

# Similarity or Variation? Employee Representation and Consultation Approaches Amongst Liberal Market Economy Multinationals

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## Abstract

This paper engages with the varieties of capitalism literature to investigate the employee representation and consultation approaches of liberal market economy multinational companies (MNCs), specifically Australian, British and US MNCs operating in Australia. While the literature would suggest commonality amongst these MNCs, the paper considers whether the evidence points to similarity or variation amongst liberal market headquartered MNCs. The findings contribute to filling a recognized empirical gap on MNC employment relations practice

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in Australia and to a better understanding of within category varieties of capitalism similarity and variation. Drawing on survey data of MNCs in Australia, the results displayed that UK-owned MNCs were the least likely to report collective structures of employee representation. Moreover, it was found that Australian MNCs were the most likely to engage in collective forms of employee representation and made less use of direct consultative mechanisms relative to their British and US counterparts. In spite of the concerted individualization of the employment relations domain over previous decades, Australian MNCs appear to have upheld more long-standing national institutional arrangements with respect to engaging with employees on a collective basis. This varies from British and US MNC approaches which denotes that our results display within category deviation in the variety of capitalism liberal market economy typology.

**Keywords** Employment relations, liberal market economies, multinational companies, collectivism, individualism, varieties of capitalism.

## **Introduction**

This paper engages with the varieties of capitalism (VoC) literature to investigate the employment relations approaches of UK and US multinational companies (MNCs) operating in the liberal market economy (LME) context of Australia. In so doing, the paper utilizes Australian owned (domestic) MNCs as a comparator. The central research question is, to what extent do MNCs which originate from LME economies exhibit similar or different approaches to employee representation and consultation?

The focus on Australian, US and UK MNCs is noteworthy for three reasons. First, while the VoC literature expects similarities in the behavior of firms in LMEs in relation to employment relations, Australia's inclusion in the LME category has historically caused some debate. This is in part due to its traditionally centralized industrial relations (see Godard, 2002; Stephens, Huber, and Ray, 1999). A comparison of Australian-owned MNCs with US and UK MNCs with a contemporary data set can provide a valuable contribution to this VoC debate through insights into similarity, or not, within the LME classification. Second, this paper provides a systematic, up-to-date analysis of the employment relations practices of what are the most significant cohort of MNCs operating in Australia. When combined, US, British and Australian MNCs account for 65 per cent of all MNCs operating in Australia (Boyle and McDonnell, 2013). Finally, as Australian MNCs have received negligible attention in the extant literature, especially with respect to their engagement with forms of employee representation and consultation, this paper serves to address an empirical lacuna more generally (McDonnell, Stanton and Burgess, 2011; McGrath-Champ and Carter, 2001). Moreover, while there is a strong body of literature globally that considers the employment practices of different country MNCs in host contexts, this has been less the case in Australia. Existing research has strongly relied on Cranet data or the Australian Workplace Industrial Relations Survey (AWIRS), which were not specifically focused on MNCs and are now dated (e.g. McGraw and Harley, 2003; Walsh, 2001). These studies certainly pre-date significant changes in the Australian industrial relations institutional environment that promoted greater individualization of the employment relationship (Sappey *et al.*, 2008). There has also been a very significant global economic crisis which did cause a range of employment related issues in MNCs in Australia (Boyle and McDonnell, 2013). McGraw (2004: 538) previously noted that despite the ever-increasing presence of MNCs in Australia,

“the HRM practices of MNC subsidiaries in Australia are under-researched, with only a handful of studies focused directly on this topic”. In the time that has lapsed from this observation to the present day the research discourse has not sufficiently improved to reduce such a knowledge deficit.

The paper begins with a brief overview of the importance of foreign direct investment (FDI) in the Australian economy. We continue with an articulation of what the VoC literature says about employment relations as part of our theoretical frame. We then review extant debate in the VoC literature to posit why we are likely to still see variation (rather than total convergence) in the approaches to employee representation and consultation amongst LME originating MNCs. We then describe the research design and methods used in the paper before detailing the results. Finally, we discuss the implications of our results, and in so doing we consider avenues for future research.

### **Foreign Direct Investment in Australia**

Since European settlement Australia has been a major recipient of FDI. Initial imperial investment was overtaken by investment from the US and Japan. The US represents the single most important source of inward FDI, accounting for almost one quarter of all inflows into Australia, and approximately 40 per cent of all MNCs located in Australia. It is only over the past decade that domestic-owned MNCs have started to become a more commonplace feature with Australia now being a significant exporter of FDI (UNCTAD, 2012). The US also serves as the most important location for Australian FDI accounting for almost 43 per cent of all outward investment (Foreign Investment Review Board, 2008). More recently there has been increasing

investment activity from the emerging world superpowers of India and China but despite this the MNC profile of Australia remains strongly reliant on firms from LMEs.

### **Varieties of Capitalism and Employment Relations**

The VoC literature, representing a well-established and discussed branch of new institutionalism theory, considers firm relationships between shareholders, other organizations and labor (Hall and Soskice, 2001). This literature, while having its detractors (see Crouch, 2005), remains an enduring and useful framework for investigating similarities and differences in employment practices. The VoC framework provides a sound base to analyze macro-economic conditions and institutional contexts in developed countries and the potential impact on employment relations (Hall and Soskice, 2001).

