

# The Multinational Corporation and Industrial Relations : The American Approach

## La firme multinationale et les relations industrielles : l'approche américaine

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Volume 28, numéro 1, 1973

URI : <https://id.erudit.org/iderudit/028365ar>

DOI : <https://doi.org/10.7202/028365ar>

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Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)

1703-8138 (numérique)

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Citer cet article

Heise, P. A. (1973). The Multinational Corporation and Industrial Relations : The American Approach. *Relations industrielles / Industrial Relations*, 28(1), 34–55. <https://doi.org/10.7202/028365ar>

Résumé de l'article

D'une part, on perçoit la firme multinationale comme le plus puissant agent de paix et de progrès du présent siècle ; d'autre part, on le voit comme une menace à la souveraineté politique et aux responsabilités sociales des nations libres du monde, tout particulièrement de leurs classes laborieuses. La société multinationale peut obliger les systèmes de relations du travail américain et européen à relever des défis distincts, parce que les objectifs, les stratégies et le milieu ambiant des deux systèmes, tout en ne s'opposant pas, diffèrent sous plusieurs angles importants. La principale orientation nouvelle de la firme multinationale au cours des dix dernières années réside dans le degré inédit de contrôle qu'elle donne au monde des affaires. Grâce à cette facilité de contrôle, la société multinationale a vraiment crû dans des proportions énormes, a modifié la nature de la gestion dans le sens de la centralisation et de la structuration du pouvoir décisionnel et a posé un défi à la souveraineté économique de l'État providence.

Un autre changement qu'il faut rattacher à la société multinationale, c'est la division internationale du travail se manifestant à l'échelle de la planète que le mouvement ouvrier américain considère comme le plus grave. Les impératifs de l'économie internationale néo-classique voulant que dans une technologie mouvante et une gestion sans frontière, la répartition de la production se fasse strictement en fonction du coût minimal allouerait la fabrication suivant les coûts de la main-d'oeuvre. En conséquence, les usines s'implanteraient en Europe, les opérations élémentaires s'exécuteraient dans le tiers-monde et les sièges sociaux seraient en Amérique du Nord. Une pareille division des fonctions et des avantages augmenterait sans limite l'affluence des biens et des services, mais elle déterminerait aussi la structure des économies nationales selon le genre d'emplois dont elles seraient dotées et la façon dont les avantages résultant des rendements seraient partagés.

Les syndicats américains voient dans la firme multinationale une menace pour leurs emplois et les avantages sociaux dont ils bénéficient, mais encore davantage pour leur pouvoir de négociation et, au bout du compte, pour le système américain des relations du travail lui-même. Parce que les syndicats américains ont accepté le syndicalisme d'affaires et qu'ils ont négocié à leur avantage avec chaque employeur, ils font face à une situation dans laquelle la négociation collective avec une société ou une industrie donnée n'est plus efficace. Par la division internationale du travail, la firme multinationale peut déplacer les emplois des membres des syndicats vers les régions où le coût de la main-d'oeuvre est bas et priver les travailleurs non seulement de leurs emplois mais aussi de la sécurité de leur État providence.

Les syndicats et les gouvernements européens sont conscients d'un état de choses qui en feraient des usines à succursales des sociétés américaines. Les syndicats européens, orientés vers la politique, se tournent vers leurs gouvernements dont ils attendent l'action nécessaire pour défendre l'État social.

La stratégie des syndicats européens pour affronter la firme multinationale européenne a consisté à mettre au point une structure à l'échelle du monde, à appuyer la négociation collective internationale et à entamer le débat au moyen d'institutions à caractère juridique, de conférences et de réunions. Ils s'attendent à l'aide de leurs gouvernements pour traiter avec les firmes multinationales des États-Unis. Les Américains ont participé aux activités internationales, mais sans reconnaître assez clairement la nécessité pour les Européens de trouver une solution au phénomène de l'intégration. Les Américains exigent qu'on exerce un contrôle sur les importations et la question de la firme multinationale se soulève parce que le contrôle du processus de production leur échappe au moment de la menace de grève. Les Européens n'ont pas compris que les syndicats américains ne disposent d'aucun moyen politique pour contrôler les firmes.

Le problème de la coordination des efforts des syndicats européens et américains face à la société multinationale consiste à admettre les défis différents qu'ils doivent relever. Des contrôles appropriés sur les répercussions sociales découlant des firmes multinationales pourraient être utiles aux deux groupes ainsi qu'au bien-être général.

# The Multinational Corporation and Industrial Relations

## The American Approach Compared with the European

Paul A. Heise

*The special problems that the MNC presents in the context of the American industrial relations system has led the U.S. unions, to respond with a call for controls on trade. Europeans, in a different context, are responding to the integration of Europe and the imposition of some aspects of the U.S. system by U.S. corporations in Europe. The problems of understanding each other's goals will be difficult, but controls on the MNCs could serve both.*

In an article in this Journal in January 1971, Paul Malles discussed The European Approach to the Multinational Corporation<sup>1</sup>. He pointed out that amid all the fast-growing literature on the multinational corporation, little attention has been paid to the industrial relations aspects. This judgment was confirmed when the Industrial Relations Research Association put out its thorough *Review of Industrial Relations Research*, Volume II<sup>2</sup>. This research survey could only cite Paul Malles' article, then in mimeographed form, and some Trade Union Journals. This lack of academic and public interest

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\* This study does not in any way represent the official opinion or policy of the U.S. Department of Labor.

<sup>1</sup> Paul MALLES, «The Multinational Corporation and Industrial Relations: The European Approach,» *Relations Industrielles-Industrial Relations*, Quebec, Vol. 26, No. 1, Jan. 1971, pp. 64-83.

<sup>2</sup> Benjamin AARON *et al.*, eds., *A Review of Industrial Relations Research*, Vol. II, IRRA Series, Madison, Wisc., 1971.

is puzzling in light of the wide spread and vociferous complaints of the labor movements in Europe and the United States against the multinational corporation. The subject deserves more work and the title of the Malles articles invites a response in regard to the American approach. This article hopes to do that. However, when discussing the American approach, it will be necessary and appropriate to compare it to the European approach and outline the differences that have caused a divergence of approach. More information and analysis have become available since Malles wrote and this will be utilized.

