I Z A Institute of Labor Economics

Initiated by Deutsche Post Foundation

DISCUSSION PAPER SERIES

IZA DP No. 16727

Corporate Globalization and Worker Representation

Uwe Jirjahn

JANUARY 2024

I Z A Institute of Labor Economics

Initiated by Deutsche Post Foundation

DISCUSSION PAPER SERIES

IZA DP No. 16727

Corporate Globalization and Worker Representation

Uwe Jirjahn
University of Trier, GLO and IZA

JANUARY 2024

ISSN: 2365-9793

IZA – Institute of Labor Economics

Schaumburg-Lippe-Straße 5–9
53113 Bonn, Germany

Phone: +49-228-3894-0
Email: publications@iza.org

www.iza.org

ABSTRACT

Corporate Globalization and Worker Representation

This chapter reviews research on the linkages between corporate globalization and worker representation. Studies have identified various transmission channels through which the activities of foreign multinational companies (MNCs) affect host-country institutions of union and non-union representation. First, countries compete for inbound foreign direct investment (FDI) and the ability to attract FDI depends among others on a country's industrial relations system. Second, once foreign MNCs have invested in a host country, they exert an influence on the country's institutions of worker representation through how their affiliates adapt to those institutions or tend to avoid them. Third, the affiliates of foreign MNCs affect the bargaining power of host-country worker organizations. Fourth, foreign affiliates have an impact on labor conflicts and the quality of industrial relations. Altogether, the available evidence provides indications that the activities of foreign MNCs can be a challenge for worker representation within host countries.

JEL Classification: F23, F66, J51, J52, J53, J83

Keywords: multinational company, foreign direct investment, union avoidance, bargaining power, labor conflict, centralized bargaining, works council

Corresponding author:
Uwe Jirjahn
Universität Trier
Lehrstuhl für Arbeitsmarktökonomik
Universitätsring 15
54286 Trier
Germany

E-mail: jirjahn@uni-trier.de

1. Introduction

The activities of MNCs play a key role in globalization. During the last decades, the stock of FDI, the share of all value creation in the world economy performed by foreign affiliates, and the share of the working age population employed by these affiliates have increased remarkably (Altman and Bastian 2022, UNCTAD 2020). In the year 2014, MNCs and their foreign affiliates produced roughly one third of global output and accounted for half of world exports (Cadestin et al. 2018). While there has been a debate over a possible shift away from corporate globalization in recent years (Witt 2019), it is clear that the activities of MNCs remain at a high level and are likely to increase in the future (Contractor 2022).

Economists explain the existence of MNCs by their superior intangible assets which are incorporated in their products and production processes (Helpman 2006, Markusen 1995). MNCs create a system of globally inter-connected firms that may be interpreted as a "global factory" (Buckley 2011). Policy makers often welcome the investments by foreign MNCs and emphasize the potential benefits these investments bring to the host country. FDI is considered as an important mechanism to fuel productivity, growth and development (Demena and van Bergeijk 2017, Saurav and Kuo 2020, Singh 2017). Not only the affiliates of a foreign MNC may benefit from the MNC's superior production and management concepts. Indigenous firms in the host country may also gain if knowledge about these concepts spills over to them (Lucas 1988). Optimistic accounts of globalization assert that workers in the host country benefit from FDI in terms of improved employment opportunities, higher wages and better working conditions (Graham 1996, Graham and Krugman 1993). However, the increasing influence of MNCs in the world economy has given rise to concerns about the threats to regulatory regimes and national institutions (Boyer and Drache 1996, Rodrik 1997, 2018, Stiglitz 2002).

