People First in Multinationals

The World of MNCs

There are something like 40,000 companies which can be described as being multinational corporations. Of these, over 90% originate from the developed industrial countries. They became transnational by one or more of the following processes:

- establishing new subsidiaries abroad;
- taking over an existing foreign company;
- going into joint venture with a foreign company;
- organising other partnership schemes such as franchising.

And why has there been this phenomenal growth in the development of MNCs? The reasons which led MNCs to expand abroad are many but include considerations such as:

- insufficient scope for further domestic expansion due to over-capacity, market saturation or political constraints;
- keen domestic competition resulting in lower returns on investment;
- opportunities provided by global institutions, such as the WTO, aimed at liberalising trading arrangements;
- taking advantage of new markets brought about by regional economic integration and opportunities provided by individual nations opening up markets for businesses to establish and provide services;
- the desire to spread risk by broadening the company's base;
- taking advantage of favourable re-location inducements and beneficial tax regimes;
- and not least, the wish to reduce costs and enhance profitability.

MNCs in the Service Sector

One of the more visible aspects of commercial internationalism is that of the "big name" supermarkets and stores which can be seen in countries throughout the world. Like the McDonalds burger, many companies are seeking to establish a global image with global products and global standards of service. But do they have global standards of labour relations and global ethical standards?

Merger activity among businesses is unprecedented. Major re-structuring has taken place in the banking and insurance sectors as institutions seek to adjust to changing market demands, reduce costs and increase market share in a fiercely competitive environment. In areas such as property maintenance and security services, new giants are forming to offer specialist services in a privatised world. Privatisation of public services is providing new international opportunities. In industry patterns are well established; in IT the market is dominated by key global players, complemented by a vast domestic market of small and medium-sized enterprises.

Multinationals expand sometimes on the basis of their existing expertise, sometimes by way of acquiring a "complementary" business or service and sometimes with a view to deliberate diversification. And running alongside is the influence of market freedom coupled with technological changes which have dramatically affected traditional professional boundaries; for example:

- the tendency for financial institutions to expand their scope to cover a wider range of services;
- the more recent development of retail companies (either directly or in partnership) to provide store-based banking and other financial services;
- the growing impact on sales of goods and services by home-workers, tele-sales staff and other "distance" workers;
- the impact (which is largely yet-to-come) upon the marketing and provision of goods and services from the development of Information Technology, Multi-Media systems and the use of the Internet;
- Indeed, concepts such as virtual reality will be commonplace in the future. Shopping for goods and services in the next century will be a total family experience with vast "cathedrals of light" containing sports and leisure activities and internet cafes, and where the new clothes or the new kitchen can be tried and tested by virtual reality techniques before the decision is made to purchase.

All of these factors will undoubtedly influence the shape and nature of MNCs as they jostle and re-align to meet the economic challenges of the new millennium.

MNCs and Investment

Multinationals are the "big players" in the global economy. Indeed some would say that collectively they are the global economic engines.

MNCs are responsible for around 70% of world trade.

They employ directly between 70-80 million workers.

MNCs have relative freedom to produce, assemble and market where they like in order to reduce costs and maximise profits.

Countries and regions (and cities within them), often saddled with aid debt and hungry for inward investment, compete with each other to attract MNCs. This can lead governments into policies of diluting labour standards and human rights and offering tax incentives and other inducements to secure foreign investment, in the hope of generating jobs and a wealth-creating economic stimulus. But all too often "success" in attracting investment on this basis can lead to:

- exploitation, particularly of the vulnerable;
- the development of export processing zones and so-called free-trade zones;
- an inappropriate pattern of domestic consumption;
- an instability caused by the erosion of traditional social and economic values;
- a widening of the gap between rich and poor;
- a growth of "grey" economic activity in the informal sector;
- a weakening of government sovereignty.

MNCs and the Global Production Chain

Faced with evidence of world-wide exploitation, inequalities and social disintegration most MNCs would be quick to deny any direct responsibility. Of course they might acknowledge when setting labour standards for staff, that they take account of local conditions. But exploitation? No, not guilty they would say. But are they not a part of the causes, if they

- close their eyes to the human costs of securing favourable investment terms;
- fail to contribute in a positive and material way to the social and economic betterment of the "host" nation;
- import "foreign" cultures and life-styles without considering the impact of their actions;
- operate with too little regard to decent conditions of employment;
- get supplies of goods and services from sub-contractors who use (or abuse) women and children working at home or in sweat-shops.

There are probably over four million people (mostly women) working in Export-Processing or (so-called) Free-Trade Zones;

- 200 million workers are employed in sub-contracting chains which have secured contracts by being the lowest bidder;
- and 240 million workers are home-based;
- there could be as many as 200 million children of school age who work for much of the day;
- an estimated 1,200 million people work in the informal sector;
- and they characteristically work outside of legal protections and below morally decent standards.

So how can all these problems be tackled?

People First in a Multinational World

Firstly, it should be said that many MNCs are not necessarily hostile to trade unions. Indeed many affiliates can point to examples where, as the company has grown, union membership and organisation has also developed on the basis of good relationships. Furthermore, the terms and conditions of staff working for MNCs (especially in the "mother" country where trade union relationships are long-standing) are often superior to those operating in SMEs.

But even in the best of relationships, MNCs will expect from unions an on-going willingness to respond to change. Also, when they invest in foreign countries they will not "export" intact their home-based labour relations system. Instead they will develop systems "appropriate" to local circumstances. And it is this latter tendency which is usually at the root of the worst examples of MNC behaviour, for economic globalisation has provided the environment for MNCs to expand and to disproportionately increase their power and influence, particularly in developing countries.

Because of the sheer pace of change and the tendency for regulation to be responsive rather than pro-active, there has not been a corresponding growth in the control over the activities of MNCs. Furthermore, as regulation is primarily the responsibility of nation states, existing and aspiring "host" nations may have an understandable reluctance to support measures which may discourage MNC investment.
So what is needed is an international response; not just by global institutions but by the trade union movement so that people are put first. Action is needed to:

- promote global standards for trade and labour relations;
- have MNCs operating under Codes of Conduct;
- promote initiatives on Ethical Investment;

And for FIET there is the special role to promote:

- global social dialogue;
- global "issue" campaigns;
- global and targeted organising campaigns.

Conclusion

Globalisation has not brought about greater economic equity. However, for MNCs it has meant unprecedented levels of growth and profit. Global institutions can play a central role in bringing about economic justice and social freedom. But if progress is to have continuity and be capable of adapting to new challenges it will need more than a periodic institutional global review to keep it on course. On-going dialogue between MNCs and free and representative unions has to be the main foundation for progress, the major means for developing a social dimension and the best hope for achieving our goal of putting people first.