The analysis of the MNC is indeed enmeshed in the « facts, fears, and fancy » as well as politics, culture, and ideology of those who are discussing it. The dichotomy of views that on the one hand sees that —

the multinational corporation is beyond a doubt the most powerful agency for regional and global economic unity that our century has produced. It is fundamentally an instrument of peace. Its transactions are trans-national in nature and purpose. Its interest is to emphasize the common goals of people, to reconcile or remove differences between them. It cannot thrive in a regime of international tension and conflict <sup>3</sup>.

contrasts sharply with —

(The multinational corporations) now pose serious problems of political control and social responsibility to the sovereign nations of the world. If unrestrained, they have the potential to make a travesty of all the decades of social and economic advancement enjoyed by American working people <sup>4</sup>.

These two views are of course not mutually exclusive ; they are much the same thing depending upon the point of view. When one puts aside the question of Pareto optimality and efficiency, and addresses the question of whether or not the multinational corporation constitutes a challenge to the industrial relations systems as they have developed in both Europe and the United States, one can only answer in the affirmative, and search out the response which that challenge has found in the trade union movement. The next question is about the efficacy of that response and its potential success in maintaining, changing, or adjusting the industrial relations system of which it is a part in face of

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<sup>3</sup> Neil H. JACOBY, « The Multinational Corporation, » *The Center Magazine*, Santa Barbara, Calif. Center for Study of Democratic Institutions, Vol. III, No 3, May 1970, p. 54.

<sup>4</sup> *Viewpoint*, an IUD Quarterly, AFL-CIO, Washington, D.C. : Vol. 1, No. 2, Summer 1971, p. 10.

the challenge. The multinational corporation can present differing challenges to the United States and European industrial relations system at the same time because the goals, strategy, and environment of the two situations, while not conflicting, often differ in important ways. Canada will undoubtedly provide a unique response, although for purposes of foreign investment it tends to conform more to the European experience than to that of the United States.

The previous article pointed out quite correctly the great confusion that has existed in regard to what is the appropriate definition of the multinational corporation or enterprise. The Malles article emphasized the definition by professors Vernon and Behrman. The Behrman definition chooses the qualification of the « multinational corporation as a domestic corporation. » The point of attention is the locus of decision-making<sup>5</sup>. The definition by Raymond Vernon also emphasizes « common ownership and responsive to a common management strategy »<sup>6</sup>. But he states later in his book :

Remember what the overseas commitments of U.S. controlled multinational enterprises consist of. Measured by equity ownership, they are 90% or more American ; by source of funds, perhaps 25% American ; by the identity of employees, less than 1% American ; and by the identity of the governments that receive their taxes, practically 100% foreign.<sup>7</sup>

The Americans recognize the central aspect of decision-making but then go on to analyze the MNC as a problem in finance, balance of payments and clash of elites.

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<sup>5</sup> MALLES, *op. cit.*, p. 65.

<sup>6</sup> Vernon's article, « Economic Sovereignty at Bay, » *Foreign Affairs*, October 1968, to which Malles referred, has been enlarged into a book, *Sovereignty at Bay : The Multinational Spread of U.S. Enterprises*, Basic Books, New York, London, 1971. In this work he redefines multinational corporation as « appearing to have access to a common pool of human and financial resources, and (which) seem responsive to elements of a common strategy, » p. 4. The immense and long-range project on which Professor Vernon and the Harvard group have been focusing on has as its definition the « 180 enterprises on the *Fortune* 500 list (which had manufacturing subsidiaries in 6 or more countries, and (which) alone accounted for more than 2,000 of the 2,500 of the subsidiary countries of the entire Fortune group ; these were labelled « multinational enterprises. » He finds 187 multinational enterprises which had 6 or more foreign subsidiaries in 1967. This is not far from the generally accepted number of 200. The Vernon group at Harvard has now moved on to the study of European companies which they estimate to total about 120, or 40% of the total.

<sup>7</sup> VERNON, *Sovereignty at Bay*, p. 264.

European analysis of the MNC normally focuses on the decision centers, as Malles emphasizes *the* domestic (read American) corporation in Behrman's description. Thus the European trade unionists at an OECD meeting<sup>8</sup> generally agreed :

The most important feature common to multinational companies from a trade union point of view was that these companies had power centers outside the country in which the establishments concerned were operating.

Using this focus of power centers and their relation to the nation state, the MNCs are described as being *ethnocentric* (bound to the customs and conventions of the home country), *polycentric* (identification to a degree with the host country), and a third stage, *geocentric* (world oriented and presumably not biased toward its host or parent country). These stages represent a progressive release of the decision center from a national culture and from national control. It is generally agreed that few if any companies have reached the third stage. It is probably significant that though this division is repeated in a number of articles<sup>9</sup> it is never mentioned in Vernon's well-documented book.<sup>10</sup> The failure of American analysis to answer the question of the position of the power or decision-making center is a reflection of the view from which they are taking their perspective — usually U.S. companies are exercising control in other countries.

The contrast between the European and American views on the multinational corporation will have to deal with distinctions in the environment of industrial relations, the unions themselves, and in the point of view towards the MNC. The industrial relations systems of a country is an elaborate web of rules that differs significantly among countries. It is made more complex by technology, specialization and the large scale of operations<sup>11</sup> such as exist in the MNC.

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<sup>8</sup> OECD *Report on the Meeting of Trade Union Experts on Multinational Companies*, Manpower and Social Affairs Directorate, Paris, July 23, 1970, MAS (69) (23).

<sup>9</sup> Robert L. HEILBRONER, « The Multinational Corporation », *New York Review of Books*, February 11, 1971 ; Neil H. JACOBY, *op. cit.*

<sup>10</sup> *Ibid.*

<sup>11</sup> Clark KERR et al., eds., *Industrialism and Industrial Man*, New York, Oxford University Press, 1964, p. 24.

