the country (Bohle and Greskovits 2012: 145-148). In the following years, inward FDI increased rapidly since, as argued by Pula, Slovakia adopted a clearly outward-facing policy orientation and saw the gains from rapid international integration (Pula 2018: 169, 175). In the early 2000s, Slovakia – like other Visegrád countries – became heavily dependent on foreign investment in key economic sectors while competing to attract greenfield investment projects (Duman and Kureková 2012: 1223-1224; Greskovits 2010: 152).

Slovakia thereby joined those countries that have become particularly dependent as regards their market dynamism on foreign multinational manufacturing and retail companies, leading to a frequent characterisation of them as 'dependent market economies' (Myant 2020: 5). Slovakia can be described as an 'assembly platform', serving primarily as a site for the downstream, low-cost, low-skill assembly of foreign inputs relying on imported capital goods. These mass-production technologies require little creative contribution from workers while management work similarly depends on steering employees on the basis of organisational models and practices imposed from abroad while crucial decisions regarding production happen outside the country (Pula 2018: 155-157).

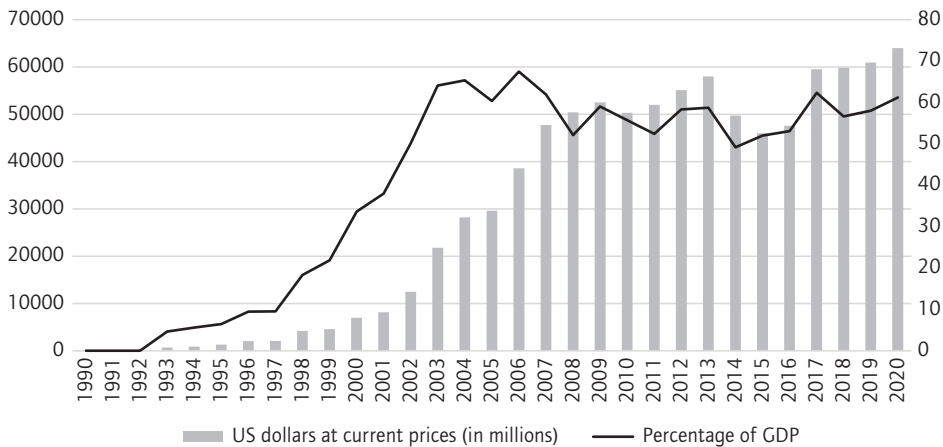
As in other chapters, the impact of these MNCs on the industrial relations system is followed in the key automotive and retail sectors on the basis of case studies, researched by using published sources and interviews with trade union representatives, listed in the Annex. The central questions concern how trade unions operate in the negotiation process with MNCs located in Slovakia; the main activities of MNCs with regard to the industrial relations system of Slovakia; and the actors who are related to this system.

2. Multinational companies and industrial relations in Slovakia

The level of inward FDI in a country depends on its economic and infrastructural attractiveness (Hany 1995: 39). Slovakia's relative attractiveness, uniquely among the countries of the region, decreased between 1994 and 2000 with a negative impact on the amount invested in the country. Attractiveness is strongly related to political and economic stability, as well as the size of the national market (Hošková 2001: 17), while a major discouragement was the form of rule under Vladimír Mečiar (Kahancová and Sedláková 2018). The policy orientation changed after the election in 1998 and especially under the right-wing government from 2002. The results in terms of inward investment are shown in Figure 4.1.

The low level of FDI between 1993 and 1999, albeit with an acceleration towards the end of that period, led to a rise in the stock of FDI from 4.65 per cent of GDP to 21.85 per cent. That stock increased rapidly particularly in the next decade and was equivalent to 61.18 per cent of GDP by 2020.

Figure 4.1 Foreign direct investment in Slovakia: inward stock, annual



Source: UNCTAD database, <https://unctadstat.unctad.org/EN/About.html>

The industrial relations scene as MNCs arrived in Slovakia was already undergoing changes, notably with a decreasing trend in the measurable indicators of employee representation in the workplace. The trade union density rate, as shown in the ICTWSS database, fell from 70.7 per cent in 1993 to 32.3 per cent in 2000 and to 10.7 per cent in 2016.¹ Collective bargaining coverage similarly fell from 51 per cent in 2000 to 24.4 per cent in 2015.² Total trade union membership has been reported as standing approximately at 275 000 (ETUI 2021).

1. <https://www.ictwss.org/downloads>

2. https://www.ilo.org/shinyapps/bulkexplorer29/?lang=en&segment=indicator&id=ILR_CBCT_NOC_RT_A

The main and biggest trade union confederation, with approximately 243 000 members, is Konfederácia odborových zväzov Slovenskej republiky (KOZ SR; Confederation of Trade Unions of the Slovak Republic), formed in 1990 as a successor to the single Czechoslovak trade union federation from the communist era. KOZ SR is affiliated to both the ETUC and the ITUC. Its biggest affiliate is Odborový zväz KOVO (OZ KOVO; Metalworkers Federation KOVO), which is affiliated at international level to IndustriALL.

KOZ SR is also represented in national level tripartite social dialogue. The precise form of the tripartite body has varied at times since its establishment in the early 1990s, but it provides a channel for communications between employer organisations (seven representatives of four organisations in 2021), trade unions (seven representatives) and government. The trade union seats were occupied by KOZ SR until 2021 when a change to the labour code, aimed at opening up the tripartite body to other employee representatives (Kahancová and Martišková 2021: 2-4), led to one seat going to a new confederation, Spoločné odbory Slovenska (SOS; United Trade Unions of Slovakia), founded in 2018.

Collective bargaining takes place at sectoral and company levels, with agreements at the former registered and collated by Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky (MPSVaR; Ministry of Labour, Social Affairs and Family). Its Annual Report in 2021 showed that 11 sectoral collective agreements and 11 amendments to sectoral agreements, a total of 22, were registered in 2020. Eight of the sectoral agreements were signed in the private sector and three in the public sector; while all the 11 amendments related to the private sector (MPSVaR 2021: 51-52). Company collective agreements may improve on (but not reduce) what has been negotiated in a sectoral agreement, but they existed in only 11.5 per cent of enterprises with 50 or more employees in 2016, including 7 per cent of industrial and 10 per cent of retail enterprises. However, company collective agreements are the most important for wage setting. In 2016 there were company agreements in 1512 organisations, 32 per cent of the total surveyed by the ministry in a sample biased towards larger organisations, as indicated by their average size of 186.5 employees. Breaking this down, agreements were signed in 70.9 per cent of public sector organisations and in 20.7 per cent of private sector ones (Hašková 2017: 5).

Neither the automotive nor the retail sector is covered by a sectoral collective agreement.

As the Slovak state evolved at the turn of the millennium into an FDI-seeking competition state, the right-wing government believed that undermining the influence of trade unions would attract foreign investors. Several of their reforms curtailed labour law protections and aimed to reduce collective bargaining. In 2006, Slovak voters elected a centre-left coalition which reversed some of the most drastic neoliberal reforms (Fabo and Sedláková 2017: 123, 127; Pula 2018: 176-177).

There are no precise data on the level of collective bargaining coverage in MNCs, but available estimates suggest that, in manufacturing, the level is higher than for domestically-owned enterprises. An overview produced for Eurofound (Czírta 2009)

suggested that MNCs were neither agenda shapers nor agenda changers; their main impact appeared to be in increasing wage levels. The most visible agenda, it was reported, was in terms of establishing fairness in labour relations, continuing collective bargaining and improving equality practices. Some MNCs brought new forms of employee financial participation in the form of profit sharing. MNCs also participated in sector-based employer organisations, despite at the same time being integrated into associations in their countries of origin; for example Volkswagen Slovakia was a member of the German chamber of commerce. This was used to influence policy decisions through lobbying, but overt intervention was not typical. Indeed, trade unions at the time viewed the contribution of MNCs in collective bargaining positively, especially with regard to their role as fair social partners in negotiations (Czíria 2009).

3. The automotive sector

The transformation of industrial production from the late 1990s saw the replacement of the previously dominant heavy and armaments industries, with big, multinational motor vehicle manufacturers. This boosted GDP growth and helped to reduce the unemployment rate from a peak of 19.3 per cent in 2001 to 9.5 per cent in 2008. It also brought new forms of industrial relations and a rise in flexible forms of work. Between 2002 and 2006, during the right-wing government, the neoliberal elements introduced in the labour code aimed at labour flexibilisation were praised by international institutions for their attractiveness to foreign investors, notably those in the automotive industry (Martišková and Uhlerová 2016: 4-5). However, Slovakia remained on the periphery of global production networks, being valued mainly as a reservoir of cheap and quality labour in a relatively stable country in central Europe with a developed infrastructure (Pavlínek 2016).

Apart from Volkswagen Slovakia, the largest car company in the country, which came as early as 1991 via a purchase of the established Bratislava motor enterprise, the other final car producers – PSA, later Stellantis, in Trnava in 2003 and Kia in Žilina in 2004 – arrived during this same period with JLR (Jaguar Land Rover) coming to Nitra even later, not starting production until 2018. With that, there were four final car producers in Slovakia and more than 350 suppliers of components, materials and accessories. Employment in the sector in 2020 was 125 100, 5 per cent of total Slovak employment.³ With a total output of 1.35 million vehicles in 2020, Slovakia had become the leader in car production per capita, recording 229 vehicles per thousand inhabitants in 2020 compared to figures of 126 for Czechia, 66 for Japan and only 62 for Germany (SARIO 2021: 2-10).

The lack of a collective agreement for automotives means that, in this sector, company level bargaining is the most important for setting working conditions (Martišková 2019: 50). The trade union density rate in 2011 ranged up to 75 per cent in Volkswagen Slovakia, while in PSA and Kia it was 25 and 19 per cent respectively (Kahancová et al. 2017: 45).

3. Eurostat database, Database - Eurostat (europa.eu).

In this study the focus is Kia and Stellantis with some comparative points made on Jaguar Land Rover. Volkswagen, the oldest and largest motor manufacturer, is covered in summary form as it has been investigated in some depth elsewhere (Haipeter and Jo 2020; Kahancová et al. 2019; Karmína 2017; Makayová 2021; Martišková 2019).

3.1 Volkswagen Bratislava

There were 11 500 employees in 2020 in Volkswagen (SME 2021: 48) and two trade union organisations. OZ KOVO has been present from the establishment of the company, continuing an organisation from the past and still representing approximately 80 per cent of employees until a split in 2016, when a new trade union, Moderné odbory Volkswagen (MOV; Modern Trade Unions Volkswagen), which later jointly founded SOS, was established. This followed a dispute between the local OZ KOVO organisation within the enterprise and the union's central leadership (Kahancová et al. 2019: 535-536; Karmína 2017). The newly created union initiated a strike in 2017, demanding a 16 per cent wage increase. This was the first labour conflict in the history of the company, involving 70 per cent of employees over six days and ending with agreement to a 14 per cent pay increase over two years (Haipeter and Jo 2020: 13). Remarkably, this was still the lowest wage increase achieved among the three final producers operating at the time (Martišková 2019).

High union density in the oldest, biggest and most important Slovak automotive company reflects the benefits of inheriting a trade union organisation that was already functioning. Two further suggested explanations are that it was helped by the global strategy of Volkswagen, with its stated aim of creating positive, labour-friendly attitudes within the company; and that the Slovak trade unions are supported by the German works councils and by their presence as members of the European Works Council (EWC) and of Volkswagen's global works council. Indeed, labour relations in Volkswagen Slovakia have been depicted as an example of a good, cooperative relationship: negotiations cover not only tasks related to employees, such as organising training programmes and issues of wages and working time, but also some of the company's managerial and investment planning policies (Haipeter and Jo 2020: 13-18).

Volkswagen's position as a trendsetter in the field of collective bargaining and wages is also reflected in its efforts to introduce forms of flexible working favourable to itself. In 2009, following its lobbying of government, the so-called 'Flexikonto' was introduced into the labour code in line with the German model of a working time account that gave employers more scope to vary working hours according to fluctuations in production. The employer could balance working hours over longer time periods following written agreement with worker representatives. After a further change in the law in 2013, this could only be applied if included in a collective agreement (Karmína 2017: 23).

3.2 Stellantis

Stellantis, formerly PSA Peugeot-Citroën,⁴ was established in 2003 and had over 4500 employees in 2020 (SARIO 2021: 4). There are two trade union organisations, OZ KOVO and MOV. The decision to build a new Groupe PSA plant in Slovakia was announced in 2003 with construction completed in summer 2005 and line production starting one year later. The investment followed a bidding war between four countries, Slovakia, Czechia, Poland and Hungary, all offering substantial help and subsidies. Hungary and Poland were judged too expensive by the French company because of high labour costs while Poland's infrastructure was judged to be weak; in Czechia too, inadequate infrastructure was also seen as a problem while PSA was already involved with Toyota which had started building a plant there (Pavlínek 2017: 202).

Management did not obstruct the formation of a union organisation in the new factory. In the view of trade union representatives, this reflected the generally favourable culture and management attitudes in France which were then transferred to Slovakia. PSA had, in fact, committed to upholding basic employee rights and extended a global agreement with IndustriAll in 2007 which acknowledged the essential role of trade unions. This, however, did not mean that managers were amenable to union demands; instead, they sought to get their own way through social dialogue, for example in relation to working time accounts.

As top management gradually became aware of the generally weaker position of the unions in comparison with the home country, they sought to shape the structure of the workforce such that only one-third were permanent core employees, one-third were temporary agency workers and one-third were foreign workers (substantially from Serbia). These cleavages weakened the position of the union and made collective action more difficult. It proved possible to work with migrant workers, who were actively approached by union representatives, but with agency workers it was more difficult as such approaches could cause them problems in view of their precarious employment status and the risk to them of losing their jobs. The unions tried to negotiate a limit on the number of agency workers, but the French management flatly refused in the context of the car company's weaker economic performance in 2015-2018, arguing that the economic downturn provided a reason to draw on the maximum legal scope for the use of agency workers (Interview 4.4).

During collective bargaining, trade unionists interacted directly only with Slovak managers who were instructed by French management. There was a strike alert in 2015,⁵ when the employer prevented a strike by offering more pay, albeit not on the basic salary but through various bonuses. Difficult negotiations over wages led again to a further strike alert in 2018 and subsequent wage increases were agreed only after

4. Many sources include other versions of the name of this company, for example PCA Slovakia, s.r.o. (PCA means Peugeot Citroën Automobiles); and Stellantis, the official name of the company following a merger with the American-Italian automotive corporation, Fiat Chrysler Automobiles, in January 2021.

5. The terms 'strike alert' or 'strike emergency' are not expressly regulated by any international treaty, nor are these terms regulated by any legislation in force in the Slovak Republic. Despite this, the term can be characterised as a threat to the employer by the employees or their representatives that they intend to stop work in the near future.

mediation. While the union requested a salary increase of 80 euros (average monthly pay in manufacturing in Slovakia in that year was 1103 euros), the employer responded by offering only 27 euros. The final salary increase was 50 euros (Interview 4.4).

Management persuaded workers not to pursue strike action by dividing them into three groups: those who did not want to strike; those who were undecided; and those who were the most militant. They then summoned employees, first those not wanting to strike and then the undecided, pressuring them to sign a form saying that they accepted the employer's offer in the form of an individual addendum to their employment contracts and accompanied by a declaration that they were not willing to go on strike. Employees then approached their union representatives with a pre-prepared form from the employer saying that they were taking their signature off the strike call. Support for strike action fell to about half the workforce; after this there could be no strike and, subsequently, agreement was reached. In the trade union view, the French management – at that time, the top manager in Slovakia was still French although subsequently a Slovak – had clearly pressured the local management to prevent the strike.

Collective negotiations in 2020 were also very difficult, again requiring the intervention of a mediator. The unions pushed for wage increases, justified in their view by the difficult working conditions and intensive production (Briška 2020). In general, relations between management and unions have remained dysfunctional but it was still possible, after tough statements from both sides and almost a year and a half of negotiations, to reach an agreement valid for four years in April 2021.

Apart from the initial recognition of a union organisation, the international context does not seem to have been important to trade unions in Stellantis. An EWC has functioned and this includes three Slovak union representatives. However, the meetings have been rather formal, the Slovak delegates receiving information at a general level on basic matters while a 'closed committee', featuring largely French representatives, deals with more strategic concerns. The company has, however, signed international agreements committing it to conduct social dialogue. Thus, the International Framework Agreement on PSA Peugeot Citroën's Social Responsibility from 2010 states 'its commitment to fundamental human rights, responsible development and the protection of the environment [and that it will] work in co-operation with the trade unions, as well as the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF)'. References to 'freedom of association, collective bargaining and social protection' are included,⁶ but the provisions of the agreement seem purely formal. They have not entirely been implemented in practice; nor are they invoked by unions (Interview 4.4).

6. The agreement is applicable for an open-ended period
<https://ec.europa.eu/social/main.jsp?catId=978&langId=en&agreementId=134>

3.3 Kia

Kia Motors, the third motor manufacturer to come to Slovakia, started construction of its factory in Žilina in 2004 and commenced line production in December 2006, employing more than 3700 workers in 2020 (SARIO 2021: 4). A trade union organisation affiliated to OZ KOVO was established in 2006 and union density reached 25–30 per cent in 2015 (Martišková and Uhlerová 2016: 16; Haipeter and Jo 2020: 15–16). Relations between management and the union differ from those in the Korean mother company, Hyundai Group, but the history of adversarial relations in Korea (Lee and Kang 2012) has influenced developments in Slovakia, particularly in the early period.

The trade union organisation was formed shortly after production began, aiming to propose a collective agreement as soon as possible. The employer side was not interested and union representatives were even accused of violating workplace discipline by dealing with issues other than their primary work responsibilities during working hours. The union was eventually helped by negative media coverage of Kia's attitude, with collective bargaining starting in 2007 but taking seven months to reach an agreement. Both the employer and the trade unions subsequently claimed that the initial difficulties and misunderstandings mostly stemmed from inexperience in collective bargaining (Interview 4.2).

The Korean owner initially pursued a 'union free' policy (as did its factory under the Hyundai name in Nošovice in Czechia) but adapted to Slovak realities. Ultimately, tradition and national legislation – including, for example, commitment to the ILO conventions on freedom of association and collective bargaining, ratified by Slovakia but opposed at the time by the Korean government and Korean business organisations (Myant 2022) – played an important role in the establishment of social dialogue (Martišková and Uhlerová 2016: 15). There was also a Slovak dimension: union representatives referred to a commitment made to Kia by Pavol Rusko, then Slovak Minister of Industry,⁷ that there would be no union in Kia (Interview 4.2).

The start was therefore hard: at first the union operated rather in name only and membership was low, while social dialogue at a serious level has functioned satisfactorily only since around 2010. Practical day-to-day management was handled by Slovaks, whose approach differed from that of their Korean predecessors. Despite there being only two Slovaks in the top management of the Kia plant in Žilina (in addition to six Koreans), bargaining was conducted in Slovak with Slovaks in the presence of one Korean coordinator and an interpreter. Fear over the reimposition of the 'union-free' approach was replaced by dialogue with the unions. Management did try to find various means to bypass union representation, however, including the creation of a 'harmony council', or 'harmony rooms', with the aim of creating a direct channel of communication between the HR department and individual workers (Haipeter and Jo 2020: 14–18). The same practice was adopted in Hyundai in Nošovice but, as the power for collective bargaining remained with the union organisations, union representatives did not see it as an essentially anti-union act (Interview 4.2).

7. Rusko resigned from the government in 2005 after accusations of corruption in business affairs.

Thus, although Korean companies have different traditions and attitudes, the transfer of domestic practices to Slovakia was limited by the ability of trade unions to use Slovakia's legal framework and to gain the support of public opinion.

Nevertheless, some difficulties have persisted. A legal case from the former president and vice-presidents of the union, who were dismissed after conflicts with the employer, remains outstanding with a final judgement awaited after a lower court ruled in favour of the trade unionists. Management has made some efforts to undermine the union position by calling employees – not just union members – into meetings during the negotiation process at which they 'explain' to them their approach to bargaining. If that proves insufficient, they can also choose to make amendments to individual contracts, offering a bonus or a grade increase, thereby discouraging participation in the collective bargaining process (Interview 4.2).

A turning point was the 2017 collective bargaining round, with unions making an ambitious demand for a 10 per cent wage increase, backed by employees' eagerness for strike action. After the union had collected signatures to declare a strike, the employer came up with an offer only 10 euros lower than the union's demand. This was accepted and the mood was that the action should be considered a success. The union side was helped by pressure from the leadership of OZ KOVO in 2017, which pushed the management of Kia to concede. There was also political pressure from Smer – sociálna demokracia (SMER-SD; Direction – Social Democracy), the dominant party in the government coalition.

International contacts have had limited practical effects. The Kia union participates in a loose network organised by the Korea Metal Workers Union, bringing together Hyundai-Kia workers throughout the world. The international solidarity process has not, however, been fully realised, with unions at the Korean parent company uninterested in narrowing the wage gaps (Haipeter and Jo 2020: 16-17). However, the Kia trade union does have good relations with colleagues at Hyundai's Nošovice plant which is connected to Kia in terms both of ultimate ownership and through the production process: 'We produce engines for them and they produce gearboxes for us' (Interview 4.2). The trade unionists communicate with each other, exchanging experiences of collective agreements and negotiations, and work together in the IndustriALL Automotive Commission through which they have contacts with Korean trade unionists. However, the Korean trade unionists there appear to their Slovak colleagues to be reserved, preferring to solve everything formally via delegates rather than build informal, personal relationships. Consequently, international cooperation appears to the latter 'a bit played out' (Interview 4.2), with the Korean unions appearing concerned to keep production at home while pragmatically leaving those in eastern Europe to do the best they can.

3.4 Jaguar Land Rover

The newest automotive factory in Slovakia is the British-Indian firm Jaguar Land Rover, which started production from its plant in Nitra in autumn 2018. By 2020 it

had 3300 employees (SARIO 2021: 4; SME 2021: 49). As in Volkswagen and Stellantis, there are two trade union organisations: Tradičné odbory JLR (TO JLR; Traditional Trade Unions JLR) is affiliated to OZ KOVO; and the other is affiliated to MOV. The latter is the dominant organisation and leads collective bargaining within the company; it was the first union organisation in the factory while TO LJR was formed in 2018 following dissatisfaction with the first collective agreement bargained by the MOV-affiliated union.

Management did not obstruct the formation of a union organisation and has not visibly exploited the points of difference between the two union organisations, being credited with a more 'human attitude' in negotiations. However, wages are lower for manual workers than in the other car plants. When JLR started recruiting, it seemed that salaries and working conditions would be significantly better, reflecting the then low unemployment rate and a high level of competition for an ever-shrinking supply of experienced workers (Interview 4.4). It was reported that interested applicants, even experienced ones from other automotive plants, were coming from all over Slovakia (Galan 2019). Despite the pay levels, there has been no strike activity.

