

# ETUI Policy Brief

## European Economic, Employment and Social Policy

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### Working in multinationals and domestic firms compared – myths and realities

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## Policy recommendations

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Multinational enterprises offer trade unions scope and organisational resources for strategic action to expand the positive aspects of working for a multinational uncovered by our research. This emphasises the need for international union networking, including improved interaction between European Works Councils and unions operating at the national and international levels. It is crucial for unions at national level to maintain or create industry-level collective agreements covering subsidiaries, first to spread the gains achieved in multinational enterprises – notably in terms of wages and training – and second, to improve conditions in those multinational enterprises where wage pressure policies exist.

## 1. Introduction

Do multinational enterprises (MNEs) offer better terms and conditions of employment than domestic firms? Is working for a MNE generally 'a good career move'? What about 'employee voice': are employees represented within an MNE or are many of them fundamentally anti-trade union? These questions are systematically examined in this Policy Brief, drawing upon an extensive and unique set of data derived from the *WageIndicator* web survey.

The results show that for some European Union member states and sectors, MNEs provide a more positive environment for trade unions than domestic firms. In many cases, the relatively positive aspects of working for an MNE embraced higher wages, better promotion and training opportunities, and more unionised industrial relations. The assumption that MNEs have an intrinsic dislike of trade unions seems ripe for re-examination. At the same time, this study identifies a number of negative aspects of employment in MNEs, such as the often long and partly unpaid hours, the high work-related stress levels and the pressure of continuous reorganisation.

## 2. Basis for the research

The comparisons we carried out included wages, job quality and workplace industrial relations in MNEs and domestic firms (non-MNEs). The literature on wage differences between MNEs and firms located in one country is extensive but rather outdated and does not cover data later than 2006. Moreover, hardly any research results are available comparing job quality and workplace industrial relations between MNEs and domestic firms. The authors of this Policy Brief have tried to fill these gaps based on data derived from the continuous *WageIndicator* web survey (see Box 1). The data cover the years 2006–2011 and allow comparisons

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for 10 EU member states: Belgium, Czech Republic, Finland, Germany, Hungary, the Netherlands, Poland, Spain, Sweden and the United Kingdom, as well as five industries: metal and electronics manufacturing; retail; finance and call centres; ICT; transport and telecom. Overall, these industries covered around 30 per cent of the dependent workforce and 40 per cent of the privately employed in these countries. It should be noted that, due to insufficient observations, not all of the 10 \* 5 = 50 cells could always be filled.

Figure 1 shows the percentages of the *WageIndicator* respondents working in MNEs, by industry and country. At country level, the overall percentages varied from 58 per cent (Sweden) to 36 per cent (the Netherlands and Poland). The industry/country combination with the highest MNE share was Swedish metal and electronics manufacturing (71 per cent), followed by its Belgian equivalent (59 per cent), and Swedish finance and ICT (both 58 per cent); the combination with the lowest MNE share was Dutch retail (24 per cent), with German retail and Hungarian transport and telecom (both 28 per cent) in second place.

### 3. Wages, job quality and workplace industrial relations compared

Below, we present the main research results comparing MNEs and domestic firms (non-MNEs) in the fields of wages, job quality and workplace industrial relations.

#### 3.1 Wages compared

We calculated individual median gross hourly wages in both MNEs and domestic firms for nine countries and five industries (insufficient observations were available for Hungary). Table 1 shows the differences in median gross hourly earnings between MNEs and non-MNEs expressed as positive or negative percentages. A positive sign implies the existence of an MNE wage premium. It is important to note that the earnings data were 'adjusted' for the influence of gender, firm size, years of work experience and education level. In 40 of the 45 industry-country combinations (cells) a MNE wage premium showed up: just over half of all cells