The VoC literature argues that the level of institutional coherence within economies is critical to economic success in different marketplaces and consequent to this coherence, the literature predicts the behavior of institutional actors such as firms and labour (Hall and Gingerich, 2004). The VoC essentially sets out two categories which given countries fall into, namely the LME and coordinated market economy (CME). The differences in these two categories are based on the institutional features of countries and the distance in such characteristics across countries. Institutions typically encompass markets, legal systems, employer associations, trade unions, regulatory systems to facilitate collaboration, and education and skill development systems (Dibben and Williams, 2012). The degree of collaborative interaction between institutional actors is identified as a significant distinction between LME and CME models (Hall and Soskice, 2001). In general terms, countries classified as CMEs are viewed as having a strong degree of

collaboration between institutional actors at organization, industry and national level (Hall and Soskice, 2001; Williamson, 1985). Thus, such economies are more likely to have higher unionization levels where indirect employee voice is common and the industrial relations approach pluralistic. By contrast, LMEs are characterized by a unitarist industrial relations approach with direct voice more common and lower levels of unionization. LME organizations are more likely to coordinate their activities through hierarchies and the competitive market place (Hall and Soskice, 2001). On the other hand, CME organizations are more reliant on non-market relationships and thus collaboration with institutional actors such as trade unions is more commonplace.

In the VoC literature, the US is held up as the “purest” form of an LME, with the UK and Australia also categorized as countries that gravitate to this classification (Hall and Gingerich, 2009; Hall and Soskice, 2001). Germany and the Nordic countries are typically held up as “model” CMEs. The VoC literature does not suggest that there are no commonalities between CMEs and LMEs but contends that an organization’s strategies and structures will be broadly reflective of the institutional arrangement of their (home) contexts. There are, however, critiques of the VoC approach, largely around its simplification of complex institutional arrangements and reduction of country classifications into a constrained typology (Wailes, Kittay, and Lansbury, 2008). In terms of labor market regulation and the employment regulation systems Wailes, Kittay and Lansbury (2008), in particular, highlight the differences between those countries classified as LMEs. The VoC literature has also been criticized for failing to adequately account for institutional change (Streeck, 2009; Jackson and Deeg, 2012). In tandem with improved

theorization in the area of comparative capitalisms, criticisms of the approach also appear to have amplified.

The issue of institutional change is especially pertinent given that the original framework is now quite dated and there have been substantial changes across the world economy as a result of supranational institutions flexing more muscle. There is also the issue of the significant financial crash. Konzelmann, Fovargue-Davies and Schnyder (2012), for example, question the utility of the VoC framework given that the impact of the global financial meltdown varied significantly amongst LMEs. They suggested that based on LME theory similar impacts would have been expected, however, this was not the case as the US and UK financial and economic systems were ravaged in comparison to Australia and Canada. Konzelmann, Fovargue-Davies and Schnyder (2012) explain this situation through economic liberalism in Canada and Australia being substantively different to that of the US and UK with the former adopting an approach that encompasses greater equilibrium in power between government and the private sector. They contend that this approach “curbed the excesses of either and produced a more stable political and economic system” (495).

Despite debate on the degrees of difference that might be expected within LME and CME models, both political economists and industrial relations scholars unanimously acknowledge global pressures for the convergence of employment practices. Political economists have considered these convergence pressures within the VoC models (Campbell, 2004; Djelic and Quack, 2003; Pierson, 2001), while industrial relations scholarship has debated “convergence or divergence” through analyses of the relative impact of “host” versus “country of origin” effects

on MNC practices (e.g. Ferner, 1997; Geary and Roche, 2001; Innes and Morris, 1995). Insights from both tracks are used here to guide expectations relating to individualist and collectivist approaches to employee representation and consultation in Australia before predicating our arguments for variation based on idiosyncratic characteristics of US and UK MNCs and historical IR legacies in the Australian context.

### **Variation or Similarity? Employment Relations in Liberal Market Economy MNCs**

At the most basic level, scholarship suggests that MNCs remain rooted in their home country's approach and will seek to mimic their home management approach where possible in their foreign operations. Thus, the country of origin effect provides a more defined source of distinction to predict approaches to employment relations than the broader LME argument (Ferner, 1997). By contrast, within the same body of literature, scholars also outline host country effects. This research typically does not attempt to argue that host country effects alone explain MNC behavior, rather, "the behavior of MNCs in host countries may be a synthesis or hybrid in which host country norms mediate the home country blue print" (Innes and Morris, 1995: 30). Others indicate the possibility of practice converging under the auspices of a global management approach, transcending national boundaries. In this scenario the MNC is neither bound by host or home norms (Kostova, Roth, and Dacin, 2008). Thus, there may be the emergence of global corporate isomorphism in which "major MNCs are subjected to isomorphic pressures from their key competitors in international markets" (Ferner and Quintanilla, 1998: 713). However, more recently, Brewster, Wood and Brookes (2008: 334–335), using a range of Cranet surveys, "found no evidence of the dominance of a coherent HRM paradigm reflecting the global dissemination of best practices ... managers seem to combine a range of practices molded by institutionally



embedded opportunities and constraints operating at a range of levels”. Despite this, the convergence logic, especially with regard to the implications for employment relations, continues to be discoursed.

