Communications

Do foreign-owned U.S. firms practice unconventional labor relations?

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Foreign investment in the United States has grown at a rapid rate during recent years. In 1979, there were 437 new investments compared to 358 in 1978 and 274 in 1977.[1] This growth is due to a number of factors which include a stable political environment, a large market, technical expertise, an alternative to import duties or restrictions, favorable exchange rates, and continued governmental hospitality to foreign investors. The trend is likely to continue.

Increased foreign ownership of U.S. companies raises questions about whether such control produces labor relations practices different from those of domestically owned companies. The limited information available on how foreign-owned U.S. companies approach labor relations has been somewhat contradictory.

Allegedly, some of these companies have demonstrated "disregard for established U.S. labor practices . . ."[2] The possibility for greater resistance to unions exists, in part, because many foreign-owned U.S. companies are subsidiaries of multinational firms which possess important bargaining advantages, such as the ability to use foreign production to discourage strikes.[3] In addition, a recent study of National Labor Relations Board representation elections by the authors reported a slight tendency for foreign-owned companies to obtain greater percentages of votes than domestically owned companies.[4]

Others have found no difference in the labor-relations approaches of foreign-owned and domestically owned companies. A U.S. Department of Commerce study by Michael J. Jedel and Duane Kujawa found that nationality of ownership was generally not a factor on the issue of union recognition, although Japanese-owned U.S. companies were found to exhibit "a decided perference to remain nonunion."[5] However, they obtained data only from managements of foreign-owned U.S. companies and from their corporate headquarters, along with the opinions of a few U.S. employees. Nonetheless, it is very possible that unionization may pose no great problem for foreign-owned firms, especially those with European parent companies, because they have been dealing with unions successfully for many years.[6] To resolve the questions created by this conflicting evidence, we conducted surveys of both foreign-owned U.S. companies and U.S. unions. By comparing company responses with those provided by unions, a more complete assessment of labor relations practices was obtained. Although some issues were analyzed by asking the companies or unions about specific practices, several issues were analyzed in a comparative manner by asking the unions how foreign-owned companies compare to domestically owned companies on such matters. The data were obtained through mail questionnaires.

Survey structure

The survey examined several characteristics of foreign-owned firms which could influence their labor relations practices. The extent to which the parent company becomes involved in the management of its U.S. subsidiaries may be the basis for differing approaches to labor relations issues. Thus, the number of home country nationals assigned to managerial positions in U.S. operations may be a rough gauge of potential differences, and companies were asked to reveal their staffing patterns. Whether the multinational structure of foreign-owned firms influences their approach to U.S. unions was examined by asking about (1) duplicate production facilities overseas, (2) use of foreign production to lessen the impact of U.S. strikes, and (3) use of overseas investment threats or production facility shifts to strengthen their power vis-a-vis the U.S. unions.

Evidence of possible differences in resistance to unionization between U.S. and foreign-owned firms was also sought in questions about union experiences. In addition, union views of foreign-owned U.S. companies' bargaining approaches on fringe benefit and personnel management issues were examined. Medical care may be provided by the governments of some countries, but in the United States, medical insurance is an important fringe benefit subject to negotiation. Other bargaining issues with some U.S. standards are grievance procedures (often culminating in voluntary, private arbitration), layoff procedures, and union security agreements.

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The company sample. Major foreign-owned firms were identified in the Department of Commerce publication, *Foreign Investment in the United States, a Report to the Congress.*[7] Those firms that were at least 50 percent foreign-owned, for which addresses could be found, were sent questionnaires. In cases where the address of a holding company could not be identified, questionnaires were sent to one of its major subsidiaries. The list included 57 companies that were 90 to 100 percent foreign-owned and 18 that were 50 to 89 percent foreign-owned. Of these firms, 68 were sent questionnaires which were addressed to directors of industrial relations by name, other top executives (when the name of the industrial relations director could not be identified), and, finally, when no names could not be identified, simply to directors of industrial relations. To check on the accuracy of the source list, firms were asked to indicate whether they were at least one-half foreign owned; only these were asked to complete the questionnaire.