#### Box 1 The WageIndicator web survey

The WageIndicator web survey is posted continuously on the national *WageIndicator* websites and has received millions of visitors ([www.wageindicator.org](http://www.wageindicator.org)). The websites consist of job-related content, labour law and minimum wage information, and a free Salary Check. In return for the free information provided, web visitors are invited to voluntarily complete a questionnaire with a lottery prize incentive. Between 1 and 5 per cent of the visitors do so. Being a volunteer survey, the data is not representative of national labour forces. In most countries, the web survey data deviate to some extent from representative surveys with regard to age, gender and education. In almost all countries the labour force aged 40 years and over is underrepresented, for women more so than for men. Hence, the research results presented here should be considered explorative rather than representative for the national workforces in the 10 countries. For our research, the sample is not weighted within and across countries because we use industry-country cells as the unit of analysis. Wherever possible, however, the WageIndicator samples have been compared with the outcomes of official statistics and various databases. Such an exercise showed, for example, that the percentages shown in Figure 1 deviated 0 to 6 per cent per cell from data derived from Eurostat statistics and additional databases.

Figure 1: Percentages of respondents working in MNEs, by industry and country

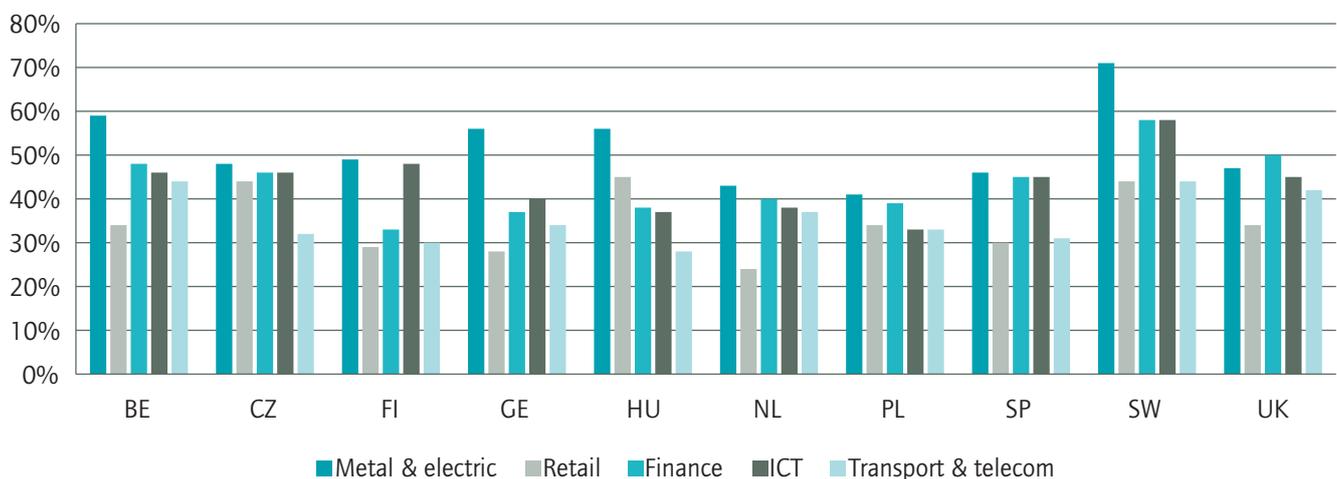


Table 1: MNE-non-MNE differences in median gross hourly wages (adjusted MNE premia) in five industries, by country (in %)

	BE	CZ	FI	GE	NL	PL	SP	SW	UK	Ind. aver.
Metal & electric	<b>9.7</b>	<b>10.2</b>	3.6	<b>6.4</b>	<b>4.4</b>	<b>39.3</b>	8.1	-1.8	<b>7.7</b>	9.7
Retail	<b>9.1</b>	6.9	4.3	<b>14.1</b>	<b>5.0</b>	3.8	6.4	-0.2	1.0	6.1
Finance & call centres	<b>12.0</b>	7.3	4.5	<b>13.1</b>	<b>11.9</b>	14.0	<b>13.6</b>	<b>10.3</b>	6.2	10.3
ICT	<b>8.3</b>	<b>17.2</b>	5.3	7.2	3.7	<b>30.6</b>	5.2	0.9	6.5	9.4
Transport & telecom	<b>11.7</b>	<b>11.9</b>	11.3	<b>13.4</b>	<b>5.3</b>	<b>35.9</b>	-2.2	-1.6	-1.9	9.7
Country average	10.2	10.7	5.8	10.8	6.1	24.7	6.2	2.2	3.9	9.0
N	9,310	5,744	8,094	30,106	44,444	2,379	6,906	1,916	11,428	120,327

Note: Significant findings ( $p < 0.01$ ) are printed bold.