Peetz (2010), amongst other, points to deindustrialization, the digital revolution and globalization as factors that weaken the collective identity of the labor force and strengthens employer and government attempts to individualize the employment relationship. These macro pressures are arguably more likely to be witnessed in LMEs, which are by nature already the more open economies. Therefore, it might be reasonable to expect that employment practice within LMEs and in the foreign subsidiaries of MNCs that originate from an LME, and particularly which are operating in other LMEs, may lend itself to homogenization through further individualization of the employment relationship, independent of any alignment to international “best practices”. In this context, variation in employment practices amongst MNCs originating from an LME background may not be as apparent as when the concept was first devised.

While comparative political economists have long recognized institutional convergence processes consequent to globalization (Campbell, 2004; Djelic and Quack, 2003; Pierson, 2001), within the VoC literature scholars have suggested that the VoC logic more accurately predicates a “dual convergence” between the LME and CME extremes. As convergence takes place within the clusters of LME nations similarities between them should grow (Hall, 1997; Iversen and Pontusson, 2000). Consequently, globalization will continue to more negatively impact the role and influence of trade unions and promote individualization in LMEs like the US, UK, Ireland and Australia compared to CMEs such as Germany (Thelen, 2001). In light of this, commonality

may be expected such as a similarly low-level of engagement by firms of an LME background with “institutional actors” like trade unions. That is, the outcome of an analysis of individualist and collectivist approaches to employee representation and consultation by US, UK and Australian MNCs might be expected to reflect a within LME cluster similarity.

On the other hand, Hall and Soskice (2001) explain, that while LMEs firms primarily coordinate their activities via hierarchies and competitive market tools driven by demand and supply, in reality, non-market based relations between firms and institutional actors exists in LMEs that are likely to create variation across LMEs. A second broad source of variation with the LME cluster is variations, or more accurately ‘adaptations’, of liberal market demographic systems. These have also been shown to have implications for employment relations. Pagano and Volpin (2005a and 2005b) explain that there are political circumstances and consequent variations within LMEs where managers (or controlling shareholders) and workers may converge to some extent on a political platform as institutional allies leading to more collaboration and ultimately more employment protection. Pagano and Volpin (2005a, p. 1007) demonstrates that depending on whether, “the electoral system is proportional (where winning a majority of the votes is crucial), or majoritarian (where winning a majority of districts ensures victory)” the outcomes for employment protection and collaboration between managers and labor can vary. While a review of the political-economic intuition behind their results is beyond the scope of this paper, in sum, their modelling show that a proportional system is likely to produce stronger employment protection, than a majoritarian system. While the US and UK operate a first past the post pluralist-majority, Australia’s version is best described as “Westminster adapted’ (Lijphart, 1999). In contrast to the US and UK as LMEs, Lijphart (1999) explains that

the difference in the methods of election between senate and parliament (the majoritarian alternative-vote system for the House of Representatives and single transferable vote elections PR for the Senate) is an adaptation that makes Australian democracy slightly, but by no means insignificantly, more consensual and proportional. This should, by Pagano and Volpin's (2005a) thesis, led to a comparatively better worker protection in Australia. However, the negative changes to employment protection in Australia in the last decade (which for example, are exemplified by Work Choices) indicate that Australia's variation of a liberal market demographic system has seemingly *not*<sup>1</sup> led to better worker protection in law. However, we argue that a given the relatively recent changes in eroding employee representation rights, that the more consensual legacy may still help sustain collaboration at an industry or firm level.

Ferner *et al.* (2013) warn that differences between MNCs originating in LMEs are likely to be retained due in part to the different historical traditions of countries and their firms. For example, they identify the competitive managerial capitalism of US firms in contrast to the personal capitalism of British firms. Given that path dependencies and historical context matters within individual LME nations (Wailes, Kittay, and Lansbury, 2008), it is important to consider the unique aspects of the Australian context and its implication for foreign and Australian MNCs.

Australia has a long history of third party and centralized industrial relations that legitimized trade unions and indirect voice mechanisms (Sappey *et al.*, 2008), although this has changed substantially over the past two decades. Change has occurred through a succession of legislative modifications that have sought to shift bargaining away from state and national tribunals towards the workplace. For example, the relatively recent Work Choices legislation focused on individual

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<sup>1</sup> Italics added for emphasis

and non-union bargaining (Sappey *et al.*, 2007). Australia may be best classified as a hybrid employment relations system (Townsend, Wilkinson, and Burgess, 2013). Within such a context MNCs can be argued as possessing considerable strategic choice around their employment relations approaches. However, although the legal framework underpinning industrial relations and the ability to avoid trade unions is far less constraining than previously, the institutional latitude for union avoidance may conceivably be less (Lamare *et al.*, 2013). This is likely to be especially the case amongst Australian MNCs.

Notwithstanding the fact that there are now fewer constraints on domestic (Australian) firms avoiding trade unions, making it easier to adopt more individualist approaches to the management of employees, it can be argued that domestic MNCs will still demonstrate higher levels of collectivism than MNCs headquartered in other LME nations. This argument is strongly premised around historical legacies within the LME and the logic that institutional change may not necessarily equate to rapid change in management practice. By way of an example, Australian MNCs that have a track record in engaging in collective representation are not necessarily going to significantly depart from this approach in the short to medium term because legislative changes make such practice more feasible.