Regarding international contacts TO JLR initiated the creation of the European works council as OZ KOVO is part of transnational trade union networks. However, the impact of Brexit, the Covid-19 pandemic and the company's economic performance has left this as unfinished business (Interview 4.4).

4. The retail sector

Domestic trade is one of the most important parts of the service sector in Slovakia. Wholesale and retail trade together accounted for 256 500 employees in 2020. The retail sector in Slovakia, as elsewhere in central and eastern Europe, is dominated by multinational companies whose total market share grew from 15 per cent of the total in 1998 to 30 per cent in 2000 and over 50 per cent in 2003. In 2004, based on the level of FDI, six foreign-owned retail companies were ranked within the top ten retail companies in Slovakia (Dries et al. 2007: 228-230) and, in 2012, 27 per cent of all employees in the retail sector were employed in foreign-owned companies while, as in other countries, domestic ownership predominated among the many, smaller independent shops (Kahancová 2016: 58). In terms of sales, the biggest company is Lidl with turnover of 1.52 billion euros, followed by Tesco with 1.40 billion, Kaufland with 1.30 billion and Billa with 0.7 billion.⁸

Trade union density in the retail sector was 6 per cent in 2017 (Kahancová et al. 2018: 23). Odborový zväz pracovníkov obchodu a cestovného ruchu (OZPOCR; Trade Union Federation of Employees in Retail and Tourism) is the main trade union, representing workers in important MNCs including Tesco, Billa and Metro (Kahancová 2016: 63). Lidl is a special case in that employees have been represented by OZ KOVO since 2019.

8. <https://finstat.sk/databaza-financnych-udajov?Activity=maloobchod&Region=&SalesFrom=&Employee=&PerPage=20&Sort=sales-desc&Tab=>

There are two employer organisations in retail. *Zväz obchodu a cestovného ruchu* (ZOČR; Federation of Commerce and Travel) actively participates in social dialogue negotiations and in the tripartite system through its membership of one of the national employer confederations (Kahancová 2016: 63; Martišková et al. 2021: 13). A second organisation, *Slovenská aliancia moderného obchodu* (SAMO; Slovak Modern Retail Alliance) was created in 2016 by MNCs which had left ZOČR. However, this organisation has not fulfilled the legal requirements for participation in collective bargaining (Kahancová et al. 2018: 23).

Lidl and Tesco have been selected for in-depth study here. In Lidl, a union organisation has recently been established and made itself visible with an active presence on Facebook; whereas Tesco has engaged in social dialogue over a long and stable period since the 1990s.

4.1 Lidl

Lidl came to Slovakia in 2004 and had 5500 employees and 153 outlets across the country in 2021, including three logistics centres. It presents itself as the chain with the best wages and clearly achieved this at the time of a wider union wage campaign in 2016 by making a 23 per cent increase for employees, including new hires, covering 90 per cent of employees in its stores and logistics centres. Since then, wages have increased every year, primarily in response to rises in the minimum wage. Lidl's business model has also enabled it to take first place in both sales and profits.

The union's roots at Lidl go back to 2016 (Interview 4.1) when the third, and most modern, logistics centre was completed in *Sereď*. Another warehouse company operated next door to the new logistics centre and some of its employees switched to Lidl. Finding no union in their new workplace, and having previously been organised, they established a structure in their new workplace. Knowing from experience in Czechia that Lidl had a reputation for hostility towards unions, lawyers from OZ KOVO advised against establishing a new organisation in the workplace that would have to be registered with the Ministry of the Interior. Instead, members were registered in a separate section so that Lidl's management would have no disciplinary power over trade union representatives.

Up to March 2019, the sectional union operated only in the logistics centre and membership was stagnant. However, a new president of the organisation was able then to start wider recruitment: a Facebook page was created as a cheap, accessible and, in the Slovak trade union environment, innovative tool for informing workers about the union at Lidl and recruiting them as members. There was also a private Facebook group where union members were kept informed about internal matters. In the autumn of 2019, a basic union organisation in Lidl was formally established. The employer clearly did not want a trade union but, according to union representatives (Interview 4.1), at least grudging respect was accorded because Lidl's union remained under OZ KOVO as the strongest sector union in Slovakia.

However, negative attitudes were still transmitted by the Slovak management. In Lidl, the employer manages social affairs in the company and offers various fringe benefits. The formation and operation of the union organisation was presented as an ‘insult’ to the Slovak managers in front of the German management. It was a hard fight to establish a collective agreement and strike action seemed difficult given the structure of the company and the low union membership. The trade union put forward a proposal in July 2020 and, in February 2022, negotiations were held with the assistance of a mediator. An agreement was finally reached on 28 March which included granting the chair of the union long-term paid release to carry out her union activities.

Membership growth has been hampered by a lack of employee awareness and also because face-to-face meetings with shop teams are very difficult to organise. At least up to the recently signed agreement, the paid release of union representatives for union activities was not allowed and the chair worked for two days and carried out union business for two days which was insufficient for the work that needs to be done. Lidl has also not agreed to the deduction of union dues so all the paperwork in this regard is handled by the chair: ‘This is exactly the way of our employer; it’s designed to make me feel fed up’ (Interview 4.1). There has also been an attempt to disrupt union information via the Facebook page, alleging that it is in breach of the law on the protection of personal information. Meanwhile, no trade union office is allowed on Lidl premises.

Lidl’s hostility towards trade unions is well-known in other countries and international contacts from the Slovak side remain in their infancy.

4.2 Tesco

In 2020, Tesco had 154 outlets in various formats (small express, supermarkets and hypermarkets plus three distribution warehouses, six smaller food outlets under the Žabka brand name and 18 petrol stations) and approximately 8850 employees. Tesco acquired its Slovak stores in 1996 from Kmart which had, in turn, previously bought the Prior shops inherited from the period of state socialism. The company thus fits into the broader pattern in which unions exist in organisations inherited from the socialist period but which sees establishing union organisations in greenfield retail chains founded after 2000 being a much more challenging process.

Unions in the new outlets were created only gradually, but social dialogue was accepted from the beginning without obstacles as Slovak managers too were used to working with unions. Although union organisation is low, unions are still treated with respect. ‘They [Tesco] take us as a serious partner’ (Interview 4.3), in contrast to the situation in Poland, where low union organisation hindered the signing of a collective agreement (Myant 2020: 30-31). Thus, collective bargaining was taken sincerely by both sides from the beginning with sector union officials participating at company level and signing the agreements. The trade union side considers Tesco collective agreements to be well drafted, with a good system of benefits for employees, and contrasts this with an interpretation of Lidl’s system as offering only good wages. There have been no strikes or strike alerts as there was not seen to be any reason to engage in this way, even in

2015 when Tesco was threatening to close stores or leave central Europe altogether. In the end, there were no redundancies in Slovakia although in Czechia trade unionists did declare a strike alert⁹, with that threat enabling them to gain publicity for their grievances.

International contacts have also favoured social dialogue. The European Works Council includes powerful UK trade unions which are respected by UK Tesco management. This has helped ensure that there are no problems with trade union recognition and acceptance. The Tesco European Works Council Agreement regulates the basic rights of the unions and ensures a flow of information on Tesco's business performance. It also deals with practical things such as the introduction of automated cash registers and dealing with Covid-19 pandemic measures. The EWC is seen by Tesco union representatives as not just a formal institution but as something embodying a vibrant process (Interview 4.3).

Similarly, the involvement of the Slovak retail sector union in the UNI Europa federation contributes to the improvement of working conditions at enterprise level: MNCs are aware of their involvement in European structures, so they are concerned about the public exposure of bad practices (Interview 4.5). Tesco trade unionists also attend other activities such as the V4 retail trade union meetings in Warsaw or Budapest, encompassing a joint project by UNI Europa and other organisations seeking to strengthen the representation of employees from central Europe in international companies. Tesco management gives its representatives paid time-off for attendance. Indeed, there seems to be no problem with release for trade union activity and it is also enshrined in the collective agreement.

5. Conclusion

There are three cases in this chapter in which unions were recognised without major issues while two cases presented complications: the management in Kia, following its home country tradition of hostility towards unions, did not anticipate recognising them; and, similarly in Lidl, obstacles were created to the formation and functioning of trade unions.

Divergence also extended into the ways in which unions could operate and the practices of social dialogue. Experiences ranged from a smooth functioning, as in Tesco, through a stable social dialogue, as in Stellantis, Kia and JLR, albeit with problematic areas during collective bargaining. Stellantis is an example of opportunistic adaptation in which the company switched from an assumption that domestic practices would be transferred to one in which it engaged in somewhat arbitrary management methods, reflecting the host country's practices, after union organisation was identified as being weak. In the case of Lidl, management was more openly hostile. There is some willingness to share information and to consult, but not to engage in collective bargaining.

9. <https://ekonomika.pravda.sk/ludia/clanok/342480-tesco-ma-tazkosti-na-slovensku-prepustat-nebude/>

Employers have exploited the potential for agreements with individual employees in Kia and Stellantis. This tactic for undermining collective bargaining is not uncommon in periods of tension during negotiations and when a strike is imminent: the employer's aim is to paralyse collective bargaining and block strike action. In most cases, the benefit is often lower than what the employee is entitled to under the collective agreement, but it is guaranteed by the employer. Even though trade unions oppose such practices, individual contracts are assumed to be legally valid if mutually agreed by both parties. Arguably, such conduct is contrary to the 'good manners' which the labour code mentions as one of the sources of labour law, although how this formulation might be used in relation to specific management practices is unclear (Olšovská et al. 2017: 35-37). There may be a violation of the requirement for equal pay for equal work through such individual agreements, but that has yet to be tested in law in Slovakia. Furthermore, even if trade unions do decide to challenge such a procedure in the courts, the legal process could take several years, making it of little practical value in a specific dispute.

It was not the intention of multinational companies fundamentally to change or influence industrial relations in Slovakia; they came to take advantage of low-cost and skilled labour, investment incentives and the proclaimed weak state of trade unions. Despite the difficulty in pinpointing the impact of foreign owners on social dialogue, this is recognised by most of the trade union representatives interviewed although any toughening of a management stance could stem from domestic Slovak managers feeling insecure and wanting to demonstrate that they are in control. In the case of Tesco, the impact was positive as the union is well established in its home country. This was also true for Stellantis and JLR, albeit with the employer in the former case shifting as it sensed the weakness of the Slovak union.

In these cases, bad publicity did not play a significant role with the small exception of the Kia case in the early period. Also, despite the declarations of trade unions (especially OZ KOVO) on the importance of European trade union structures and European social policies, and their benefit to trade unions in Slovakia (Čambáliková 2015), only the Tesco case demonstrated their relevance. In other cases, international cooperation and activities were undertaken only at a formal level (Stellantis and Kia) or were virtually absent (such as Lidl).

Across the cases examined, Tesco had the highest quality social dialogue. This can be attributed to two fundamental factors that do not apply to the other cases, with the reservation that JLR has been present for too short a time to justify firm conclusions. One factor is the seamless recognition of unions, reflecting the presence of good relations and social dialogue in the MNC's home country; and the second is active and fruitful, rather than formal, international cooperation.

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All links were checked on 03.10.2022.

Annex

List of interviews

ID	Company	Position and trade union affiliation	Date of interview
Interview 4.1	Lidl	Representative, OZ KOVO	October 2021
Interview 4.2	Kia Slovakia	Representative, OZ KOVO	October 2021
Interview 4.3	Tesco	Representative, OZ Tesco	October 2021
Interview 4.4	Jaguar Land Rover, Stellantis Trnava	Representatives, OZ KOVO, TO JLR; OZ KOVO Stellantis	November 2021
Interview 4.5	Trade Union Federation of Employees in Retail and Tourism (OZPOCR)	Union official, OZPOCR	September 2019

Chapter 5

Hungary: Restricted terrain for self-organisation and action

Tibor Meszmann

1. Introduction

Hungary was among the first countries in central and eastern Europe to open its economy to multinational companies (MNCs) in the 1990s. From then onwards, foreign-owned companies have used their strong bargaining position to lobby for favourable legal conditions and for broad autonomy in the conduct of company-level industrial relations.

This chapter follows the development of trade unions and collective bargaining in MNCs in retail and automotives. Following interviews with sector trade union representatives, the initial hypothesis of differences between cases, reflecting the mode of MNC establishment (greenfield vs. brownfield) as well as company philosophy towards worker representation, is modified by two further factors. First, representatives highlight the differences between local-regional labour markets in which MNCs are established and in which trade unions act. In general, there remains a persistent, very significant difference between the more developed (higher wages, lower unemployment, higher employment participation rate) in the north-west of Hungary and the country's less developed south-east. Second, it is clear that trade union presence and activity vary between cases. As most companies are greenfield sites, the variation cannot be explained with the mode of MNC establishment, but uneven structural power due to different regional labour market developments might have strengthened union positions in some regions more than in others.

This chapter focuses only on those cases in which trade unions have attempted at least to fight for and, preferably, have actually been involved in establishing industrial relations at company-level. Trade union presence and action is also assessed using power resource theory.

The research is based on long-running observations and work with trade unions in Hungary (especially in automotives); secondary literature, media articles and company-specific background materials (collective agreements, codes of conduct, annual reports); interviews with two sectoral and two regional trade union representatives and officials in both retail and automotives; plus an informal discussion with a consultant who had been present at collective bargaining sessions in various companies and who could counter any possible union bias. Four in-depth interviews were also conducted with local trade union representatives or trade union officials. These interviews – listed in the Annex – covered the establishment of trade unions and collective bargaining,

union-management relations, details of industrial conflicts, international cooperation and the use of the media. All interviews were conducted in the first half of 2021.

The chapter is structured in the following way. The next section provides the context with a very brief history of the significance of MNCs in Hungary, introducing the institutions of worker representation and highlighting key findings from earlier research. In sections 3 and 4 I discuss trade unions and collective bargaining in MNCs separately for automotives and for retail. These sections also include two case studies in each sector. The final section provides conclusions.

2. MNCs and trade unions in Hungary: historical and institutional context

MNCs appeared in Hungary in the early 1990s and became key actors generating and symbolising Hungary's integration into the global economy, also lobbying and shaping the regulation and institutions of the Hungarian labour market. MNCs typically sought to secure the highest level of autonomy in the company-level regulation of labour use and in industrial relations (cf. Makó and Simonyi 1997; Chikán 2010), efforts which received a further boost with the new labour code of 2012 (Gyulavári and Kártyás 2015; Laki et al. 2013).

This legislation weakened trade union bargaining positions, created organisational vulnerabilities, affected their financial capacities (Laki et al. 2013) and, except for wage bargaining, pushed them even further into adapting and accepting a new, weakened starting position of concession bargaining with managements. Further changes in the labour code, most notoriously the amendments approved in 2018 allowing companies to introduce extreme quantitative flexibility and higher amounts of overtime working, and which increased the reference periods for the latter, were dubbed by opponents as the 'Slave Law' and sparked major protests (Gagyí and Gerőcs 2019; on the flexibility clauses of the Hungarian labour code see, for example, Gyulavári and Kártyás 2015; Fodor 2016). In addition, practice shows that, subsequent to the amendments, the employer could turn a blind eye to working with fewer employees than necessary for smooth production and promote the entrenchment of quantitative flexibility with elements of qualitative flexibility. Altogether, the law further formalised a very flexible, company-based system of work regulation.

In addition, there is a dual system of worker participation and interest representation: besides trade unions, works councils could be present in MNCs, sometimes without trade union backing which, in practice, means that the works council is established before a trade union is formed. This makes the overall map of Hungarian worker representation rather complicated as there are four modalities: there are companies in which both a union and a works council are present; companies with only one of either form of representation; and also some with no form of representation at all. Furthermore, if both are present, relations between a works council and the trade union(s) can be either cooperative or conflictual.

Since the introduction of the new labour code, works councils can reach company agreements in non-unionised workplaces. These regulate some aspects of the employment relationship, but works councils are not authorised to sign agreements on wages as that is considered an issue of potential collective dispute. Neither is a works council entitled to reach a collective agreement; however, they can be involved in ‘soft’ bargaining, meaning adopting a consultative role on working conditions including working time. This is especially important in that the 2018 amendments to the labour code either require an agreement from individuals to increase their overtime threshold or, where there is a collective agreement at a plant, an agreement with a trade union to do so.

Especially when trade unions are in the majority among elected representatives, works councils are instrumental in gathering relevant information and preparing for collective bargaining. When there is no cooperation with unions, works councils are at a high risk of management pressure and control. The map of worker representation is further complicated as, in many MNCs, two or more unions are present, sometimes including small management-friendly unions or organisations affiliated to competing sector unions and federations.

MNCs have also contributed to rising social and regional inequalities within the country. The jobs created by foreign-owned companies are concentrated especially around the capital city and also in the western border region. Therefore, internal regional disparities have persisted over decades in both employment and wage levels (Fazekas 2003; KSH 2008; Medve-Bálint 2015; KSH 2018), generating significant internal geographical mobility (Cseres-Gergely et al. 2004; Köllő 2004; Kertesi and Köllő 2000). Government policies and legislation, further accelerating with the introduction of the 2012 labour code, have attempted to create incentives also for investments in regions with higher unemployment, but that has not reversed regional inequalities. Thus across all indicators of unemployment and employment rates, wage differentials and net internal migration, a huge difference has persisted between the north-west and the south-east.

In terms of collective bargaining,¹ MNCs had the potential to shut out, or at least weaken, trade unions by offering wages slightly higher than the prevailing level. Research has confirmed the presence of significantly higher wages in foreign-owned companies than in domestic ones (Kőrösi 2007: 55-56), accompanied by higher labour productivity in the former. In this context there is evidence from research on collective and wage agreements and wage levels that there is no wage premium for unionised companies once account is taken of the sectors in which MNCs are involved (Rigó 2013). However, the same author highlights the importance of non-wage benefits in unionised companies: in other words, trade unions have bargained successfully on redistributive non-wage items and this is the main real positive contribution of unions in raising the total value of employee remuneration. In 2018, the government annulled most low tax

1. In Hungary, company collective bargaining has two main outcomes: regular bargaining over wages (that occurs typically annually), that is, wage bargaining resulting in collective wage agreements; and negotiating for a collective bargaining agreement. Collective bargaining agreements are longer, more stable documents; they formally regulate industrial relations at the plant but also wage-tariff systems, working conditions, various social benefits, the position of the trade union, procedures for collective bargaining, etc.

or non-taxed non-wage benefits, such as subsidised meals, and unions lost a major substantive issue over which they had traditionally negotiated.

In both retail and automotives, MNCs have opened up the agenda for concession bargaining with unions. A typical example, especially in periods of crisis, is higher working time flexibility in return for a wage increase or employment stability (Neumann and Boda 2011).

Hungarian trade unions have increasingly concentrated their organising activity in retail and automotives towards MNCs. Large retailers, being concentrated in the capital, plus the comparatively large size of business units, present good environments for unionisation while the automotive sector also presents favourable conditions. Unions in both retail and automotives have thus experimented with the application of both structural and associational power in the easiest 'natural' locations (Wright 2000; Silver 2003). Unions aim to gain recognition and eventually to sign collective agreements as a means of securing institutional power (Brinkmann and Nachtwey 2010: 21). In their strategic use of the media, they have used societal power (Lévesque and Murray 2013), but very sporadically, only at critical moments and not giving the space for any questioning of their commitment to the success and good operation of the company.

For MNCs, there was at first little need to adapt to the host country's undeveloped regulatory framework (Koltay 2010: 18-19), characterised as it was by a very permissive business environment with lax regulations and a limited role for worker representation and collective bargaining (Neumann 2009). At best, in privatised companies with an inherited union and a collective agreement in place, the MNC and its new management were adaptive and more union friendly, acknowledging both the union and the existing collective regulation. It was significantly more difficult to establish unions and engage in collective bargaining on greenfield sites (Neumann 2000; Neumann 2009; Makó and Novoszáth 1995; Galgóczi 2003).

In automotives, union officials from Vasas Szakszervezeti Szövetség (Vasas; Federation of Hungarian Metalworker Unions) traditionally contend that countries of origin matter. In general, western European employers are likely to be union friendly; East Asian MNCs have a rigid transfer of domestic culture and thus organically oppose unions; while US MNCs insist on corporate identity and culture (Galgóczi 2003: 33). In refining the hybridisation thesis,² Meardi et al. (2009: 20) claimed that enterprise-level local unionism unduly strengthens some enterprise-oriented unions, leading to many variations rather than standardised, predictable outcomes. As a secondary variable, local management stance also seems to matter and this, as indicated below, varies between companies and over time as individual managers come and go.

In Hungary, the division between market-seeking and cost-reducing MNCs (Myant 2020), exemplified by retailers and automotives, plays out in an unusual way. MNCs clearly dominate automotives (KSH 2010; KSH 2019), contributing disproportionately

2. Under which MNC employment practices are suggested as combining elements of home country practices with those of the host country (Meardi and Tóth 2006).

to exports and accounting for a high share of R&D expenditure (Chikán 2010: 5) and also being vital to the country's balance of payments. Their importance is rewarded with substantial state subsidies to support investment and this also gives them great lobbying power which they use in such areas as general competition policy, education and the liberalisation of the labour market (Chikán 2010: 13; Laki et al. 2013). Retail, although the second largest sector in Hungary with about half a million workers, many of whom work in MNCs, has much less political clout. The sector is highly regulated and has also been subject to politically motivated taxes and restrictive regulations after 2010, leading to MNCs cutting employment in partial compensation.

These differences affect the industrial relations climates operating within each sector. The privileged position of automotive MNCs enables them to treat trade unions at best as partners in concession bargaining. MNCs in retail appear more likely to seek better relations with unions. At least in the case studies discussed below, the difference is especially stark when there are conflicts and strikes: these tend to bring the parties closer together in retail but make relationships more difficult in the automotive sector.

3. The automotive sector

MNCs from Germany dominate automotives, with 52 present in Hungary in 2018 when they accounted for 45 per cent of employees in the sector. Japanese, US and Chinese companies took substantially smaller shares of employment, value added and net revenue. German companies pay higher wages (which also reflects the high representation of car manufacturers and their direct suppliers), but tend also to have significantly higher labour productivity. Compared to typically Hungarian manufacturers of metal products, all MNCs are substantially larger on average (KSH 2019).

Of the almost 500 companies registered with foreign ownership in the automotive sector, only 18 are registered in the collective agreements depository.³ This database, which gives only minimal information on the actual content of agreements, is neither complete nor up to date as there is no penalty for failure to register an agreement or for not signalling its end. For car manufacturers as a whole, the bargaining coverage rate is very high but much lower in their direct suppliers for whom we can estimate a figure of about 20 per cent. The existence of collective agreements, however, does not mean that these companies are union friendly.