Source: WageIndicator survey, 2006-2011, selection: employees with valid wage information.

indicated a statistically significant difference of MNE wages over those in non-MNEs (bold in Table 1). Across the nine countries, finance and call centres had the largest MNE premia, followed closely by metal and electronics manufacturing, ICT and transport and telecom. Conversely, in transport and telecom, Spain, Sweden and the United Kingdom showed higher wages in domestic firms. In retail, the MNE premium was considerably lower overall, and in Sweden again wages in domestic firms were higher.

At country level, by far the largest average MNE premia were found in Poland. Three other countries, Belgium, the Czech Republic and Germany, also revealed substantial premia. Overall, the MNE premia were moderate in Finland, the Netherlands, Spain and the United Kingdom, and except for finance they were quite low or negative in Sweden. For Poland and the Czech Republic, these results were in line with other research covering the 1990s and early 2000s, as were those for Finland and Sweden. Data from earlier research were missing for the Netherlands and Spain, but for both countries the substantial share of workers covered by industry-level collective agreements may have contributed to rather low MNE premia. For Belgium and in particular for Germany, our outcomes may come as a surprise in light of earlier research results, as well as of the dominance of industry-wide industrial relations institutions. One might have expected that those institutions, such as industry-level collective agreements and vocational training arrangements, would diminish wage differences between MNEs and domestic firms. The low MNE premia we found for the United Kingdom also seem surprising, albeit from the opposite angle since earlier evidence for that country suggested the existence of high MNE wage premia caused by weak national institutions.

The situation may change when overtime compensation and working overtime (as opposed to being paid for overtime) are included. For the eight countries for which we have data (Hungary and Sweden were left out), in most cells (22 out of 40) the proportion of respondents who received overtime compensation was lower in MNEs compared to their colleagues in domestic firms. However, the practice of working overtime appeared to be considerably more widespread in MNEs than in domestic firms and that was also the case in 19 of these 22 cells. These and

other outcomes suggest that the MNE wage premium calculated over weekly or monthly wages for significant groups of workers in MNE establishments may be smaller than that shown for hourly wages in Table 1. The largest differences we calculated were for retail, where for example in the Netherlands the weekly MNE premium was 40 per cent less than its hourly equivalent.

### 3.2 Job quality compared

Concerning job quality, we selected research outcomes on five issues: the incidence of work-related stress; internal promotion or career advancement; experience with reorganisation; working hours; and employer-paid or provided training. This selection was based on the authors' extensive knowledge of job quality research, including earlier work for the ETUI (Van Klaveren and Tjeldens, 2008).

#### Incidence of work-related stress

We used four indicators for respondents' perceptions of work-related stress: (i) whether or not they perceived their job was stressful, (ii) mentally exhausting or (iii) physically exhausting and (iv) whether the respondent worked to tight deadlines. The outcomes were based on answers on a five-point scale, ranging from never (=1) to daily (=5). We gathered consistent information for four indicators, eight countries and five industries, making up 160 cells (Sweden had no observations for most of the indicators and Hungary no observations at all). In the majority of these cells (88, or 55 per cent), MNEs had poorer perceived job quality than the domestic companies; in nearly a quarter of cells (37, 23 per cent), however, the reverse was true and in the remaining 22 per cent no difference showed up. The indicator 'working to tight deadlines' most clearly pointed to higher stress levels in MNEs: 34 of the 40 cells showed respondents perceived tighter deadlines in MNEs, whereas only five revealed tighter deadlines occurring more often in domestic companies. The outcomes on 'finds job stressful' were at a higher level for MNEs in 26 cells and at a lower level at 10. As regards finding 'work mentally exhausting' the perceived stress levels were higher in MNEs in 16 cells and lower in seven. By contrast, the outcomes for 'work

physically exhausting’ pointed to slightly higher stress levels in domestic firms, with higher levels in 15 cells compared to 12 for MNEs. As for countries, the Netherlands posted the highest work-stress scores in MNEs compared to domestic firms, followed by the Czech Republic and Belgium, whereas the United Kingdom had the lowest scores.