Using the AWIRS dataset, Walsh (2001) found that US and British MNCs had the most sophisticated HR policies and practices vis-à-vis domestic organizations. This led her to suggest that the strongly regulated Australian industrial relations system did not deter innovative practice. Similarly, McGraw and Harley (2003), utilizing two sets of AWIRS data, found that foreign MNCs were using a more sophisticated suite of HR policies and practices compared to

domestic firms. Overall, these studies suggest there is substantial scope for firms to introduce novel management practices. Yet, they did not differentiate between different national groups because they solely compared foreign-owned LMEs with all domestic firms (not domestic MNCs).

The US business system equates to a distinctive model within the LME family. This is based on the very clear individualist preference and the strong anti-union mindset that is practiced. This ideology has been evident in research on the practice of US MNCs abroad where studies have revealed their efforts to maintain, and even promote, individualist employment practices despite contrasting institutional pressures in host nations (De Vos, 1981; Muller, 1998; Gunnigle, Lavelle, and McDonnell, 2009). Research highlights that US MNCs consistently diverge from management practice that is typical of that host country which, according to Ferner (2000), is due to US MNCs' strong desire to take their own (home) country approach with them to their foreign operations. Gooderham, Nordhaug and Rindgal (2006) have argued that the changes in the Australian industrial relations system now make it easier for US MNCs to introduce individual, calculative HRM practices in their subsidiaries here. Recent research in Ireland, a country that falls within the LME categorization, also found significant evidence of US MNCs adopting far more individual employment relations practices compared to Irish- or British-owned MNCs (see McDonnell, Lavelle, and Gunnigle, 2014).

Finally, what of the UK business system and model of employment relations? Identifying a stereotypical British employment relations approach or that of their MNCs is not straightforward compared with the US. While the history of employment relations in the UK is pluralistic this

did change significantly in the 1980s with the introduction of neo-liberal labor reforms by the Conservative Thatcher government. Such changes promoted the dismantling of collective approaches to employment relations towards a more individualist, US HRM styled approach. Union recognition fell remarkably during the 1980s and 1990s, which has led to the majority of pay decisions in firms being made without union involvement. There does not, however, appear to have been a particularly significant growth in alternative non-union, collective employee representation and consultation channels (Millward, Bryson, and Forth, 2000). Direct employee voice approaches have become more common although the evidence has typically suggested a sporadic and ad hoc adoption (Sisson and Marginson, 1995). Recent research in Ireland found British MNCs in Ireland are significantly more likely to engage in indirect employee voice and less commonly engage in direct mechanisms vis-à-vis US firms (Lavelle, Gunnigle, and McDonnell, 2010).

In sum, the Australian industrial relations context has undergone rapid and substantial change over the past two decades which may facilitate further convergence to the LME model (Townsend, Wilkinson, and Burgess, 2013). However, we propose that despite less constraints with regard to engaging with trade unions, Australian MNCs will remain the most likely to engage in collective employee representation and make less use of direct consultative mechanisms relative to US or British MNCs. On the other hand, we propose that US MNCs will be the most likely to avoid collective representation channels and make greater utilization of individual direct mechanisms compared to Australian and UK MNCs. As evidence on British MNCs is more mixed, it is more challenging to make firm proposals. We do, however, believe

that the evidence points to being somewhat more collectivist and less individualist than US MNCs. Consequently, it is expected that there will be within LME category variation present.

## **Methodology**

The paper draws on data from a large scale survey of HRM and industrial relations policies and practices of MNCs in Australia. In this study, foreign MNCs were defined as those that employed at least 100 in their Australian operations and 500 or more worldwide, while domestic-owned MNCs employed 500 persons, with at least 100 of these employed outside of Australia. In line with other comparative studies that have taken place as part of the INTREPID employment relations research network, we undertook an exhaustive process of developing a comprehensive and reliable population of all MNCs operating in Australia. This process encompassed trawling through more than 20 different company listing sources and internet and phone call checks, and resulted in a total population of 1,008 MNCs (see McDonnell *et al.*, 2011 for additional detail).

From this population, a stratified random sample of 549 MNCs was selected according to country of origin and industry. As we undertook the survey administration phase, we subsequently lost 22 firms due to delisting, bankruptcy or mergers and acquisitions which meant our final sample was 527 MNCs. Starting in mid-December 2009 and finishing in February 2011, we administered a questionnaire by face-to-face interviews with the most senior HR practitioner able to answer questions for the entire Australian operation. The questionnaire was adapted from comparative instruments used in the UK, Canada and Ireland. The questionnaire focused on aspects of policy and practice in the key HRM areas of pay and performance

management, talent management, and employee representation, consultation and involvement – the focus of this paper.

We carried out structured interviews with 211 MNCs of which 171 were foreign-owned and the remaining 40 Australian. This equates to an overall response rate of 40 per cent. For the purpose of this paper we draw solely on MNCs originating from LMEs (Australia, US, UK; n=126).

### *Analysis and variables*

The paper draws on a range of questions around the use of collective (union and non-union) representation practices and mechanisms aimed at a degree of direct (individual) involvement. For example, respondents were asked if trade unions were recognized for the purposes of collective bargaining, were there any non-union based structures (e.g. joint consultative committee (JCC)) of collective representation used in the Australian operations. Filter questions were utilized, thus, in cases where unions were not recognized they were not subsequently asked about union density or whether there had been changes to union recognition since acquisitions took place or new greenfield sites had been established. This inevitably meant that we were dealing with small cell sizes on occasion (due to significant numbers of MNCs not engaging in collective representation as will be detailed in the results section). This was a constraint in the type of analysis that could be undertaken.