Both car manufacturers and suppliers appear to prefer 'independent', local union organisations, avoiding specialists from the sector union and other 'outsiders' during bargaining, while some evidence suggests that their preference for dealing only with employee representatives from within the company extends also to having works councils rather than trade unions (Interview 5.5). Certainly in some greenfield investments in the early years, MNCs preferred to deal with a works council rather than a trade union (Gerócs et al. 2021), being happier with less formal consultations with worker representatives who cannot legally take collective action. In contrast, sector

3. mkir.gov.hu website.

union representatives were often considered arrogant troublemakers who did not take company specificities and interests sufficiently into account. Thanks to international cooperation, however, Vasas knows which German companies are not union friendly and differentiates accordingly (Interview 5.2).

Table 5.1 collects information based on my own observations and from the media about automotive MNCs in which trade unions are active or in which they have attempted to gain influence. Such a constellation stems also from trade union strategies to prioritise activities in large companies in a good market position. In some MNCs there are main and minor unions (judged from membership and involvement in collective bargaining) and I have differentiated between them (e.g. 2+1 means two major and one minor union). Most of these MNCs are on greenfield sites and they have grown, especially in the last decade. Regular wage bargaining is characteristic of almost all companies, but fewer have collective agreements. An asterisk (*) indicates those companies which have more than one plant in the country. I have also attempted to indicate changes over time in worker representation ('>'): for example, at Continental a works council was established before a trade union was formed; and there are also cases, as at LuK and at Mercedes-Benz, of an earlier, but no longer continuing, presence of an elected work council due to unsuccessful elections.

The aim of Table 5.1 is to show the major industrial relations characteristics of automotive MNCs, among both car producers and supplier companies. There are only two privatised brownfield sites. Greenfield sites are typical and German MNCs also dominate. There is variation in terms of union fragmentation: two unions are typically present but at some sites there are three. Typically there is a union associated with Vasas but this is not the case in all plants. There are independent company unions (the most important being at Audi and LuK), some directly associated with the LIGA confederation and some belonging to two other loose sector unions, *Életre Tervezett Munkavállalók Országos Szakszervezete* (ÉTMOSSZ; National Trade Union of Employees Designed for Life) and *Mérnökök és Technikusok Szabad Szakszervezete* (MTSZSZ; Free Trade Union of Engineers and Technicians). In Suzuki there is no recognised trade union, only a works council; in other companies there is only a works council; and others where neither is established.

When Vasas establishes a local union and increases its membership, it introduces itself as a moderate, responsible, down-to-earth and transparent organisation and starts putting a relationship in place leading to a cooperation agreement including the deduction of membership fees, securing an office or space for trade unions, ensuring the application of labour law protections and gradually moving to issues of wage negotiation and collective bargaining (Interview 5.2). Vasas works to strengthen union leaders by providing education and training, while it has put great effort into international cooperation, information exchanges and training programmes.

Table 5.1 Employee representation in the main MNCs in the Hungarian automotive sector

Company	Type	Country of origin	Greenfield	No. of unions	Recognised by management	Works council (WC)	Union domination of WC	Collective agreement	Good collective agreement	Regular wage bargaining	Conflicts, strikes, protests
Audi	Car manufacturer	Germany	N	1+1	Y	Y	Y	Y	Y	Y	Y
Mercedes-Benz	Car manufacturer	Germany	Y	2+1	Y	Y	Y	Y	Y	Y	Y
Suzuki	Car manufacturer	Japan	Y	1	N	Y	N	N	N	N	Y
GM Opel	Car manufacturer	US/ French/ NL	Y	2	Y	Y	NA	Y	NA	Y	N (>Y)
Bosch*	Tier one supplier	Germany	Y	2	Y	N	NA	N	NA	Y	Y
Continental*	Tier two supplier	Germany	N>Y	1	Y	Y	Y	Y	Y	Y	Y
LuK*	Tier one supplier	Germany	Y	2	Y	Y>N	Y>NA	Y	N	N>(Y)	Y>(N)
ZF	Tier one supplier	Germany	N	1+1	Y	Y	Y	Y	Y	Y	Y
Denso	Tier two supplier	Japan	Y	1	Y	Y	NA	N?	NA	Y	N
Valeo	Tier one supplier	Germany	Y	(1)	Y	NA		Y?	NA	?	N
Autoliv	Tier one supplier	Sweden	Y	1	Y	Y		N	NA	Y	Y>N
Hanon Systems (Visteon)*	Tier one supplier	South Korea	Y	2	Y	N?	Y	N	NA	Y	N

Notes: * company operates more than one plant in the country; '>' changes over time; major union '+' minor union; '?' unclear
Source: Author's own research from interviews and published sources

The experience of Vasas is that MNCs have established a strong economic position, backed by the political environment, in which they could dictate conditions of work and employment. This position is most pronounced on non-unionised greenfield sites. In contrast, union establishment in general has been hindered by a political environment that does not favour workers' rights and self-organisation but has prioritised investments and employment. All MNCs are well informed about wages and working conditions in similar jobs, within a city and in a specific sector, and they can offer better wages. In the context of looming unemployment or poor opportunities for quality employment,

workers also prefer relatively well paying jobs and a good working environment; insisting on self-organisation and rights has not emerged as a necessary requirement.

Moreover, different patterns have emerged in the north-west and the south-east of the country: in the former, due to continuous investments and relative job stability, the fear of losing one's job is low and workers can nevertheless opt for 'exit' as well as developing 'voice'; in the south-east, however, unemployment, or at least poorer employment prospects, has remained a constant labour market constraint for employees, negatively affecting unionisation from the start. In the words of a retired regional representative from a more depressed southern region (Interview 5.9), MNCs in many places had the upper hand, developed a paternalist management style and effectively discouraged collective interest representation. In some places, an MNC's actions collided with the law:

But the vast majority of workers [...] are ultimately unaware of their own rights. ... Many times employers tricked employees (to accept arrangements against their interests). ... Even where trade unions were formed [a situation was created where] an MNC used its power and intimidated people [not to join the union]. (Interview 5.9)

There is reportedly a huge difference between west European and east Asian companies (Interview 5.2; Interview 5.9). Although western, especially west European, companies also differ in their stances towards unions, 'they have a corporate culture which means that, no matter whether the management dislikes or suppresses unions, there are certain standards to which these companies adhere' (Interview 5.2). East Asian companies are extremely anti-union and enter into conflicts rather than seek compromise. There 'it's damn hard to establish a union, especially in Chinese MNCs' (Interview 5.2). Indeed, Vasas has entered litigation with several Chinese companies.

Two years were not sufficient to sign a cooperation agreement between the trade union and the employer. And they use all opportunities to undermine the union and the union leadership.... They disregard the trade union [and] workers' rights, but also health and safety regulations. (Interview 5.2)

In terms of adaptation to local conditions, there is a difference between whether an MNC appeared as a greenfield or a brownfield investor, while its country of origin is also important (Interview 5.2; Interview 5.9; Interview 5.11), not least in the sense of traditions of industrial relations and collective bargaining. This extends to the terms of recognition of the institutions of worker participation. Thus, there is less need to explain the need for electing a works council or allowing unions into a plant at a German company than at a Swiss or an Asian one. Companies adapt in two hybridising ways, one which plays out in a 'positive' stance with regard to trade unions and the other in a 'negative' one. In MNCs taking up a 'positive' stance, legal requirements are fully respected although there is a variation in the level of openness to unions and collective bargaining. In the second group are companies that, acutely sensitive to costs, are attempting to cut costs by all means.

Like the majority of local employers, some MNCs appear not only as anti-union, and against collective bargaining, but also adapt flexibly to legal requirements, reinterpreting laws to their advantage especially when it comes to workers' rights. In these cases, unionisation is not encouraged, underpinned by the argument that says the company provides everything so there is no need for a union. They cite relatively high wages and, sometimes, additional premia or welfare provisions. On occasion, as well as attempting to shut out unions in a 'positive' way, companies exert pressure on union organisers and members, up to the level of waiting for key unionists to make a mistake and offering termination of their employment via mutual agreements so they could not say they had been summarily dismissed. In response to such situations, neither Vasas headquarters staff nor their regional representatives had an effective counter strategy (Interview 5.2; Interview 5.3; Interview 5.9).

The nationality of an individual manager was judged by two union officials to be of secondary importance, with company culture being the decisive factor (Interview 5.2; Interview 5.11). Thus, in the case of Bosch, one HR manager, previously working at a union friendly workplace, took over and proceeded fundamentally to change her stance towards the union. However, not all interviewees agreed: according to the retired regional representative (Interview 5.9), especially in MNCs originating from countries with an entrenched tradition of worker participation, chiefly Germany and Austria, the management typically put in place at the start of production is foreign. It tolerates a union and is open to negotiation on rules establishing channels of communication, interest reconciliation and the like. Local managers, especially from a younger generation, are much less sympathetic. They are not aware of union roles, nor are they sufficiently informed about the purposes of collective bargaining. Their 'hostility' means that union-management relations typically face a period of strain. In companies with higher levels of turnover amongst management, the management stance towards unions and bargaining is rather negative or, if a positive tradition had earlier been established, it then enters a more fragile phase. A strike absolutely makes the relationship worse and is usually accompanied by a change of management within six months.

The presence of more unions in a company undermines workers' power and the employer takes advantage of that. The union which is able to sign a collective or wage agreement decides with management whether to include other unions or keep them away from the table.

Vasas uses public media but also its own channels of communication, such as its website and Facebook, while influencing media discourse against a specific MNC only rarely, as in the case of Suzuki. There, it did help towards a wage increase and also provided backing for a court case against the victimisation of a trade union representative, but it did not alter the company's hostile attitude towards trade unions.

3.1 Mercedes-Benz (Daimler)

Mercedes-Benz is an interesting case as the company philosophy is, overall, union friendly. However, it undertook a greenfield investment in 2010 in Kecskemét, centre of

the Southern Great Plain, at a time of relatively high unemployment, when wages were lower than the national average and there being little presence of automotive MNCs. The plant reached 4900 employees in 2022 with an assembly shop, a body shop and a paint shop.

The company's own group-wide Integrity Code declares that it works with unions 'in a spirit of respect and trust' and stresses 'constructive collaboration' with worker representatives. This was a good entry point for a local union initiative. Building up a strong union presence was, at the initiative of the then Vasas regional representative (Interview 5.8), linked with international cooperation between German and Hungarian union counterparts from the very beginning in the form of the exchange of information. Moreover, the Vasas regional representative carefully and diligently developed good personal contacts with company representatives and was present at crucial meetings, even before the start of production. The terrain being painstakingly prepared, it was not difficult to form a Vasas-affiliated union at the plant.

In the first years, company representatives and those from the union cooperated and developed together. The union could present itself to newly hired employees, leading to a very high unionisation rate, stemming also from the good communication and organisational skills of the person who then headed the union at the plant. In order to strengthen the spirit of trust and cooperation, the union helped in the recruitment of skilled workers from more distant places, thus contributing to a smooth start to production. After successful works council elections, in which the head of the union also became the chair of the works council, a collective agreement was signed in 2012 (Interview 5.8; Interview 5.9).

In 2012-13 the union organisation suffered an internal crisis as the leader of the union at the plant was replaced while a competitor union also appeared. Since then, the works council and the trade union have had different heads from rival unions, creating problems in communication with workers and members. There was also a change in management followed by a period in which relations were less friendly, culminating in the first industrial conflict (Interview 5.9).

In late 2016, Vasas organised a strike as part of a wage dispute while the other union signed a wage agreement.⁴ According to a local union representative (Interview 5.8), the strike was instrumental in overcoming the union's organisational crisis, after which membership also stabilised. Nevertheless, the relationship with management became even colder and the local management was then replaced. The strike also featured at the labour court, which reached a verdict that it was not in line with the legislation although management did not press for financial sanctions against the union. A third, newly established union appeared at the plant in 2018-2019 and works council members were also split in their union affiliations. The public appearances of the head of the Vasas local union, and his speeches during the protests over the 2018 amendments to the labour code, were not received well by management. Subsequently, wage bargaining

4. Sztrájk volt éjjel a kecskeméti Mercedes-gyárban 24.hu November 24 2016.
<https://24.hu/fn/gazdasag/2016/11/24/sztrajk-volt-ejjel-a-kecskemeti-mercedes-gyarban/>

has not been easy but the union has managed to reach deals it judged as good (Interview 5.9).

The company and the management do not question the legitimacy of the union and its situation during wage negotiations. In these times, the union is more active in its communication with (potential) members and attempts to increase its membership base, often quite successfully. The local union also enjoys international support thanks to the cooperation undertaken at that level by Vasas. It launches opinion surveys regularly so as to fortify its presence in the plant and prepare for collective bargaining. However, it is only during wage negotiations that the company is open to union initiative and collective bargaining (Interview 5.9). At the beginning of 2022, an unsuccessful round of elections for the works council occurred when, according to the union, management actions hindered the participation of all employees and had an impact on the results. The trade union appealed to the court and won the case.

3.2 Schaeffler – LuK and FAG

Schaeffler LuK Savaria established its clutch-producing plant in Szombathely, in Western Transdanubia, a region that has attracted significant amounts of foreign direct investment, as a greenfield site in 1996. This expanded from a few hundred employees to more than 3000 in 2019.

The company adopts a rather hostile stance towards unions (Interview 5.3) and its ethics code corresponds to its negative, control-driven stance towards unions and collective bargaining. This states that the company respects the right of employees to freedom of association but it also identifies that, irrespective of this right, the company always allows its employees to represent their interests directly; that is, individually.⁵ In practice, it seems that individual interest representation is preferred above that of the collective. The company's philosophy is to attain the most flexible regulation of work and employment allowed by the labour code while accepting only the legal minimum in regard to union formation, worker representation and collective bargaining. The company tolerates only that trade unionism which does not create any conflict or lead to a collective dispute.

In the Szombathely plant, an independent trade union was established first and registered at the court in 2008 (Szombathelyi Autóalkatrészgyártó Dolgozók Szakszervezet; known in brief as Szakad FSZ: the Free Trade Union of Car Component Manufacturing Workers from Szombathely). Nevertheless, this was some ten years after the start of production, such a late formation indirectly demonstrating the non-encouraging stance of the company. In the first years, managers made sure of higher wages and comparatively good employment standards in order to shut unions out. Dissatisfied with the low record of achievement of Szakad FSZ, a union affiliated to Vasas was formed in 2012

5. Code of Conduct Schaeffler Group Transparency, Trust, and Teamwork, p.19 https://www.schaeffler.com/remotemedien/media/_shared_media/o8_media_library/o1_publications/schaeffler_2/brochure/downloads_1/code_of_conduct_de_en.pdf

by some ex-members of Szakad FSZ. The relationship between the unions was uneasy, mostly confrontational, with various historical resentments on both sides, and marked by fragile cooperation.⁶ The works council operated only briefly, from 2011 until 2012, before dissolving itself as a result of disagreement between the unions. Over the course of time, and especially since 2016, the Vasas-affiliated union has become stronger in terms of membership but it remains effectively locked out of collective bargaining.

A few collective actions have taken place: in 2016 a car protest during wage negotiations was organised by both unions, as well as a protest for the reinstatement of a union member who had been dismissed.⁷ These sporadic actions were fruitful, at least in the short run: there was a wage rise in 2017 and a collective agreement was signed, albeit only with Szakad FSZ, in late 2016. On the negative side, the fixed-term contracts of union activists were not renewed. After the wage agreement, Vasas organised another protest which may have ensured that it was not invited to the collective bargaining negotiations.

An official from the sector union judged that collective agreement to be non-beneficial to employees (Interview 5.3) as it reinforced high qualitative and quantitative flexibility in exchange for higher job security and higher severance pay provisions, the realisation of the latter also being tied to the judgment of a welfare committee which has yet to be established. The collective agreement does strengthen the position of Szakad FSZ as a representative union; and it is consulted regularly. However, it states that strikes and protests should be avoided (especially during wage negotiations) while the union is specifically instructed to avoid damaging the good reputation of the employer. Furthermore, during wage negotiations, the agreement also states that unions are able to address employees only when management is also present, which seems to contradict the right to free and independent association.

With the unions thus disarmed, high labour turnover became the norm even in conditions of a labour shortage.

Such conditions give no chance to deepen collective bargaining and interest representation, but a spontaneous production slowdown was organised by workers in 2019, in the ending of which the Vasas union participated, thus establishing a reputation as a constructive union both among management and workers. In the judgement of the union leader (Interview 5.10), a non-aggressive, non-confrontational approach specialising in welfare and mutual assistance, and occasionally assisting in conflict resolution, is tolerated and accepted by the management which has subsequently provided information and consulted the union meaningfully. On behalf of ordinary

6. Soproni H. Lajos Szövetség helyett marják egymást – Van, hogy rivalizáló érdekvédők gyengítik a munkások esélyeit Népszava 2020.09.17. https://nepszava.hu/3092244_szovetseg-helyett-marjak-egymast--van-hogy-rivalizalo-erdekvedok-gyengitik-a-munkasok-eselyeit

7. Autós demonstráció a szombathelyi LuK-nál - A szakszervezetek készek a sztrájkra is May 13 2016 Nyugat.hu https://www.nyugat.hu/cikk/autos_demonstracio_luk_szombathely_beremeles. Vasas alone participated in the next protest, which targeted the abolition of the wide use of fixed-term contracts which have a particular impact on union activists. Ismét tüntettek a szombathelyi LuK-nál MTI June 8 2016 <https://autopro.hu/beszallitok/ismet-tuntettek-a-szombathelyi-luk-nal/174119>

members, the union has been able to step in to solve individual problems and grievances, a position that has helped in raising union membership: from a few dozen members in 2012, by 2018 the Vasas union had gathered 186 members while, in 2020, it counted 514.

This case study highlights an instance where the trade union was not able to overcome a negative company philosophy, even in conditions of a tight local labour market, being only able to establish itself as an organisation of a community of workers with a highly limited role.

Schaeffler also opened a plant in 2016 at Debrecen, in the less industrialised Northern Great Plains region. In its FAG plant, which produces bearings, the Vasas regional representative and a specialist (Interview 5.3; Interview 5.2) claimed that management had organised its own ‘yellow’ union which concluded an agreement on collective bargaining and subsequently started wage negotiations, thus effectively locking out the Vasas union.

It was at a speed worthy of winning a Nobel award: they managed to create a plant level union in four months and conclude a collective agreement and a wage agreement. So we can't set up a union organisation in 4 months [and they] already have a collective agreement and a wage agreement. (Interview 5.2)

In January 2022, in an Instagram post, the HR manager proudly boasted of the existence of the company union, the collective agreement and the new wage agreement.

4. The retail sector

Based on the annual reports of ‘Trade Magazin’,⁸ there were six dominant multinational retail chains in Hungary in the 2007-2019 period: Aldi, Auchan, Lidl, Penny Market, Spar and Tesco.⁹ Calculations by Központi Statisztikai Hivatal (KSH; Hungarian Central Statistical Office) show that companies from Germany have the highest labour costs per employee, followed by the Austrian and French retail companies, but also the highest labour productivity (KSH 2019). As at 2020, the union representative (Interview 5.1) estimated that MNCs paid a gross wage some 50 000 forint (around one-third of the minimum wage) higher than domestic retailers. Due to automation (self-service checkouts) and online sales, however, employment levels are likely to decline, possibly by 30-40 per cent, in the future (Interview 5.1).

Unions operate almost exclusively in MNCs after Kereskedelmi Alkalmazottak Szakszervezete (KASZ; the Trade Union of Commercial Employees) gradually lost its position in all domestic retailers. However, many employees who lost their jobs in retail had earlier gained experience of being in a trade union, so this was a group with which union organisations could be built in MNCs.

8. <https://trademagazin.hu/hu/tag/aruhazak/>

9. As agreed with the trade unions, the specific companies appear in the following case studies anonymously.

MNCs started out, as did unionisation, from Budapest. One union official interviewed for this set of case studies – a representative of the area around the capital and a labour law specialist – followed and intensively supported the establishment of unions and also helped in some organising initiatives (Interview 5.6). As it was allowed by the law, she used the opportunity to visit individual union members in their workplaces and encouraged the establishment of workplace union organisations, for which the law stipulates a minimum of 10 members. There were no problems with brownfield investors, but typically it was more difficult to establish a union on a greenfield site. It was rarely possible for a union official to meet members in their workplace and so they had to meet in a nearby restaurant. Unionisation was more difficult in rural areas where, as unemployment was higher and job opportunities fewer, people feared losing their job.

In all companies where the sector union has members, the company is supposed, by law and at the request of the employee, to deduct union dues from personal gross income and transfer it to the union. The first company where the employer refused to do this features as one of our case studies (Company Z).

In the shops there are no special rooms or spaces for the union; all materials etc. are sent out from and collected at county level and central headquarters.¹⁰ KASZ's general strategy for establishing a union in MNCs started with recruiting two or three members, followed by solving a relatively minor issue by addressing management on behalf of the members (Interview 5.6). From there, alongside recruiting members, the path was to move systematically to taking up bigger and bigger issues, up to wage negotiations and reaching a collective agreement.

Ultimately, according to the president of the sector union (Interview 5.1), MNC policies towards unions are dependent on the senior management in the host country, but, even then, there are differences according to managers' country of origin, which acts as a cultural-institutional factor. Thus a Scandinavian manager was evaluated the best and a Hungarian the worst. KASZ has been keen to learn about industrial relations and management habits in different countries, from which it surmises that no MNC has openly taken an outright anti-union stance, with the possible exception of Lidl where relatively high wages have been part of a strategy to keep the union out. Nevertheless, a range of anti-union strategies has been applied while the approach of individual companies also varies, depending on individual managers. New managers frequently prove to be more hostile towards unions and collective bargaining. In some MNCs, especially where the union has few members, those members could lose their jobs if management learned about it. More generally, MNCs use various means to keep the union out or to prevent it from developing. These include solving the problems raised by the union, but without involving it; consulting the union but keeping details of the deal secret; and infiltrating a pro-management member to obstruct the union's work.

10. Where there is a regulated relationship with management, local shop managers tolerate regular visits from specialists and representatives and allow the use of common spaces, such as the kitchen, for union meetings with a group of employees.

In terms of industrial relations, the union has established itself firmly in four MNCs and has signed collective agreements in two. The coverage rate is about 35 per cent in multinationals and 15 per cent across the whole sub-sector of non-specialised mixed retail. The union representative states that relationships with other unions differ and depend on many factors; if it is not a 'yellow' union, cooperation is possible. In general, its relationship with another sector union of significant size is mutually supportive. As far as international cooperation is concerned, KASZ is a member of UNI Global Union's solidarity network and takes part in the fair wages campaign. At the network, useful information is exchanged although cooperation is more intense with unions from neighbouring countries. Meetings take place every 2-3 months where information is shared on new trends, practices, etc.