All of the firms sent questionnaires had 1974 sales of at least $100 million. There were 12 nationalities of parent companies, predominantly European (47). The most heavily represented nations were the United Kingdom (17), Canada (16), and Germany (9). Other home countries frequently mentioned were the Netherlands/United Kingdom (7), Switzerland (4), and Japan (3). An overwhelming majority of the firms were involved in manufacturing; predominantly in chemicals, metals, pharmaceuticals, electronics, machinery, and petroleum products.

The union sample. National and international unions were identified in the Department of Labor publication, *Register of Reporting Organizations, 1977.*[8] The elimination of unions not likely to represent employees of foreign-owned firms (such as public-employee unions) and of defunct or merged unions reduced the sample to a total of 141 unions.

The questionnaires were addressed to the highest union official whose name was identifiable. The predominant officials were directors of organizing activity or presidents. In a few cases, secretary/treasurers or vice presidents were the only officials identifiable. In cases where no official could be identified by name, the questionnaires were simply addressed to the director of organizing activity.

Most foreign-owned firms unionized

Of the 68 questionnaires sent to companies, 18 were initially returned, and 13 additional responses were returned in a follow-up survey.[9] Thus, a total of 31 questionnaires was returned for a response rate of 45.6 percent. Only two responses were from firms with less than one-half foreign ownership, leaving 29 responses for analysis.

Most of the companies (82.1 percent) have experienced NLRB representation elections, and most have a substantial number of their U.S. employees represented by unions. All but one of the respondents had some employees represented by unions, and 79.3 percent reported that at least one-fifth of their employees were unionized. For a majority of companies (55.2 percent), at least 40 percent of their employees were unionized. Most of the respondents (65.5 percent) had conducted U.S. operations for more than 20 years. Thus, the degree of unionization among most of the firms is not surprising.

On the issue of labor dispute settlement, the majority of the companies (53.6 percent) felt that their approach was middle-of-the-road, and most of the remaining firms (28.6 percent) felt that their approach was innovative. Only five companies (17.9 percent) characterized their approach to labor relations as conservative.

As shown in table 1, very few companies staff management jobs exclusively with home-country nationals, although 52.0 percent frequently use such persons as directors of U.S. operations and 50.0 percent frequently assign them in executive positions in U.S. operations headquarters. A large proportion of foreign-owned companies do not use any home-country nationals for managerial positions in their U.S. subsidiaries, although the

Table 1. Use of foreign nationals in management of foreign-owned U.S. firms

Use of home-country nationals	Never		Only during plant start-up		Frequently		Exclusively	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
As directors of U.S. operations	8	32.0	2	8.0	13	52.0	2	8.0
In executive positions in U.S. operations headquarters	10	45.5	0	0	11	50.0	1	4.5
As presidents of U.S. subsidiaries	16	66.7	1	4.2	4	16.7	3	12.5
As vice presidents of U.S. subsidiaries	17	68.0	0	0	8	32.0	0	0
In executive level positions below vice president in U.S. subsidiaries	16	64.0	1	4.0	8	32.0	0	0
In middle management positions in U.S. subsidiaries	13	65.0	2	10.0	5	25.0	0	0
In front-line supervisory positions in U.S. subsidiaries	23	92.0	1	4.0	0	0	1	4.0

NOTE: Significant differences in the distribution of responses occurred at $p < .01$ level for each question, using a two-tailed x^2 test.

frequency of utilization depends on the level of the position. There is a definite pattern not to use home-country nationals in lower managerial positions.

The number and location of a company's production facilities provide some indication of its potential bargaining power vis-a-vis unions.[10] As shown in table 2, most of the companies (72.4 percent) have facilities overseas which duplicate their U.S. facilities. All but one of these firms denied ever using multinational production to discourage strikes in their U.S. operations. However, seven firms (26.9 percent) reported that they would consider using overseas production to discourage strikes. On the issue of multinational bargaining, the vast majority (81.5 percent) reported that the unions representing their U.S. employees have not cooperated with unions in other countries to strengthen their U.S. positions. Furthermore, the majority (77.8 percent) did not expect their unions to increase multinational cooperative efforts.

