

# A Trade Unionist View of Multinational Corporations

Ben Sharman

**O**f books and studies on multinational corporations there is, apparently, no end in sight. Nevertheless, little attention has been given to the various factors that cause employee-corporation relations to vary from country to country.

From my trade union experiences in the USA and parts of the developing world I have learned that employee relations are heavily influenced by factors such as the strength of the trade union movement, national labor legislation, the labor market, and conditions affecting job security. Because these factors differ from place to place, it is impossible to generalize about the employee relations of any single multinational corporation; we often find multinational corporations with good employee relations in one country and poor relations in another. It is only natural that those developing countries with weak unions, antilabor legislation, and high unemployment figures are the ones that suffer the most abuses.

Multinational corporations, like other business enterprises, operate to develop profits for the benefit of their stockholders. They are not primarily interested in paying for raised living standards, improved working conditions, a cleaner environment, higher safety and health standards throughout the world, better social conditions, or support of discarded workers. Where corporate headquarters are located has little influence, since American-, Japanese-, and European-based corporations follow the same course.

Multinational corporations, recently very concerned with their image, portray themselves as a progressive force in favor of social development in the more poverty-stricken areas of the world. They often treat reports of abuses as isolated cases, but I believe that

when these cases are analyzed, they help establish a pattern that supports my position on power relationships. Some of the American-based corporations boast of the good labor relations practices and union-management relationships they have in Europe, even while they bitterly oppose trade union organizing campaigns in the U.S. and forego their ideals when operating in the developing countries. It is true that more is expected of multinational corporations than national companies, but they are in part responsible for this by promoting such expectations.

**F**rom a trade unionist's point of view the true character of multinational corporations is indicated by how they carry out their safety and health practices in the developing world. In many countries, I have learned with amazement, multinational corporations have little concern for health and human life. In some instances there has been no attempt to introduce even the most basic safety program. Considering the many years of neglect with our own safety and health programs in the United States and the strong opposition against the Occupational Safety and Health Administration, I suppose I should not have been so surprised.

One example of the lack of concern for safety and health was reported by the Federation of Korean Trade Unions in 1973, when trade union leadership was overturned because of complaints they registered about hazardous conditions on assembly lines at four American-owned electronic plants. A survey had revealed that women workers at these plants suffered visual problems as a result of prolonged use of the brightly lighted microscopes that were required to assemble minute electronic parts. When union leaders tried to discuss this issue with the four companies, the unions' leadership was replaced with more pliant spokesmen.

While I was in Korea I learned of one of the worst

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examples of employee neglect at the Hyundai Shipbuilding Yard in Ulsan, which is owned by a consortium of British, Danish, Japanese, German, and Korean interests. The shipyard has been under Korean management with top-level employees from Britain and Denmark. The company was able to wield enough influence with the Korean Government to prevent it from becoming unionized. The shipyard had hired nearly all skilled workers for welding modules, but all workers were put on a six-month training program at low wages, even though they were doing production work. Training periods were often extended, which kept wages at a low level. The company had a terrible safety record with, for 1973, an official figure of twenty-three deaths and an unofficial figure much higher. There were no ambulances at the yard, and a dispensary was shared with the Ford employees at the nearby Ford plant.

The company had recently introduced a contacting arrangement whereby a team leader at the foreman level would be paid to get a job done and would be responsible for paying the workers under him. This system eliminated any fringe benefits and did away with uniform wage rates. Layoffs were pending, and under this system there was no job security and no entitlement to benefits. Company housing had not been provided, as promised, and workers were living in dilapidated shacks. As a consequence of these conditions there was a riot, termed the worst civil disturbance in a decade. Over 3,000 workers and 1,200 police were involved. Sixty-eight workers were arrested and eighty persons injured. Machinery and cars, as well as office machinery, were destroyed.