**Internal promotion**

Opportunities for internal promotion or career advancement were measured in the WageIndicator survey by asking whether the respondent had been promoted at their current firm. The answer options to this question were yes or no. Figure 2 shows the outcomes as differences in percentage points between MNEs and non-MNEs. The percentages of respondents who reported having been promoted at their current firm were overwhelmingly

higher in MNEs than in domestic firms, that is, in 43 out of 45 cells (observations for Hungary were insufficient to be included). There was only one exception, namely Polish metal and electronics manufacturing, while in Czech finance and call centres outcomes for this indicator were on a par.

**Experience with reorganisation**

A third job quality issue concerned experience with reorganisation. Respondents were asked whether the organisation at which they worked had experienced a reorganisation in the previous 12 months. Again, the answer options were yes or no. Figure 3 shows the results as differences in percentage points between MNEs and non-MNEs. Here, too, the picture was clear and consistent: in 42 out of 45 cells (again, excluding Hungary) workers in MNEs reported more often that ‘their’ firm had faced a reorganisation.

Figure 2: MNE-non-MNE differences in percentage points for the percentages of workers reporting that they have been promoted in the current firm in five industries, by country

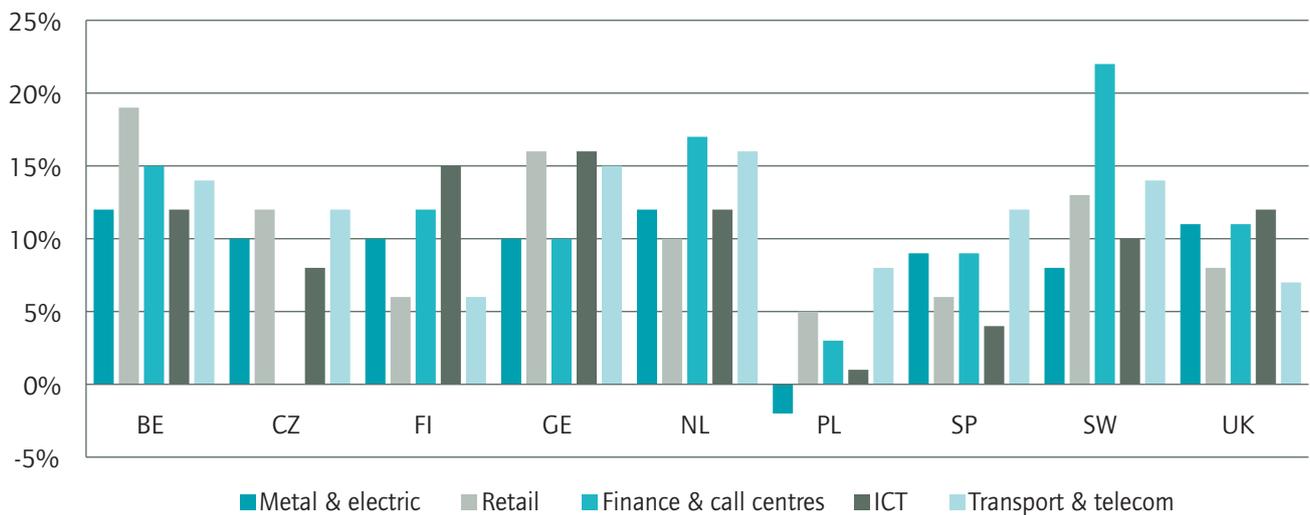
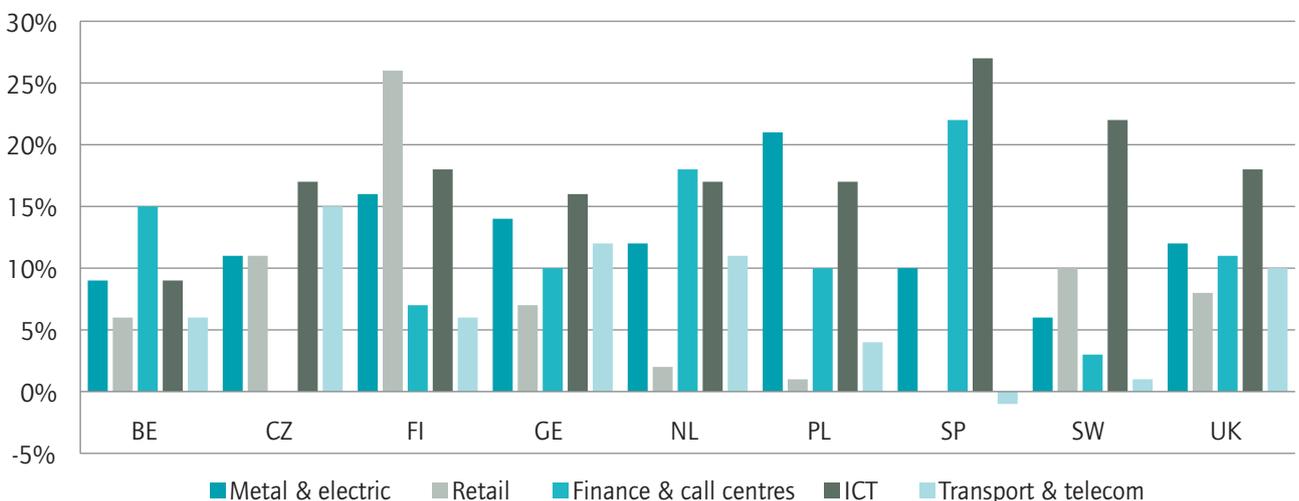