The analysis is primarily derived from a series of bivariate analytical tests. Specifically, Cramer's V test was used as a means of calculating correlations in instances where we had more than 2X2 rows and columns. Cramer's V test allows determination of the strengths of association after chi-square has determined significance. The data that utilized Cramer's V test



were based on questions that asked about the presence/use of a specific practice or mechanism. Thus, these questions were focused on actual, rather than desired practice. The data also incorporated a small number of scalar variables (5 point scales ranging from 1 = strongly disagree to 5 = strongly agree). In these instances one-way Anova was utilized. Anova produces an F-statistic, which represents the ratio of the variance calculated among the means to the variance within the sample. We also utilized binary logistic regression for two dependent variables, namely, whether MNCs recognized trade unions, and whether they had a formal system of non-union collective bargaining. In these regressions sector and employment size were used as controls so as to allow us to delineate more closely whether within LME category variation existed. In both regressions, the model suitability tests were significant.

## **Results**

### *Sample Characteristics*

Within the three types of LME headquartered MNCs in our sample, some 60 per cent are from the US, 30 per cent domestic and the remaining 10 per cent British-owned. Domestic MNCs tend to be the largest employers with respect to their Australian operations but the smallest when considering worldwide employment vis-à-vis their US and UK counterparts. Almost 90 per cent of the Australian MNCs employ 1,000 or more in their domestic operations, significantly higher than the 38 per cent of British and 28 per cent of US MNCs. On a worldwide basis one quarter of Australian MNCs reported employment in excess of 30,000 compared to 46 per cent of US MNCs and almost 39 per cent of British firms. Multi-sector operations are common with the dominant sector of activity in Australian being services. This is slightly more pronounced

amongst the domestic MNCs where 70 per cent regarded services as their dominant sector compared to 61.5 per cent of British firms and 56 per cent US MNCs. The majority of MNCs are publicly traded although there was some difference here between British firms (69 per cent publicly traded) and US and Australian MNCs (80 and 85 per cent respectively). Multi-site operations are most common with domestic MNCs possessing the larger number of sites in Australia. Australian MNCs tend to be the least globalized. Using the number of countries in which the MNC has sites as a proxy measure we find that 40 per cent of Australian MNCs reported operations in more than ten countries compared to 77 per cent of British MNCs and 91 per cent of US firms.

### *Collective representation and consultation practices*

#### Union structures

Out of the 211 MNCs that participated in the study we found that 59 per cent recognized trade unions in some, most or all of their Australian operations for the purposes of collective bargaining. The results show up some interesting differences, and not entirely as expected (see Table 1), with respect to the focus here, namely MNCs that are headquartered in Australia, Britain and the US. Australian-owned MNCs are the most likely to recognize trade unions followed by US-owned firms and British MNCs ( $CV = .213$ ;  $p < .05$ ). More specifically, we find that 20 per cent of domestic MNC firms recognize trade unions in all of their Australian operations/single Australian operation, with 55 per cent reporting union recognition in some/most of their Australian operations. Thus, 25 per cent of Australian MNCs do not

recognize trade unions. The results illustrate that 69 per cent of British MNCs fail to recognize trade unions compared to 53 per cent of US firms.

*Insert Table 1 here*

The bivariate results are supported by the regression analysis with US MNCs significantly less likely to recognize unions than Australian MNCs ( $p < .05$ ) although no significant differences were found between British and Australian MNCs ( $p > .05$ ). British MNCs were, however, significantly less likely to recognize unions than US MNCs ( $p < .05$ ). Mining ( $p < .05$ ), manufacturing ( $p < .01$ ) and retail/wholesale sector ( $p < .05$ ) MNCs were also significantly more likely to recognize unions than their financial services sector counterparts. The greater the Australian employment the more likely union recognition was found to exist ( $p < .01$ ).

Beyond considering the current state of play regarding trade union recognition we sought information on decisions made on union recognition amongst MNCs that had established new greenfield sites over the previous five years. The results enable us to shed light on whether there has been a change in approach in recent times. Half of the MNCs which reported that they recognize trade unions stated that they had established new Australian sites in the past five years ( $n = 36$ ). The results (see Table 2) demonstrate that, amongst MNCs reporting union recognition in at least some of their Australian operations, there were a lower proportion of British and US MNCs which recognized trade unions in new sites established in the five years previous to the completion of the survey.

*Insert Table 2 here*

We also established the union status of sites that had been acquired in the previous five years and, more specifically, whether there had been any new union recognition granted. A greater percentage of MNCs reported acquisition activity to greenfield site establishment, with 64 per cent (i.e. MNCs that reported union recognition) attesting to acquiring a site in the previous five years. Of these, 76 per cent acquired more than one site. We found that 28 per cent reported that the acquired sites were non-union. This means that amongst the 72 per cent of MNCs that reported acquisition activity, at least some of these sites were unionised. Turning to whether there had been new trade union recognition granted the results show that this had been the case in 24 per cent of Australian, British and US MNCs. Table 3 illustrates that, similar to the data on new greenfield sites, Australian-owned MNCs were more likely to report new union recognition than their US and British counterparts.