Finally, all of the companies indicated that their unions had not attempted to attract more jobs to the United States by moderating wage demands. This contrasts with the United Auto Workers' 1978 bargaining strategy with Volkswagen of America that included a wage package substantially lower than the industry standard.[11] Although such a strategy apparently has not been duplicated by other unions, Volkswagen's announcement of a second U.S. assembly plant[12] may encourage both the UAW and other unions concerned with recapturing "exported" U.S. jobs to pursue the advantages of a "wage-concession" strategy.

Some unions report differences

The initial survey of 141 unions produced only 24 responses; however, the follow-up produced an additional 26 responses.[13] The success of the follow-up survey may have resulted from an enclosed letter which made a plea for union assistance and noted that the response rate from companies had been much higher. Thus, a total of 50 unions responded to the survey for a response rate of 35.5 percent. Unfortunately, only 13 unions (25.5 percent) reported that they had any experience in dealing with foreign-owned companies.

Table 2. Aspects of bargaining strategies reported by 29 foreign-owned U.S. firms

Bargaining-related issue	Firms reporting agreement		Firms reporting disagreement	
	Number	Percent	Number	Percent
Firm or parent firm has production facilities overseas which duplicate U.S. facilities	21	72.4	8	27.6
Firm has used multinational production to discourage strikes in U.S. facilities	1	3.6	27	96.4
Firm would consider using multinational production to discourage strikes in U.S. facilities	7	26.9	19	73.1
U.S. unions with which firm deals have cooperated with unions in other countries to strengthen their U.S. bargaining position	5	18.5	22	81.5
Unions are expected to increase their efforts to "internationalize" their bargaining strategy with the firm	6	22.2	21	77.8

Table 3. Number of unions ranking foreign-owned firms relative to U.S.-owned firms in terms of union representation issues

Item	Greater than U.S.-owned firms	Less than U.S.-owned firms	About the same as U.S.-owned firms
Resistance to organizing drives	[1]5	1	6
Frequency of filing unfair labor practice charges during organizational campaigns	2	1	8
Success rate of unions in winning NLRB representation elections	0	3	9

[1] The total membership of the identifiable unions reporting greater resistance is more than 2,800,000.

Although the number of responses from unions with foreign-owned company experience was limited, the responding unions represent a substantial number of union members. The identifiable responding unions with such experience have a combined total membership of more than 5,600,000; 6 unions have individual memberships of more than 400,000.[14] Thus, although a limited number of responses was obtained for analysis, these unions represent a substantial proportion of all unionized workers. Table 3 presents data on union perceptions of foreign-owned company approaches to union representation.

Although it is difficult to generalize from these results, most unions apparently view foreign-owned companies the same as domestically owned companies in labor relations matters. In organizing drives, unfair labor practices, and election win ratios, at least 50 percent of the unions found no difference between foreign-owned and U.S.-owned companies. A slight tendency for foreign-owned companies to be more difficult to organize could be reflected by the five unions that reported greater resistance by these companies.[15] A recent study of NLRB elections by the authors provides support for such a tendency. Furthermore, indirect support for such an implication may be provided by the manner in which unions classified the bargaining approaches of foreign-owned companies. Most of the unions (66.7 percent) described the companies' approaches as conservative which could imply some resistance to unionization. The remaining unions classified the companies' aproaches as middle-of-the-road, and none of the unions classified such approaches as innovative. As noted, 28.6 percent of the companies felt that their approach was

Table 4. Number of unions reporting on use of multinational bargaining tactics by foreign-owned U.S. firms