This chapter reviews studies on the consequences foreign MNCs have for institutions of union and non-union worker representation.[1] The linkages between corporate globalization and worker representation are a topic that is often neglected in main stream economics. A review article by Pflüger et al. (2013) discusses the labor market consequences of FDI and international trade without paying any attention to industrial relations frameworks. However, given that worker representation plays an influential role in wages, worker well-being, employment, firm performance and innovation (Artz and Heywood 2021, Brändle 2024, Laroche 2021, Mohrenweiser 2022), it appears to be crucial to account for industrial relations when analyzing the labor market consequences of corporate globalization. Of course, economic analyses could neglect the aspect of worker representation if there were no noticeable consequences of globalization for industrial relations. Considering only a small handful of studies, Schnabel (2013) concludes that globalization has no impact on industrial relations. However, as we will see, this conclusion changes if we consider a fuller set of the available studies. While the linkages between corporate globalization and worker representation may be an under-researched topic (Collings 2008), there exists a larger number of studies which need to be taken into account when evaluating globalization.

Research on the linkages between corporate globalization and worker representation is multidisciplinary. It has been conducted by management scholars, political scientists, sociologists and (a relatively small group of) economists. The aim of this chapter is to bring together the results from the various strands of literature. The primary focus will be on the results of studies using quantitative methods. Now and then I may also mention qualitative case studies if this helps understand the underlying mechanisms or quantitative evidence is not available.[2] I will discuss the evidence on four possible transmission channels through which foreign MNCs may affect host-country institutions of union and non-union worker representation:

- First, countries compete for inbound FDI and the ability to attract FDI depends on a country's labor market characteristics and labor market institutions. Against this background, some studies have examined whether the investment decisions of foreign MNCs depend on host-country industrial relations systems. This research has been motivated by the concern that corporate globalization could entail a race to the bottom. To the extent MNCs tend to avoid institutions of strong worker representation, countries may deregulate their industrial relations systems to undercut their competitors and attract FDI.
- Second, once foreign MNCs have invested in a host country, they exert an influence on the country's labor market institutions through how they behave in the country. A series of studies have examined whether foreign affiliates tend to avoid worker representation and, hence, challenge the host country's industrial relations system from within.
- Third, foreign affiliates may not always be able to avoid worker representation, but may nonetheless influence the bargaining power of worker organizations. Thus, some studies have examined whether the activities of foreign MNCs affect unions' ability to influence workers' wages and protect workers' interests.

- Fourth, the activities of foreign MNCs may affect the quality of industrial relations in the host country. In order to obtain insights into this aspect, a final strand of research has examined the influence of FDI on labor conflicts.

In what follows, Section 2 sets the stage with some theoretical considerations on whether or not MNCs value worker representation in their foreign affiliates. Section 3 proceeds by discussing empirical evidence on the determinants of FDI. Section 4 reviews the evidence on the behavior of foreign affiliates within host countries. Section 5 discusses studies on the consequences of foreign MNCs for workers' bargaining power and the quality of industrial relations within host countries. Section 6 summarizes the basic insights.

2. Do Foreign MNCs Value Worker Representation? A Theoretical Perspective

From a theoretical viewpoint, it is an open question whether or not foreign MNCs value worker representation. On the one hand, worker representation may help foreign MNCs in adjusting to the host country. Workers in local subsidiaries face high levels of uncertainty and ambiguity as foreign MNCs bring new management practices and production concepts to their subsidiaries (Dill and Jirjahn 2016, Scheve and Slaughter 2004). Works councils participating in local firm decisions may ensure that workers' interests are taken into account. This in turn increases workers' willingness to cooperate with the changes brought by foreign MNCs. In a similar vein, a high unionization of the workforce may help protect workers' interests and, hence, increases their cooperativeness. Moreover, coverage by a collective agreement may be a commitment device to reduce uncertainty for workers as the firm is obliged to implement the working conditions specified in the collective agreement. In particular, coverage by a centralized agreement may reduce distributional conflicts at the firm level. As basic distributional conflicts are moderated by unions and employers' associations outside the firm, management and workers can build more cooperative relationships (Freeman and Lazear 1995, Hübler and Jirjahn 2003, Jirjahn 2017).