Those aspects of the industrial relations web of rules in other industrial countries (mainly Europe) which differ significantly and are likely to affect their response to the MNC and make it different include :

1. the generally very strong political orientation of most European unions ;
2. the opposition, real or doctrinaire, of most important European unions to the capitalist system ;
3. the much greater coverage by European law of many aspects of industrial relations, especially fringe benefits ;
4. the more extensive limitation by European public authorities of many management prerogatives ;
5. the scope of collective bargaining in Europe — wider in geography but narrower in substance.<sup>12</sup>

The objectives of the industrial relations policies and practices in the United States are fundamentally economic. Those aspects of the problem which in Europe may be considered sociological, psychological, human relations, political, and so forth, are in the United States judged on the basis of their economics. American unions have accepted this capitalistic mode of thinking and have adopted what is called business unionism. This is in fact the only country in which a strong system of organized labor has accepted the capitalist form of organization. The unions have concentrated heavily on bringing pressure upon a particular employer to obtain the economic and job-related concessions that might elsewhere been obtained through the political system. The industrial relations values and techniques in the United States have been oriented rather sharply to the efficient development, allocation, and utilization of human resources associated with a particular enterprise.<sup>13</sup> The range of management prerogatives in industrial relations is not so wide abroad as it is in the United States.

The American labor movement chose to use the government to seek only those ends which it felt it could not gain by means of individual company or industry collective bargaining. U.S. unions have shared with the Europeans a distrust of the open price system and the belief that wages should be taken out of competition. This is not because they did not accept the operation of the price mechanism but that they felt that

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<sup>12</sup> John C. SHEARER, « Industrial Relations of American Corporations A-broad », in Solomon Barkin, et al., eds., *International Labor*, Industrial Relations Research Association Series, Harper & Row, New York, 1967, p. 114.

<sup>13</sup> *Ibid.*, p. 110.

it could be and was distorted, by governments, cartels, private power and other factors that nurtured private greed at public expense.

The MNC, which faces the American industrial relations complex, does not present the same face to the European complex. In Europe the MNC is an immigrant, not an emigrant ; it is invading, not leaving an environment. It is the creation of a branch mentality in Europe and a headquarters in the United States. European experience with the MNC is the inverse of the U.S. experience. There is no reason to expect the U.S. union to view the MNC in the same way and to react in the same manner as the European union. The unions in Europe look at the MNC as a political problem. The U.S. union has been negotiating with the MNC as an economic bargaining partner.

The flow and type of funds is significant. It is interesting to note that in 1968 (latest available figures) the total European assets in the U.S., (26.0 billion) exceeded those of the U.S. in Europe (\$24.7 billion), but only \$7.8 billion of the European assets were in direct investment (i.e., those giving a controlling interest) against \$19.4 billion of U.S. assets in Europe.<sup>14</sup>

The Europeans view the MNC as an invasion that, by a decision over which it has no control, is likely to have disturbing implications for traditional patterns of labor relations and for trade union rights. It clearly appears as an attack that will have repercussions on their national sovereignty. All of these challenges are political. They are matters handled by the normal means that the European labor movement uses in a political context where it has trust and faith in its government to protect labor's interest as well as the government's own interests against the outside threat. For the American labor leader, the MNC is seen as a runaway shop that raises the spectre of closed plants, unemployment, loss of fringe benefits, as well as the weapon of ultimate victory for management in the collective bargaining arena. To the American labor leader these are economic problems that can only be solved by keeping the MNC at home in the United States employing Americans and bargaining with Americans. The U.S. government does not perceive any

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<sup>14</sup> James LEONTIADIS, « The European Challenge : A Response, *Atlantic Community Quarterly*, New York City, Winter 1970, pp. 492-502. This study points out that « some foreign firms are beginning to look at the (United States) with the biggest market in the world, less as a threat and more as the new land of corporate opportunity ».

threat — so long as it has control over the decision center, taxes, and the home base of the business.

#### THE MULTINATIONAL CORPORATION AS SOMETHING NEW

The MNC has been around for a long time.<sup>15</sup> But in addition to the three facts that Malles sees as new — (1) sheer growth, (2) a change in the nature of management, and (3) the question of the economic sovereignty of the welfare state — there is a fourth factor that should be considered: (4) the internationalization of the division of labor.

(1) The sheer growth of the multinational or international corporation during the 1960's has been documented in any number of sources,<sup>16</sup> whether it is measured in direct foreign investment, increase in the volume of sales, or increase in assets controlled by foreign firms. There is little doubt that the problem is of major proportions to any analyst viewing the world business, economic, or political scene.

(2) The change in the nature of management and the problems attendant on the shift of the locus of control is also well documented by Servan-Schreiber and others. The reduction in the independence and flexibility of the subsidiary in an age of instant communication and Mach 2 airlines, is analogous to the downgrading of diplomatic missions. This aspect has received less attention in the United States. There is no evidence that U.S. analysts and government officials have come to realize the powerful reaction this problem causes in the host country. Rather, they seem to be responding principally to activities of the U.S. labor movement.

(3) The conflict between the MNC and the economic goals of the nation-state are now the center of discussion.<sup>17</sup> The problem is usually

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<sup>15</sup> The Hudson's Bay Company (1670) still survives; but earlier than that were the merchant princes and banking empires. In modern times the spread of extractive industries has been prominent.

<sup>16</sup> The most famous is, of course: Jean-Jacques SERVAN-SCHREIBER, *Le Défi Américain* (Paris: Édition de Noël, 1967). For a more academic and contrasting presentation see Stephen HYMER and Robert ROWTHORN, *Multinational Corporations and International Oligopoly: The Non-American Challenge*, Yale Univ., New Haven, Conn., Economic Growth Center Paper No. 149, 1970. The basic statistical work is: G.C. HUFBAUER and F.M. ADLER, *Overseas Manufacturing Investment and the Balance of Payments* (Washington, D.C., U.S. Treasury Dept., (1968).