KASZ uses the media in a limited, but strategic way. The union operates a very active Facebook group and has pioneered online meetings and 'open hours' with representatives. The union leader recognises that there is also a need for the union to create its own channels as the media distorts many events. MNCs seem not to want any kind of publicity, either in connection with union-friendly practices or where there are examples of bad ones. A check of media cuttings indicates that KASZ has used the media strategically to exert comparative pressure on MNCs and shops to increase wages, but has also put pressure on the government at the time of the introduction of working time regulations as well as ahead of incomes policies.¹¹

Up to 2020, there were only two significant strikes in MNC retailers, both of which occurred in conditions of a tightening labour market: Company Y (when more than one-third of supermarkets were closed); and another MNC retailer. In both cases, managers were too stubborn and not cooperative. The strikes led to local management gaining approval from more senior managers to increase wages and retain more jobs. The strikes actually helped in establishing better relations as the union was, from then on, taken more seriously.

Table 5.2 summarises the main characteristics of the four MNCs with a trade union presence. These companies are present at least in Hungary's large towns. Information is based on union interviews and the quality of collective agreements is as judged by union officials. Similarly to Table 5.1, changes over time in worker representation are indicated by the symbol '>'. Wage bargaining is regular, but there are years in some companies when agreements are not reached. Compared to automotives, a maximum of two unions are present in the shops although in Company Y a new union has appeared due to the acquisition of a logistics company. Other than in UK-based Company Y, works councils are also established in all companies, with elected union candidates. In only two companies are there collective agreements, but wage negotiations occur in all of them. As will be detailed in the case studies, there have been dramatic changes in terms of union recognition and conflict, leading to improvements in union-management relations.

11. Valkai Nikolett "Nem zökkenőmentesek az idei bértárgyalások" *Piac és profit* January 29 2020. https://piacesprofit.hu/kkv_cegblog/nem-zokkenomentesek-az-idei-bertargyalasok/

Table 5.2 Employee representation in Hungarian retail sector MNCs

	Country of origin	Greenfield	No. of unions	Union recognised by management	Significant union presence	Works Council (WC)	WC union control/led	Collective agreement	Good collective agreement	Conflicts, strikes, protests
Company A	Germany	Y	1	Y	Y	Y	Y (fully)	Y (+)	Y	N (Y>N)
Company B	Austria	N	2	Y	Y	Y	Y (partly)	Y (+)	Y	N
Company Y	UK	N	1+1	Y	Y	N	NA	N	Y	Y
Company Z	France	Y	2	Y (N>Y)	Y	Y	Y (partly)	N	Y	Y

Notes: as Table 5.1.

Source: as Table 5.1.

4.1 Company A

Company A, a hard discount retailer, was established on a greenfield site in 1996 and has its headquarters in a small town within the Budapest conurbation. In absolute terms it is more present in the wider area than in the capital itself; the largest number of its outlets in Hungary are in that wider area followed by places where wages are lower on average and, consequently, the population's purchasing power is smaller. In the years around 2020, it had about 4000 employees. The company seems to maintain a positive stance towards unions. Its outlets are rather small, averaging about a dozen employees; in addition to the stores, there are three regional logistics centres. The union has faced disadvantage in terms of both structural and associational power as a result of the chain's small, geographically dispersed units, many in high unemployment regions, and its price sensitive customer base – these are people who are least likely to turn their back, or boycott, the shop due to poor employment standards.

The union official (Interview 5.6) recalls that KASZ started its successful campaign a few years after the opening of the first shop, in 1998-99, encouraging workers to join the union and then to choose a representative among themselves. After this, the union was entitled by law to enter the workplace. Across the country, all shops were visited by regional representatives with whom a joint mapping of non-unionised shops was carried out.

A major difficulty in organising, especially in rural areas, is employees' fear of losing their job, tending them towards compliance at all costs with the requests of their superiors even where this is contrary to existing legal regulation. Consequently, there are many irregularities, especially around working hours. In the view of the union official (Interview 5.6), it was the regional area managers in charge of sales performance who green lit slack labour standards, forcing employees to work overtime; they were little concerned with the legality of such production rhythms, even to the point of ignoring a warning from the company's own lawyers. After the union voiced concerns on legality,

as well as the cases that subsequently appeared in court, management responded by gaining tighter control internally. However, the relationship with the union became strained, with management showing hostility towards KASZ and its local affiliate.

The union coped with this challenge by recruiting, aiming to establish a strong union which management could not ignore. A special tactic was to target and convince shop supervisors (a position below that of shop manager) that the union represented their interests too so that they would at least tolerate shopfloor union activity. With the election of shopfloor representatives, one being elected as secretary of the union, a channel was established for representing individual members and for taking up cases with local management. Successful representation either internally or at a court brought a growth in, or at least stabilised, the number of union members.

The trigger for a major union offensive came in 2004, with a case of a multiple violation of employee rights. In one shop there was a significant, unexplained shortage in the inventory, after which the area manager and the store manager came up with the notion of taking the personal data of employees to a fortune teller who then determined which workers were 'actually' stealing. The case triggered a major uproar and media interest, leading to a campaign not only by KASZ but also by a national confederation. The media campaign was followed, in the next two years, by an icy relationship with management. However, a union with many members could not be ignored and this pushed the company to reconsider its union philosophy and attitude to labour law.

According to the union official (Interview 5.6), management realised that, in the long run, the company needed stable employment and thus had to avoid a 'work till you drop' burnout policy or workers having no motivation. Successful elections for a works council were organised in 2006, with all members from the trade union list being elected. Having fulfilled the legal criteria of representativity to engage in negotiations for a collective bargaining agreement, union-management cooperation started with 'shouting and harsh words', but the exchange resulted in acceptable and good solutions. There was a shift in personnel in the company and the legal department increased its weight vis-à-vis the sales department.

The process of drafting a collective agreement lasted two years before it was eventually signed in winter 2008. The union received support in the form of UNI Global Union's public call for solidarity from unions in other countries. Membership grew continuously before density stagnated around 25 per cent although it has fallen back to about 20 per cent since 2019.

The collective agreement regulated issues that had earlier featured in the courts and included provisions on quantitative flexibility, working time and annual leave. It also increased legal security with specific clauses. The agreement regulated personal grievance procedures in which an employee can be accompanied by a representative, including from a trade union, and set out the rights as well as the obligations of employees. The union specialist drew attention to the collective agreement being written in a way that was understandable to workers. Ultimately, the effect was that the number of court

cases at Company A was reduced to an insignificant number. Some of these solutions became benchmarks, used when revising collective agreements in other MNCs.

The union secretary at Company A had not participated in international exchanges (Interview 5.6), although international collaboration is important to KASZ. The local union has not used any media channels after the intense publicity surrounding the case in 2004; Company A does not like publicity which, in view of the subsequently improved relations, the union is able to respect (Interview 5.1).

4.2 Company Z

Company Z started out in Hungary in 1998 as a distinct hypermarket chain before expanding both in terms of the absolute size of its stores and geographically, with differentiated units. It started life as a greenfield enterprise. Subsequent to the financial crisis, employment stagnated between 6000 and 7000 and the number of stores even decreased. In contrast to Company A, unionisation relied on greater associational power (via large units) and greater structural power (via the higher price sensitivity of customers).

There was no attempt to form a union until a shopfloor conflict arose in 2002. According to the president of the KASZ-affiliated union, there were many irregular practices deployed by management which ‘treated workers like robots’ (Interview 5.4). The conflict came to a head when a manager of one of the hypermarkets forced employees to work overtime for an extra two hours on a Sunday evening on the pretext that ‘the work (inventory) [was] not finished’, locking the doors of the warehouse and preventing employees from using their phones or the toilets. This sparked a move by the initiator of the union to look up the contact details of the sector union and inquire about employee rights and the possibilities for their protection.

With the support of the sector union, the local organisation started out with 20 members out of which three were registered and their names communicated to management while the rest remained in secret for more than one year. The reaction of the management was to send the three shopfloor representatives to departments and jobs for which they lacked qualifications so as to make their work more difficult. Thus one was moved from the cheese department to the fish counter; another from shoes to meat. One of the representatives turned to Állami Népegészségügyi és Tisztiorvosi Szolgálat (ANTSZ; the National Public Health and Medical Officer Service) and, on learning that this was irregular, initiated an appeal. Other employees were forbidden to talk to the representatives, who were also made to fulfil additional requests such as cleaning. They were, however, prepared to bide their time and received training and support from the sector union’s specialists. The union’s strategy did not shy away from confrontation. Interestingly, the union leaders were typically women, and our interviewee also highlighted that men seem to be less prone to take up conflicts openly.

Besides providing support for the shopfloor representatives, the reaction of the sector union was two-tiered. On the one hand, they started a court case with the company,

a case that lasted for nine years, all the way up to the Supreme Court, before it was eventually won by the union. The second leg of the strategy was to turn to the media. In addition to an article in a daily newspaper on the (suspected illegal) redirection of the union representatives, there was another incident when a representative was not allowed to join the company's 1 May celebrations in a union T-shirt, an incident which was also communicated to the media. The strategy turned out to be fruitful. After the legal case had been won, the attitude of the company changed to permissive-cooperative.

The union then grew quite quickly, especially in departments where it had representatives, and largely within the Budapest conurbation. Activists from the largest hypermarket also soon expressed interest and shopfloor representatives were elected there, too. Retrospectively, the hostile environment proved to be beneficial as a training ground in running a union. By 2005, the union had about 800 members and, by 2009, a network of elected shopfloor representatives had been established in all hypermarkets. In these conditions, union candidates also ran for positions on the works council, achieving a majority. This in turn made it possible to tear up a company agreement reached previously with the works council which, at the time, contained no union representatives; this also included unfavourable clauses such as envisaging 300 hours overtime per year.

Union membership grew to a height of 1656 members in 2014 and a density of 24 per cent in 2016. Membership was concentrated in the central metropolitan area of Budapest and in Pest, on average accounting for 77 per cent of all members in the 2014-20 period. However, membership also stagnated, despite the union's efforts to visit all units and to develop its social media profile. In some departments, such as logistics warehouses, it remained difficult to unionise workers due to high turnover and the presence of many non-local workers.

According to the KASZ-affiliated union representative (Interview 5.4), managers play an important role in the development of relations with the union: anti-unionism is not due to a company philosophy. In this respect, Hungarian managers were considered the worst. Company Z does not really assess how its managers deal with their employees as long as their sales numbers are good. The KASZ representative sought out and established contacts with representatives in the home country headquarters with a view to normalising union status in Hungary – which process seemed to go relatively smoothly (Interview 5.4).

Nevertheless, after the union was established and negotiations had started on its status and operation, management supported the idea of an 'independent' local union, not affiliated to the sector union, which the union representatives successfully prevented.

Collective bargaining has remained very difficult and conflictual. There is no collective agreement at the plant and annual wage negotiations often end without agreement; only in 2016 did the union succeed in reaching an annual wage agreement. In 2006, the year which saw the first attempt at wage negotiations, the union threatened a strike. It did not succeed in launching one, however, opting instead for protest actions which proved effective because of the company's sensitivity to its reputation. Company Z is

built on corporate responsibility and it launched PR actions accordingly. The union was able to exploit this, for example publicly asking how a socially responsible employer could fail to treat its employees well or pay them decent wages.

The local union cooperates with other unions in the company in other countries, especially via UNI Global Union, and is well integrated in the European Works Council which the unions have succeeded in taking over. The union has exchanged information and participated in solidarity support actions with local unions in Poland and Romania.

5. Conclusion

In sum, union organisations have developed at enterprise-level in large MNCs but have strengthened unevenly. They have done better on a few brownfield sites and in companies with a cooperative attitude towards unions and collective bargaining, but in retail also in some initially hostile, but large, MNCs. In contrast, in the automotive sector, unions have not been able to establish themselves at all in companies on greenfield sites in depressed regions as a result of anti-union philosophies. Unions in automotives have fewer instruments to stabilise their relations than in retail.

MNCs in Hungary vary in their stances towards unions and collective bargaining. On greenfield sites, unions typically find less leverage, but company philosophy seems to matter too, as does the regional labour market. The legitimacy of independent collective employee interest representation, especially the validity of strike action, is challenged especially in automotives. MNC stances thus differ on sectoral lines. In effect, retail employers are more cooperative with unions and in collective bargaining than are those in automotives. This may be explained in that, especially since 2010, there has been a radically different attitude of the government towards MNCs in retail (constraining) and manufacturing (supportive), which also seems to have shaped the differing managerial attitudes towards unions and collective bargaining. Interestingly, strikes have been less common in retail but better relations seem to develop there following industrial conflict whereas in automotives strikes led to poorer relations.

In regions with higher unemployment and worse job prospects unions have been able to find less leverage and the means to counteract MNC actions regardless of sector. In regions with a more active trade union legacy and presence, union actions could modify, but have not been able radically to influence, company philosophies. The country of origin of companies does matter: management's familiarity with the institutions of works councils and unions in the home country has made it easier for worker activists to establish these institutions in Hungary.

Based on this limited number of cases, it seems that management stance also matters, but only as a secondary variable and more so in retail than in automotives. Furthermore, MNCs seem to prefer company unions over union organisations affiliated to sector unions. Management, at least in automotives, would rather deal with unions that are not able to strike or are hesitant to do so. Here, when confronted with a militant union, management may encourage the formation of more 'friendly' unions.

We have to accept that generalisations must be tentative in view of the small sample and because the research is limited to companies in which the largest sector union or its affiliated members were present. Nevertheless, the following three main factors emerge as dominant determinants of MNC stances towards unionisation and collective bargaining: company philosophy; type of investment (brownfield – with an ‘inherited’ union and collective agreements – as opposed to greenfield); and the regional location of the plant. In addition, three ‘secondary’ factors also appear important: country of origin of MNCs; sectoral differences; and management stance.

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All links were checked on 03.10.2022.

Annex

List of interviews

ID	Position / Organisation	Sector / Level	Date of interview
Interview 5.1	President / sector trade union	Retail, national	3 February 2021
Interview 5.2	Union official / sector trade union	Automotive, national	11 February 2021
Interview 5.3	Union official / sector	Automotive, regional	18 February 2021
Interview 5.4	President / local trade union	Retail, local	25 February 2021
Interview 5.5	Independent specialist / manufacturing	Manufacturing, local	25 February 2021
Interview 5.6	Union official / sector trade union	Retail, national	25 February 2021
Interview 5.7	President / local trade union	Retail, local	25 February 2021
Interview 5.8	Union official / sector trade union (retired)	Automotive, regional	1 March 2021
Interview 5.9	President / local trade union	Automotive, local	1 March 2021
Interview 5.10	President / local trade union	Automotive supplier, local	3 June 2021
Interview 5.11	President / local trade union	Automotive supplier, local	11 June 2021

Chapter 6

Poland: They do because they can – the opportunistic behaviour of multinationals

Jan Czarzasty and Maciej Pańków

1. Introduction

Following the breakdown of authoritarian state socialism and the central command economy in 1989, Poland gradually became integrated into the global economy, with the influx of foreign direct investment (FDI) playing a crucial part in the process. The role of multinational companies (MNCs) in Poland has always slightly differed from that in the other central and east European countries with a post-socialist background that entered the European Union in the course of the 2004-2013 enlargements. This is mostly due to the size of the internal market and the position of domestic companies in the SME sector (Jasiecki 2013). Nevertheless, MNCs have become a permanent feature of the national economy.

There is a plethora of labels applied to Poland's political economy but they all share the assumption that it is, to a high degree, dependent on external sources of capital and investment, echoing the thesis of 'building capitalism from without' (Eyal et al. 1998). Polish capitalism (along with that in other central and east European economies) has been analysed from multiple theoretical angles. On the one hand, there are concepts that apply the standard theoretical frameworks dominant in comparative studies of modern capitalism, mainly Varieties of Capitalism but also Diversity of Capitalism (Knell and Srholec 2005; Hanson 2007). On the other hand, there are non-standard approaches often (but not entirely) related to the post-Wallerstein 'core-periphery' perspective (King and Szelenyi 2005; Myant and Drahokoupil 2011; Bohle and Greskovits 2012). The middle ground in between these two is formed by non-direct applications of the standard frameworks (that is, subjecting them to often quite significant extensions and/or amendments) (Nölke and Vliegenthart 2009; Farkas 2011; Ahlborn et al. 2016; Rapacki 2019). The latter, especially, seems an interesting addition to the debate, bringing in the concept of 'patchwork capitalism', defined as a specific type of institutional order arguably present in central and eastern Europe. This is marked, due to the historic legacies (pre-capitalist/feudal and both socialist and post-socialist imitational modernisation of western institutions) by internal heterogeneity, institutional ambiguity and missing complementarities at various levels of its architecture (Rapacki 2019).

A common feature to all the major concepts placed in each of the three fields demarcated above is that none denies the important role of foreign direct investment and multinationals as agents of the economic transformation that, over a period of 30 years, catapulted the once-struggling economies of central and eastern Europe into the community of economically developed countries (manifested, amongst other

things, by the memberships of the OECD of the four Visegrád Group countries as well as the Baltic States). However, in terms of employment, the issue seems more complex and the impact of FDI is ambiguous. Evidence on its impact on the employment rate is inconsistent, indicating either little or no positive relationship, but the data also highlight variation, depending upon whether the investment is new (greenfield rather than brownfield) or in labour-intensive rather than capital-intensive sectors (Brincikova and Darmo 2014).

The impact of MNCs on industrial relations in Poland is complicated. On the one hand, from the outset of the transformation they have been heralded as agents of positive change, in line with neoliberal ‘catching up’ rhetoric (e.g. Åslund 2010). On the other, closer analysis of MNCs’ activities has produced more nuanced views on their presence and effects. MNCs are claimed to have created a specific niche in national-level industrial relations (Czarzasty 2014), differing from the post state-owned (public) sector and the domestic private sector. What sets MNCs apart is the presence of cross-national bodies of collective employee representation – that is, European Works Councils (EWCs) – and being linked to transnational company agreements.

Yet, while MNCs have transferred certain employment practices and technologies, as well as the HRM and industrial relations patterns embedded in various corporate and national organisational cultures, they have also been keen to adjust to the local environment in opportunistic ways, taking advantage of weak institutions (Bancarzewski 2016). In other words, while they have not contested existing patterns of employee representation, neither would there be any encouragement of social dialogue. MNCs do not avoid membership of employer organisations, Pracodawcy RP (Employers of Poland) and Konfederacja Lewiatan (Confederation Lewiatan) being examples of associations where MNCs are present, but this does not translate into their involvement in collective bargaining as this is virtually defunct (Czarzasty 2019).

2. MNCs and industrial relations

A major wave of inward FDI started to stream towards Poland from 1994-95, once the local environment had been recognised as stable and safe enough to make long-term commitments. The creators of these reforms, often even in their own assessments made years later, were not substantially equipped to carry out such complex economic transformations while focusing mainly on political struggle (Jasiecki 2013: 143). They did not have a clear vision of the new economic model or the possible alternatives to the adopted direction of change, which prompted them to listen to the voices of foreign advisers. These, in turn, pushed for the rapid introduction of reforms, including opening the economy to the inflow of foreign capital. The resulting neoliberal reforms under the influence of the advice of the International Monetary Fund and the World Bank, and pressure from circles such as the Paris Club, which brought together Poland’s public creditors, gave corporations ‘systemic power’ (Bohle and Greskovits 2007). Their representatives became the leading representatives of the business community, having at their disposal organisational resources enabling them to influence the shape of the process of creating public policies. Foreign capital gained control over important sectors

of the economy such as banking and manufacturing both for export and for trade (Bohle and Greskovits 2007).

Another argument was the desire to achieve positive effects as soon as possible, even at the cost of the ‘shock’ caused by these changes in the economy and, thus also, in the area of the employment and working conditions of the population. Already at the end of 1988, i.e. before the first, partially free parliamentary elections, a law had been passed on economic activity undertaken by entities with foreign capital. Such companies could count on significant tax reliefs, including full exemption from income tax and import duty for three years from the beginning of their operations. Fiscal incentives and tax exemptions were included in further measures in 1991 for companies with foreign capital provided they met a certain threshold of the amount of foreign capital involved, conducted their activity in areas with a high rate of structural unemployment, implemented technological innovations on a national scale or where the share of exports in their total sales exceeded a certain value. Additionally, this act introduced guaranteed compensation in the event of expropriation or other administrative decisions of a similar nature. It probably acted as an incentive for foreign investors in the conditions of a young state, still politically and economically unstable.

Further steps included the creation in 1994 of special economic zones, in which 388 000 people were employed in 2019. These were targeted overwhelmingly at foreign MNCs which have much greater opportunities for investment, on the scale that met the criteria for presence in the zones, than domestic companies. It has been found that the zones have had a low impact on equalising development opportunities for individual regions and at high cost, too (Gromada et al. 2015: 4). Nevertheless, their operation has been extended several times by subsequent governments although, after a final decision on this matter, they will remain in place only until 2026. From 2018, it has been possible to obtain tax relief in connection with investments regardless of a company’s geographic location and, thus also, its presence inside or outside the zones; this was made possible by an act of 10 May 2018 on supporting new investment.

The preferential conditions created in Poland for the functioning of international enterprises were one of the main reasons for the rapid inflow of foreign direct investment into both greenfield and brownfield sites. Its value has systematically increased since the beginning of the 1990s. In 1998, the accumulated value of FDI exceeded 6 per cent of GDP (according to purchasing power parity) and in 2002 it was over 10 per cent. Later, with the exception of 2005, growth was even faster; thus in 2007 the accumulated value of FDI reached a record-breaking level just below 26 per cent of GDP. In the following years there were some fluctuations before this indicator dropped below 20 per cent in 2020.¹

This three decade-long period resulted in the consolidation of the important role of international corporations in the Polish economy. According to Eurostat data, in 2008 they had a 26.6 per cent share in the country’s global added value and employed 14 per

1. UNCTAD database, <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740>; World Bank database, <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD>

cent of working people in Poland. Ten years later, the share in value added reached 30.9 per cent and, in terms of employment, 19.9 per cent. Owing to the presence of such corporations, entire sectors of the economy were created that constitute the Polish 'speciality' such as cars, the assembly of household appliances and factories for vehicle and aircraft components (Gromada et al. 2015: 10). The scale of the involvement of international companies in motor vehicle production is illustrated by their share in the added value of the sector, amounting to 86.8 per cent in 2018 and an 81 per share of its employment. The value of these indicators right across manufacturing industry is clearly lower, although still important: they amount respectively to 44.2 per cent and 32.4 per cent.

The favourable conditions created for international corporations by public policy makers do not fully explain the important role they play in the Polish economy. The premises for investing in Poland have a much broader basis, resulting from the specific features of the country's economic model. These have been shaped by the transformation and by Poland's position on the economic map of Europe and the world.