*Insert Table 3 here*

The average number of unions that these MNCs reported they engage with was three. US MNCs were more likely to engage with a smaller number of unions with a mean value of 2.33 compared to 3.84 for Australian MNCs. The mean number for British MNCs was 4.67, however, as the vast majority are non-union this number is based on a small number of organizations.

Turning to union density amongst those that recognize trade unions, we find that almost half reported it to be in excess of 26 per cent (see Table 4). This could be interpreted in a somewhat

positive fashion given that union density in the entire Australian private sector stands at 13 per cent (Australian Bureau of Statistics, 2012). However, there are 40 per cent of MNCs that reported union density in the 1 to 10 per cent range, while the final 14.5 per cent have a union density figure of between 11 and 25 per cent. A Cramer's V test indicates that there are no statistically significant differences between the nationality of the MNC, with US and Australian MNCs being quite similar in terms of union density in their operations. Hence, while US MNCs are less likely to recognize unions compared to domestic MNCs, union density is markedly similar.

*Insert Table 4 here*

#### *Collectivist non-union representation and consultation*

Respondents were also asked whether there were any non-union, collective representative structures (e.g. JCCs) in their Australian operations. Some 27 per cent of these LME MNCs reported the presence of non-union collective structures. Australian MNCs were proportionally more likely to report their use (42 per cent) compared to their US (22 per cent) and British counterparts (15.4 per cent; Cramer's  $V = .216$ ;  $p < .05$ ). Thus, a statistically significant difference appeared between US, British and Australian MNCs on the existence of non-union collective representation structures. However, the logistic regression failed to provide any significant difference in terms of country of origin, sector or employment size. Where these non-union structures exist, it is common that some sites of the MNC in Australia have them and others do not. Thus, they do not encompass each site. Table 5 illustrates that Australian MNCs are more likely to report non-union structures at sites that also recognize trade unions (23.7 per

cent of cases). The differences between UK and US MNCs were minimal regarding the presence of these non-union structures and whether they operated in sites with or without union recognition ( $p > .05$ ).

*Insert Table 5 here*

#### *Direct consultation and communication practices*

All respondents were asked, using a five point scale, to what extent they agreed or disagreed that management prefer to deal directly with employees. The data are conclusive that respondents expressed particularly strong support for direct dealings. The mean value amongst respondents in Australian-, British- and US-owned MNCs were all in excess of 4 which equates to strong agreement with the statement. There were no statistically significant results evident according to country of origin. In line with the findings that British MNCs were the least likely to recognize trade unions and to have non-union collective representation structures, we find they gave the strongest support to dealing directly with employees. Despite the high engagement with trade unions in domestic MNCs, respondents still expressed a strong preference for dealing directly with staff.

Participants in the non-union MNCs were also asked the extent to which they agreed or disagreed with the statement, “management would not mind dealing with unions should employees join one”. The response may best be summarized as negative-neutral in terms of being amenable to dealing with unions, with the mean values ranging from 2.4 (Australian MNCs) to 2.79 (US MNCs) to 3.13 (British MNCs). Thus, the results lean towards respondents

preferring not to have to deal with unions and this was somewhat higher in domestic MNCs. Surprisingly, British MNCs, despite being the least likely to recognize trade unions, were slightly more amenable.

*Insert Table 6 here*

HR managers were asked about the direct employee involvement and communication mechanisms used. We organize these in line with Lavelle *et al.* (2010) by structuring according to direct participation practices, direct consultation and direct information mechanisms. Moreover, we incorporate employee share ownership schemes and profit sharing for the largest occupational group (LOG) as they represent a type of participation in an organization and may potentially be used as a union organizing deterrent (Roche and Turner, 1998). As illustrated in Table 7, the picture is one of similarity between MNCs. There tends to be very high utilization of the participation, consultation (an exception being suggestion schemes) and information provision mechanisms. The use of financial participation mechanisms are considerably less. Out of the 12 practices, three statistically significant results were found. Cramer's V tests demonstrate that Australian MNCs are the most likely to offer the LOG an employee share ownership scheme (Cramer's  $V = .252$ ;  $p < .05$ ) but are the least likely to utilize formally designated teams (Cramer's  $V = .227$ ;  $p < .05$ ). US MNCs are the most likely to systematically use the management chain to cascade information (Cramer's  $V = .231$ ;  $p < .05$ ). We also constructed an index of all of the practices listed in Table 7 but no significant differences were found between MNCs. The mean was 9.2 meaning that on average MNCs reported the use of 9

of these practices where the maximum could be 12. The mean was slightly higher in US MNCs (9.3) compared to the British and Australian MNCs (9.1).

*Insert Table 7 here*

## **Discussion and Conclusions**

This paper sought to examine similarity and variation in employee representation and consultation approaches amongst liberal market economy multinationals. The research examined the approach taken by UK and US MNCs in Australia, and whether that approach varied from domestic MNCs. It was noted that Australia has received comparatively less attention in this area with the notable exception of papers that drew on Cranet data (e.g. Walsh, 2001; McGraw and Harley, 2003), although these did not differentiate between domestic firms and domestic MNCs. Due to the significant changes that occurred in the Australian industrial relations system from the 1980s which promoted greater liberalization and potentially provided firms with greater choice on how they approached employee representation and consultation (Townsend, Wilkinson, and Burgess, 2013), a study like this one is a timely and important contribution.