<sup>17</sup> See Stephen HYMER, *Direct Foreign Investment and the National Economic Interest*, Yale University Economic Growth Center, Center Paper No. 108, 1967, where it is applied to Canada.



stated in terms of the « welfare state » because Gunnar Myrdal first noted the problem in his book, *Beyond the Welfare State*.<sup>18</sup> The emphasis is now shifting to consideration of the political concept of a threat to national sovereignty rather than the economic threat to a nation's welfare state. Vernon never mentions Myrdal in his book, *Sovereignty at Bay*, though Myrdal's statement of the problem<sup>19</sup> remains the classic. The use of the term sovereignty has advantages because the problem has aspects beyond the economic. But « welfare state » is still the better term because it puts the emphasis on the economic without neglecting the political, and focuses attention more appropriately so far as the labor movement is concerned.

The American labor movement views the problem as economic, but it is essential to understand the political context in which they are forced to protect their interest. Vernon, in his switch to the political problem of elites and cultural collision, barely recognizes the existence of the economic conflicts which may arise in regard to the MNC and industrial relations, unions or collective bargaining.<sup>20</sup> American academics and government policymakers seem at best uninterested in the problem. For instance, in a recent issue of *Foreign Affairs*<sup>21</sup> the international corporations were seen as an appropriate emerging countervailing force to the power of the unions. The article picks up a comment in an earlier article<sup>22</sup> to the effect that the U.S. is becoming more service than production oriented and suggests this as a means to split the U.S. labor movement and keep the service trades supporting the free trade po-

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<sup>18</sup> Gunnar MYRDAL, *Beyond the Welfare State*, Bantam Books, Yale University Press, New Haven and London, 1960, p. 62. A *welfare state* is one with « . . . fairly explicit commitments to the broad goals of economic development, full employment, equality of opportunity for the young, social security, and protected minimum standards as regards not only income, but nutrition, housing, health, and education for people of all regions and social groups ».

<sup>19</sup> Gunnar MYRDAL, *Economic Theory and Underdeveloped Regions*. Harper Torchbooks, New York, 1971. Originally published in 1957 under the title, *Rich Lands and Poor*.

<sup>20</sup> VERNON, *op. cit.*, pp. 188-191, treats labor as a homogeneous commodity, collective bargaining as a test of nerve, and labor groups as directly at odds with one another.

<sup>21</sup> C. Fred BERGSTEN, « Crisis in U.S. Trade Policy », *Foreign Affairs*, New York, July 1971, Vol. 49, No. 4, pp. 619-635. Bergsten served in the Economics Bureau of the State Department, as a Trade Advisor on the National Security Council Staff, and is now with the Brookings Institution.

<sup>22</sup> Lawrence B. KRAUSE, « Trade Policy for the Seventies », *Columbia Journal of World Business*, New York, Jan.-Feb. 1971, p. 10.

sition. Neither of these sources suggests any remedy for the problems of the labor movement, which is expected to take care of itself. The principal reason that the unions have this problem is that U.S. unions have bargained with individual employers to obtain their «welfare state.» Pension rights, seniority, hospitalization, leave time and other regulations that are in Europe covered by legislation and considered a right, have been obtained in the United States by the labor movement through collective bargaining. These «fringe benefits» are not considered a political right in the United States. Layoff regulations are an example of this. In the United States layoffs are simple, routine, and almost costless for the employer, while in Europe they are costly, complex, restricted, and often impossible, particularly where there is substantial unemployment.<sup>23</sup>

(4) The internationalization of the division of labor, the fourth aspect of change associated with the MNC, is perceived by labor in the United States as the most important problem. This process has been little studied and little understood. The allocation of production strictly according to the least-cost imperatives of neo-classical international economics would, in a world of mobile technology and country-free management, allocate manufacturing according to labor costs. Then branch plants would be put in Europe, sub-assembly operations in the Third World, and headquarters in North America. Such a division of jobs and benefits will maximize the world flow of goods and services, but would determine the number and types of jobs that went where, and how the benefits of this efficiency were to be distributed. This just may not be in conformance with the desires of the unions in the various countries nor with the distribution appropriate to the various economies.

Market imperfections that send one oligopolist chasing another into otherwise closed markets or in search of low cost assembly labor could have sudden and overwhelming impact on job markets. This would visit the host market with the distortions of isolated and over-paid demand and the home market with the disruptions of an industry moving out.<sup>24</sup> There is every possibility of a negative sum game for labor.

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<sup>23</sup> JACOBY, *op. cit.* Jacoby notes that the G.M. and Remington Rand layoffs in France that brought angry press comment were «amply justified... as a quest for efficiency». He suggests France should be more open to these «painful disturbances to its status quo».

<sup>24</sup> See Stephen HYMER, «The Efficiency (Contradictions) of Multinational Corporations», *American Economic Review*, Menasha, Wisc., Vol. LX, No. 2, May 1970, pp. 441-448 for the broadest review of the problems of the MNC.

Europe and Canada are getting the branch plant establishment as Ford builds transmissions outside the United States for Pintos to be sold in the United States, or Timex builds its machined parts in the United Kingdom or Scotland for assembly and sale in the United States. The U.S. labor movement sees this development of the international division of labor as a distinct threat.

The European governments are apparently aware of the implications of this problem. Their response to *Le Defi Americain* and this headquarters/branch plant situation that would make them « hewers of wood and drawers of water » for the multinational U.S. firms, has been to adopt an infant industry argument with regard to the restructuring and rebuilding of those industries that they consider essential to their national interests, i.e., nuclear, electrical/electronic, chemical, and aero-space. Efforts in behalf of the domestic firms entail all the normal government activities involved in heavy government support — planning the suspension of the usual standards of profitability and independent competition,<sup>25</sup> etc. The ambivalence that the Secretariat of International Confederation of Free Trade Unions (ICFTU) was demonstrating at the time Malles was writing has diminished. They are no longer bending over backwards in their recognition of the positive aspects of the MNC.<sup>26</sup>

The ICFTU and the European labor movement can realistically call for the MNC to avoid social hardships and to be subjected to public authority in its operation. The option for this attitude is not really open to the labor movement in the United States.

Union permit workers to utilize their bargaining power in negotiations or to achieve through legislation improvements in economic social conditions which might not have been available through market forces. Unfair labor competition within a national economy can be minimized through legislation or through union agreements covering an industry. But no such process is available on an international level,<sup>27</sup>

U.S. and European unions use both bargaining and legislation to attain their goals, but the difference is in emphasis. The U.S. unions are more

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<sup>25</sup> LEONTIADES, *op. cit.*, pp. 500-501.