There are a number of theoretical concepts explaining the reasons for the significant involvement of investors from western European countries, especially Germany, in Poland as well as in other countries in central and eastern Europe. One of the most popular contributions indicates that Visegrád Group countries, within the structure of transnational corporations, constitute a platform for the assembly of partially standardised components, providing relatively skilled but, at the same time, relatively low-paid employees (Nölke and Vliegenthart 2009). One of the comparative advantages of countries like Poland, defined according to this concept as a 'dependent market economy', are therefore the low employment costs compared to EU15 countries. This is confirmed by data on the ratio of average wages in Poland to those in Germany. At the beginning of the 1990s, average wages in Poland were less than 10 per cent of the equivalent in Germany, growing (with some ebb and flow) to reach 36 per cent of the level in Germany in 2017-20. Therefore, relative wages in Poland are still low enough to make the country very attractive to western investors.

The relatively strong position of MNCs – although their share in the economy of Poland is lower than elsewhere in central and eastern Europe – has been a cause of debate among economists and public policy makers for a long time. Some researchers have criticised the favourable conditions which have been created for the operation of international companies highlighting, among other things, the role of entities operating in Poland as part of wider international value chains; that is, that they provide components, products and services with relatively low added value. This includes the assembly of semi-standardised components, as mentioned already. In turn, the most advanced, capital-intensive and high value-added activities – including design and R&D – are much more frequently located in MNCs' countries of origin.

Hence, in addition to the term 'dependent market economy', referring to the features of the Polish economic model, the term 'subcontractor economy' has also been coined (Gromada et al. 2015), pointing to how Polish companies participate in MNC structures. The proponents of this approach highlight the continuing synchronisation of business

cycles in Poland and Germany which, in 2014, received approximately 26 per cent of Polish exports (Gromada et al. 2015: 12). In 2018, this level was even slightly higher – reaching 28.2 per cent, with imports from Germany amounting to 22.4 per cent of Poland's total imports. It has, however, been pointed out that the share of Germany in Polish trade measured by value added is several percentage points lower than that indicated by the traditional gross indicators, implying that the Polish economy is less dependent on the German economy than previously assumed (Ambroziak 2019).

At the same time, companies with foreign capital are more active in innovation and in exporting than companies with domestic capital (Gromada et al. 2015: 10). Even so, despite the high positioning of entities operating in Poland in terms of the product and manufacturing process, their contributions in the research and design phases, and in marketing and sales, are not rated highly (Hausner 2013). This leads to the conclusion that even technologically advanced products, such as car components, do not obtain high added value in Poland and that exports do not bring a high rate of return on investment (Gromada et al. 2015: 10). Companies with foreign capital continue to lead exports, contributing approximately 55 per cent of the total (KUKI 2021); while they also clearly dominate the structure of highly internationalised companies, i.e. those exporting more than 50 per cent of the total value of their sales, something that is related to activity within intra-corporate production chains (Gromada et al. 2015: 10). Such companies also clearly dominate the export of high tech products (Gromada et al. 2015: 11).

As shown in the tables in Chapter 1, and similar to the case in other central and east European countries, labour productivity in foreign-owned companies in Poland in 2019 was almost double that in domestic-owned firms. Moreover, labour costs represented a lower share of value added, leaving MNCs with more space to increase wages while still being able to count on higher profits than in the case of companies formed with Polish capital.

Observation of the behaviour of corporations operating internationally in conditions of a specific regulatory gap indicates a tendency to lower employment standards and working conditions to host country level. Even where these standards are high in the country of origin, due to the requirements of legislation and strong social dialogue, investors have generally benefited less from the lack of similar mechanisms – or their much lower quality – in places where they established or took over factories (Adamczyk 2019). This was no different in Poland in the period of the political transformation, when the position of trade unions was rapidly weakening: there was a lack of modern and effective mechanisms of collective bargaining, alongside a strong belief in the correctness of the neoclassical school of economics. Investors marginalised trade unions in the acquired plants and avoided their formation in newly built factories (Adamczyk 2019).

Despite this, a more favourable image of social dialogue at company level was, overall, observable at the end of the 1990s in companies with foreign capital than in those owned solely by Polish capital. The former, with a trade union density of 30 per cent, stood in 1998 somewhere between privatised state-owned companies (63.6 per cent) and enterprises established by private Polish capital (5.4 per cent) (Gardawski 2009: 216).

This tendency was confirmed in two editions of the research study ‘Polacy pracujący’ (‘Working Poles’) in 2005 and 2007.² A positive answer to a question about the presence of trade unions in the place of employment was given in 2007 by 60.9 per cent of people working in the public sector, 32.7 per cent of those in private companies with foreign capital and only 8.2 per cent of those in domestic private companies (Czarzasty 2014: 151). Interestingly, between both editions of the survey, i.e. within two years, there was a decline in union density in both public and private domestic companies in contrast to an increase in this indicator recorded in multinational corporations. Furthermore, a valid collective labour agreement was declared in 2007 by even more respondents in international companies than in the public sector (59.5 per cent vs. 51.5 per cent), while this indicator for the domestic private sector was only 45.2 per cent (Czarzasty 2014: 152).³

A more complex and less favourable picture of MNCs emerges from a study on collective bargaining in transnational companies, conducted among trade union members in 2013 and reported by Czarzasty (2014: 156). Union members were asked their opinion on a number of things, including the attitude of senior management to trade union activity. In the case of representatives of companies with capital from the USA, UK, Scandinavian countries and the Netherlands, slightly more than half of respondents indicated that trade union activity was somewhat or definitely hindered. The share of these negative responses amounted to slightly more than one-third in the case of companies with German capital, one-quarter in companies where the investor came from Belgium or France but just 10 per cent of those in entirely Polish companies.

The following sections report the results of empirical research in two MNCs in the automotive sector and two MNCs in retail followed by discussion of, and conclusions from, these case studies. In three of the four cases, the representatives interviewed did not agree to disclose the names of the companies in which their trade union organisations operated; therefore, these have been anonymised. This is due to the difficult relationship between the employer and the unions and our respondents’ concerns about legal action from the employer. Our interviewees, in justifying their approach, pointed to past cases of harassment and threats of court action when, in a media interview, they had expressed opinions unfavourable to the employer. One of the respondents, in a somewhat playful tone, summed up this issue with the words: ‘I would like to be employed in this company a little longer’. It should be pointed out that descriptions of the practices included in the following case studies do not always cast the described corporations in a good light, contradicting the positive image put out by their public relations of organisations sensitive to the social aspects of their operations. In one case, the interviewee also asked not to disclose the country of origin of the company.

2. https://www.eurofound.europa.eu/sites/default/files/ef_files/ewco/surveyreports/PL1104019D/PL1104019D.pdf

3. In this study, there was a large percentage of people answering ‘don’t know’ although, even in this case, the clearest response came from employees of multinational corporations (where ‘don’t know’ answers amounted to 29.7 per cent compared to 34.2 per cent in the public sector and as much as 48.4 per cent in private, domestic-owned companies).

3. The automotive sector

3.1 Volkswagen Poznań

Volkswagen Poznań Ltd. is a separate company registered in Poland which belongs to the German-based global Volkswagen corporation with headquarters in Wolfsburg. It forms part of its Volkswagen Nutzfahrzeuge (commercial vehicles) business unit. The company is located in and around Poznań, has four production plants and was established in 1993 as a joint venture between Volkswagen AG and Car Factory Polmo. With 11 000 employees, it is the largest employer across both the private and public sector in the Wielkopolski region. It produces commercial vehicles and components, while the company's facilities include assembly plants as well as a foundry which was opened in 1996. The company produces vehicles such as the VW Crafter and the Caddy while, in the past, other passenger car marques within the Volkswagen group (e.g. VW Passat, Škoda Octavia and Seat Cordoba) have also been assembled there. The company cooperates intensively with local vocational schools, running dedicated classes for students admitted to the company's vocational training programmes. Its total investment expenditure since its establishment in Poland amounts to over 12 billion złoty (2.7 billion euros) (Woźniak 2019). Sales revenues in 2020 reached nearly 18.5 billion złoty (4 billion euros) and gross profit almost 500 million złoty (100 million euros) (Lista 2000 2020).

There are also other companies in Poland which belong to the Volkswagen corporation, such as Volkswagen Motor Polska, an engine plant in Polkowice.

A characteristic feature of German corporations is *Mitbestimmung* (codetermination), a model of governance defined in post-war legislation. At senior corporate level, this means the presence on the Volkswagen supervisory board, in a 1:1 ratio, of investors and representatives of the federal state of Lower Saxony on the one hand; and employee representatives on the other. In addition, 20 per cent of the shares are non-transferable and 81 per cent of the shareholder vote is required for key decisions to transfer plants, investments, etc. What is more, the federal state representatives tend to vote with the employee representatives. Thus, on key employee topics, the workforce side has a majority of votes on the supervisory board. An equal number of representatives of capital and labour is also a feature of the *Beirat* (advisory council), a quasi-supervisory board established for the commercial vehicles brand.

Significant in this case study is the success in developing a strong position in the company and entrenching union involvement in the mechanisms of codetermination of the cross-company organisation of *Niezależny Samorządny Związek Zawodowy 'Solidarność'* (NSZZ 'Solidarność'; Independent Self-Governing Trade Union 'Solidarity'). This is a single organisation covering employees from a number of different employing companies. Employee representatives in Volkswagen Poznań are not present on the company's statutory bodies such as the supervisory board, although they do maintain close contact with colleagues from Germany who are members of the IG Metall trade union and who participate at this level. Both the company's European and its Global Works Council include delegates from Volkswagen Poznań, however; while the general secretary of one

of them has, since 2021, been a Pole – a trade unionist from the Volkswagen plant in Polkowice who had for some time been the HR director in Russia. A representative of the executive of the Polish union also sits on the Beirat. In 2010, letters of intent were signed, in accordance with the pattern adopted throughout the corporation, in which the union declared its willingness to participate in the codetermination of the enterprise and the Polish management board undertook to act accordingly in a participatory way.

Here, a necessary requirement for the workforce side was the existence of strong, coherent employee representation (according to the interviewee representing the trade union (Interview 6.1), this would not be possible if the company had several conflicting trade unions) which was both competent and ready to take responsibility for the company's situation.

The respondent indicated that the involvement of the trade union in the company requires it to take a continually proactive and decisive attitude (while taking into account the employer's arguments). Involvement in this participative model does, however, create additional difficulties stemming from the need to maintain the 'legitimacy' of the union among employees. Being involved with the corporation in the decision making process may give some workers the impression that the union is not sufficiently defending their interests and, instead, is on the side of the employer. Therefore, it is necessary for the union to maintain a certain balance and consider the rights of both parties.

The respondent argued that his organisation was not conciliatory in principle – for example, he characterised wage bargaining as 'tough' in many cases; and the trade union had not previously hesitated to react robustly to contentious issues, including suggesting entering a collective dispute. In his opinion, working under a codetermination model is also a challenge for managers, not all of whom are able to share managerial competences with the trade unions.

Furthermore, the trade union is clear that no-one gave it its relatively strong position in the company; members of the union have earned this for themselves. As a result, relations with the employer are 'as they should be' (Interview 6.1).

The relationship [with the employer] is good, but that doesn't mean it's always rosy. It's not that someone gave us this because he loves the union, likes it or wants it. (Interview 6.1)

Employees sometimes have a dissonance, they ask: 'Who are you representing, the company or us?' (...) You are between a rock and a hard place and the question is of how to convince workers of this model so that they want to belong to a union. (Interview 6.1)

In particular, the trade union must always strive for its rights and those of employees and be able to recall specific provisions of a collective agreement or regulation in force in the enterprise. Another manifestation of the well-established position of the union is its visual and symbolic presence on the company's premises. This means not only the presence of banners or other emblems of the trade union on company premises, but

also its involvement in specific actions (e.g. fundraising for NGOs) or even the naming of one street in each plant with the name of NSZZ ‘Solidarność’, which took place in 2021. The union is also an operator of group insurance for employees.

According to the respondent, the result of trade unionists’ efforts is that they managed to lead workers unscathed through the crisis caused by the Covid-19 pandemic – everyone received full remuneration and practically no-one was dismissed other than fixed-term contract employees whose positions were not renewed. In the opinion of the interviewee, the pandemic has even strengthened social dialogue in the company: the trade union is a participant in various Covid-19 taskforces and crisis teams; remedial measures are mutually agreed; and there is regular reporting on the situation of the epidemic in the plants. Both sides have learned to use remote means of communication while employees have also learned to work remotely.

Trade union members constitute about 60 per cent of Volkswagen Poznań employees, a high proportion for Polish conditions. Importantly, a collective agreement was concluded in the 1990s and, renegotiated and updated relatively frequently, is still in force in 2022.

However, there is no works council at Volkswagen Poznań. The view of the union representative was that this is not a particularly useful body in terms of employee representation. Therefore, the trade union – which is entitled to apply for the establishment of a works council where the employer employs at least 50 people – has decided not to make such a request.

The union representative looks to the future from a social dialogue point of view with moderate optimism while, at the same time, not anticipating any significant strengthening of it in the coming years. Currently, an agreement with the employer is in force guaranteeing employment to all employees based on a contract of employment until 2023. At the same time, the attitudes of young people are a source of worry: involvement in workforce-wide issues among ‘millennials’ is not high and new forms of work are emerging which also make the future uncertain.

3.2 Automotive MNC 2

This company was founded in France in the 1970s. It manufactures electronic components for various industries including the automotive sector but extending also to the telecommunications, aerospace and defence industries. At the time of conducting the study, in late 2021 and early 2022, it had a total of four plants in Europe and Africa. The plant located in Poland, established at the end of the 1990s, employed nearly 2000 people in 2021, out of a total of over 3000 group employees, although this had fallen a little following the outbreak of the Covid-19 pandemic. According to one trade union representative, around 70 per cent of the company’s employees in Poland are employed in the production of components for the automotive sector. The company has invested in Poland, constructing a new assembly hall in 2014. Capital expenditure in 2017 amounted to some 9 million złoty (2 million euros) while its sales revenues were nearly

800 million złoty (180 million euros) and gross profit was around 50 million złoty (over 10 million euros) (Lista 2000 2020).

There is only one trade union in the company, a local organisation affiliated to NSZZ ‘Solidarność’. In 2019, it had approximately 550 members which makes it representative at company level according to the statutory criteria.⁴ Interestingly, the chair of the union declared that the union does not make use of the possibility of having a full-time lay representative paid by the company – representatives carry out their functions practically on a voluntary basis (Interview 6.2). According to the respondent, the chair of the union for 12 years, the union had been present, at least at some level, in the plant from the very beginning of its operation. She concluded that the activity of the organisation and the number of members it has have both increased in the last ten years.

The respondent reported that social dialogue in the Polish plant ran properly with the union involved in various areas of activity, e.g. within the occupational health and safety committee, while the right of the trade union to conduct inspections in this area is respected. Various aspects of employment are negotiated or the subject of consultation including wages and employment regulations. If some problems occur, the employer allows timely meetings and the discussion of important issues.

At the same time, however, there is no collective agreement in force in the company, even though the trade union has repeatedly made efforts to negotiate one. A collective agreement was generally the case before 2019, when the HR director changed. The union prepared a preliminary draft, based on a formula used in other companies, but it was not signed and the new HR director is not interested in continuing negotiations. Nevertheless, the union side could take some satisfaction from what had been achieved, which is not insignificant when set against Polish realities.

Generally, the trade union side is recognised by the employer but there are no signs of the company implementing specific home country practices in the Polish plant. In its country of origin, in contrast, the company recognises trade unions and declares an openness towards collective bargaining.

Establishing a European Works Council in the corporation was a process that took about ten years. The initiator was the respondent herself, after she became the leader of the union, but colleagues from western Europe proved to be rather passive and reserved about the idea until the company started to invest more intensively in Poland, relocating some production there and reducing jobs in one of the western countries. Colleagues from that country then became interested in establishing an EWC as an additional

4. This requires having a membership of at least 8 per cent of people working for the employer if the union is part of a trade union/federation adjudged as representative at national level; 15 per cent if it is not. Representativity is not the same as the right to represent employees. It does, however, give some additional powers and a decisive voice for example in the event of more trade unions being present. In particular, trade unions that are representative at company level have prerogatives that give them influence over the course of collective bargaining. Collective bargaining must be undertaken with the participation of at least one representative trade union organisation while the collective agreement must be signed by all representative trade unions participating in the negotiations.

channel for obtaining information about the company's planned activities. This led to the signing of a joint letter of intent by trade unionists.

Difficulties then appeared on the side of the employer which delayed replying to the letter. Only the determination of Polish trade unionists, constantly asking the Polish HR director for a response, made it possible to obtain one. However, the management board of the corporation proved to be a reliable partner and, despite a lack of enthusiasm, made it possible to negotiate an agreement on the formation of the council disclosing, among other things, all the information necessary to initiate this process. However, this was not without further difficulties which the representative ascribes to the specific style of managing the enterprise, a family business. On the occasion of a meeting organised in Poland, delegates from different countries were provided with accommodation in various cities, making communication difficult for them. Additionally, HR directors in Poland and in other countries have changed in the meantime.

Later on, restrictions related to the Covid-19 pandemic appeared as an additional obstacle, but the determination of the trade unions eventually led to the establishment of the EWC in 2021. So far, one meeting has been held remotely, during which the employer provided all the necessary conditions for the proper conduct of discussions, including those sessions in which only the representatives of employees participated.

The interviewee reported that the process of establishing the EWC had contributed to a strengthening of relations between trade unionists from different countries, building trust among them, as well as increasing their boldness in relations with the employer. The EWC has, moreover, been a valuable source of information about the planned decisions and activities of the company's management board.

4. The retail sector

4.1 Retail MNC 1

The company belongs to an international corporation with its headquarters located in western Europe. In Poland, it had grown to a chain of over a dozen large-format stores by 2021, as well as having a number of entities providing services other than retail. It employed around 4500 people in 2020 (Lista 2000 2020). Stores across the country began to be established in the early 1990s, located in large cities in different regions. Sales revenues in 2020 exceeded 4 billion złoty (900 million euros) and it had gross profits of 200 million złoty (45 million euros) (Lista 2000 2020).

The trade union appeared in the company in 2015. A new organisation was not set up for the purpose, with members being put into the already existing cross-company organisation of NSZZ 'Solidarność' with members in other companies, from various sectors, located in the region. Among these other companies was a furniture manufacturer operating under the same brand as Retail MNC 1 and where the chair of the union is employed. He was asked for support by employees in Retail MNC 1 who wanted to establish a trade union following a dispute with the employer. A structure

that involves multiple employers is a widespread strategy adopted by some trade unions to avoid the dismissal of workers trying to establish a completely new organisation within a company.

According to the declaration of the trade union representative (Interview 6.3), the process of establishing the union was indeed accompanied by the reluctance of the company to recognise the role of trade unions. This has been manifested in many different ways and indeed still is. The Polish management board and managerial staff consider any employee representation independent of the company to be unnecessary when it comes to providing employees with optimal employment conditions and respecting their rights. There is an opinion in the company that the HR department is able to solve all the problems of employees. This attitude is demonstrated in the ten years of ineffective efforts by employees to get a trade union in the company going, followed by difficulties in recruiting the first members which had to take place during informal meetings away from company premises. According to the respondent, employees with longer experience mention that, in the early 2000s, new job applicants had to sign a declaration that they would not establish a trade union in the company.

Despite the difficulties in organising members, after 2015 it proved possible to create union entities in all stores in the chain, as well as to establish a leader and a basic organisational structure in each (except for one, the newest store). A new obstacle related to the restrictions arising from the epidemic was that representatives of the presidency of the union were not allowed to enter stores in order to encourage employees to join the union and to establish a structure. The interviewee highlighted that this usually requires several visits and that such a restriction was unfounded since there was no lockdown in the retail sector in Poland – hundreds of people were passing through the shops daily. Delegations are no longer needed to the same extent and the union has around 700 members. Representativity at the level of individual units varies: in one store, not the newly-opened one, the union has only ten members. In a few stores, however, unionisation is significant. It seems that its growth has been influenced by the cynical attitude of the management board which, at one point, questioned the organisation's legitimacy among employees. When its representatives communicated this to workers, according to the respondent, there was a 'mini-boom' in membership in which 100 people joined the union within a month.

The interviewee thought that disregard of the vast majority of the union's requests for possible improvements or new facilities for employees in the company reflected the employer's attitude of reluctance in dealing with the union. What is more, after some time, some of these solutions were actually implemented but without word of mention that they were proposed by the union. Likewise, management was not interested in the counter-measures the union proposed in respect of the Covid-19 pandemic. A reduction of the role of the union is even demonstrated in the style of the messages addressed to employees – the employer, in communicating the results of talks with the union, uses the plural form for reasons that are unclear (there is only one union organisation in the company). In this way, however, the company avoids presenting the union by name and makes the image of union representation less clear to non-unionised workers. The employer also does not allow union members to communicate with employees over the

company e-mail system, explaining that this is due to limitations resulting from the software licence.

Regardless of these difficulties, the trade union has been able to negotiate some important improvements for workers and to implement these by concluding ad hoc agreements with the employer or changes in the company's employment or payroll regulations. Among other things, Zakładowe Fundusze Świadczeń Socjalnych (ZFŚS; the company social benefits fund)⁵ has been established: previously, a staff representative assigned by the employer, who was not a trade union member, never used to bother with the task of making the deductions due to the fund. The union also negotiates wages and achieves certain results, despite the very rigid position of the employer.

A company striving to reduce employment costs should not come as surprising or be seen as unusual. However, the union representative noted a strong discrepancy between the information provided by the management board ('very difficult financial situation; no money') and what the union learns during EWC meetings ('the corporation is at the forefront of world markets, surpassed only by the most important giants of the IT industry').

The employer tries to put pressure on the trade union in other ways by taking advantage of the union's relations with employees – for example, pushing its representatives when consultations overrun, suggesting that employees are waiting for the result. At the same time, in the opinion of the respondent, discussion on certain matters is extended by the employer, such as in the case of negotiating employee discounts. According to trade unionists in the company, such drawn-out procedures are associated with the presence of a large number of employees who deal with matters on the side of the employer – issues are supervised by 'a whole staff of people' (Interview 6.3) within a multi-level structure. This makes the relationship with the trade union asymmetric, as it does not have equally large specialist resources.

The union's remedial strategy has been to threaten a reference to the jurisprudence of, among others, the Constitutional Tribunal or the Supreme Court on specific interpretations of labour law. However, the employer's response has been that the new Tribunal, after the political changes which have been made to how it makes decisions, may issue different judgments in the future.

Putting aside these relationship woes, and the violations of employees' rights in individual cases (especially regarding the job evaluation system which has been questioned by the union), the assessment of the level of social dialogue presented by the interviewee is, perhaps surprisingly, not completely and unequivocally negative. He justified the lack of results from the union's efforts to conclude a collective agreement by arguing that, sooner or later, it would be able to reach agreement with the employer on all relevant matters. The main problem seemed to be managers' lack of recognition

5. The ZFŚS is a major, company-level occupational welfare scheme in Poland, consisting of a bank account into which employers fitting specific categories pay regular contributions so as to finance a range of social purposes spending.

of the union as a competent partner for the employer alongside their belief that they 'know everything better'.