Figure 3: MNE and non-MNE differences with regard to the percentages of workers reporting that their organisation had experienced a reorganisation in the past 12 months



The only exception was transport and telecom in Spain. The question was also asked whether the respondent expected a reorganisation to happen in the forthcoming 12 months. Again, workers in MNEs overwhelmingly reported more expectations of a reorganisation (not in figure).

**Working hours**

Figure 4 shows the differences in average weekly working hours between MNEs and non-MNEs. In a majority of country/industry combinations (28 of the 50 cells) working hours in MNEs were longer, while in 20 cells the reverse was true and in two cells no difference was found. Longer working hours in non-MNEs in transport and telecom and retail showed up in six out of the ten countries, whereas in the three other industries longer hours prevailed in MNEs. We also compared the incidence of working

long hours (not in the figure). In a large majority (38 of the 50 cells), respondents in MNEs reported that they worked 45 hours and more, weekly, more frequently than their counterparts in non-MNEs. In only 10 cells the reverse true and two showed no difference. Longer hours in MNEs were particularly marked in the finance and ICT industries. As for countries, the Netherlands was on top with an average working week 1.1 hours longer in MNEs than in domestic firms, while Hungary showed the reverse picture, with a working week on average 0.6 hours shorter in MNEs.

**Training**

Figure 5 indicates the differences between MNEs and non-MNEs concerning the incidence of employer-paid or provided training. The relevant survey question was: ‘Over the past 12 months, how much training have you received, paid for, or has been provided