<sup>26</sup> IGGTU *Agenda Item 2 : Multinational Companies*, ICFTU World Economic Conference (WEC) Geneva, 24-26 June 1971.

<sup>27</sup> Solomon BARKIN, « Labor's Position on Tariff Reduction », *Industrial Relations*, Berkeley, Calif., Vol. I, May 1962, p. 50.

prone to use collective bargaining and the Europeans more prone to use legislation to protect their economic and social conditions and minimize the unfair labor competition presented by the MNC. The U.S. unions cannot use collective bargaining because its one-on-one methodology permits the MNC to escape. The Europeans have less fear of the MNC because they feel legislation is available, that they can expect a sympathetic hearing from the government which they expect to control the entire environment. Their traditional avenue of relief is more efficient in this instance.

#### STRATEGY OF THE UNIONS

Strategies of the European unions that Malles outlines are often a response to the historical development of the European Economic Community as much as the MNC. The strategies of the American labor movement share activities pertaining to this wider scope. Here I am speaking of the AFL-CIO unions, as Malles spoke of the ICFTU and the International Trade Secretariats (ITS). The United Auto Workers (UAW), the only substantial national and trade oriented group outside of the AFL-CIO, is very active on the international scene, initiating, and even pre-dating some of the most prominent activities of the ITS. The UAW has, for a number of reasons, maintained a low profile or reticence in regard to recent operations of the MNC: the recent death of Walter Reuther, who was a motivating force; the problems that have arisen in regard to the UAW approved Canadian Auto Pact; movement of the U.S. auto industry to production in Japan and Europe for the U.S. market; and a preoccupation with very serious domestic problems. The top echelon of the UAW is cognizant of and studying changes in the MNC and reviewing their position. They have not yet felt it necessary or appropriate to make or change their public position. Nor have they stated that they disagree in any way with the stand of the AFL-CIO.

Malles claimed:

The impetus in the whole matter of multinational corporations in Europe comes from the trade union centres and their affiliates in the countries of the Common Market.<sup>28</sup>

The same can be said to a certain extent for the United States, but for a different reason. A great deal of study of the multinational corporation was being performed but had not come to public attention until the AFL-

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<sup>28</sup> MALLES, *op. cit.*, p. 70.

CIO and its affiliates began to complain. Although the Harvard project was funded and operating in 1965, not until 1969 and the complaints of the AFL-CIO did the problem become a public issue.

Strategies outlined by Malles on the part of the Europeans include adaptations in : 1) organizational structure, 2) techniques of collective bargaining, and 3) attempts at changes in national and international law to fill « the vacuum of legislation and regulation » concerning the MNC. Many of the changes that are presently being sought by the labor movement in Europe arise from European integration and are analogous to changes that took place earlier in the United States' labor management environment. As the United States became a national market, the workers' representatives changed their organizational structures into a national federation as is now taking place in Europe. Similarly techniques of collective bargaining changed with the establishment of the industrial unions and nation-wide industrial bargaining. The passage of the Wagner Act legitimizing the scope and operations of these changes and of the labor movement itself was part of all this.

The Europeans are of course starting from a different base and using a different strategy, but the goals they are seeking are not that different. The expansion of the market and the rationalization of the firms as they spread within that market call for analogous responses on the part of representatives of workers. Europeans might in fact find lessons, good and bad, by a study of the prior movements in the United States. The developments in Europe have not been a response to just MNC, but a response to the whole nexus of changes presently occurring in the politics and economics of that area. Where the changes in organizational structure have not been related principally to European integration States. The developments in Europe have not been a response to just the taken part but have been initiators of activity. The International Metalworkers Federation's leadership in this area has been in large part a response to the genius and vision of Walter Reuther. It is not necessary to go through the full response of these unions because, perhaps unfortunately, participation in the International Trade Secretariats has been on an individual union basis on the part of the Americans. These activities have been independent of and sometimes contradictory to the unions' position in the United States.

International joint bargaining has also seen participation of American unions, though they have not had the same leading role in this area.

The American glass workers were prominently involved in the St. Gobain bargaining, but that case as the Fabian Research Series<sup>29</sup> and Malles point out, is probably more publicized than it deserves. That case was so unique that its only relevance may be that the publicity generated by it will raise hopes and tensions which will themselves create opportunities that might not otherwise have existed. However, the factors that made success possible — the publicity and the attempted stock market take-over of St. Gobain — cannot take away from the fact that unions did coordinate bargaining on an international basis.

The prevention of crises and the « quiet diplomacy » by means of interventions through national associations, the government, or employers' associations at the point of final decision-making is not as much a part of the American experience. The U.S. method calls for threats of strikes, strikes and crisis bargaining at the termination of contracts and has both parties shouting from the housetops to bring public support. Sometimes the well-publicized termination date and the mounting tension as that date approaches does in fact mask a great deal of quiet diplomacy.

*The U.S. labor movement has chosen a fourth strategy : government control over trade, exports of capital, exports of technology, and all other facets of the operation of the MNC in what appears to be a completely isolationist protectionist shift in policy.*

The AFL-CIO, and especially the Industrial Unions Department, is strongly supporting the *Foreign Trade and Investment Act of 1972* (S. 2592 and H.R. 10914). This proposal is described as the

. . . first complete legislative program to bring together in one bill a reshaping of tax, trade, and other federal laws to challenge the international crisis that threatens American workers' jobs and the U.S. economic future.

. . . the bill offers remedies to specific trade and investment problems that the AFL-CIO has voiced to Congress for the past several years.<sup>30</sup>

The bill provides for the tightening of tax and patent regulations of MNCs. It would establish quota levels for all imports based the 1965-69 period, unless specifically exempted. It would regulate the outflow of

<sup>29</sup> Fabian Research Series, 279, *Politics and the Multinational Corporation*, London, Dec. 1969.

<sup>30</sup> *AFL-CIO Fact Sheet*, Foreign Trade and Investment Act of 1972 (H. R. 10914 and S. 2592), Washington, D.C.

capital, technology, and equipment based on the impact on employment. The bill would change the administration of the U.S. trade program and tighten marking requirements, anti-dumping regulations, and administrative procedures.