No works council has been established in the company. Instead, there is a body called the 'workers' forum', which is devoid of the competence of a works council. Its function is limited to answering questions posted anonymously by employees in a special mailbox. These usually concern trivial matters – for example, they relate to the menu in the company canteen – while managers have started to provide forum members with pre-prepared answers for approval only. As a rule, more serious questions do not get a specific answer, including that of where managers are friends with one another, meaning that an employee who has a difficult relationship with one of them has no-one to ask for help.

There is a European Works Council in the corporation, on which Polish trade unionists pin some hopes for improving their position in the company. However, their involvement in this body is at an early stage – during its previous term of office, Polish workers were represented by a person not associated with the trade union. She did not inform employees about the results of meetings and the vast majority of staff were not even aware of the existence of the EWC. Their awareness and interest in its work has increased, however. Polish delegates count on the support of foreign colleagues and the conclusion of 'alliances' within the EWC. So far, representatives of other countries have declared support in their efforts to improve relations with the management board and have expressed surprise at and disapproval of the difficulties faced by Polish trade unionists. Belgian delegates have adopted a particularly empathetic stance towards Polish colleagues on account of having experienced similar problems in the past.

The Covid-19 pandemic had an ambiguous effect on the situation of the trade union. On the one hand, it stiffened the employer's position since it became a justification for each and every limitation in considering the union's demands. On the other hand, the uncertainty related to the epidemic, in the representative's view, did prompt some employees to join the union, thus accelerating its development.

In general, it is difficult to indicate the transfer of any home country practices that would strengthen collective labour relations or social dialogue in the Polish subsidiary. On the contrary, it seems that the employer takes advantage of the weakness of social dialogue that characterises Polish industrial relations and tries to limit the role of the trade union as much as possible. The only added value resulting from the presence of the company in a large transnational corporation is the possibility for trade unionists to participate in the European Works Council and to develop relations with organisations from other countries.

4.2 Retail MNC 2

This is one of the largest, nationwide retail chains in Poland, encompassing outlets of various formats (from hypermarkets through medium-sized supermarkets to small local franchise stores). The company comes from France and recognises unions in its

country of origin as well as in other locations. The first stores were opened in Poland in the second half of the 1990s. The company then acquired several smaller retail chains. Sales revenues in 2020 were higher than 8 billion złoty (1.7 billion euros) (Lista 2000 2020) and the net profit exceeded 100 million zloty (22 million euros).⁶ According to information on the company website, it employed over 15 000 people across its stores in 2021.

A trade union was established in the company in 2001 and operates in the hypermarkets and supermarkets; in 2021 it had a membership base of around 1200 people. It has the status of a representative organisation within the company, according to the statutory criteria, and is part of NSZZ ‘Solidarność’ which is representative at national level. The union has branches in stores in a number of large and medium-sized cities in various regions of the country. In the opinion of the union representative (Interview 6.4), this dispersion makes it difficult to coordinate activities and thus its members try to use various instant messaging services (WhatsApp, Messenger). From a formal point of view, the union is a single-employer organisation with a separate branch in each store. Before a change to the employer’s structure, discussed below, the union was an inter-plant organisation, headed by an executive committee of ten people making decisions collectively.

The union has been operating in the company for more than 20 years, so the respondent could comment on the quality of social dialogue over a long period. He estimates that it has varied, depending on the situation in the labour market: when unemployment increased, and thus the position of employees was weaker, the company was less amicable towards the union; when the opposite happened, the company strived for better relations with employee representatives so as not to lose staff. The interviewee identified that the employer-trade union relationship deteriorated in 2021, related to the position of the union on some significant changes proposed by the company. The idea was to introduce multi-tasking among store employees, entailing an increase in the scope of their duty but with only a very small increase in their remuneration. The union also adopted a tough stance on a plan for collective redundancies, effectively halting them.

The company’s response was to change its structure: previously, each store had the status of a separate employer but the entire Polish operation of the company has now formally become a single employer. This made it possible to alter the employment regulations (the new ones being subject only to consultation with the trade unions, there being no obligation to negotiate them) and to force through changes unfavourable to employees. The respondent recorded that the loss of employment was even greater than in the group’s lay-off plans – apart from the 300 people made redundant, the same number left because they did not agree to the poorer conditions on offer.

The company has always tried to show externally, as part of its public relations activities, that it respects the workforce side of its operations. However, an additional effect of the 2021 dispute between the union and the employer was a significant deterioration in

6. <https://www.dlahandlu.pl/>

the social dialogue, which the representative considered as retaliation on the part of the company. He described the current dialogue as ‘sham’ or a ‘façade’ in which trade unionists are made to understand that ‘they did not help the company, so we will not go along with you either’ (Interview 6.4). The pandemic, treated as a kind of game-changer, has also served as a justification for the enterprise’s position in relation to employee representatives. Among other things, bonuses for working in pandemic conditions – the case in some other chains – were not introduced.

The restructuring of the company resulted in an unfavourable change in the form of the liquidation of the works council, while the pandemic was cited as to why the employer could not take steps to create a new one. This was a body of about 12-14 people – trade unionists – gathering usually every quarter. The required economic information was transmitted, although ‘they conveyed what they wanted to convey, because they did not disclose everything’ (Interview 6.4). Contemporary information on the strategy of the management board, for example the promotional campaigns being planned and the introduction of automated checkouts, was provided but the works council performed in practice only as an information point and the comments of its members were generally not taken into account by the company’s management. Nevertheless, the respondent appreciated it as a source of knowledge about the company’s future activities.

Similarly, the usefulness of the European Works Council which functions in the company, to which Polish trade unionists send two delegates, is somewhat limited in the perspective of the employee representative. Its major benefit lies in identifying what the chain may have in store: organisational solutions are duplicated in stores within the chain in different countries – the respondent referred to this model as the ‘matrix’: after being introduced in one country, they are then implemented in others. This process is conducted in such a way that these changes would not form part of the agenda of the EWC as a transnational issue – they are formulated in each country separately – but the main advantage of the EWC is the possibility to exchange information with colleagues from other countries about what is happening or what is being planned in their localities. Based on informal discussion between trade unionists, delegates to the EWC can better prepare for deliberations with the employer by putting together appropriate questions in advance. However, the answers given by the company’s representatives often appear evasive.

Even the conclusion of a framework agreement at European level with the involvement of UNI Europa has not improved the situation: according to the respondent, meetings are ‘vague’ and the employer does not even remember them. Nevertheless, Polish employee representatives are also not completely indifferent to the information aspect of the EWC – during meetings, various employment data are presented which gives the union ‘a broader picture of what is happening in the group’:

This is very useful because we know what is already happening. If they try to introduce any changes in one country, we know that these changes will also take place in Poland in a while. We are able to prepare ourselves to some extent. (Interview 6.4)

Another, very small trade union (some 30 members), affiliated to Ogólnopolskie Porozumienie Związków Zawodowych (OPZZ; All-Poland Alliance of Trade Unions) has started operating in the company. It is made up of a group of former members of NSZZ ‘Solidarność’ who – in the view of the respondent for reasons of personal ambition – decided to establish a separate organisation. Relations with this organisation have so far been proper, which is what the executive of the union is striving for as any discrepancies and tensions between the trade unions may be used by the employer.

The union has previously tried to negotiate with the employer in order to conclude a company collective agreement. Around 2015, these procedures took on a specific shape and labour law specialists were engaged to prepare a draft agreement containing, amongst others, regulations concerning working time and days off. The company, however, withdrew from negotiations citing that it needed to remain flexible and to maintain its ability to adapt quickly to changes taking place in a dynamic market.

The union representative regarded the future of his organisation and social dialogue in the company as uncertain but that it was difficult to predict trends in the coming years. On the one hand, demographic changes tend to favour the workers’ side since demand for labour remains high. On the other hand, the position of employees is threatened by automation (via self-service checkouts) as well as the progression of individualism, especially among the younger generations. The union tries to demonstrate activity in the area of looking after the interests of employees but it cannot help a person who is not a member, for example over the termination of an employment contract.

As in Retail MNC 1, there are no signs of the transfer of home country practices as regards the operation of social dialogue. The company implements minimum standards in terms of relations with the union but does not consider it as an important entity with which it would build lasting neocorporatist relations. The union is, however, strengthened by participation in the European Works Council which gives its members valuable insights into the future activities of the company’s management.

5. Conclusions

Looking from an institutional perspective, Poland represents an ambiguous case both in terms of its political economy and its industrial relations system. There is a myriad labels which may be applied, as indicated in the Introduction, to describe the nature of Polish capitalism and industrial relations. One recent addition is the concept of ‘patchwork capitalism’ indicating the internal incoherence of the socio-economic system that has emerged not only in Poland but arguably elsewhere in central and eastern Europe too. Industrial relations are one of the core features of the system and, isomorphically, they present a mixed, hybrid picture.

Our field research reveals that the behaviour of MNCs varies, ranging from the neocorporatist-like arrangements implemented in VW to the more or less adversarial approaches towards trade unions and employee representation in general as seen in the other company in the automotive sector and in both the two retail companies. It is

quite plausible to claim that robust systems of collective labour relations, together with long-standing traditions of social dialogue in the country of origin of the corporation, do not necessarily translate into positive practices when it comes to trade unions and social dialogue in branches located in Poland. Some companies choose a policy of eliminating trade unions or at least limiting their role, taking advantage of the generally lower level of development of the system of collective labour relations in Poland, the weaker social recognition of the role of trade unions and lower standards in the field of individual and collective labour law. These companies are relying on a kind of opportunism in order to reduce costs and derive the greatest possible benefit from investment in a country with a lower level of socio-economic development than the one from which they come. Thus, they are not in the least interested in promoting good practice in the field of industrial relations.

In such cases, some perspectives on how to improve the position of Polish trade unions may come from their participation in European Works Councils. On the one hand, it sometimes provides support from non-domestic peers sharing their own experiences of past struggles with management in their own country and making Polish colleagues aware of the practices and standards in the field of labour relations that prevail in other countries. At the same time, EWCs provide the opportunity to establish contact directly with the central management of an entire corporation and to learn about its long-term plans. This strengthens Polish trade unionists in their relations with national managements. For this to happen, however, there is a need both for transnational solidarity between trade unions (Adamczyk 2019) and for representatives to be determined to establish such conditions for the functioning of the EWC that it actually fulfils the objectives set out in the directive and not only the minimum conditions dictated by the letter of the law, on the basis of the virtual participation of members selected by the employer.

Finally, in order to strengthen social dialogue in Polish branches of MNCs, changes are also needed at national level, such as the improvement of the law on collective labour relations as well as better social awareness of employee rights and the need for strong employee representation. It is symptomatic that, when asked about their concerns for the future position of their trade union organisations, respondents often mentioned not the risk of worsening management attitudes but, rather, the growing individualism of young generations of employees and their increasing reluctance to associate.

VW has a unique corporate culture and a specific approach to industrial relations, epitomised by the presence of the Volkswagen Global Works Council and its model of governance rooted in codetermination, the recognition of the important role of trade unions and collective bargaining. Its subsidiary in Poland has seemingly adopted, albeit not in a straightforward way, a comparable industrial relations model with the major trade union taking on a role similar to that of the works council in the enterprise's home country. This translates to exceptionally high union density and the presence of a collective agreement, renegotiated and updated on a regular basis: a true rarity in today's Poland.

On the other hand, the case study of a retail company with headquarters based in western Europe (Retail MNC 1) highlights an example of mutual relations between the employer and the trade union which can only be described as strained even though they are not hostile. Yet, even the struggle of unions to win recognition serves as a signpost for the company's opportunistic adaptation to a local environment marked by weak institutions. Collective bargaining takes place in some rudimentary forms, exemplified by the establishment of the company social benefits fund. The French-based multinational in Retail MNC 2 has built a type of symbiotic relationship with trade unions over more than 20 years since the inception of the union during early organising campaigns. Nevertheless, no signs of closing the ties and moving towards social partnership are visible. Unions made the initiative to launch collective bargaining, yet it ultimately failed as the employer simply left the negotiating table. In Automotive MNC 2 the mutual relationship is civilised, with union rights respected, but there is no collective agreement.

All in all, the behaviour of MNCs, as the evidence gathered suggests, indicates that the Polish system of industrial relations is still flawed by a large degree of employer voluntarism combined with a trade union weakness that is manifest in most instances of power resources (Schmalz et al. 2018). The only type of power resources that Polish unions possess to a relatively good level are societal resources, associational, institutional and structural resources all being very low. This is complemented by an equal weakness among employer organisations which, in the Polish context, appear no different from business associations as they do not engage in multi-employer/sector collective bargaining.

With the dimension of the autonomous regulation of collective work and employment relations absent, the state therefore remains the only stakeholder with capacities that are adequate to alter the conduct of multinationals. Only acting via the state are trade unions able to make an impact on employers at macro level. This is probably best illustrated by the case of the Sunday trading ban, introduced first in 2018. The change in legal environment here was a result of persistent union campaigning for over ten years until the shift in political climate with the rise to power of the conservative Prawo i Sprawiedliwość (PiS; Law and Justice) party created fertile ground for such a reform. As a consequence, the retail sector, very deeply penetrated by foreign direct investment, has been seriously affected (Czorzasty 2018). Such a strategy, while appearing to be the most viable one at the moment, brings about the risk of trade union disempowerment with their agenda being hijacked by the state (Czorzasty and Rogalewski 2022).

To multinational corporations, such prospects are, however, quite irrelevant as no challenge to their voluntaristic stance is likely to follow even were they to materialise.

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All links were checked on 03.10.2022.

Annex

List of interviews

ID	Position / organisation	Sector / level	Date of interview
Interview 6.1	Chair / local trade union	Automotive / local	17 December 2021
Interview 6.2	Chair / local trade union	Automotive / local	15 October 2021
Interview 6.3	Chair / local trade union	Retail / local	2 February 2022
Interview 6.4	Chair / local trade union	Retail / local	12 January 2022

Chapter 7

Dependence, adaptation and survival: social dialogue in multinational corporations in Romania

Aurelian Muntean

1. Introduction

As in other countries in the region, multinational companies (MNCs) have become important agents of economic growth and development in Romania. They have also successfully pressed for changes to labour law favourable to themselves which has, in turn, led trade unions to change their demands and also their strategies and methods.

This chapter uses an original dataset compiled on MNCs in Romania (Muntean 2021) and in-depth interviews with management and workers' representatives to track the development of labour relations in MNCs in the retail and automotive sectors. It explains how differences in the fragmentation and concentration of workforces, differences in the organisation and strategies of management and workers' collective organisations and contextual factors such as workforce migration and the Covid-19 pandemic crisis affect the local, sectoral, national and transnational social dialogue.¹

In the second section the chapter discusses the evolution of foreign direct investment and changes in employment relations. The third section presents a multidimensional framework of analysis for understanding the factors that influence social dialogue in companies, such as the strategies of social partners to adapt and survive, and the costs of different types of power and strategy. The fourth section analyses social dialogue in the retail sector while the fifth analyses the automotive sector. The sixth section presents empirical findings and conclusions.

2. MNCs and Romanian employment law

Economic reforms in the early 90s brought slow privatisation, with the substantial redistribution of state assets to crony capitalists accompanied by high levels of corruption. A second wave of privatisation from the late 90s and early 2000s led to the sale of state assets in automotives, banking, heavy industry, energy and oil. During the same period, in the retail sector, foreign companies established greenfield stores as part of their regional or global chains. The privatisation process was accompanied by the development of the services sector, but also by a strong deindustrialisation of the

1. During the various stages of field research and writing I benefited from the support of research project SODITREC-Social Dialogue in the Transforming Economy, VP/2018/004/0021, financed by the European Commission – DG Employment, Social Affairs and Inclusion; and the project Contribuția statelor socialiste din Europa de Est la dreptul penal și umanitar internațional după 1945 - PN-III-P4-ID-PCE-2020-1337.

Romanian economy (from a 57 per cent share of GDP in 1990 to 32 per cent in 2004 and 21 per cent in 2021): an exceptional change among post-communist countries.

The number of multinational companies active in Romania increased particularly in the early 2000s. The share in total employment of newly established MNCs increased from 2.9 per cent in 1995 to 12.8 per cent in 2007, the year Romania became a member of the European Union, and topped 27.1 per cent in 2009. With regard to the total occupied workforce, measured as the proportion of employed individuals in the total active population, according to official statistics, only 0.07 per cent of workers in 2005 were employed in companies wholly owned by foreign capital. That figure reached 15 per cent in 2019. More than 90 per cent of the workforce in foreign capital companies is employed in medium and large companies (greater than 50 employees); they are part of MNCs that dominate key sectors such as manufacturing, retail, energy, banking and information technology and communications (Muntean 2021).

The regional distribution of foreign investments is highly skewed. Foreign companies preferred to establish subsidiaries in the city of Bucharest and its surrounding metropolitan area and in the central and western regions (roughly the historical region of Transylvania). Newly established branches of MNCs created far fewer jobs in the southern and eastern regions of Romania which have weaker transport links to western Europe and inferior public infrastructure (healthcare, culture and a less urbanised population). According to Fina et al. (2021), the central and western regions and the metropolitan area around the capital are the only ones with a positive balance in internal migration while the other regions, with lower levels of foreign direct investment (FDI), have a negative migration balance.

An obvious attraction for firms whose activities are export-oriented is, as in other countries of central and eastern Europe, the low level of wages relative to western Europe while retail chains have been attracted alongside rising living standards and spending power. Foreign companies from the automotive sector accounted for 33.5 per cent of total exports and contributed, with retail companies, more than 32 per cent of national GDP in 2019. This highlights the importance of MNCs from these two sectors, but also the dependency of economic development on a handful of companies and economic sectors.

Incoming MNCs played a key role in lobbying for the changes in employment law that took effect in 2011 (Delteil and Kirov 2017). Faced with a set of employer organisations that were fragmented, they used the political connections of various bilateral chambers of commerce (such as the American, the German, the Austrian and the French) to open doors and lobby for the increased flexibilisation of labour relations. In 1997, with the help of the chambers of commerce, they had already set up the Council of Foreign Investors, a consultative organisation that could articulate their demands (Interview 7.7).

The major changes carried out by the right-wing government in May 2011 on the legislative framework which regulates labour relations and social dialogue have produced seismic outcomes. The previous framework consisting of six laws was unified in one single law which addressed the social partners' organisation, interaction and outcomes. Before

2011 the law obliged companies employing at least 21 individuals to organise collective bargaining bodies and sign collective agreements. Among other changes, the 2011 law set a requirement for there to be at least 15 employees in one company before a trade union could even be established. Thus, employees in smaller companies have no right to unionise while those in slightly larger companies also face enormous difficulties when there is dissent among employees or when management opposes unionisation. At the same time, national collective bargaining was abolished so that, from 2011, no national collective agreement has existed. Even when a union organisation is in place, the 2011 law increased the formal threshold for representativity, such that a trade union formed within a company must have a membership density of at least 50 per cent plus one, an increase from the old law which required only one-third of employees.

Where a trade union fails to reach the required membership threshold for bargaining within a company, negotiations can only be carried out by employee representatives. These had been introduced by the revised law on collective work contracts, adopted in 1996, in order to secure employee representation in collective bargaining where there were no trade unions. Under that law, representatives were elected by secret ballot as long as at least half of employees across the company participated. However, such a mechanism was missing from the 2011 law, leaving the election of employee representatives at the discretion of management.

The 2011 law also increased the maximum duration for fixed term contracts from two to three years, loosened the regulation of temporary agency work and made dismissals easier. Furthermore, the national minimum wage was no longer to be established by tripartite negotiation certified by a national collective agreement but by government decision. Subsequent increases therefore depended on the complexion of the government. This is important in determining wage levels as 24 per cent of all employees were on the minimum wage in 2019, all in the private sector.

Although low wages are an attraction for MNCs, they can also pose problems in the form of high turnover and the emigration of workers, substantially to west European countries following Romania's accession to the EU. Remarkably, rather than agreeing to higher wages, companies in some sectors have lobbied for government help to retain workers by special measures and tax exemptions. Among the favourable fiscal policies established in 2003 by the left-wing government was zero income tax for IT experts, thereby transforming Romania into a tax heaven for IT companies and giving the IT sector the highest average net salary in Romania, surpassing other high salary sectors such as air transport, banking, energy and the extraction of oil and gas.

Another sector-specific measure was applied in the construction sector following a policy adopted in November 2018 by the left-wing government. Starting in January 2019, salaries in construction have zero income tax, zero contributions for healthcare, a reduction in pension contributions and a minimum gross salary of 3000 lei (600 euros, at the exchange rate in early 2022). The sector employer organisations had successfully lobbied for this policy and for an agreement with the government to keep the fiscal exemptions until 2028. The main argument supporting this policy was labour shortages

in the construction sector caused by the massive emigration of skilled construction workers to western European countries since 2007.

3. Social dialogue in MNCs: dependence, adaptation and survival outcomes

Social dialogue in MNCs, the organisation of the actors, the processes that regulate social dialogue and the outcomes of bipartite or tripartite relations in companies have been studied around several different themes. One involves integrating the issue into a study of national social dialogue, explaining social dialogue at local and sector level in relation to changes in national employment regulation and also in terms of the power of local trade unions and their independence from sector and national collective bargaining actors (Marginson and Meardi 2006; Bechter et al. 2012; Adăscăliței and Guga 2016). Other studies have focused on the dependence of the effectiveness of social dialogue on ideologically driven policy changes and on the political alliances that trade unions and employers have established with party elites. Unsuccessful alliances are likely to have eroded the organisational fabric of union membership (Muntean 2011) while successful ones have boosted economic opportunities and increased the flexibility of employment relations for the benefit of employers (Trif 2013; Adăscăliței and Guga 2015). Meanwhile, continuing decline in the associational and organisational power of trade unions has limited the main voice supporting social dialogue at times when employer organisations were similarly weak and with few incentives to support national collective bargaining.

When analysing social dialogue in foreign companies, previous studies (Geppert et al. 2014; Pulignano and Waddington 2020) have conjectured that differences in the organisation of MNCs and their strategic adaptation to national frameworks have fragmented social dialogue. Another explanation for the changes has focused on transnational social dialogue and MNCs as important gears in a complex multinational economic arrangement, arguing that external formal regulations can improve national models (da Costa et al. 2012; Köhler et al. 2015; Begega and Aranea 2018; De Spiegelaere and Jagodziński 2019). In trying to bridge these strands of literature, various studies have explained the role of integrating factors such as union power and resources in influencing the success of social actors in collective bargaining (Lévesque and Murray 2010; Mrozowicki 2014; Adăscăliței and Muntean 2019).

This chapter adds empirical evidence to this debate, analysing social dialogue in MNCs from a multidimensional perspective. It shows that external and internal factors interact with each other in varied ways. External factors include transnational social dialogue in European Works Councils (EWCs), the global union organisations and the pressure of international stakeholders; while internal factors speak to the strategies of trade unions, the preferences of local management, the national legal framework and the institutional transfer of know-how between union organisations. They influence not only the quality of social dialogue but also changes in social actors' forms of organisation.