However, on the other hand, there are a series of reasons suggesting that foreign MNCs do not value worker representation in their subsidiaries and prefer to avoid it. The management practices MNCs implement in their subsidiaries follow to a greater or lesser extent unified company-wide standards (Doeringer et al. 1998, Freeman et al. 2008, Geary and Roche 2001, Walsh 2001). This involves, among others, a greater use of performance management, specific working time arrangements or the use of temporary workers (Bayo-Moriones et al. 2013, Bloom and van Reenen 2010, Edwards et al. 2016, Heywood and Jirjahn 2014, Marginson and Meardi 2009, Poutsma et al. 2006). The use of unified transnational management practices conforms to the notion that MNCs have superior intangible assets which are incorporated in their production processes (Helpman 2006, Markusen 1995). Foreign MNCs have more flexibility to implement their management practices if decisions in subsidaries can be made unilaterally by managers without involving workers and their representatives. In particular, centralized collective bargaining or extensions of collective agreements may impose restrictions as they set the same standards across firms in the host country and, hence, reduces a subsidiary's flexibility to pursue its own personnel policy.

Of course, superior firm-specific assets of MNCs do not necessarily mean that FDI is always efficient. MNCs may use their superior assets for rent-seeking activities and exploitation of market power (Bellak 2004, Caves 1971). They have evolved their own mechanisms for exercising discipline over their subsidiaries (Ferner and Edwards 1995, Greer and Hauptmeier 2016, Marginson and Meardi 2009, Marginson and Sisson 1996, Martinez Lucio and Weston 1994). Headquarters tend to use coercive comparisons of their subsidiaries in different countries to extract concessions from local workforces. For example, a foreign MNC may pressure its subsidiaries to implement shift work to increase capital utilization (Mueller and Purcell 1992). MNCs engage subsidiaries in different countries in sophisticated contests based on meeting specific targets. Only the 'winners' can anticipate future investments and continued production. Subsidiaries can meet the targets more easily if they do not face restrictions imposed by worker representation.

Moreover, foreign-owned firms tend to be more volatile than domestically owned ones (Bernard and Sjoeholm 2003, Goerg and Strobl 2003, Girma and Goerg 2004, Fabbri et al. 2003, Harris 2009, Meriküll and Rõõm 2014, Navaretti et al. 2003, Slaughter 2001, Wagner and Weche Geluebcke 2012, Wang et al. 2021). They even appear to have a stronger focus on short-term profit (Dill et al. 2016, Liljeblom and Vaihekoski 2010). The higher volatility reflects the capacity of MNCs to produce the same product in different national markets. Thus, they have the ability to respond more quickly to changing market conditions in the host country by partially or completely shifting production to facilities in other countries. A higher volatility may imply that foreign MNCs are less interested in building long-term cooperation with workers in the host country and, hence, do not value worker representation.

Finally, due to structural reasons, the efficacy of worker representation may systematically differ between domestically owned and foreign-owned firms. Institutions of worker representation may have the potential to increase trust and cooperation in domestically owned firms, but not necessarily in firms owned by foreign MNCs (Dill and Jirjahn 2017). One reason is that a high degree of information asymmetry in a foreign-owned firm makes it difficult for a local works council (or union) to play an effective information sharing role. Important decisions are made overseas by managers of the foreign parent company and not by managers of the local subsidiary. As the works council has only very limited access to the information possessed by the parent company's managers, it is less effective in reducing information asymmetries and building trust. Instead, the works council is more likely to engage in adversarial bargaining and reinforces antagonism if it has no access to relevant information and, hence, distrusts the foreign owner. Moreover, even if the works council and the managers of the local subsidiary are able to find a solution, local managers have to convince the managers of the overseas head office. If managers of the foreign head office lack sufficient information on local conditions in the subsidiary, they are less likely to agree to the solution. Or put differently, the intervention of an uninformed third party complicates negotiations between local management and works council and, hence, makes it more difficult for them to cooperate.