The labor movement views the MNC as an economic threat to jobs and fringe benefits. Perhaps, more importantly, the MNC is considered a political threat to collective bargaining strength and ultimately the U.S. system of industrial relations. The labor movement considers these threats serious enough to motivate this change in a policy that is a century old. At this point it is essential to make clear that the unions have no proof that their fears are well-grounded — that is, they do not blame present levels of demand or unemployment on the MNC. What they do see is an increasing rate of potentially harmful situations where continuation would be disastrous.

The American labor movement is faced with a situation where it believes that its traditional method — collective bargaining with a particular firm or industry — is no longer appropriate; they cannot do battle when their opponent can step out of the ring and go elsewhere. Their attempt to take wages out of competition has never been favorably viewed by either government or business in the United States. They have no reason to suspect that the companies with which they bargain are going to accord to the workers in the LDC's the very costly benefits and working conditions for which the American unions have bargained so hard. The unions being well aware of the fact that these are costly benefits, are aware that because of the absence of these costs the employer can produce at a lower unit cost in Korea or Mexico. In the absence of fair labor standards, they see the MNCs able to exploit workers in both areas and see the only defense as domestic controls. If they cannot control production they must try to control the market.

The U.S. labor movement faces the situation where the major decisions affecting employment, living conditions, and allocation of resources are set by other groups determining economic and social policy, with the employment and manpower effects a dependent variable. This also leads the labor movement to see controls on trade as its only alternative. But it is not just jobs, working conditions and aggregate demand. Fringe benefits are far more comprehensive and far more likely to be embodied in law in other countries, especially Europe than in the United States. Thus while the American worker is faced with the loss of all of

these benefits should his employer move, the European, receiving his benefits from the government, would continue to receive them should the company move.

If we go back to the earlier cited differences between the industrial relations parameters in Western Europe and the United States, we see that the European government has a stake in keeping its business within its territory, and that by use of what is called in the United States « the limitation of management prerogatives » can keep a corporation from moving and insist on R & D expenditures or the establishment of complete production facilities.<sup>31</sup> The U.S. unions are saying in effect that pending the type of control on corporations that is presently available in Europe, they must seek to control trade or the ability of the MNC to transfer production and productivity outside the United States.

In international trade, the domestic firm could be injured and unable to provide the necessary benefits. In this case of trade related dislocation the unions agreed to accept the burden of adjustment if they could have available the means to cushion the adjustment. The U.S. government agreed and granted the trade adjustment assistance provisions of the Trade Expansion Act of 1962.<sup>32</sup> Between 1962 when the act was passed, and 1969, not a single case of adjustment assistance was provided. Only in 1969 and then under very tenuous circumstances that may not continue, certain benefits were given out to workers principally in industries with political strength : steel and shoes.

The U.S. labor movement has always conditioned its support of tariff reductions and tariff expansion on the non-injury of domestic workers or adjustment assistance when displacements occurred.<sup>33</sup> Solomon Barkin, former Director of Research of the Textile Workers Union of America, was voicing a basic labor movement distinction when he insisted in any liberalized trade policy that people and not production must

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<sup>31</sup> The refusal of U.S. companies to submit to this kind of control of their « management prerogatives » has caused serious problems in Europe and is one of the reasons the political problem is coming to the fore.

<sup>32</sup> Title III, Tariff Adjustment and Other Adjustment Assistance, *Trade Expansion Act of 1962*, Washington, D.C. Unfortunately, this resort to the government for benefits and protection within the dynamic economy proved futile.

<sup>33</sup> Hearings, Committee on Ways and Means, House of Representatives, *Trade Expansion Act of 1962*, H.R. 9900, Committee Print, 87th Congress. 2nd Session, Washington, D.C., March 19, 1962, Testimony of George Meany, pp. 11-46, ff.



be protected.<sup>34</sup> European unions never had this problem either with trade or the MNC since the provisions of their welfare state protected them from these vicissitudes of the market place.

#### COMPARATIVE STRATEGIES

The European and U.S. labor movements agree on points 1, 2 and 3, that is, the U.S. unions agree to organizational structures at a world level of federation because they have had experience within their own milieu of independent power centers that contribute to the goals of everyone in a federation. They support international collective bargaining because this also is a tradition which they recognize and from which they see benefits. The idea of using the non-legal institutions such as general conferences and meetings outside the public eye is used extensively in non-bargaining situations by the American labor movement. They also are accustomed to working in the tripartite ILO.

*The fourth response* : the trade restrictions advocated by the U.S. labor movement — the essential difference between the U.S. and European approach — appear to arise from three sources :

1. Differences in the locus of the labor movement in relation to the decision-making process of the MNC. The decision-making center remains in the U.S. and causes no problems for the domestic labor movement. For the European, who does not have control over the decision-making, and sometimes cannot even determine where that decision-making is, this aspect becomes a very serious and in fact paramount problem. But the only way the American unionist can influence that decision-making is through controls on trade. He cannot influence decisions as he is accustomed to by means of legal, collective bargaining, or informal activity.

2. Differences in goals and strategies. The divergent cultural environment means that the European seeks control by means of political activity whereas the American seeks what are in the end essentially the same benefits and security through economic bargaining with his corporate counterpart. When the MNC is gone from the United States there is no production control by which the union can apply pressure. The union must then control the economic bargaining power through limits on the MNC's operations elsewhere.

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<sup>34</sup> Solomon BARKIN, *op. cit.*, pp. 49-63.

3. Differences in government approach. In the United States the unions have not obtained benefits through the government and there is far less trust by all three members, government, labor and business, than there is in Europe. This difference in approach of industry to government has become more noticed since the concept of « Japan, Inc. » has come to the public consciousness. The emerging realization of the difference in the nation-state approach will play an increasing role in policy making.