Similar events occurred in 1972, when the overly aggressive business operations of some of the Japanese corporations touched off waves of demonstrations and a boycott of Japanese goods in Thailand and, later, in Indonesia. In these countries, especially in Korea, some of the Japanese industries were paying even lower wages than the subsistence wages paid by local enterprises. The Japanese Government became very concerned with the activities of Japanese-based multinational corporations and implemented a program in cooperation with Japanese trade unions and management to discuss ways of alleviating problems. Since then employee relations in Japanese-based multinational corporations have improved considerably.

These examples illustrate that there are limits to exploitation by multinational corporations and that workers in all areas of the world are no longer willing to be treated as coolie labor. In the case of the Ulsan shipyard the riots forced the company to correct its policies and to be more concerned with employee relations. The government has wisely allowed the Korean Metalworkers' Federation to conduct an organizing campaign, and most of the workers' demands have been met. As a result of these events, other multinational corporations have become concerned and have taken steps to improve employee relations in Korea.

Because of worker discontent, the Korean Government has encouraged trade union activity, especially in the electrical-electronic field.

Soon after the Ulsan incident Fairchild Industries planned extensive layoffs in Korea, which also created a great deal of uneasiness among the workers. The company had laid off 700 workers a short time before and had announced another 2,000 layoffs out of a 6,000 work force. Most of the workers were young women coming from rural backgrounds, who would find it practically impossible to get other work or go back to rural living. The workers threatened violence if layoffs, which they considered ran counter to promises that had been made, took place. As a result of the civil disturbance in Ulsan, the company worked out a satisfactory compromise that encourages people to leave by offering three months pay as an incentive for workers willing to leave voluntarily.

These examples prove that the multinational corporations do act according to power structures, and if pressures change, they can readily adapt. One of the problems in many developing countries is that anti-union legislation has been used to eliminate power from trade unions, and this, in turn, has resulted in poor employee relations.

One of the biggest concerns of workers employed by a multinational corporation in areas of high unemployment is that if too many improvements are demanded, the company will move to another country. Threats to move operations are often used during the collective bargaining process, and this creates insecurity among the workers and animosity toward the company. These threats are common in both the developed and developing countries, but are more likely to be directed toward governments in the developing world. In discussions with the Electrical Workers' Union in Malaysia I learned that the government had banned union organizing in the electronic industry in the Penang area. It was suspected that multinational corporations threatened to move operations if unions were allowed to operate. The government had sent a letter to the union, with a copy going to plants in the industry, requesting the union not to take in, or attempt to take in, as members employees in electronic factories in Pulau Pinang. Copies of the letter were posted in most of the plants. The union called a meeting in spite of protests from the government, and over 1,000 of the 15,000 workers employed in the industry in the area attended. After the meeting had taken place, wages in the electronic industry were raised from U.S. \$.85 to \$1.25 a day.

Although most of my experience has been in Asia, reports of similar incidents have come from other parts of the developing world. Reports from the International Metalworkers' Federation have stated that in Colombia both Siemens (based in Germany) and Olivetti (based in Italy) have been accused of firing

workers for trade union activities. This kind of suppression directly affects employee relations.

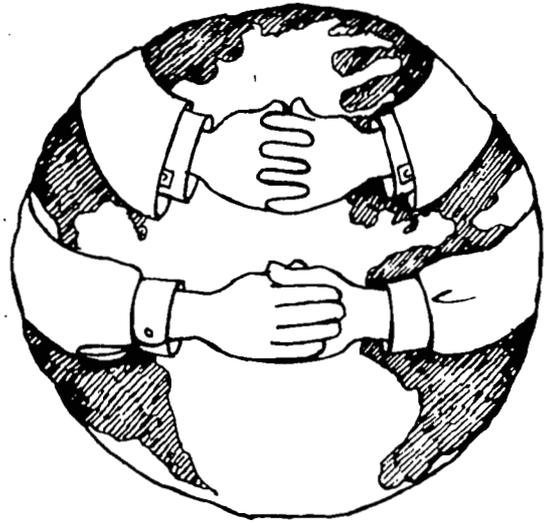
I visited Africa last year, and was most interested in the Firestone Company's activities in Liberia. I was told by Liberian trade union officials that they are still not allowed to organize Firestone workers, although they do have their own company unions. Any attempt to organize workers by the trade union central organization has ended in arrests and jail sentences. Wages at the time of my visit were U.S. \$.12 an hour for laborers and U.S. \$.15 an hour for skilled workers. I was informed that the workers on the rubber plantations live in shacks provided by the company, but they have no toilet facilities. In fact, it was reported that these unhealthy conditions had not changed in the last thirty or forty years, and the subsistence wage, as in most of the developing countries, is further eroded by inflation and the ever increasing cost of food.