The question of whether or not foreign MNCs value worker representation has implications for both their investment decisions and their behavior once they have invested in a host country. If foreign MNCs value worker representation as a mechanism to build cooperation and trust with the local workforce, countries with strong worker representation will attract their investment. Moreover, the MNCs will adapt to the local industrial relations institutions once they have located their subsidiaries in host countries with strong worker representation. By contrast, if MNCs do not value worker representation, they will invest less in countries with institutions of strong worker representation. To the extent they invest in those countries, they will engage in avoidance activities and industrial relations in their subsidiaries will be characterized by increased conflict and antagonism. Of course, in the end, only empirical research can answer the question of whether or not foreign MNCs value worker representation.

3. Determinants of FDI

3.1 The Role of Unionization, Collective Bargaining and Works Councils

The determinants of FDI have received remarkable attention in numerous cross-country studies. However, most studies focus on determinants such as market size, economic growth, tax rates, exchange rates and tariffs (Nielsen et al. 2017). The studies usually pay little attention to the role of labor markets and only control for the host country's wage rate. This is problematic as findings on wage rates are very mixed ranging from higher host country wages discouraging inbound FDI to having no significant influence or even a positive association. In his survey of the literature, Chakarabarti (2001: p. 99) calls the wage rate "the most controversial of all the potential determinants of FDI." There are several possible explanations for the mixed findings. On the one hand, a country's wage rate may reflect unobserved factors such as skills of the country's workforce or infrastructure. On the other hand, wage rates may only have a weak influence on FDI. MNCs already tend to pay high wages to employees in their subsidiaries (OECD 2008). They even appear to share rents across borders (Budd and Slaughter 2004, Budd et al. 2005, Martins and Yang 2015). Thus, labor market characteristics other than the wage rate may play a more important role in the investment decisions of MNCs.

This brings us to a possible role of institutions of worker representation that goes beyond the wage level. However, the number of empirical studies examining the relationship between worker representation and FDI is relatively small. Cooke (1997) provides the seminal research. His study analyzes the determinants of U.S. outward FDI across nine industries in nineteen OECD countries. Controlling for a rich set of other influences, Cooke's cross-sectional analysis provides evidence that a country's industrial relations system affects U.S. FDI. The unionization rate of the country's workforce, pervasive extension of collective agreements, and centralized collective bargaining (multi-employer bargaining) beyond the firm level have a negative influence on investment in the country. By contrast, legislation requiring the establishment of works councils is positively associated with investment in the country. Moreover, Cooke shows that not only institutions of worker representation, but also other labor market characteristics play a role in the investment decisions of U.S. MNCs. The education level of the population is positively and strict employment protection legislation negatively associated with investment in a country.

Cooke and Noble (1998) use an expanded sample of thirty-three industrialized and developing countries. Their analysis confirms the key results of the previous study. A high unionization of a country's workforce, centralized bargaining, and strict employment protection legislation are negative determinants of U.S. FDI whereas works council legislation is a positive determinant. As a new result, Cooke and Noble find that the number of ILO conventions ratified (an indicator of equitable and reasonable workplace standards) is also positively related to FDI. Finally, they show the role of education in a more differentiated light. The education level of the population is only positively associated with FDI across high-skill countries. By contrast, it is negatively associated with FDI across low-skill countries.

Bognanno et al. (2005) use panel data to examine determinants of U.S. outward FDI across seven manufacturing industries in twenty-two countries. They present OLS, random effects and fixed effects estimations. The results differ to some degree between the estimations and a series of industrial relations variables cannot be included in the fixed effects regressions as they are time-invariant. Altogether, the findings suggest that centralized collective bargaining and restrictive employment protection legislation negatively affect U.S. FDI. Bognanno et al.'s analysis does not confirm a positive role of works council legislation and rather points to the opposite direction. Finally, their estimations do not show a significant influence of unionization. Bognanno et al. conclude that industrial relations have an influence on FDI, but that their influence is smaller than that of the host country's market size.