In Hall and Gingerich's (2004) coordination index, Australia is included in the LME category but it does not appear as a pure or particularly strong LME due, in part, to its traditions of centralized industrial relations (Godard, 2002; Stephens, Huber, and Ray, 1999). This centralization was significantly eroded due to legislative changes introduced in the 1980s and it is plausible that if Hall and Gingerich's (2004) coordination index was updated (which would be a worthwhile endeavor to undertake) that Australia would now emerge somewhat closer to the



purser LME typology. However, while being unable to measure convergence or not in this regard within our methodology, our proposition that historical industrial relations legacies within this LME relative to the purser US or UK models, would sustain and maintain engagement with collective forms of employee representation, is in fact borne out in the findings. Konzelmann, Fovargue-Davies and Schnyder (2012), discussing economic liberalism, also pointed to variation between Australia and that of the US and UK. The results here demonstrate that Australian MNCs are the most likely to engage in collective forms of employee representation and make somewhat less use of direct consultative mechanisms relative to US and British MNCs. The higher use of collective structures is borne out, for example, in the finding that three quarters of domestic MNCs recognize trade unions for collective bargaining purposes in at least some of their sites. This compares to less than half of US MNCs and just over 30 per cent of British MNCs. Despite being unable to infer a statistically significant relationship, the results disclosed that where new greenfield sites have been established and/or new sites acquired over the previous five years, Australian MNCs were the most likely to recognize trade unions in these operations. Non-union collective structures were, similarly, more commonly found in the domestic MNCs than their foreign counterparts. Less use of direct involvement styled mechanisms by domestic MNCs were found compared to US and British firms, however, these differences tended to be statistically insignificant. Overall, the evidence fails to point towards less collectivism, whether that is in a union or non-union form, in domestic MNCs.

Interestingly, these results were found in spite of Australian MNC respondents (senior HR managers) specifying a very strong preference to deal directly with employees. This perhaps validates the logic presented that institutional change will not necessarily equate to rapid change

in management practice, a sentiment consistent with institutional scholars' warning that while formal regulation can change overnight, normative practice does not (Scott, 1995). In other words, employee representation regimes appear to be deeply embedded within the more long-standing, traditional national institutional arrangements of trade union recognition and consultation and that while a change in approach may occur amongst Australian MNCs that will be a more long run thing. Similarly, Lane and Wood (2009: 545) point to firms which, despite greater strategic choice being afforded to them, continue with the tried and tested means of operating whilst slowly imparting novel approaches garnered from around the globe. Thus, despite some suggestions that "changes in global markets are frequent and far reaching" (Kirsch and Wailes, 2012: 1969) as a result of globalization, we argue that change is indeed likely to be more incremental in the industrial relations context. There is therefore cause for further consideration in the future to establish whether domestic MNCs have changed tact in moving away from collective employee representation practices that the institutional environment now technically facilitates. A further consideration is the impact of the profile of the types of foreign investor. Australia, like much of the developed world, has in recent times seen its services sector increase in strength and importance with manufacturing becoming less central to the economy. Given that manufacturing organisations were traditional bastions of collective employee representation and the development of brand new services sectors and sub-sectors the impact of institutional configurations on MNCs and vice versa, may be different than previously the case.

An unexpected finding was that British-owned MNCs were the least likely to report collective structures of employee representation, both union and non-union approaches. We had proposed that US MNCs would be the least likely to report that they recognized trade unions for collective

bargaining purposes or had non-union collective representative structures because US employment relations and US MNCs are known for their non-unionism (e.g. Ferner *et al.*, 2004; Kochan *et al.*, 1994; Lavelle *et al.*, 2010). The UK has not been particularly known for a similarly strong anti-union stance or as having a strong individualist ideology (Tempel *et al.*, 2006) but the results unearth a clear preference by British MNCs to avoid collective representative structures in Australia. Utilization of direct forms of employee involvement were, however, quite similar to that of their US and Australian counterparts. Although not statistically significant, the evidence was that slightly fewer numbers of British MNCs use the direct mechanisms categorized as “participation” and “consultation” than US firms, but are somewhat more likely to use what we classified as the information provision mechanisms. Hence, it can be concluded that there appears to be less methods of employee participation and consultation in British MNCs than US and Australian firms.

A finding that warrants further investigation is that British MNCs appear to be as, if not more, anti-collectivist as the US, which was not borne out in comparative LME studies (see for example Lavelle *et al.*, 2010). A key question that we believe would add to understanding here is, what is driving the strong anti-collectivism approach in these MNCs? It doesn't appear to stem from a home country effect in terms of the British business system being a culture of anti-unionism. Although a statutory procedure for trade union recognition was introduced in Britain in 1999, its use can at best be described as frugal (Gall, 2007). In practice, the recognition of trade unions in Britain remains primarily voluntary in nature. Lamare *et al.* (2013: 698) make the point that “union status in MNC subsidiaries is often contested and subject to managerial strategies and policies at both the corporate and subsidiary levels, be they favorable or hostile to

union presence or somewhere in between”. Consequently, it would be interesting to establish the extent to which union avoidance strategies stems from local management (in the Australian subsidiaries) or higher organizational levels and why.

