# Chapter 1
# Multinationals and trade unions: summarising the results

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## 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.

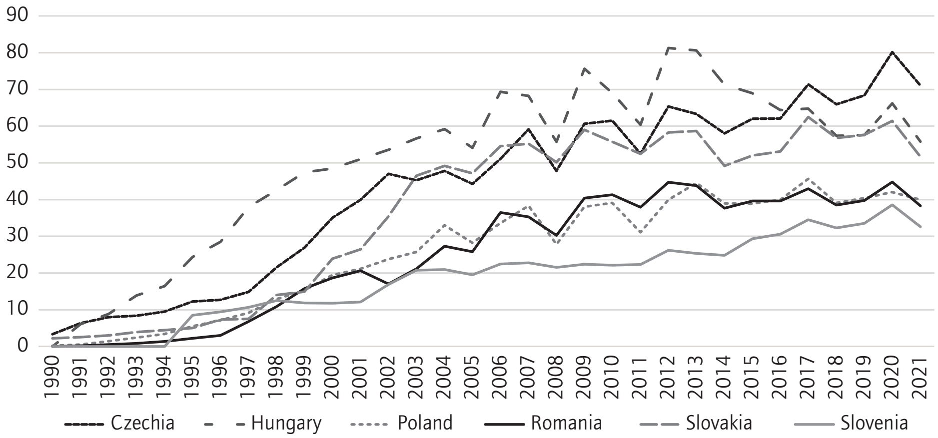
This chapter firstly provides comparative background on foreign direct investment (FDI) and MNCs in the selected countries, showing how this has been influenced by different government strategies and how environments have been made attractive to MNCs. Subsequent sections take up points from the chapters 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 multinationals[1]

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.

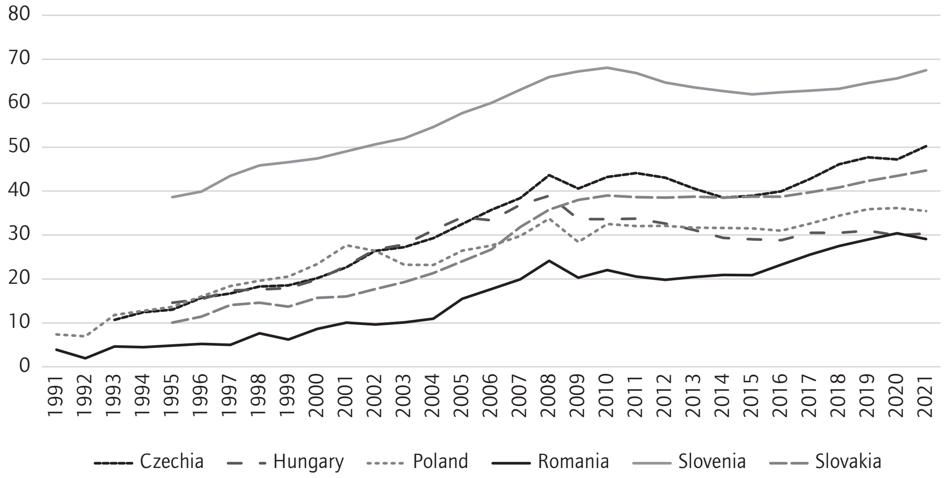
Romania also experienced a slower course of privatisation. It was from the start less attractive to inward investors due to greater geographical distance from western Europe, a less developed industrial base and doubts over its political direction. Through the 1990s it appeared less obviously friendly 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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