Figure 4: MNE-non-MNE differences for the average working hours per week

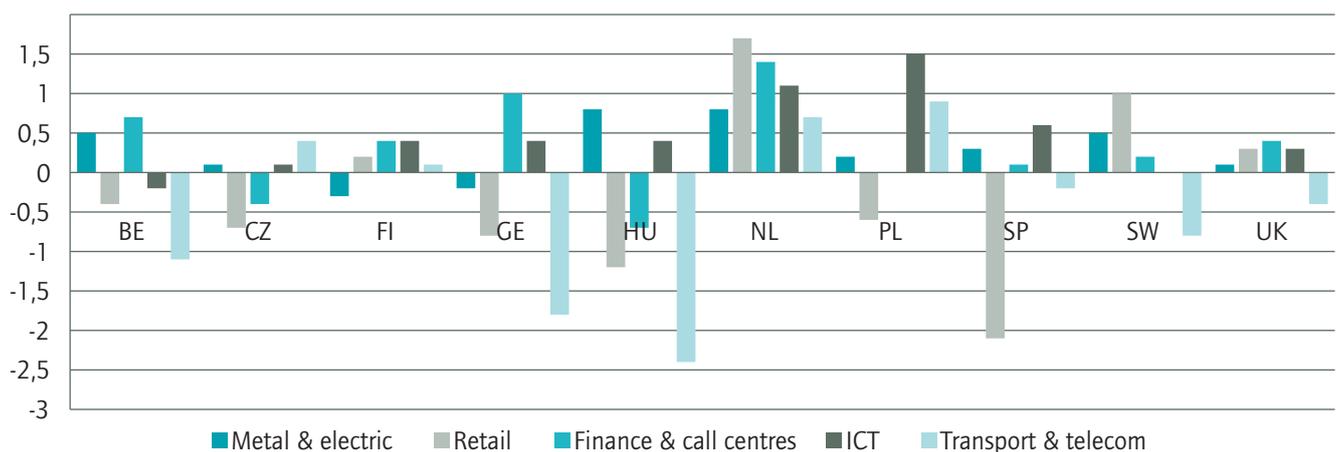
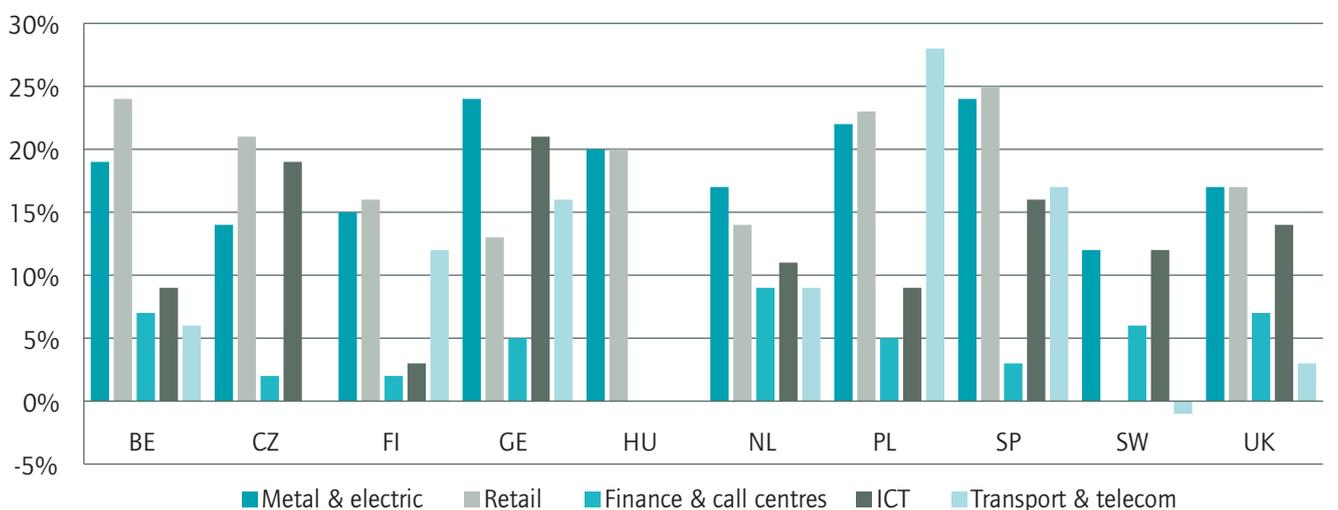


Figure 5: MNE and non-MNE differences for incidence of employer-received training in five industries, by country



by your employer, in order to improve your skills?’ This incidence was higher in MNEs in 47 out of 50 cells; in two cells there was no difference and in only one cell (transport and telecom in Sweden) was the incidence higher in non-MNEs. Regarding the number of training days received, the results (not in the figure) were even more unequivocally in favour of MNEs: in other words, they were higher in all 50 cells. As for industries, the largest difference was found in retail, where workers in MNEs received on average 2.7 more days of training per year compared to their counterparts in domestic firms. Across countries, with 2.5 days per year the differences were largest in Poland and the Czech Republic, whereas they were smallest in Sweden, with 0.9 days difference.