Tactic	Firms frequently use tactic	Firms seldom use tactic	Firms never use tactic
Use of foreign production to undercut U.S. union's bargaining position			
Threatened use	0	1	7
Actually used	0	2	4
Use of foreign production to undercut U.S. union's position during a strike			
Threatened use	1	1	5
Actually used	1	1	4
Movement of U.S. production facilities abroad or new investments abroad to strengthen U.S. bargaining position			
Threatened to move, invest abroad	0	2	6
Actually moved, invested abroad	0	2	5

Table 5. Number of unions ranking foreign-owned firms relative to U.S.-owned firms in terms of negotiation and administration

Item	Greater than U.S.-owned firms	Less than U.S.-owned firms	About the same as U.S.-owned firms
Frequency of reported grievances	2	1	8
Willingness to settle grievances prior to arbitration	1	3	7
Authority to settle important grievances locally	3	5	3
Frequency of firm winning in arbitration	0	1	6
Difficulty encountered in negotiating a first collective bargaining agreement	4	1	7
Amount of local autonomy in negotiating agreements	2	4	6
Severity of strike tactics (lockouts, antiunion publicity, and so on)	3	0	7

innovative. Unfortunately, it is not known whether the unions' and the companies' definitions of "conservative" and "innovative" are similar or whether most domestically owned firms would have been described as "conservative."

A final indication of differences between U.S. and foreign-owned companies in their approach to union organizing is provided by the open-ended comment portion of the questionnaires. Two large unions had very strong opinions that foreign-owned companies were more difficult to organize. However, two other unions commented that they noted no difference, and a fifth noted, on the basis of hearsay, that there might be a slight pro-union tendency on the part of foreign-owned companies from Western Europe.

The data in table 4 report the tactics which unions encounter when dealing with foreign-owned companies. According to most unions, foreign-owned companies do not use overseas production to bolster their bargaining positions or to soften the impact of U.S. strikes. Nonetheless, at least one union reported companies using each of the tactics on an infrequent basis.

The data in table 5 indicate that on the issues of grievance frequency, arbitration success, and severity of strike tactics at least 70 percent of the unions have not encountered different behavior on the part of foreign-owned companies. Thus, foreign-owned companies apparently do not differ much from domestically owned companies on such issues. However, grievance settlement prior to arbitration, authority to settle grievances locally, amount of local autonomy in negotiations, and difficulty in negotiating the first agreement appeared to be less consistent among foreign-owned firms relative to domestic company practices. Five unions reported that foreign-owned companies have less local authority to settle grievances, and four reported that such firms have less freedom in contract negotiations. But, in each case, a majority of the unions reported that foreign firms have as much or more authority than domestically owned firms. Some foreign-owned firms appear more difficult to deal with in the first contract negotiation.

On most bargaining issues (equal employment opportunity, layoffs, layoff allowances, medical benefits, other fringe benefits, support for incomes policies, and linking compensation to productivity), at least two-thirds of the unions indicated that foreign-owned companies do not differ in their approach from domestically owned companies. (See table 6.) On the remaining two bargaining issues, amount of concern over safety and resistance to union security clauses, unions reported some differences from domestically owned company practices.

Table 6. Number of unions ranking foreign-owned firms relative to U.S.-owned firms in terms of their approach to selected bargaining issues

Bargaining approach	Greater than U.S.-owned firms	Less than U.S.-owned firms	About the same as U.S.-owned firms
Concern over workplace safety	2	3	7
Concern over equal employment opportunity	1	2	8
Reluctance to layoff employees	3	1	8
Willingness to provide layoff allowances, supplemental unemployment benefits, or other monetary "cushions" for layoffs	1	1	8
Resistance to union security clauses	4	0	7
Comprehensiveness of medical benefits	0	3	8
Comprehensiveness of benefits (other than medical)	0	3	8
Degree of support for income policies or voluntary wage and price guidelines	4	0	8
Inclination to link compensation to individual productivity	4	0	8

AN IMPORTANT RESULT of our survey is that many—5 of 13—responding unions found foreign-owned companies somewhat more resistant to organization than domestically owned companies. Several unions reported that foreign-owned companies provide more difficulty than domestically owned companies in first contract negotiations, perhaps reflecting the firms' caution in an unfamiliar situation. Foreign-owned companies may have less local authority than domestically owned companies, according to some unions; others reported greater plant autonomy among foreign-owned firms. Thus, other factors such as the home-country experience with unions, firm size, type of industry, age of U.S. operations, and workforce composition may influence the approach of foreign-owned firms to local decisionmaking.