Turning to the study’s limitations and providing additional thoughts for future research, we firstly note that the cross-sectional nature of our research prevents us from being able to make statistical inferences about whether changes are occurring in MNC behavior. It is only through a longitudinal research design and replication studies that such determinations can be made. The single respondent nature of the study may be construed as a limitation. We contend that this may not be as great a concern as in other studies because our questions are to the most informed respondent and ask about actual practice rather than desired states of being or perceptions. However, multiple respondents would be desired to increase the reliability and validity of results. An employee level study testing the perceptions of different representation and consultation platforms would be welcome.

We noted earlier that there have been significant changes in the Australian industrial relations architecture in the past two decades and with further change likely in coming years. Batt, Holman and Holgrewe (2009: 474) argue that MNCs have a marked impact on the direction of change in national systems of employment relations. Research that explores the role of MNCs and their lobby groups (e.g. employer and industry associations) in influencing changes in the national system of industrial relations would be welcome in this context. There is considerable scope and need for increased research efforts on Australian-owned MNCs. One such investigation may be into whether Australian MNCs are subtly changing their approaches to

employee representation and consultation and how they are going about this and why. Furthermore, to what extent do Australian MNCs exert control over their foreign operations? Are the foreign operations of Australian MNCs more likely to try to circumvent trade union engagement?

In conclusion, while the Australian industrial relations context has undergone rapid and substantial change over the past two decades, which may facilitate further convergence to the LME model, the insights we have gained into Australian MNCs indicate continued differences between them and their LME counterparts from the US and UK in this context. Just as Hall and Soskice described their seminal work on LME and CME categories as a “work-in-progress” (2001: 2), we too suggest that Australia’s evolution in the LME category, and more specifically its industrial relations system development, and the consequences for employment relations practices of its domestic MNCs, may be a work-in-progress.

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**Table 1 Trade union recognition amongst US, British and Australian MNCs**

Country of Origin	No recognition	Recognition in all sites/single site	Recognition in some/most sites
<i>US MNCs</i>	53.1%	12.3%	34.6%
<i>British MNCs</i>	69.2%	15.4%	15.4%
<i>Australian MNCs</i>	25%	20%	55%

N=134; Cramer's V = .213; P < .05.

**Table 2 Trade union recognition granted at new Australian sites established in past 5 years**

Country of Origin	Yes	No, at no new sites
<i>US MNCs</i>	17.9	12.8
<i>British MNCs</i>	20.0	20.0
<i>Australian MNCs</i>	63.3	13.3

N=36; Cramer's V = .339; P > .05.<sup>2</sup>

**Table 3 Has there been new union recognition granted since the acquisition(s)?**

Country of Origin	Yes	No
<i>US MNCs</i>	10.5%	89.5%
<i>British MNCs</i>	0	100%
<i>Australian MNCs</i>	38.1%	61.9%

N=42; Cramer's V = .339; P > .05.

**Table 4 Trade union density amongst MNCs that recognize trade unions for collective bargaining**

	1-10%	11-25%	>26%
<i>US MNCs</i>	48.6%	8.6%	42.9%
<i>British MNCs</i>	0	33.3%	66.7%
<i>Australian MNCs</i>	33.3%	20.8%	45.8%

N=62<sup>3</sup> Cramer's V = .194; P > .05.

<sup>2</sup> Due to small cell sizes (particularly the case of British MNCs), one must exercise caution in interpreting the statistical relevance of the tables 2 & 3. However, it is also important to acknowledge the high response and high levels of representativeness of the study.

<sup>3</sup> A number of respondents did not know the percentage of the workforce that was unionized, hence why the N is somewhat lower than desired.

**Table 5 Non-union collective representative structures in MNCs**

	No non-union structures	Yes, at sites with no union recognition	Yes, at sites with union recognition
<i>US MNCs</i>	77.8%	12.3%	9.9%
<i>British MNCs</i>	84.6%	7.7%	7.7%
<i>Australian MNCs</i>	57.9%	18.4%	23.7%

N=132; Cramer's V = .1608; p > .05.

**Table 6 Employee-management relations in MNCs (mean values)**

Employee-management relations	US MNCs	British MNCs	Australian MNCs	F Statistic
Management prefer to deal directly with employees	4.35	4.46	4.13	.806
Management would not mind dealing with unions should employees join one	2.79	3.13	2.40	.788

N = 134 (1<sup>st</sup> statement); N = 60 (second statement)

**Table 7 Financial participation, direct participation, consultation and information provision mechanisms**

	US MNCs	UK MNCs	Australian MNCs
<b>Financial participation</b>			
<i>Employee share ownership scheme*</i>	24.7%	30.8%	51.3%
<i>Profit sharing</i>	21%	23.1%	17.5%
<b>Participation</b>			
<i>Formally designated teams*</i>	90.1%	76.9%	71.8%
<i>Problem solving groups/quality circles</i>	86.3%	76.9%	81.6%
<b>Consultation</b>			
<i>Meetings between senior management and whole workforce</i>	93.8%	84.6%	82.5%
<i>Attitude or opinion surveys</i>	85.2%	84.6%	82.5%
<i>Suggestion schemes</i>	58%	53.8%	65%
<b>Information</b>			
<i>Systematic use of management chain to cascade information*</i>	98.8%	84.6%	90%
<i>Newsletters/emails</i>	98.8%	100%	100%
<i>Company intranet</i>	93.8%	100%	87.5%
<i>Meetings between line managers and employees</i>	98.8%	100%	100%

<i>Performance appraisals</i>	81.5%	92.3%	87.5%
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N=131-134; \*p < .05