Similar conditions prevailed in a German-owned rubber company in Liberia. It would seem that if multinational corporations are really concerned with improving conditions in the developing countries, they could often do much with little effort or expense. The fact that the Firestone Company has been in operation in Liberia for many years without making such efforts supports the thesis that profit-making is the only concern in this area of the world. When conditions of work are this poor, all discussions about employee relations become meaningless. The power relationship is in complete favor of the multinational corporation when there are no legitimate unions, no government support, and no alternate possibilities of work for the poor, exploited worker.

Employee relations with multinational corporations operating in the United States and Canada vary little. This is probably because in most cases companies are dealing with the same unions. Labor legislation in both countries is similar, and the labor market is about the same. The only outstanding differences occur in the Southern states, where trade union membership is low and Right-to-Work laws are in effect. It is interesting to note that this area of the United States seems to be more attractive to the foreign-based multinationals. Many of them have good records of employee relations in their base countries, but have bitterly opposed trade union attempts to organize their plants in the South.

The operations of one foreign-based company operating in the U.S. reveal some typical problems. In Dallas, Texas, where my own union, the IAM, has been involved in an organizing campaign, Mitsubishi has carried out a vicious antiunion campaign. A worker was fired for union activities, and others have been suspended or harassed. But in spite of a National Labor Relations Board ruling that they reemploy the worker and that a notice be posted ordering them to refrain from further antiunion practices, they refused

and decided to take the case through the courts. Subsequently, the Japanese manager sent out letters to all employees condemning the union and casting doubts on the integrity of the IAM. In discussing this with my Japanese trade union friends employed by Mitsubishi, I learned that in Japan the company is fully organized and no one has been fired for union activities. This is not a case of a multinational corporation exporting bad industrial relations practices to the United States.



Janice Stapleton

In contrast to the Mitsubishi case, where the IAM has experienced strong antiunion bias, the United Auto Workers of America have reported an excellent relationship with the Hitachi Magnetics Corporation in Edmore, Massachusetts, at a plant organized by the UAW while owned by the General Electric Corporation. The Edmore factory, which was once totally owned by the General Electric Corporation, has, since March, 1973, been 80.5 per cent owned by Hitachi. Since the Hitachi take-over there have been efforts by the Japanese management to improve relations. Flower beds have been planted at the factory entrance, bus trips to professional sports events in Detroit have been sponsored by the company, ventilation in the plant has been improved, and the medical office at the plant has been modernized. There are 75 per cent fewer grievances filed, with two-thirds being settled in the first or second step of the grievance procedure. Contract negotiations have won a union shop agreement that G.E. had adamantly denied. A Japanese national is in charge of industrial relations practices. Workers at the plant are overwhelmed with the improvements that have been made since the Hitachi take-over from G.E. Most of the change in attitude, of course, has been due to different industrial relations policies set by Hitachi and G.E. However, the differences between Hitachi in

Edmore and Mitsubishi in Texas are worthy of study.