Finally, the unions' responses provide some evidence that there may be a tendency for foreign-owned companies to be more resistant to union security clauses, more supportive of income policies or voluntary wage and price guidelines, and more inclined to link compensation to individual productivity than domestically owned companies.

In summary, this exploratory survey has found that foreign-owned companies do not differ from domestically owned companies in their approach to most labor relations issues. Nonetheless, there appears to be a slight tendency for some foreign-owned companies to be more difficult to organize than domestically owned companies. Likewise, foreign-owned companies tended to differ on a few bargaining issues. Thus, although the approaches of foreign-owned and domestically owned companies to labor relations are basically similar, there is evidence of some differences which merit further study. □

FOOTNOTES

[1] "Foreign Investments Hit High in '79, Group Says," *The Wall Street Journal,* Feb. 5, 1980, p. 8.

[2] *Foreign Direct Investment in the United States,* Vol 5, Appendix I, Department of Commerce, (Washington, Government Printing Office, 1976), p. i–xiv.

[3] Charles Craypo, "Collective Bargaining in the Conglomerate, Multinational Firm: Litton's Shutdown of Royal Typewriter," *Industrial and Labor Relations Review,* October 1975, pp. 3–25. Duane Kujawa, "Collective Bargaining and Labor Relations in Multinational Enterprise: A U.S. Public Policy Perspective," in Robert G. Hawkins, ed., *Research in International Business and Finance: An Annual Compilation of Research,* Vol. 1. (Greenwich, Conn., JAI Press, Inc., 1979), pp. 25–51.

[4] Charles R. Greer and John C. Shearer, "Foreign Ownership Effects on NLRB Representation Elections," *Journal of International Business Studies,* forthcoming.

[5] *Foreign Direct Investment* . . . p. I–14.

[6] "The Continental Challenge," *The Economist,* Feb. 4, 1978, p. 79.

[7] *Foreign Investment in the United States, a Report to the Congress,* Vol. A, Appendix A, Department of Commerce (Washington, Government Printing Office, 1976).

[8] *Register of Reporting Organizations, 1977,* Department of Labor, Labor-Management Services Administration (Washington, Government Printing Office, 1977).

[9] Of the initial company responses, seven were identifiable in some manner. These responding companies were obviously excluded from the follow-up survey. In the follow-up survey the companies were instructed to discard the questionnaire if they had responded to the initial survey.

[10] See, for example, John C. Shearer, "Fact and Fiction Concerning Multinational Labor Relations," *Vanderbilt Journal of Transnational Law,* Winter 1977, pp. 51–82.

[11] John R. Emshwiller, "Strike at VW Disturbs Foreign Auto Makers Weighing U.S. Plants," *The Wall Street Journal,* Oct. 13, 1978. p. 1.

[12] Robert L. Simison, "VW Tentatively Selects Detroit-Area Site for its Second U.S. Auto-Assembly Plant," *The Wall Street Journal,* Feb. 11, 1980, p. 7.

[13] Of the initial 24 responding unions, only 1 was not identifiable by a request for data or some other manner. Obviously these identifiable unions were excluded from the follow-up. In the follow-up survey, the unions were instructed to discard the questionnaire if they had responded to the initial survey.

[14] *Directory of National Unions and Employee Associations, 1975,* Bulletin 1937, Department of Labor (Washington, Government Printing Office, 1977).

[15] Of the five unions reporting "greater resistance" to unionization among foreign-owned than among domestically owned companies, four represent mainly manufacturing employees.