**3.3 Workplace industrial relations compared**

The WageIndicator survey covered three core issues in workplace industrial relations by asking: whether the respondent was a trade union member (union density); whether he or she was covered by a collective bargaining agreement; and finally whether or not there was employee representation at the workplace. Figure 6 shows the aggregated differences in percentage points between MNEs and non-MNEs on the three measures (Hungarian and Polish figures did not cover all industries). The figure indicates a clear advantage for MNEs, with 36 out of 42 cells in favour of MNEs, of which 13 show a difference of 40 percentage points or more. Just five cells showed an advantage for domestic firms, whereas one cell was on a par. Only Czech transport and telecom had a substantial negative score for MNEs. It should also be noted that in 18 out of 42 cells, the MNE scores were higher than those of domestic firms on all three industrial relations measures.

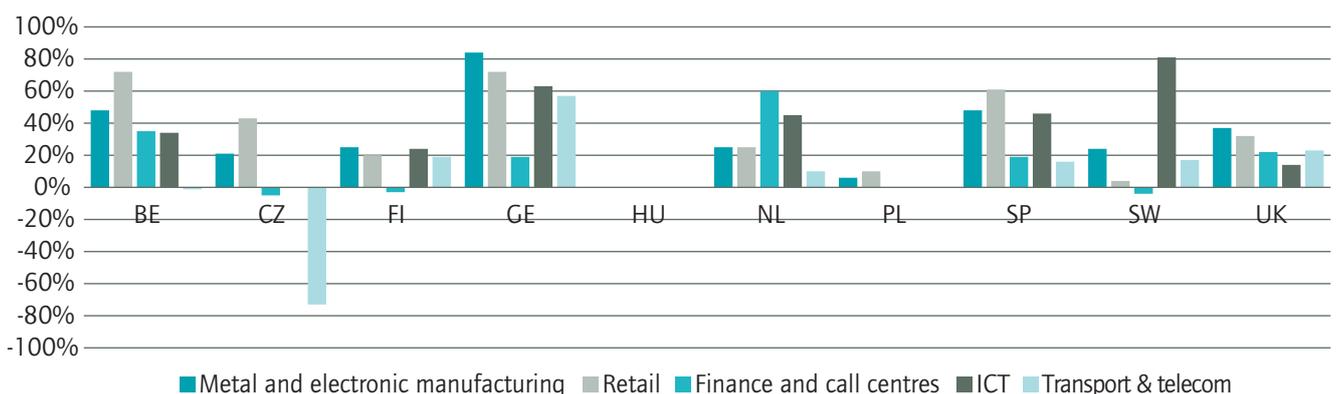
Moreover, the survey showed that employees were better represented at the workplace in MNEs (41 out of 45 cells, or 91 per cent, showed a MNE workplace representation advantage). In only three cells was employee representation found to be more widespread in domestic firms. Looking at industries, metal and electronics had the largest representation difference in favour of MNEs, retail and ICT jointly ranked second, finance fourth and transport and telecom was last. As for countries, Germany showed the largest average difference, followed by the Netherlands, with

Poland and the Czech Republic clearly in the lower ranks. The MNE advantage was smaller but still considerable concerning collective bargaining coverage: in 34 out of 44 cells (77 per cent) coverage was higher in MNEs, while in eight cells this was the case for non-MNEs. Here, the difference in favour of MNEs was largest in retail and metal and electronics, and again lowest in transport and telecom. Across countries, Germany once more showed the widest average difference, and Poland and the Czech Republic the smallest. Union membership showed a more mixed outcome: in just under half of all cells (23 out of 47) union density was higher in MNEs, in six cells it was on a par, and in 18 cells density was higher in domestic firms. Most of the density scores in favour of the MNEs were in retail, followed by metal and electronics. By contrast, the other three industries showed a minority of cells in favour of MNEs. The United Kingdom was the only country showing a higher union density in MNEs in all five industries, followed by Germany and Spain, with four industries. At the other end of the scale, Belgium had a higher union density in MNEs in only one industry.