While the studies by Cooke (1997), Cooke and Noble (1998), and Boganno et al. (2005) examine the determinants of U.S. outward FDI, Cooke (2001a) analyzes investment in the U.S. from abroad. The U.S. is the prototype of a liberal market economy characterized by weak unionization, highly decentralized bargaining structure, and minimal government workplace restrictions. Using data from fifteen high-skill OECD countries, Cooke considers the investments the MNCs of a home country make in the U.S. vis-à-vis alternative advanced host countries. The ratio of FDI made in the U.S. relative to an alternative host country is higher if industrial relations in the alternative host country are characterized by centralized collective bargaining and a high unionization of the workforce. This pattern confirms that foreign MNCs invest a higher share of their resources in the U.S. to avoid strong unions and centralized bargaining systems. Cooke also shows that foreign MNCs tend to prefer the U.S. over countries having a combination of both works council policies and restrictive lay-off regulations. Moreover, his study finds a home country effect. Foreign MNCs invest a higher share of their resources in the U.S. if the industrial relation system in their home country is similar to the U.S. system. This indicates that familiarity with the industrial relations system of a host country also plays a role in the investment decisions of MNCs. Finally, the study shows a positive influence of the education level of the population.

Cooke (2001b) expands the analysis and examines the determinants of FDI in sixteen high-skill OECD countries. He considers the investment MNCs of an OECD country make in another OECD country vis-à-vis alternative OECD host countries. Cooke's analysis confirms that foreign MNCs tend to invest in countries with a more educated population. They tend to invest less in countries with centralized bargaining, high unionization of the workforce, and a combination of works council legislation and restrictive lay-off regulations. Moreover, his study indicates that conflictual industrial relations in a host country affect the investment decisions of MNCs. Lost days due to strikes and lockouts are negatively associated with FDI. Finally, the study confirms a positive relationship between the population's education level and FDI.

Ham and Kleiner (2007) use panel data from nineteen OECD countries. They consider FDI from one country to another country divided by the investing country's gross domestic product. Their key explanatory variable is an additive industrial relations index consisting of five subindices that capture union density, bargaining level, bargaining centralization, workers' voice in the workplace, and labor law restrictions in the host country. Random effects estimations show that this index is negatively related to FDI. However, a quadratic specification indicates some flattening out of the negative relationship at higher levels of industrial relations institutions. Ham and Kleiner also show that each of the five subindicies is negatively associated with FDI with bargaining centralization and worker voice in the workplace having the strongest impact. Moreover, the study provides evidence of a home country effect. The similarity of industrial relations systems in the investing and the host country has a positive influence on FDI. Thus, familiarity with an industrial relations system influences the investment decisions of MNCs. Finally, Ham and Kleiner confirm a positive link between the education of host country's population and FDI.

Radulescu and Robinson (2008) use panel data from nineteen OECD countries. They examine the determinants of inward FDI. The key explanatory variables are union density and an index capturing coordination in the bargaining process, both on the employers' side and between unions. Bargaining coordination can take different forms such as pattern bargaining or state-sponsored coordination, in which the state enters as an additional party in the bargaining process. Radulescu and Robinson's fixed effects estimations show that a high unionization of a country's workforce and strong bargaining coordination negatively affect inward FDI. Moreover, their estimations indicate an interaction of unionization and bargaining coordination. A higher degree of bargaining coordination weakens the deterrent influence of unionization. Finally, the study confirms a negative association between employment protection legislation and FDI.

Ford and Strange (1999) examine the determinants influencing the location of Japanese manufacturing affiliates across seven host countries in Western Europe. They use a conditional logit approach to model the location of each affiliate as a choice among the seven alternatives. Their results confirm a positive role of the level of education and show that a high unionization of the workforce in a country negatively affects the location choice.

Krzywdzinski (2014) uses panel data from the automotive and chemical industry to examine capital flows from the U.S. and Germany to European countries. His findings suggest that U.S. companies tend to avoid countries with coordinated collective bargaining while German investors are negatively affected by government interventions in collective bargaining. Moreover, restrictive layoff regulations of a country have a negative influence on investment flows.