In the two examples there are important differences determined by power relationships. First, the Hitachi plant was already unionized, in a well-organized state, whereas the Mitsubishi plant was located in a Right-to-Work state and was not organized. The Japanese management was handling its own industrial relations at the Hitachi plant, whereas in the Mitsubishi case an outside lawyer-consultant was very much involved, although the Japanese management denied he was responsible for actually making decisions. The difference in attitudes could well reflect the profit-making goal in each company, without direct concern for employee relations. In the Mitsubishi case the company has probably been convinced it can operate cheaper without a union, and, therefore, all efforts are being made to keep a union out. In the Hitachi case, with a strong union already in existence, it was clearly profitable to follow good employee relations practices to get the most production from the work force.

Another problem affecting employee relations in the United States is that consultants or technicians are often used to implement or advise on industrial relations practices for foreign-based multinational corporations. In the Mitsubishi case the company had hired an antilabor lawyer-consultant, and, as in many other cases, this resulted in a poor management-employee relationship. Lawyers are not needed during times of industrial peace; therefore, it is in their best interests not to settle disputes by compromise, but to take matters through the courts whenever possible. The IAM has had considerable experience in negotiating agreements with foreign airlines, and finds it much more difficult to negotiate agreements when lawyer-consultants are involved, with a greater likelihood that strikes will occur. It should be obvious to management that lawyers used in the collective bargaining process automatically create distrust. An experienced industrial relations person dealing directly with a trade union committee is much more likely to reach an agreement that both sides can abide by.

Different basic company philosophies have a big impact on employee relations in the United States. Some, for example, in order to keep unions out, give slightly higher worker benefits than those negotiated by trade unions; others bitterly oppose any attempts of trade union organizing; and still others believe that the best results can be made by dealing and cooperating with a trade union. The main goal of improving the profit of a corporation does not vary, however, only the ideas of how this can be best achieved.

**J**ob security is an important factor in employee relations and is another element of power used in favor of the multinational corporations. The fact is that often a multinational corporation can, without major economic effect on its overall operations, move production facilities to another country

or close a plant indefinitely during periods of labor unrest. Threats to move operations or close completely are a common occurrence, but even if these are not used, the awareness that this could happen has a demoralizing effect on the work force.

One of the outstanding examples occurred when Hope Computer was established in Hadsund, Denmark, in 1972, with the assistance of a state subsidy. All of the employees at Hope Computer were organized, but the employer did not belong to the Employers Confederation and refused to negotiate an agreement. When approached by union representatives, management threatened to transfer operations to another EEC country, arguing that it desired to be a free employer. Trade union leaders decided to boycott the Hope Computer company as of January 2, 1973, the day after Denmark's entry into the Common Market. In retaliation the company hired unorganized workers, and the union then placed pickets outside the plant. One week later, approximately 300 workers took part in a demonstration outside the plant, and a television news team came to the scene. At that time, seven unorganized workers, fifteen management employees, and seven foreigners participating in an electronic data course were in the building. The demonstration lasted through the night, and the director called the police several times, claiming that the people in the plant were afraid to leave the building. The police refused to intervene, as they did not want to become involved in a labor dispute. At 5 A.M. the following morning the mayor of Hadsund and a legal advisor convinced the director to sign an agreement with the union, and the demonstration ended. After a six-minute TV film had been broadcast, the public prosecutor accused two persons of having taken a threatening attitude, and five trade union leaders were accused of having failed to bring the demonstration to an end. In the Lower Court one of the trade unionists was found guilty and fined, and the union then appealed against this judgment to the High Court. On the day the case came before the High Court about 20,000 workers demonstrated for their right to boycott and to support trade union freedom. Demonstrators came from all parts of the country. Later the High Court found all of the accused not guilty, which has been taken as an indication that in the future demonstrations will be considered as part of the free right of action in fighting against employers who refuse to enter into agreements with workers in Denmark.