#### COMMENTS AND PROSPECTS

Malles seemed to agree with the relegation of the MNC to a fear and tension rather than economic problem. His quote that illustrations of interventions by the MNC were « patently exceptions or far-fetched » seemed to give assent that it would be « difficult or improbable » for the multinational enterprise « to dry up technology or export technicians or drain off capital or shift profits or alter prices or allocate markets » or be an instrument of U.S. policy. The balance now seems to be shifting, with a doubt as to the economic impact, but no longer a claim it is farfetched.

The multinational enterprise as an economic institution seems capable of adding to the world aggregate productivity and economic growth, as compared with the visible alternatives... Conclusions regarding the distribution of the benefits of that growth are more uncertain... as for the distribution of benefits within the country, it is difficult to say how the operations of multinational enterprises are affecting the outcome.<sup>35</sup>

The problem of the MNC is something more than just the existence of tensions which must be controlled. While some economists remain convinced that you cannot specifically document the « badness » of the MNC, they are no longer content to say that the problem is just tensions.

The attempts of U.S. corporations to carry over into other cultural and national environments the attitudes and prerogatives of the American domestic situation are what has caused most of the problem and fear of the MNC on the part of Europeans and others. Professor Kindleberger has noted the history of insensitive treatment of Latin America :

A long history of cavalier treatment of Latin American individuals, traditions, governments, and business by American businessmen

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<sup>35</sup> VERNON, *op. cit.*, p. 248.

corrupts attempts to keep the discussion on an economic level, and even then such legislation as the Hickenlooper amendment leads Latin Americans to believe that the United States turns economic disputes into political shows of strength.<sup>36</sup>

The illustrations of more proximate problems are being catalogued. U.S. firms that have been reported to have refused to recognize collective bargaining agents include : Kodak, Gillette, Caterpillar, Firestone, and TWA, all in Britain ; United Fruit Company in various Latin American countries. Other U.S. companies including IBM in Sweden and particularly American-owned automobile companies in Britain have refused to conform to established collective bargaining procedures. They have threatened to switch production, such as Ford in Britain and Belgium ; and General Motors and Remington have carried out mass dismissals in France.

Malles comments on several of the strategies that he believes will have an impact on control of the MNC : collective bargaining, legislation on the « European company, » labor standards, and changes in the « rules of the game » in regard to the MNC.

The collective bargaining goals laid out by the Auto Workers Conference contains all the essentials of a carefully thought out and obtainable international program. These are worth repeating here :

40-hour work week ; guaranteed annual wage ; *security of employment ; equal rights for women workers* ; harmonization of rest and relief time ; trade union controls of speeds ; improved holidays and holiday pay ; adequate retirement pensions ; *trade union rights in the shop* ; improved vocational training ; paid educational and cultural leave ; protection of older workers.<sup>37</sup>

(Italics are Malles'). This list does not contain a call for wage parity.<sup>38</sup> It is difficult to document, but seems fairly clear that the U.S. labor movement is really seeking parity of unit labor costs so that competition for the location of operations by a MNC would not be determined by

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<sup>36</sup> Charles P. KINDLEBERGER, ed. *The International Corporation, a Symposium*, Cambridge, Mass., The M.I.T. Press, 1970.

<sup>37</sup> MALLES, *op. cit.*, p. 79.

<sup>38</sup> Malles dismisses wage parity as impossible because hourly wage costs differ so widely in the breakdown between wages and fringe benefits in the EEC countries : he cites direct wages are 54.0% of labor costs for workers in Italy and 71.3% in Luxembourg ; social security contributions for workers in France represent 23.5% of total hourly labor costs, 26.3% in Italy and only 14.4% in Germany.

either its ability to pay lower wages or provide less benefits to its workers.

A European company law is not just a European problem, for any such law is likely to subject outside enterprises to special area-wide discrimination and restraints.<sup>39</sup> European Incorporation and the European patent would not be available to U.S.-owned subsidiaries in Europe.<sup>40</sup> Europeans operating already in a multiplicity of overlapping jurisdictions could very well incorporate within their law labor protection policies that could reach out to other areas. In light of the fact that the American labor movement is not likely to achieve comprehensive controls on trade or the operations of the MNC they might want to look to the evolving European law as a model upon which to build their demands of the U.S. Congress and business community. It could also be argued that these corporations are already subject to such regulations in Europe and there is little reason that they should give American workers less in the way of security and benefits than they give the Europeans.

Labor standards constitute another problem. European business has not suffered in its growth or stability because it has become an integral part of the welfare state and all that implies in the way of planning, benefits and cooperation with labor and the government. The U.S. corporations may find it to their advantage both politically and economically to cooperate in the development of a commitment to an international welfare state. An enlightened management would view the integrative and market-building potentials of commitment to the establishment of international labor standards as a profitable and forward step. Then the claim by the strong advocates of the MNC that it can exist only in an environment of peace and cooperation would have a basis for their claim.

The U.S. labor movement has appealed, without any success, for international fair labor standards for close to 30 years. They have been alone up to this point because the appeal often has been misinterpreted as a call for protection for U.S. workers. The appeal of such a program is better understood and beginning to spread. The need has become evident to other bodies and institutions. The Havana Charter of the proposed International Trade Organization originally contained the concept, but it was never carried over into the GATT when the original charter failed of passage. U.S. observers still seem unaware of the purpose

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<sup>39</sup> VERNON, *op. cit.*, p. 245.

<sup>40</sup> *Ibid.*, p. 246.

of such standards. In a startling misunderstanding of labor's position, Vernon sees an international forum in charge of ground rules as a tool against U.S. labor interests although he agrees in the second last sentence in his book that such a body would be « charged with weighing the activities of the multinational enterprise against a set of *social yardsticks* that are multinational in scope. »<sup>41</sup> Some lack of success of the American labor movement in pushing for fair labor standards can probably be blamed on their lack of experience in using the legislative tool in obtaining their economic ends, and a reluctance to go this road.

An innovative program which attaches social conditions to an investment guarantee scheme is being attempted in Sweden. The Swedish Export Credits Guarantee Board, made up of representatives from wage earners' organizations and companies, insists that the investment must add to the economic development of the host country. Social conditions attached are : 1) behavioral conditions concerning general norms for the company in the host country, and 2) benefit conditions concerning specific actions required by the company in favor of its employees. The Swedish initiative holds a great deal of promise and will probably be watched closely in Europe and the United States as well as in the Third World.