Altogether, the studies on the determinants of FDI can be summarized as follows.[3] Even though the findings on the role of works councils are somewhat mixed, the available evidence all in all suggests that workers' voice in the workplace negatively affects the decision of foreign MNCs to invest in a country. This appears to be particularly the case if works council legislation is coupled with strong employment protection. The studies show a clear picture with respect to collective bargaining. Other thing equal, countries with centralized or coordinated collective bargaining attract less FDI. In a similar vein, a high unionization of a country's workforce appears to be a negative determinant. Finally, there is also evidence that conflictual industrial relations within a country negatively influence FDI.

3.2 A Race to the Bottom?

The available evidence discussed above provides some support for the view that corporate globalization has the potential to entail a race to the bottom. Countries may weaken worker representation and deregulate their collective bargaining systems in order undercut their competitors and to attract FDI (Marginson and Meardi 2009). In a similar vein, MNCs may extract concessions from national unions and reduce their bargaining power by pitting them against each other across borders (Cooke 2005). Thus, in the end, corporate globalization can result in a prisoner's dilemma among countries.

Ireland – one of the world's most MNC-dependent economies – is an example. Public policy decisions in the country tend to be disproportionately influenced by considerations how to attract FDI (Gunnigle et al. 2009). Traditionally, Ireland's industrial promotion agencies encouraged inward investing MNCs to conclude agreements for recognizing unions prior to startup. The agencies shifted their stance on union recognition in the 1980s. State agencies began to portray Ireland as an open location with a young and flexible workforce. Union recognition was no longer encouraged. The need to attract foreign MNCs also influenced the political discourse on social partnership and institutional change (Gunnigle et al. 2006). The idea of mandating German style works councils in Ireland was quickly dismissed due to the potential negative impact on FDI.

A race to the bottom calls for international solutions. The implementation of European works councils is a first step to provide some basic employee representation in MNCs (Marginson et al. 2013). Moreover, the 2002 European Information and Consultation Directive grants employees in the member states of the EU some minimum information and consultation rights (Burdin and Perotin 2019). There are also attempts of cross-border cooperation among unions (Fetzer 2012, Ford and Gillan 2022, Marginson 2016). Some national and/or international trade union organizations negotiate with MNCs framework agreements that affirm core labor standards across the worldwide operations of an MNC and sometimes even determine the principles for wage-setting and working conditions (Helfen et al. 2016, Hennebert et al. 2023). Of course, all these measures may be viewed as establishing relatively weak minimum standards of worker representation.

Thus, it may be questioned whether they provide sufficient solutions to overcome a potential race to the bottom. Nonetheless they may be seen as important initial steps to tackle the issue.

On a broader scale, one may ask if corporate globalization itself could involve mechanisms and forces that counteract the race to the bottom and at least partially mitigate the problem. The findings by Cooke (2001a) and Ham and Kleiner (2007) suggest that familiarity with the industrial relations system of a host country plays a role in the investment decisions of MNCs. This can to some degree induce a self-sorting process. MNCs from countries with weak worker representation tend to invest in host countries with weak worker representation while MNCs from countries with stronger worker representation tend to invest in host countries with similar institutions of worker representation. Such self-sorting might partially offset the forces leading to a race to the bottom.

Moreover, is has to be taken into account that even MNCs from the same home country are heterogeneous. Depending on their strategy and technology, some MNCs may prefer to avoid the restrictions imposed by worker representation while other may value the increased cooperativeness of workers that is associated with worker representation. A study by Pull (2008) conforms to this notion. Comparing location decisions of U.S. MNCs in Britain and Germany, she finds that those MNCs with higher technological uncertainty and higher R&D intensity – both requiring workers' willingness to cooperate with change – in their subsidiaries are more likely to choose Germany as a business location. Furthermore, Olney (2013) suggests that it makes a differences whether an MNC undertakes a vertical or horizontal investment in a host country. Labor market institutions might play a lesser role for horizontal investments that primarily aim at accessing new markets than for vertical investments that primarily aim at taking advantage of low factor prices.