This case illustrates several important factors that are also apparent in the Korean shipyard case. Multinational corporations based in countries other than the USA behave in much the same manner. And workers, if they are pushed far enough, will react to abuses without regard for the consequences. These must be factors multinational corporations have to consider when comparing the cost of having good employee relations versus the harm done to sales through unfavorable public opinion and boycotts. In the Hope

Computer case people throughout Denmark were aware of the dispute, and thus the bad publicity for the company has to be considered as a cost item. When a company acts in this manner, in a country such as Denmark, with a strong trade union movement, it is easy to imagine the abuses that could be carried out in developing countries where workers are suppressed and labor legislation enforced. In the Hope Computer case the entire trade union movement in Denmark became involved, and I am certain that other multinational corporations in Denmark are now aware of the consequences if similar attempts were to be made. By acting in a forceful manner the Danish Trade Union Movement used its power, plus the power given by favorable labor legislation, to make foreign-based companies respect employee rights. By eliminating the problem, the union was actively responsible for an improvement in employee relationships in Denmark. In an area of the world where weak unions exist the Hope Computer Company would undoubtedly have been allowed to operate without an agreement, and this example would have encouraged others to follow the same antiunion practices.

In those areas of Europe where trade unions are strong, employee relations, which were often strained in the early stages, have generally improved after a period of change and adaptation. There is a tendency to try to introduce home country industrial practices at first and to treat employee relations without recognition of different backgrounds, legislation, trade union practices and priorities. Attempts to introduce policies that would take away the power of shop stewards under the British or Australian systems have generally met with serious consequences, for example, and some practices that have been introduced from other countries have been met with suspicion and distrust.

Layoffs are treated much more seriously in other parts of the world. In 1973, for example, the International Harvester Company operating in Britain had been severely criticized for laying off 230 of its 4,200 employees, due to a slowdown created by the oil shortage. The subsequent severe deterioration in labor-management relations was attributed to this action, as the trade union representing the workers thought it showed a complete lack of management's concern for the welfare of its employees. At the same time, much larger layoffs were taking place in the United States with little comment. In Japan layoffs are treated even more seriously than in Britain.

If multinational corporations are concerned with social advancement, they often fail to prove this by their actions. In South Africa, for instance, although apartheid legislation does not prohibit trade union rights for black workers, they are employed at considerably lower wages and with fewer fringe benefits than white workers. In this instance, by recognizing black unions, paying equal wages, and providing uniform working conditions, multinational corporations could prove

nondiscrimination and an honest desire for improved employee relations. Black workers can never be expected to be satisfied with the situation as long as a double standard of employee relations exists.

The multinational corporations based in Europe and in the United States have expressed concern for raising living standards in the developing world. If they are genuinely concerned, they should voluntarily adapt in other countries minimum standards analogous to those in the United States and in Europe, such as minimum wages, freedom of association, safety and health regulations, and improved working conditions. With this kind of effort employee relations would automatically improve, and the multinational corporations would be able to command a new respect both at home and abroad.

When considering employee relations in multinational corporations, the power relationship between trade unions and corporations is often not given proper consideration, and industrial relations practices are often treated as management prerogatives, with management providing the only input when things are working well. I have tried to show there are many factors that affect employee relations, and because these factors vary in different parts of the world, multinational corporations seldom have a uniform policy.

It has been claimed by some that multinational corporations are really no different than national companies, but when considering the power relationship between trade unions and management, they do have some important advantages. First, they often have mobility in moving plants or production from one country to another without serious economic considerations. This is always a threat, announced or not, and has an impact on collective bargaining relationships and creates job insecurity among the workers. In turn, job insecurity is an important factor in undermining employee relations. The power structure is also affected by the degree of unemployment in a country. Certainly attracting a company to a high unemployment area is often the goal of some governments. But multinational corporations have far less concern for employee relations under these circumstances. Labor shortages tend to force corporations to express more concern for their employees, especially if there is strong competition for qualified people in the area.

The basis for improving the employee relations in the multinational corporations must be the development of a strong trade union movement with coordination at the international level through all parts of the world. In order to accomplish this, there must be international guidelines for national legislation, especially applicable to the developing countries, and a pattern of social conditions that must be enforced through the international trade union movement.