#### SUMMATION

The analysis of the European approach was seen as projecting the national goal-directed welfare state into wider multinational communities. It ended on a very hopeful note.

The counter currents that are presently evident do not make one as hopeful in regard to the American experience. The recent activity of the U.S. government in the area of foreign economic policy, quite aside from the goals and activities of the labor movement, do not lead one to believe that nationalism and demands for economic autarchy are dwindling. The Americans do not see the integrating activity of the European Common Market as completely positive. A protectionist Common Agricultural Policy, restrictive European company law, preferential arrangements that appear to look to the creation of dependencies in the Mediterranean basin appear as something less than hopeful. The American labor movement position, while not the fundamentally protectionist, production-oriented position that the casual observer would see, is hardly reassuring to the Europeans.

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<sup>41</sup> *Ibid.*, p. 284. Emphasis added.

Cooperation should still be possible. George Meany testified that the AFL-CIO seeks a national policy of healthy expansion of international trade on a reciprocal basis. The U.S. labor movement has been boxed into its restrictive position because of its inability in its traditional structure to protect its jobs and working standards. Both labor movements seek a constructive control of the MNC.

A prognosis requires speculation as to whether the U.S. government can respond positively to the needs of the labor movement with the appropriate adjustment assistance program and other necessary attributes of the welfare state before the labor movement is able to build enough support among the U.S. business community to shove through the restrictive legislation that it seeks. Even then the more basic, long-run problem of the MNC's attack on the institutional strength of labor will remain. One is forced to wonder what the labor movement will be satisfied with in a cumulative order: an adjustment assistance program, international fair labor standards on imports, or will it go on to demand control of the MNC trade and tax activities. Or will it hold out for the type of international institution that Vernon and the ICFTU propose?

The MNC may be merely an incremental step in development of corporate capitalism, but its effects upon political, social, and economic institutions are likely to be profound and demanding of a response by the existing institutions. Whatever the institutional framework might be, when the impact has been absorbed, the European labor movement and the U.S. labor movement are not likely to run into conflict with each other since they seek the same goals and share the same concern for each other and the workers in the developing world.

## **LA FIRME MULTINATIONALE ET LES RELATIONS DU TRAVAIL : L'APPROCHE AMÉRICAINE**

D'une part, on perçoit la firme multinationale comme le plus puissant agent de paix et de progrès du présent siècle; d'autre part, on le voit comme une menace à la souveraineté politique et aux responsabilités sociales des nations libres du monde, tout particulièrement de leurs classes laborieuses. La société multinationale peut obliger les systèmes de relations du travail américain et européen à relever des défis distincts, parce que les objectifs, les stratégies et le milieu ambiant des deux systèmes, tout en ne s'opposant pas, diffèrent sous plusieurs angles importants. La principale orientation nouvelle de la firme multinationale au cours des dix dernières années réside dans le degré inédit de contrôle qu'elle donne au monde des affaires. Grâce à cette facilité de contrôle, la société multinationale a vraiment crû

dans des proportions énormes, a modifié la nature de la gestion dans le sens de la centralisation et de la structuration du pouvoir décisionnel et a posé un défi à la souveraineté économique de l'État providence.

Un autre changement qu'il faut rattacher à la société multinationale, c'est la division internationale du travail se manifestant à l'échelle de la planète que le mouvement ouvrier américain considère comme le plus grave. Les impératifs de l'économie internationale néo-classique voulant que dans une technologie mouvante et une gestion sans frontière, la répartition de la production se fasse strictement en fonction du coût minimal allouerait la fabrication suivant les coûts de la main-d'œuvre. En conséquence, les usines s'implanteraient en Europe, les opérations élémentaires s'exécuteraient dans le tiers-monde et les sièges sociaux seraient en Amérique du Nord. Une pareille division des fonctions et des avantages augmenterait sans limite l'affluence des biens et des services, mais elle déterminerait aussi la structure des économies nationales selon le genre d'emplois dont elles seraient dotées et la façon dont les avantages résultant des rendements seraient partagés.

Les syndicats américains voient dans la firme multinationale une menace pour leurs emplois et les avantages sociaux dont ils bénéficient, mais encore davantage pour leur pouvoir de négociation et, au bout du compte, pour le système américain des relations du travail lui-même. Parce que les syndicats américains ont accepté le syndicalisme d'affaires et qu'ils ont négocié à leur avantage avec chaque employeur, ils font face à une situation dans laquelle la négociation collective avec une société ou une industrie donnée n'est plus efficace. Par la division internationale du travail, la firme multinationale peut déplacer les emplois des membres des syndicats vers les régions où le coût de la main-d'œuvre est bas et priver les travailleurs non seulement de leurs emplois mais aussi de la sécurité de leur État providence.

Les syndicats et les gouvernements européens sont conscients d'un état de choses qui en feraient des usines à succursales des sociétés américaines. Les syndicats européens, orientés vers la politique, se tournent vers leurs gouvernements dont ils attendent l'action nécessaire pour défendre l'État social.

La stratégie des syndicats européens pour affronter la firme multinationale européenne a consisté à mettre au point une structure à l'échelle du monde, à appuyer la négociation collective internationale et à entamer le débat au moyen d'institutions à caractère juridique, de conférences et de réunions. Ils s'attendent à l'aide de leurs gouvernements pour traiter avec les firmes multinationales des États-Unis. Les Américains ont participé aux activités internationales, mais sans reconnaître assez clairement la nécessité pour les Européens de trouver une solution au phénomène de l'intégration. Les Américains exigent qu'on exerce un contrôle sur les importations et la question de la firme multinationale se soulève parce que le contrôle du processus de production leur échappe au moment de la menace de grève. Les Européens n'ont pas compris que les syndicats américains ne disposent d'aucun moyen politique pour contrôler les firmes.

Le problème de la coordination des efforts des syndicats européens et américains face à la société multinationale consiste à admettre les défis différents qu'ils doivent relever. Des contrôles appropriés sur les répercussions sociales découlant des firmes multinationales pourraient être utiles aux deux groupes ainsi qu'au bien-être général.