

Job insecurity in times of relocation and crisis: workers in multinational enterprises and domestic firms compared



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- **Since 1970s increasing relocation options for MNEs:**
 - fragmentation of production, vertical specialization, development of Global Value Chains
 - integration CIS countries, China, India in capitalist system → 'doubling of global workforce'
 - domination of finance, shareholder capital → speed up shifts in firm strategies, rapid relocation
- **Effects of crisis on FDI and MNEs:**
 - 2008-2009: massive decline in FDI inflows worldwide, even stronger into EU27
 - yet decline of sales MNEs < decline world economic activity → in 2010 MNE affiliates' sales make up record 11% of world GDP
 - quick restoration of profits: in 2010 profits MNEs from FDI av. > 7%
 - recovery mainly below top-20 per industry, in ranks 21-50
 - in 2009 loss of 1.3 million jobs in foreign-owned MNEs in EU27

Impact of FDI in Europe: employment



- **Employed in foreign-owned MNEs in EU:**
 - Overall in EU26 (no data GR): in 2008 13.7%
 - Our research concentrated on 5 industries: metal & electronics (HU 60%, CZ 51%, PL, UK 36%); retail (CZ 28%, HU 22%, UK 19%); finance (CZ 93%, PL 68%, BE 60%); ICT (CZ 34%, SW 32%, UK 31%); transport & telecom (BE and NL 24%, SW 23%)
 - In 2003-08 growing FDI penetration in EU, notably in CZ, FI, NL, ES, UK; reversed in 2009 but largely continued in 2010
- **Growing threats of relocation and plant closures in EU:**
 - 1997: landmark was closure of Renault-Vilvoorde: “storm of protest”
 - In 2000s “exit threats” pervasive *and* effective in M & E → pressure on unions and WC’s, concession bargaining: documented for GE
 - Many cases of relocations and plant closures, also prominent MNEs violate responsibilities for workers, local communities, repayment of investment subsidies: f.e. Nokia in Bochum (GE) and Cluj (RO)

- **Research on ‘offshorability’ of (high-skilled) activities:**
 - US: Jensen & Kletzer 2008; Blinder & Krueger 2009
 - Germany: Schrader & Laaser 2009
- **Research on job (in)security:**
 - UK, 1991-1999: Scheve & Slaughter 2004: higher inward FDI exposure (by industry) correlates positively with perception of job insecurity
 - GE, 1995-2004: Frijters & Geishecker 2008, related to offshoring: from 2001 on decreasing share respondents *not* concerned on job security
 - 10 EU countries, 2006-08: Milberg & Winkler 2011, related to offshoring: less positive effects of offshoring on labour share in GDP correlates with somewhat lower perception of job security; yet for notably higher skilled vulnerability does not translate directly into insecurity

- **Data derived from continuous worldwide *WageIndicator* (WI) web-survey:**
 - WIBAR2 project: research comparing wages, job quality, IR in MNEs and domestic firms (non-MNEs), 2006-2011, 13 countries, 5 industries
-> Palgrave book forthcoming (Van Klaveren, Tijdens, Gregory, 2013)
 - Here focus on job (in)security, 8 countries sufficient data: BE, CZ, FI, GE, NL, SP, SW, UK, thus $8*5=40$ cells; total N = 50,501
 - WI question: respondent's satisfaction with his/her job security, score on 5-point scale: 1= not satisfied, 5=satisfied
- **Basic outcomes on job security:**
 - In 24 of 40 cells av. scores higher in MNEs, 14 non-MNEs, 2 on a par
 - Industries: metal & electronics rel. high score for MNEs (7 of 8), followed by retail (5 of 8); finance, ICT, transport & telecom about equal (4 of 8)
 - Countries: FI all 5 non-MNEs higher; BE, GE, NL, SP 4 of 5 MNEs higher



- **Assumption 1: relative wages important, MNE wage premium offsets income risks and feelings of job insecurity:**
 - Adjusted (for gender, firm size, tenure, education) MNE-non-MNE wage differences correlated with MNE-non-MNE difference in perceived job security
 - Correlations between $R=-0.18$ --- $R=0.41$ (industries), $R=-0.90$ --- $R=0.50$ (countries) → assumption 1 only weakly supported
- **Assumption 2: stronger position for workers in workplace industrial relations relates to less feelings of job insecurity:**
 - Cumulated MNE-non-MNE differences in union density, collective bargaining coverage and workplace employee representation correlated with MNE-non-MNE difference in perceived job security
 - Correlations between $R=-0.48$ --- $R=0.66$ (industries), $R=-0.67$ --- $R=0.73$ (countries) → assumption 2 only weakly supported

- **Assumption 3: the larger the differences in employment growth in favour of MNEs, the larger the differences in perceived job insecurity:**
 - Growth of FDI-related employment (versus non-FDI-related employment) correlated with MNE-non-MNE diff. in job security
 - Correlations between $R=-0.68$ --- $R=0.03$ (industries),
 $R=-0.88$ --- $R=0.93$ (countries) → assumption 3 not supported
- **Possible explanations in dominant employment model of MNEs in W-Europe, notably in metal & electronics, finance, ICT:**
 - 'Efficiency wages' (Akerlof & Yellen) may lead to 'manufacturing consent' (Burawoy): rel. high wages, better training and career opportunities compensate unpaid overtime, long hours, higher work stress levels, more frequent reorganisations and job insecurity?
 - Model less clear / not found in CZ, HU, PL, and in retail and transport & telecom → low road MNE strategies, wage pressure
 - Model sustainable in times of crisis and high unemployment rates?



Thank you for your attention



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- For more information
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