**4. Discussion: working for multinationals**

At first sight, the differences we uncovered, comparing the experience of workers in multinational enterprises with those in domestic firms, support the conventional wisdom that MNEs offer some important advantages to their employees. The most notable were the wage premiums recorded in the majority of cases after controlling for the influence of gender, firm size, years of work experience and education level. Added to this were the enhanced career and training opportunities offered by MNEs that were seen to outstrip those on offer from their domestic counterparts. At this point it should be noted that the MNEs represented in the survey were mostly much bigger both in sales and employment than the domestic firms. Career progression and training were closely linked and the larger scale of MNE establishments was most likely the reason why respondents rated MNEs more highly than domestic firms in these respects. Obviously, skilled workers in particular are attracted to working in an MNE by the prospect of receiving extensive training that also opens up

Figure 6: MNE and non-MNE differences for three aggregated measures of workplace industrial relations, by country



career opportunities. Moreover, in the course of their careers such workers may derive from this 'human capital building' stronger wage growth than their colleagues in domestic firms.

While the comparisons concerning wages, career progression and training tend to suggest that 'working in an MNE is good for you', the findings on (unpaid) overtime and working hours provide the first qualification of that view. In MNEs, working overtime without overtime payment was more common than in non-MNEs. These results should also be evaluated in light of our findings concerning the length of the average working week and the percentages of workers usually working long hours: in 28 and 38, respectively, out of 50 cells they were higher in MNEs. A second group of findings that may shade the positive side of working in an MNE concerns respondents' perception of work-related stress. Respondents working in MNEs were more likely to cite three of the four stress indicators listed, in particular 'working to tight deadlines' and 'finds job stressful', but also 'work mentally exhausting', all of which suggested that stress levels in the majority of cases were higher in MNEs. A third challenge to the rosy picture of working for MNEs emerged from our findings on reorganisation and change. Overall, reorganisation was quite clearly experienced more frequently in MNEs. Some of the uncertainties generated by workplace change (and it should be noted that respondents in MNEs were also more likely to anticipate future reorganisations) may well have been counterbalanced, it must be said, by the generally better training experience in MNEs. Workers might feel more confident in facing the pressures of change when buttressed by effective training.

A final group of issues with regard to which working in MNEs was perceived to be mostly advantageous was located in the industrial relations environment, namely, in union density, collective bargaining coverage and workplace employee representation. These results may be surprising, although the limited evidence from other recent research mainly pointed in the same direction. Again, the larger average scale of the MNE establishments may have played a key role in producing these results. The effects of growing political, legal and societal pressure on MNEs operating in the European Union, varying from the EU directives dealing with information, consultation and participation of workers to pressure towards Corporate Social Responsibility, cannot be overlooked either.

MNEs focusing on intricate product markets and skilled work seemed to have predominantly used an employment model or 'contract' whereby, in exchange for additional pay and relatively good training facilities and career prospects, workers were expected (if needed) to commit themselves to long and partly unpaid working hours, accepting relatively high work-stress levels and the

pressure of reorganisation. In particular in finance and ICT, but also in metal and electronics, MNE wage premia seemed designed to buy higher productivity and extra commitment from skilled workers. Union campaigns at either industry or company level may find their starting point in clarifying the related compensation mechanisms and aim to restore the practice of paying for overtime. Likewise, attention to the higher stress levels evidenced in MNEs is in order, particularly as one might expect an upsurge in stress (and overtime) as economies begin to grow out of recession. However, union strategies have to take the considerable diversity in the ranks of the MNEs, notably across industries, into account. In the two low-wage industries scrutinised, retail and transport and telecom, a number of MNEs seemed to have pursued 'low road' strategies that included wage pressure policies. Such policies were observable in some countries, for example, in the Netherlands, Sweden and the United Kingdom. In this latter MNE category, compensation mechanisms may often be far off. For both categories it seems crucial for unions at national level to maintain or create industry-level collective agreements covering MNE subsidiaries; for the first category, to spread the gains (notably in wages and training) and for the second category to focus on improving wages and job quality and widen the scope for employee representation.

## Reference

Van Klaveren, M. and Tijdens, K. (eds) (2008) *Bargaining issues in Europe: comparing countries and industries*, Brussels/Amsterdam, ETUI-REHS/University of Amsterdam-AIAS/WageIndicator.

## Additional resources

A range of related publications can be found at the WageIndicator website [www.wageindicator.org](http://www.wageindicator.org). The authors of this report are preparing a monograph on the topic that is forthcoming in 2013.

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