The effectiveness of social dialogue can be better understood when looking not only at the strategies of the social actors but also at their main sources of power, the key agents involved, the costs of the tools employed and the outcomes. To do this, this chapter builds on the theoretical framework developed by Adăscăliței and Muntean (2019). When the high costs of union action meet hostile regulation, and when employers and corporate governance are dependent upon HQ decisions, trade unions must adapt their strategies by mixing less costly associational and logistical power with high cost organisational and institutional power.

The international contacts and organisational resources that trade unions may deploy in supporting their actions can increase the pressure on the managements of MNCs. These are less costly in terms of the required resources but can be highly costly if used to undermine the bargaining partner. Appeals to the media or to consumers are, therefore, strategies that are sometimes used by trade union leaders. However, according to our information, these are deemed rather nuclear options because they can undermine the bargaining channels that trade union leaders prefer to keep open in their relationships with HQ managements.

When lacking substantial power resources in relation to employers, union strategies are often aimed at organisational survival. This is different from the familiar alternatives of the exit, voice or loyalty strategies used by employees in organisations (Hirschman 1972). Strategies that ensure survival are used in times of difficulty and weakness by trade unions; that is, when raising a voice inside a company leads to greater costs than potential benefits.

4. The retail sector

In the late 90s, various multinational companies opened chains of shops in urban areas of Romania, initially in Bucharest then in other major cities across the country. They were attracted both by the rising purchasing power of consumers and by the cheap labour released from failed privatised companies. Among them, in the order of the opening of their first store, was Metro (1996), Billa (1999) and Profi (2000), followed by Carrefour, Selgros and Penny Market (all 2001), Praktiker (2002), Cora (2003), Auchan (2006) and Decathlon (2009). A notable retailer in the sector is Mega Image, established in Romania in 1995. Its chain of shops was bought in 2000 by the Belgian company Delhaize. In 2021, there were over 880 000 employees in the retail sector of which 115 000 (fewer than 15 per cent) were in retail chains owned by MNCs while the rest were employed in small retail shops. Retail contributes 18 per cent of Romania's GDP.

The retail sector in Romania is highly fragmented (see Table 7.1) but dominated, in terms of turnover and employees, by multinational retail companies from Germany, Belgium, France and the Netherlands. The market is highly competitive because different ownership chains do not cooperate, for example in procurement, as retail chains often do in Germany or Switzerland. Competition between the largest retail chains is focused on market share and keeping workforce costs low. They are experiencing labour

shortages because of increased migration, especially after 2007, due to the very low wages compared to other economic sectors. The retail sector has also witnessed mergers and acquisitions of store chains and even bankruptcy, making it highly volatile.

Union density is very low, standing at 1.7 per cent. There are no inherited trade unions since all major retail companies were established in the Romanian market as greenfield companies but unionisation rates vary considerably. Among larger companies, domestic owners are often openly hostile to trade unions such that one of the first messages that new employees receive is that they should not attempt to organise a union. There is also considerable variation in unionisation levels in branches of MNCs. Only four of the leading 26 retail MNCs in Romania have trade unions, some accepting unionisation only after facing pressure from the national retail trade union supported by international organisations such as UNI Global.

Ever since 1991, Romanian trade unions formed at company level have joined together to form sector trade unions. Federația Sindicatelor din Comerț (FSC; Trade Union Federation of Commerce) covers the whole sector with members in Carrefour, Selgros and Metro alongside four other minor affiliated trade union organisations from car dealers, bookshops and logistics. With a total of around 15 000 members, FSC does not reach the representativity threshold under which union members must consist of at least 7 per cent of all employees in the sector, as set out in the 2011 law on social dialogue.

Before the 2011 law, employees in the retail sector were covered by a sector agreement, but none has been signed in the following years. This has led to highly fragmented wage policies with the ultimate protection of the national minimum wage. According to data collected by a national trade union confederation, all the collective agreements valid as of 2021 in the retail sector (a total of 1950) were signed at company level (BNS 2022). Considering the low unionisation rate in retail companies and the lack of representative trade unions, we can conclude that these collective agreements were likely to have been unilaterally imposed by management to fulfil formal demands and signed by employee representatives rather than by trade union leaders. According to the BNS data, out of all the active collective agreements in 2021 in Romania, 84 per cent had been signed with employee representatives while only 13 per cent were signed with trade unions at company level and just 3 per cent with sector trade unions.

Retail companies have managed to establish a representative organisation, Federația Patronală a Rețelelor de Comerț (FPRC; Employer Organisation of Large Retail Chains) incorporating all the top retail companies listed in Table 7.1. This does not reflect an openness towards collective bargaining as many of the leading companies have adopted anti-union stances. They are rather motivated by the structural and institutional power that they can use in lobbying the government and other state institutions. They can also use this organisational framework to coordinate their strategies on social dialogue and to embed the decentralisation of collective agreements.

Social dialogue in the retail sector is severely hampered by the high rate of employee turnover. No official data are available but, according to interviews with trade union

leaders, a regular employee in retail shops tends to stay in the same workplace no longer than nine months on average (Interview 7.1). It is, therefore, harder for trade unions to build long-term membership relations with workers and convince new employees of the long-term benefits of collective action. Jobs in the retail sector tend to be rather entry-level ones, for students, than a job with which to build a career.

The organisational fragmentation of the sector also affects employee evaluations of alternative strategies for finding better jobs. The higher the level of fragmentation, the greater the opportunities for finding alternative jobs, making exit a more attractive strategy. At the same time, more fragmentation sees lower opportunities for trade unions to establish solidarity across a sector and to push for a balanced social dialogue.

The data in Table 7.1 show that retail is much more fragmented than automotives, a result of the very large number of small and medium-sized retail companies and a homogeneous regional distribution, increasing the opportunities for job seekers in this specific sector. In comparison, the automotive sector is more concentrated. Although the number of large companies is greater than in retail, a heterogeneous regional distribution and the high vertical dependency of companies on car manufacturers reduces the possibilities for employees to find many alternative jobs in companies that are competing with each other for employees.

Table 7.1 Top10 retail and automotive companies in Romania by country, employee representation, employees and turnover, 2020

Retail Company	HQ	Trade union/ EWC	Employees (January 2020)	Annual turnover (January 2020, million lei)
Kaufland Romania SCS/ Lidl Discount SRL	Germany	No/No	20 000	11 877
Profi Rom Food SRL	Romania	No/No	16 277	7 264
Carrefour Romania/ Artima/Supeco	France	Yes/Yes	14 400	8 160
Dedeman SRL	Romania	No/No	12 000	8 217
Auchan Romania SA	France	Yes/Yes	11 000	5 480
Mega Image SRL/Ahold Delhaize N.V.	Netherlands	No/Yes	9 000	6 650
Penny Market - REWE Romania SRL	Germany	No/No	4 716	3 961
Selgros Cash & Carry SRL	Germany	Yes/No	4 460	3 831
Cora - SC Romania Hypermarche SA/Groupe Louis Delhaize	Belgium	No/No	3 500	1 723
Metro Cash & Carry Romania SRL	Germany	Yes/Yes	3 400	5 824
Total top 10 companies			98 753	62 987
Total sector			887 000	671 873

Automotive company	HQ	Trade union/ EWC	Employees (January 2020)	Annual turnover (January 2020, million lei)
Continental Automotive/ Contitech/Vitesco	Germany	No/Yes	18 119	15 474
Groupe Renault Romania	France	Yes/Yes	17 900	31 199
Sews Romania SRL/ Sumitomo Electric Bordnetze SRL	Japan/ Germany	Yes/Yes	12 413	1 982
Leoni Wiring Systems SRL	Germany	Yes/Yes	11 842	2 723
SC Draxlmaier Automotive SRL	Germany	Yes/No	10 007	984
Autoliv Romania SRL	Sweden	No/Yes	8 581	3 899
Bosch Automotive/Bosch Services	Germany	No/Yes	8 520	6 529
Yazaki Romania SRL	Japan/ Germany	No/Yes	8312	2 677
Adient Automotive Romania SRL	USA/Ireland	No/No	5 437	1 948
Ford Romania	USA/ Germany	Yes/Yes	5 300	10 305
Total top 10 companies			106 431	77 720
Total sector			225 000	127 493

Source: Data compiled from National Institute of Statistics (<http://statistici.insse.ro:8077/tempo-online/>), Ministry of Finance (<https://mfinante.gov.ro/domenii/informatii-contribuabili/persoane-juridice/info-pj-selectie-dupa-cui>), the National Trade Register Office (compiled from risco.ro) and ETUI Brussels (www.etui.org).

4.1 Real (Auchan Romania): Survival of social dialogue during merger and acquisition

One acquisition that has had important effects on labour relations is the case of Real retail shops. Formerly a subsidiary of Metro AG, a German company with retail activities, Real owned 25 shops in Romania with a total of about 9000 employees at its height. More than half of Real's employees were organised in a trade union, making it one of the most powerful such organisations in the retail sector in 2010. However, in 2012, Auchan Group, a French retail chain, acquired 91 Real shops, with over 20 000 employees, in Poland, Russia, Ukraine and Romania. At the moment of the acquisition of 20 Real shops from Romania (the rest having been closed down), Auchan Romania's employees were no longer organised in trade unions because the local management of the subsidiary opposed any form of collective bargaining (Interview 7.1). Integrating unionised employees in Real shops into the non-unionised retail chain of Auchan would have meant opening the doors to unionisation for all employees, a step that the management of Auchan was unwilling to accept after the acquisition.

Therefore, the prior existence of a strong trade union is by no means an assurance of union survival during anti-union mergers, despite evidence elsewhere that employees

have greater opportunities to join unions in already unionised companies that are part of privatisation, mergers or acquisitions deals. The existence of an organisation representing workers is, in general, perceived by local managers as a hindrance to their capacity to reach the economic targets established by headquarters because they perceive higher costs to arise from collective bargaining. Management's preference is to control social dialogue by nominating employee representatives and formally obtaining employee approval for them. In the words of one specialist:

The local management reaches more easily the targets if there is no trade union around, only employee representatives which are nominated by the local management and elected by employees. This allows collective bargaining to take only two hours to be completed, farewell lunch included, while trade unions would negotiate for a much longer time and much harder. (Interview 7.1)

The acquisition of the Real shops by Auchan very soon changed the social dialogue preferences of the management of Real shops in Romania once they had fallen under the supervision of Auchan's country managers.

Soon after the acquisition, union leaders were dismissed and the trade union thus dismantled. Former union members who did not leave the company continued their struggle for collective action to reorganise their union. With the help of FSC, they approached UNI Global Union which hired a labour relations specialist to investigate the case and also submitted a report to the World Bank, which had provided loan capital of 340 million dollars to Auchan for its expansion programme (Macvicar 2014). Facing the anti-union stances of the local management, and without any substantive support from national institutions or from a law supporting unionisation or protecting union organising initiatives and union representatives against managerial retaliation, the strategy was to find external allies. International trade unions, such as UNI, were more effective in putting pressure on the national management of Auchan by appealing to influential stakeholders and international organisations (Interview 7.1).

Members were successful in forcing the company to accept the creation of a trade union, but they have had limited success in developing solidarity and increasing membership. As of 2021, fewer than 100 employees out of about 11 000 had joined the revived trade union. It was impossible to contact and interview non-unionised employees, so we can presume that one possible explanation for the small number of members stems from the previous anti-union campaign and the pressure that the local managers were able to mount.

International framework agreements can provide additional support for employees in MNC subsidiaries. For example, Auchan signed an international framework agreement in 2017 with UNI Global. The agreement included institutional mechanisms for informing all local managers and heads of subsidiaries of the company's acceptance of new social dialogue rules which would allow collective bargaining and freedom of association. Yet, local trade union leaders and employees complain about being seldom informed of these global framework agreements that oblige signatory MNCs to expand the social dialogue model and employment standards to employees in all subsidiaries.

Having a trade union in the company does not necessarily translate into higher wages. It can provide greater job security but, in a highly volatile and competitive sector, any large company, even if non-union, which pays better salaries can reduce the appeal for employees to join trade unions. According to a retail labour relations specialist (Interview 7.1), the existence of a trade union does, however, provide greater freedom to employees. They are no longer submissive to managerial abuses. Retail companies in Romania (such as Carrefour, Metro and Selgros) which do allow employees to unionise trade low wages for job security. In contrast, retail companies that adopt anti-union attitudes (such as Kaufland and Lidl, Auchan and Dedeman) tend to pay better salaries but, on the other hand, they overwork employees who develop work-related health problems. This might translate into a lower employee retention rate compared with that in union-friendly companies.

Trade unions have to adapt their strategies to conditions of high employee turnover. However, this can have high costs in terms of mobilisation, the coordination of membership and the potential for management retaliation because of the involvement of external supporters.

Employees in the Romanian shops send one delegate, a local trade union leader, to the Auchan European Works Council. However, social dialogue within the company is conditional on a change of preferences among local management and on a successful transnational social dialogue in the EWC. It is also dependent on recovering the trust of employees that they will not face retaliation if they join a trade union or take part in employee collective action.

In the context of similar acquisitions in the Romanian retail sector, social dialogue has apparently been more easily established elsewhere. The example here is the Billa chain, a member of REWE Group, the second largest German retail chain. Carrefour acquired the Romanian shops of Billa in 2015. In contrast to Auchan, employees in Billa shops, already unionised, managed to maintain collective organisation after the acquisition. However, this was not done without management's initial attempt to dismantle the trade union by laying off union members. Based on the Auchan experience, FSC swiftly appealed to UNI Global which had better connections at the headquarters of Carrefour.

In conclusion, this case study shows how an MNC can take advantage of weak legal protection. The absence of a functional model of labour relations, the fragmentation of social actors, the low costs of local management's adaptation to the national model and the high costs of employees to organise collectively all reduce the role and effectiveness of company and sector collective bargaining. The result is poor job protection, lower wages and managerial retaliation against a unionised workforce. The strategy employed by the trade union focused on making alliances with national and international supporters and developing the organisation's internal solidarity, thus ensuring the survival of the union movement in the company.

4.2 Selgros Romania: Adaptation social dialogue

Selgros is a retail chain that operates cash and carry hypermarkets in Switzerland, Germany, Romania, Poland, France, Austria and Russia. The stores are operated as a subsidiary of Transgourmet Holding AG, headquartered in Germany, although Selgros Romania is fully owned by Coop Switzerland, a privately owned cooperative society and the sole shareholder in Transgourmet. Transgourmet has about 27 000 employees across all its operating hypermarkets. Second only to the German chain of the subsidiary, the Romanian chain had more than 4600 employees in 2020. The competitive success of Selgros Romania is highlighted by it being the only Transgourmet subsidiary in which new jobs were created in 2020 despite the economic restrictions of the Covid-19 pandemic.²

Between 2001 and 2008, social dialogue in Selgros was characterised by simulated collective bargaining controlled by local management, with no collective action organised by employee representatives. Since 2008, however, employees have been organised. The largest union with members in the company, Sindicatul Național Selgros (SNS; Selgros National Trade Union), had in December 2021 a membership of about 3500; thus a unionisation rate above 75 per cent. It is the second largest trade union member in FSC.

The 2011 law put pressure on trade unions to reorganise themselves in order to reduce fragmentation and to be able to renew their representativity in accordance with the tougher new laws. The threshold unionisation rate of 50 per cent+1 for company-level representativity has, on the one hand, created the context for union fragmentation to be reduced. In addition, it has increased the pressure on smaller trade unions either to increase their membership, merge with larger unions or perish. Nonetheless, a negative outcome has been that representative trade unions must keep their membership levels constantly high in order to retain representativity. Any new competitor trade union could undermine this. That is why it is reported by various trade union leaders that managements have made efforts to organise 'yellow' trade unions. The double impact of this would be a loss in membership and representativity for existing trade unions, alongside the creation of more management-friendly trade unions.

SNS set up diverse strategies in order to retain its representativity under the new law and, thereby, to access an openness to negotiations for a collective agreement on the part of the company management. The union focused on increased internal democracy and the information and consultation of members by email and post but also intensified the mobilisation of members in protest activities. These strategies increased internal solidarity within the union and membership trust in its leaders, while shielding the organisation and its leaders regarding conflicts with local management. In addition, the strategies improved the legitimacy of collective actions and increased organisational and associational power.

2. According to data from the Romanian Registry of Commerce and the 2020 Coop Switzerland Annual Report (https://report.coop.ch/app/uploads/Coop_GB20_en.pdf).

Selgros employees are covered by a collective agreement initially signed in 2008, an outcome of the successful sector collective agreement. Ever since, the coverage of collective bargaining has been 100 per cent as, under collective bargaining law, the benefits of collective agreements cover all employees in the company, not only union members. The collective agreement has been subsequently extended each year since 2010, the year when the last sector agreement was signed by FSC and the employer organisations. All the agreements have covered working conditions, working time, rules establishing the work schedule, wage increases in accordance with the seniority of employees, paid leave premiums, food vouchers and double time being paid for working on national holidays.

SNS leaders have attempted to set up collaborations with their peers in other subsidiaries and to institutionalise transnational social dialogue through the European Works Council. However, this has met with only lukewarm support. The leaders decry the lack of transnational solidarity, the lack of an openness towards collaborating with trade unions from other countries within the same multinational and the protectionist attitudes of subsidiaries and even unions in those subsidiaries. According to one specialist:

Transnational solidarity is higher when all the stakeholders are fine. When some of them feel weaker, there is no room for solidarity. When there is a crisis, solidarity is gone. (Interview 7.4)

SNS was faced with a complex situation during negotiations to renew the collective agreement in early 2020. The Covid-19 state of emergency, declared by the government on 16 March 2020, resulted in the previous collective agreement being extended. Company management offered quick ratification of a new collective agreement in exchange for accepting minor improvements in employment: a wage increase of around 10 per cent, a small increase in the value of meal vouchers and annual renegotiation of the collective agreement. More than 80 per cent of trade union members rejected the company's offer, having anticipated a rather larger increase in wages. Management therefore withdrew it, making use of the favourable context determined by the state of emergency which, amongst others, suspended collective bargaining rights.

According to the specialist, many Selgros employees regretted their initial rejection of the company's offer as management used the state of emergency to reinforce its tough bargaining strategy by pressing for changes in working hours without prior consultation and a reduction in bonus payments for overtime during holidays. The trade union faced pressure from management and from union members who demanded an active response.

The solution was to build a hybrid and flexible strategy that used associational and logistical power aimed at getting members back onside and management into the negotiation room. Members received emails and letters from union leaders, stating the reasons for the block in bargaining. Additionally, leaders sent a letter to senior headquarters management providing information on employment problems in the Romanian subsidiary. The union also appealed for external mediation although this

was rejected. None of these actions were successful in determining a favourable change in local management's bargaining position, so the trade union organised a protest in the summer of 2020, in front of a Selgros shop, when a Swiss executive was visiting shops in Romania. According to the specialist, the chair of the board was shocked at the protest, yet he assessed favourably the decision of the trade union not to invite the media to the protest but to maintain it on an in-house basis.

This strategy was decisive. It showed the CEO that the local trade union leaders are reasonable people. He appreciated that employees wanted to solve problems in a private and calm manner. (Interview 7.4)

The protest gathered more than 150 trade union members from Selgros and 20 supporters from the Carrefour trade union. As a result, the local management was instructed by senior managers to negotiate a collective agreement, which process was completed in October 2020. The agreement offered employees a wage increase in two tranches, a year-end one-off salary bonus, a holiday bonus and consultation concerning overtime.

In conclusion, internal solidarity within the trade union, strategies to control communication with members, the support of peer trade unions and the complex tactics used by the union leadership to mobilise various union power resources triggered a favourable response from headquarters. Although these factors produced a positive outcome for the social dialogue within the company, this case study highlights a dependency on the presence of resilient, flexible, determined and capable leaders, high internal solidarity and an openness among senior management. Additionally, it reveals that a functioning social dialogue is sensitive to corporate procedures and the support of national regulations and institutions of social dialogue. The costs of the union strategy were high in terms of mobilisation, the time required to coordinate and organise hybrid strategies and, also, the high risk of breaking the law, especially during the pandemic-induced state of emergency. Employing flexible strategies, although costly, nevertheless allowed the trade union to compensate for the costs by accessing membership support as well as management cooperation.

The lack of established transnational social dialogue mechanisms and bodies to monitor labour relations in subsidiaries reduces the predictability of the future success of social dialogue at that level. The lack of functioning and efficient EWCs and international agreements between unions and companies, together with monitoring mechanisms to ensure their effectiveness, gives room for managerial arbitrariness in dealing with the demands of subsidiary employees.

4.3 Metro Romania: Dependence social dialogue

Metro Romania was established as a greenfield company in 1996; owned by the German company Metro AG, it was the first major western European retailer to open subsidiaries in post-communist Romania. By January 2022 it owned 30 retail cash and carry

supermarkets³ and, as of 2020, it employed some 3400 employees in Romania out of a group total of 98 000 people in 23 other countries including, alongside Germany, most notably France, Russia, Italy, Spain, Ukraine, Turkey, Poland, Czechia and Hungary.

Attempts to establish social dialogue bodies in the Romanian subsidiary go back to the late 90s, soon after the opening of its first outlets. Employees from Metro Romania had earlier tried setting up a trade union but management was categorically opposed. Being aware of a list of employees who wanted to establish a trade union, management proceeded to dismiss all of them (Interview 7.5). This was a significant choice, especially during those times in which trade unions enjoyed political support as well as a more favourable atmosphere of employment and trade union regulation. This goes contrary to the assumption that, before 2011, Romanian social dialogue was much easier to establish than after 2011 under the new law.

It may be only one example, but it does provide insight into the informal support (or, at least, a closed eye to irregularities) that foreign companies received from politicians and central institutions before 2011. It also reveals the ineffectiveness of the institutions, rules and organisations that were in charge of setting up a balanced labour relations model amidst public complacency about support for employment rights. Previous empirical studies (Muntean 2003, 2011) have shown that labour relations in Romania are particularly imbalanced in greenfield companies, irrespective of the source of their capital (domestic or foreign). Managements press employees not to unionise, organise 'yellow' trade unions, simulate the fair election of employee representatives and encourage excessive fragmentation in order that trade unions are non-representative.

Metro Romania is one such greenfield company in which the in-country management has adapted to the informal nature of the institutional reality and the rule of law by suppressing employment rights. As a result, unionisation initiatives have been highly dependent upon the subsidiary management's strategies, senior management's decisions and the lack of institutional support at national level.

It was only after ten years that Metro Romania employees managed to unionise. In 2008 and 2009, they requested support from FSC which had powerful support from UNI Global. This, and the contacts that UNI Global had at the headquarters management of Metro AG Germany, was key to a radical change in the social dialogue in Metro Romania. According to our interviews, the green light sent by the headquarters changed the local management's approach on social dialogue, allowing employees to unionise in 2009. However, this did not change the long-term reluctance of local management to work cooperatively with the trade union.

Since 2009 there has been one trade union in Metro Romania. As of 2021, it has about 1700 members, thus barely meeting the legal threshold for representativity. Consequently, the social dialogue is under constant pressure of being blocked. Furthermore, substantial volatility in the workforce and strong competition in the retail sector among large multinational companies looking for skilled workers puts pressure on the company which transfers this to employees and their representatives. Furthermore, the decline

3. <https://reports.metroag.de/annual-report/2020-2021/servicepages/downloads/files/entire-metro-ar21.pdf>

in the employee retention rate means that even union leaders could exit the company in search of better salaries. In Metro Romania, as in Selgros Romania, union leaders are not paid by the trade union nor are they given paid release from workplace duties to manage the union; they tend to organise the trade union in their free time, after working hours, or take unpaid leave. This translates into insecurity in the organisational leadership of the union. As one interviewed union leader commented, when a local leader from a regional shop quits for better conditions in another multinational retailer, the trade union loses membership in that regional shop. Therefore, since Metro Romania has a high regional fragmentation of its shops, employees and trade union leaders have supplementary barriers to their collective action and organisation.

High turnover rates which hamper union organisation are a reflection of working conditions and pay although they vary across the country. Here, a union representative referred to the ‘increased overload of employees’ after Metro Romania made a particular set of changes to working conditions. Required to handle large quantities of products in the store, and without automation and mechanical support, ‘they tend to develop professional healthcare issues’. In addition, they are now required to carry out the tasks of a cashier while tired after handling heavy loads, when they are more prone to error at the checkout, leading to substantial financial penalties. In regional shops in the west, more colleagues left the company after these changes for jobs in other retail chains, as did colleagues in Bucharest and in the Transylvanian counties. However, ‘in the shops in the north very few colleagues left because they had fewer alternative jobs’ (Interview 7.5).

Since 2010, collective agreements at company level have followed the same standards established in the last sector collective agreement from 2010. Apart from working time and job security issues, the 2020 collective agreement included wage increases, overtime payments, yearly performance bonuses, financial support for special social cases, holiday vouchers and a holiday bonus. Thus, the trade union tried to negotiate compensation for wages being lower than in other large competitors in the retail sector (e.g. Schwartz Group subsidiaries Kaufland and Lidl) which aggressively promote their better salaries to attract skilled workers. The lack of a sector collective agreement provides little or no incentive for companies to cooperate in order to reduce the wage differential between them. The very high fragmentation of the sector, as underlined by Table 7.1, makes it impossible for sector agreements to be negotiated unless the thresholds in the 2011 law are first reduced.

Transnational social dialogue is secured in Metro AG by meetings of the company’s European Works Council. Employees from Metro Romania have two delegates on the EWC. However, they evaluate the effectiveness of transnational social dialogue less favourably than expected. One specialist told us that EWC meetings have very little effective impact on employees in the subsidiaries as the EWC is too focused on reaching consensus on issues across diverse subsidiaries. However, each of them has specific issues at company or national level which are often determined by contextual factors specific to the economy and market in which the subsidiary operates. Our study collected multiple evidence from trade union leaders and labour specialists that, in various EWCs (Metro included), local issues are not addressed at all; they are purposely left to the local country management. Nevertheless, since EWC delegates are raising issues that

have not been dealt with by local management in the first instance, it is hard to believe that local management will be able or willing to resolve employee issues afterwards.

In addition to the low effectiveness of EWCs in dealing with local issues, delegates criticise the attitudes and lack of cross-national solidarity among peer union leaders from subsidiary countries who often take stances aiming to protect the interests of their own members even at the cost of people in other countries. Low wages in subsidiaries in new-wave periphery countries, the absence of proper workplace security and the lack of effective rule of law and labour monitoring institutions represent several local issues that are not easily understood by west European representatives on the EWC. In the words of one union representative:

[The] EWC is not helpful at all for local issues. It is a formal badge that the company is complying with the directive. No local issues have been solved at these meetings in the last nine years. (Interview 7.5)

To conclude, Metro represents a case of a multinational corporation in which the management of the Romanian subsidiary has adapted to the national model of labour relations. The trade union is highly dependent upon the social dialogue framework determined by the headquarters and the local management, but also upon the high levels of employee turnover. Therefore, trade union leaders have adopted strategies aimed at reducing the costs for the leadership and the membership, such as gaining support from international unions and direct negotiations with the subsidiary management.

5. The automotive sector

The automotive sector was transformed during post-communism but the historical legacies prevailed long after the regime change. The history of domestic Romanian car producers dates back to 1957 when the communist regime produced Aro, an off-road model imported from the USSR. Subsequent cooperation with French manufacturers in the 1960s and 1970s led to the production of Dacia vehicles, under licence from Renault, and the Olcit marque, produced under licence from Citroen.

Low product quality, a lack of resources and know-how to keep pace with technological advances and the release of models that performed rather poorly in foreign markets, as well as the increase in imported second-hand cars in the 90s, put pressure on the three national car producers Dacia Pitești, Olcit Craiova and Aro Câmpulung (for a detailed history, see Egresi 2007). Failed attempts successfully to privatise Aro led to its bankruptcy in 2006 in spite of the efforts of employees and the trade union to purchase the company. The impact of this failure was covered widely and was so relevant to the failed privatisation process that the story has been dramatised in an acclaimed movie *Despre oameni și melci (Of Snails and Men)*.

Foreign direct investment in automotive assembly accounted for about 9 per cent of total FDI stock in 2020. When adding other companies from the dense network of suppliers providing electronics, wires and tyres, the share of FDI stock is almost

doubled. Foreign investments by supplier companies have increased the embeddedness of companies in the automotive sector in Romania (Egresi 2007; Drahokoupil et al. 2019) with 58 different suppliers operating across 100 manufacturing plants. However, the sector is dominated by a handful of major companies notably Renault, Ford, Continental and Leoni. The industry is geographically highly concentrated with clear regional differences and clustering of automotive companies. Of the top 20 suppliers of automotive components used in European car assembly factories, according to an *Automotive News* report (Chappell 2018), all have production facilities in Romania as well as in other countries in the central and east European region.

The automotive sector is one of the success stories of the economic development of Romania since the early 2000s. Dacia has been transformed by Renault after its 1999 acquisition into a cheap mass producer with considerable success in the EU. It is the largest company in the automotive sector in terms of turnover and the main pillar company in embedding local automotive production. Dacia and the other large multinational corporations in automotives (i.e. with more than 250 employees) account for 97 per cent of the sector's exports.

In the 2016 to 2018 period, the sector had almost 240 000 employees but saw reductions in 2019 due to lower external demand and structural changes such as the increasing focus on developing electric or hybrid vehicles. There have also been quality issues for some component producers leading to product recalls which have increased the financial pressure on suppliers. Mergers and acquisitions are determined by market pressure, bankruptcy and increased demand for components to be used in new electric powered vehicle models, but also by high levels of competition. These create further uncertainties for employment relations with changes in the model of labour relations, social dialogue bodies and job security.

Automotive companies active in Romania have made great use of the flexible labour relations set up by the 2011 law by employing a temporary workforce, thus having fewer constraints on lay-offs. For example, the German company Kromberg & Schubert, supplying spare parts for all major vehicle producers, employed almost 10 000 workers in 2016 in four plants and one research and development centre in western and central Romania. Three years later, at the end of 2019, its total number of employees was down to 4200 in the same production facilities. Delphi Technologies followed a similar path. In 2019, it employed 2600 employees whereas, three years earlier, it had employed over 10 000. Thus, a reduction in the workforce of more than 50 per cent, which by all circumstances would qualify as a collective redundancy, was not accompanied by active employment policies and compensation. This was in line with the increased flexibilisation of labour relations set down in the 2011 law.

The unionisation rate in the automotive sector is about 20 per cent, based on the estimates of national trade unions and the numbers declared in the representativity files submitted to the courts, which may be biased upwards (see for example Guga and Constantin 2017). There has been no sector collective bargaining nor agreement since 2010. In the automotive sector, employees are largely organised in IndustriALL-BNS, formerly called Automobilul Românesc (Romanian Automobile Trade Union), which

has about 30 000 members including large organisations in Renault, Ford, Adient, Timken, Magonetto Wheels, Componente Auto SA and UAMT Oradea. In Leoni, the trade union – with 5000 members in 2020 – chose to join Federația Națională a Sindicatelor din Industrie (National Industry Trade Union) instead of IndustriALL-BNS. The trade unions established by employees in two other automotive companies, SEWS-Sumitomo and Draxlmaier, with fewer than 4000 members together, have not joined either of these national trade unions. This fragmentation inevitably weakens social dialogue in the sector and collective agreements at group level.

Several automotive MNCs active in Romania have established EWCs. Compared to the lower number of EWCs established in the retail sector (fewer than half the number in automotives), we can conclude that automotive employees should have a reasonable level of access to corporate decisions and the opportunity to establish international contacts and develop international solidarity with their peers from other subsidiaries.

This is not always the case, however, as was highlighted by our interviews with trade union specialists and European Works Council delegates. International solidarity seems to be rather difficult to grow when headquarters and local managements prefer to maintain EWCs as rather formal, and ineffective, social dialogue bodies. Where EWC delegates are employee representatives (sometimes imposed, or at least suggested, to employees by management), and not trade union leaders, opportunities to build international solidarity between employees and organise social dialogue in subsidiaries decrease because they have fewer contacts with international trade unions and lower levels of collaboration with national trade union leaders. This reflects the position in subsidiaries in which managements have developed anti-union stances. Moreover, when local issues are not accepted by headquarters management as a subject for discussion at EWC meetings, which is more often the case, according to our interviews, employees from local subsidiaries and home country factories are rather incentivised to compete with each other in respect of higher profitability, higher productivity, higher competitiveness and lower wage demands. These factors increase the divisions between subsidiaries and make international solidarity hard to establish and develop.

The Covid-19 pandemic increased stress not only for car manufacturers but also for their suppliers. In spring 2020 supplier companies applied for partial unemployment payment measures, while temporarily closing production in many plants, under the Romanian government's subsidy plan.

The 2011 reforms have produced another important, and more insidious, effect. Specifically, the 1996 collective agreements law set down that it was the responsibility of the social partners that were negotiating national agreements to determine how the sectors in which sector collective agreements were applicable were to be constituted. These sectors were used as benchmarks for evaluating the representativity of sector and national trade unions and employer organisations. After the 2011 law, however, it is now the government which decides how each sector is constituted. Therefore, the government has diluted the homogeneity of sector agreements. For example, the benchmark used for evaluating the representativity of trade unions and employer organisations from the automotive sector includes not only car manufacturers and

their suppliers but also boat and shipbuilders, central heating systems manufacturers, planes and spaceship manufacturers and companies that produce various other tools and machines (e.g. tractors and lathes). In addition, it does not include companies that are making tyres (Continental, Michelin and Pirelli) which are officially included in the chemical industry together with companies that make fertilisers.

5.1 Ford Romania: Adaptation social dialogue

In 2007, Ford Motor Company bought the state-owned shares (over 72 per cent) of Automobile Craiova for 57 million euros. This followed the sale of a majority share in the former producer of Oltecit vehicles to the South Korean company Daewoo and then partial renationalisation when Daewoo collapsed, with other parts of its motor vehicle operation taken over by General Motors. Ford Romania was officially established in early 2008, when the company took control of the former Daewoo plant. The same year, the European Commission determined that the Romanian government had offered Ford illegal indirect state support amounting to about 27 million euros for buying the shares in Automobile Craiova at a discounted price in return for increasing the total number of employees to 7000. When Ford bought Automobile Craiova, about 4000 people were employed but, as of January 2022, numbers had increased to about 6200. The annual production capacity of the plant increased from 50 000 vehicles in 2015 to 163 000 in 2021.

Since the Ford plant in Romania was not a greenfield company, social dialogue in the new company inherited established trade unions and collective bargaining bodies. Two representative trade unions were active in Daewoo Romania, signatory parties to the collective agreement which was valid at the moment Ford bought the plant. Employees then formed a new, unified trade union, Sindicatul Ford Automobile Craiova (SFAC, Trade Union Ford Craiova), which had about 5700 members in 2021. The unionisation rate is thus over 90 per cent.

Compared to sector collective agreements, the company agreements signed after 2010 saw reduced benefits for employees, including experience-dependent premiums and workload-related differences in retirement contributions and benefits. According to the local specialists we interviewed, the bargaining position of the trade unions has weakened in the company since 2011 (Interview 7.6).

In 2017, a protest was organised by the trade union in order to push local management to offer a higher increase in wages. The protest was primarily caused actually by the government's plan to transfer the payment of social contributions from employer to employees. According to news reports (Dobrescu 2017), employees believed the company wanted to condition increases to the gross wage on lower overtime payments and performance bonuses as a result of the renegotiation arising from the transfer of contributions. In addition, some employees demanded that union leaders no longer be on paid release by Ford but hired and paid exclusively by union members as a means of increasing accountability and cutting any potential strings attached by management

to trade union leaders. After fresh negotiations, company management accepted the demanded increase in wages in exchange for signing a two-year collective agreement.

Our interviewees highlighted that, in terms of social dialogue, the company decided all the measures to be taken in the plant for workplace security during the Covid-19 pandemic only after consulting union leaders. They also commented that, as regards transnational social dialogue, Ford senior management did encourage trade union leaders in subsidiary companies to put local issues on the agenda of the EWC, to which Ford Romania sends two representatives.

In early 2022, Ford Motor Company announced that Ford Romania would be sold for 575 million euros to Ford Otosan, a joint venture from Turkey in which Ford Motor Company and Koç Holding both owned 41 per cent, the rest being held by small shareholders.⁴ The transaction was presented as a transfer of assets to improve production (the Ford Courier van would be moved to Craiova) and competitiveness (via plans to build electric vehicles), but there are uncertainties concerning employment relations. It is not yet clear what will happen in respect of social dialogue within the company, whether the local management will be changed, whether the place of Ford Romania in the Ford EWC will be maintained and whether Ford Romania employee representatives will be consulted by the corporate governance bodies of Ford Otosan.

In conclusion, the adaptation of Ford to the social dialogue and labour relations which were already established in the Craiova plant produced effects for employees that were rather positive. Trade unions also had to adapt, in order to make better use of transnational social dialogue, even though agreements were not always accepted by the membership without internal debate and opposition. Trade unions made use of their active membership and the rather low levels of employee turnover in the automotive sector to develop successful social dialogue strategies. Therefore, although their strategies increased costs due to active bargaining tools such as protests, but also as a result of potential internal dialogue, trade unions were successful in adapting to corporate change in the company.

5.2 Michelin Romania: Dependence social dialogue

Michelin Romania was established in 2001 after the French company bought two domestic tyre factories from Tofan Group. As of January 2022, it owns three plants (two produce tyres while a third produces metal wiring for the cords used in tyre production) and employs about 4400 workers. It produces tyres as components for all major car manufacturers but also as aftermarket spares. Michelin Romania is part of the Michelin Group which has about 127 000 employees worldwide.

Employees at Michelin Romania are organised in four trade unions. This high fragmentation is determined by different regional locations and specialisations in the activities of local factories, personal disputes between trade union leaders and

4. <https://www.reuters.com/markets/europe/ford-sell-romanian-plant-turkish-jv-2022-03-14/>

management's strategies to keep employees fragmented. Together, the four trade unions had about 2350 members in 2021 with none thus satisfying the legal threshold for representativity. The 800 white collar employees in the management offices (in the capital city) have not joined any blue-collar trade unions but, instead, elected employee representatives. Some of the blue-collar unions were established with the judicial help of and consultation with national trade union leaders because the local management was otherwise reluctant to allow employees to unionise.

They [the country manager] told us and the national union leader who accompanied us that we [the employees] do not need a trade union because we have all the employment rights we can have even without a union. In addition, the country manager and the human resource manager refused to exempt union leaders from regular job-related activities. The French managers showed clear anti-union attitudes. The company management supported one member of the trade union executive committee to quit and establish a new trade union. They tell us that we cannot receive higher salaries because the wages set-up is in accordance with average salaries in Romania. (Interview 7.3)

The subsidiary management has thus successfully adapted to the local model of labour relations. With weak trade unions lacking representativity, social dialogue is controlled by management. The conditions of employment are, therefore, largely determined by management goodwill and seem to be inspired by the desire to keep production costs low, including by keeping employee benefits at the lowest possible levels. However, keeping wages low – the minimum salary is only 200 lei larger than the national minimum salary – increases the turnover of workers. According to our interviewees, younger/new employees stay with the company for only a few months before leaving either for other local companies or migrating to western countries. The low employee retention rate negatively influences the stability of union membership, making collective action, such as a strike or protest, almost impossible to realise.

Employees in the subsidiary are represented on transnational social dialogue bodies, such as the EWC, by three delegates who represent the management of the subsidiary and two of the three local plants. The utility of the meetings is deemed by some local union leaders who are not members of the EWC to be minimal. It is reported that local EWC delegates have frequently refused to share information from EWC meetings on the grounds of the confidentiality of the discussions. Additionally, local union leaders complain about the lack of transnational solidarity from trade union leaders in other Michelin subsidiaries, which hampers effectiveness in resolving local issues at transnational level on the EWC.

When we wanted to start conflicts at Michelin Romania, trade unions from Michelin France, Germany or eastern European subsidiaries refused to help us. Union nationalism is evident both among the core and periphery trade union leaders we met in the group. (Interview 7.3)

In conclusion, social dialogue in Michelin Romania tends to be highly dependent on management goodwill. This dependency is increased by the fragmentation of

employees and their union representatives. Local employment relations are entirely dependent upon corporate strategies and local management's pressure for the increased profitability of the plants of the subsidiary. Trade unions have adapted to this context of high intra-group competition; they prefer to use strategies with rather low costs, such as cooperating with the membership and with the local media, as well as gaining the support of the national trade union federation during collective negotiations.

6. Conclusions

The Romanian economy is still highly dependent on foreign direct investment. At the start, MNCs often did their best to adapt to the employment relations practices of the Romania of that time, but later they were more likely to try to bend the social dialogue and labour relations model to fit their economic interests. In 2011 they successfully used the anti-crisis context to convince the government and politicians to make labour relations much more flexible, meaning the reduction of employee protection, fewer trade union rights and the decentralisation of social dialogue and collective bargaining. Their domination of finance, markets and know-how in almost all economic sectors, barring the public sector, has enabled them to establish a firmly dominant position in social dialogue.

It is only in privatised formerly state-owned companies, and in public institutions, that labour relations could encompass functioning social dialogue bodies. Prior establishment of trade unions is a determinant of the success of social dialogue in both private and public companies. However, the evolution of social dialogue and the organisational development of trade unions (as well as employer organisations) has not been homogeneous. Instead, there are large variations in strategies and representation. Economic conditions can fluctuate, with regions and economic sectors also observing the long-term fragmentation or, otherwise, concentration of companies.

Using data from in-depth interviews with union specialists and employer representatives, this chapter has examined the variations in unionisation and in union strategies. It employed case studies to look at the details of multinational corporations in the retail and automotive sectors, explaining the role that economic, institutional, organisational and structural factors play in changing the attitudes of multinational corporations towards social dialogue in their subsidiaries.

High fragmentation in an economic sector enhances the substantial effects of employment being volatile as a result of low employment protection. Economic fragmentation reduces the prospects for trade unions to organise. It also increases the free-riding effects of anti-union companies that do not invest in employee protection through social dialogue but simply attract a skilled workforce through the offer of higher wages.

MNCs do their best to create the most favourable economic ecosystem and to introduce their own corporate governance and social dialogue model which they know and can control. Yet, as these case studies have shown, when bending the rules frequently is the

rule, MNCs prefer to adapt their corporate governance to the national model of labour relations. In cases of reorganisation, merger or acquisition, social dialogue and labour relations in MNC subsidiaries are often revisited and periodically reset. Trade unions have to adapt their strategies continually to evaluate the best path to negotiate and develop effective relations with the new management.

On the other hand, management often tries to shape the (im)balance of power and procedures to its advantage or to eliminate trade unions altogether. This strategy has greater chances of success in Romania because of the social dialogue and labour relations rules which are more favourable to employers than to unionised employees. On top of this, since bending the rules is not an exception in Romania employers systematically push to change these to fit their own interests.

Inter-sector solidarity between trade unions and employees disappeared after 2011. On the one hand, the new regulations pushed trade unions to the brink of survival, giving substantial bargaining edges to employers, and moved the key locus of bargaining to the level of the company. On the other, the new context has put pressure on local trade unions to try to reinvent themselves with strategies including increased internal democracy, finding opportunities where they can and developing new strategies that combine costly tools such as protests and alliances with less costly ones, such as support from international unions and public media campaigns. The former strategies and outcomes seem to perform more effectively in less hostile companies, while the latter ones tend to be more useful in firms with anti-union management stances.

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All links were checked on 03.10.2022.

Annex

List of interviews

ID	Position/organisation	Sector/level	Date of interview
Interview 7.1	President/trade union	Retail, national	24 March 2021
Interview 7.2	President/trade union	Automotive, both local and national	24 March 2021
Interview 7.3	President/trade union	Automotive, local	25 March 2021
Interview 7.4	President/trade union	Retail, local	9 April 2021
Interview 7.5	President/trade union	Retail, local	31 March 2021
Interview 7.6	Vice president/trade union	Automotive, local	1 April 2021
Interview 7.7	Director/employer organisation	National	20 July 2021

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Are multinational companies good for trade unions?

Evidence from six central and eastern European countries

Edited by Martin Myant

Multinational companies dominate much of the economies of the new EU member states of central and eastern Europe. They usually claim to respect trade unions at home and many have signed global agreements with international union organisations. It could be hoped that they would play a positive role, bringing better employment relations practices into countries with weaker traditions of independent trade unions and collective bargaining. This book covers the role in six countries of MNCs in the retail and automotive sectors (Czechia, Hungary, Poland, Romania, Slovakia and Slovenia). Each chapter is written by a country expert using published sources and interviews, mostly with trade union representatives, in two or more companies from each of those sectors. The studies show a variety of experiences, but only in a very few cases do western European MNCs actively introduce good practice from their home bases. More often they need to be persuaded to respect trade unions and some remain adamantly opposed or, even if appearing friendly at the start, become more hostile once they sense that unions are weaker than in their home countries. Legal frameworks and inherited trade union strength do make a difference, with unions in Slovenia clearly the best placed. Trade union methods in exploiting the power resources available to them also make a big difference. Strikes, or even strike threats, have been rare, but have been very important in securing respect. Unions also build their strength by determined organising methods, using links to the media and support from politicians, from international union organisations and from unions in companies' home countries. Often starting from very little, union organisations have made progress even against quite hostile companies, taking encouragement even from very small gains. They are still a long way from achieving equal pay and employment conditions across the EU.

D/2023/10.574/01
ISBN 978-2-87452-657-2



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