3.3 Developing Countries

A further question is whether countries all around the world or rather specific types of countries are affected by a possible race to the bottom. The studies discussed so far usually have their primary focus on developed countries. Evidence from developing countries is more mixed. Some studies have examined the role of de facto collective labor rights (the rights of workers to organize, bargain collectively and strike). Duanmu (2014) examines whether collective labor rights influence the location choices of BRIC (Brazil, Russia, India and China) MNCs. These MNCs are less likely to invest in developed countries with strong collective labor rights while collective labor rights do not influence investment in developing countries. Thus, Duanmu's study provides evidence of a race to the bottom among developed countries, but not among developing countries. Examining bilateral FDI flows to eighty-two countries, Busse et al. (2011) even find that foreign MNCs invest more in developing countries with stronger collective labor rights.

However, using data from more than thirty developing countries, Blanton and Blanton (2012) show that the relationship between FDI and collective labor rights depends on the industry. Collective labor rights have a negative influence on the inflow of FDI in the service sector, a positive one in the manufacturing sector, and no influence in the primary sector. Combined estimations for all sectors show that the negative influence of collective labor rights on FDI dominates.

The studies by Blanton and Blanton (2012), Busse et al. (2011) and Duanmu (2014) only consider de facto collective labor rights within a country in the aggregate, but do not take into account that firms within the country may differ in their exposure to labor market regulations. Findings by Florokowski (2023a, 2023b) make clear that differences between firms in their exposure to labor market regulations indeed play a role. It is not only important to distinguish between de jure enactment and de facto exposure to labor market regulations, but also to consider the type of firms that specifically benefit from a lessened enforcement of regulations. Florokowski's findings suggest that developing countries are less likely to enforce labor rights among foreign-owned than among domestically owned firms. This indicates that a race to the bottom can also exists among emerging and developing countries, but may occur in a more subtle way. Countries may keep face outwardly with a protective legislation, but compete for FDI by lowering their commitment to actually enforce it among affiliates of foreign MNCs.

Using panel data from fifteen developing countries, a study by Negi and Bardhan (2017) also supports the view that a race to the bottom plays a role among developing economies. Negi and Bardhan do not use collective labor rights as an indicator of industrial relations, but instead consider an (inverse) index of the restrictions centralized collective bargaining imposes on employers' flexibility. Their estimates show that centralized collective bargaining has a strong negative influence on the inflow of FDI.

4. Avoidance Behavior of Foreign MNCs within Countries

The activities of MNCs exert an influence on national industrial relations systems not only by inducing a possible race to the bottom among countries. Once MNCs have invested in a country, they also have an impact through how they behave in the country. If MNCs do not adapt to the industrial relations system of the host country and tend to avoid worker representation, they may challenge the country's industrial relations system from within.

4.1 United States

Some studies have examined this issue for the United States. As discussed, the findings by Cooke (2001a) suggest that foreign MNCs tend to prefer the U.S. over host countries with a high unionization of the workforce. This gives rise to the question of whether MNCs also tend to avoid regions with high unionization rates once they have decided to invest in the United States. The available evidence on this question is mixed. While Woodward (1992) and Shaver (1998) show that the regional unionization rate negatively affects the location decisions of foreign MNCs, Kandogan (2012) obtains no significant influence. Coughlin et al. (1991) and Friedman et al. (1992) even find a positive association. One explanation for the mixed findings might be that regional unionization rates do not play an important role in the location choices of foreign MNCs within the country as unions in the U.S. are weak and collective bargaining is highly fragmented.

Of course, even if a foreign MNC chooses a region with a high unionization rate, this does not necessarily imply that its subsidiary will be unionized. Managers may engage in activities to avoid a unionization of the subsidiary. The typical unionization process in the U.S. is a three-stage process. In the first stage, the union makes an attempt to persuade the workers of a firm to support its organizing drive. If the union is successful, it petitions the National Labor Relations Board (NLRB), a federal government agency, to conduct a representation election. In stage 2, the election campaign leading up to the election takes place. In stage 3, if the union wins the election, collective bargaining takes place. In each stage, management may engage in various avoidance activities such as aggressive workplace pressure campaigns or even illegal firings (Cooke 1985a, Cooke 1985b, Hatton 2014, Schmitt and Zipperer 2009). The U.S. even have a union avoidance industry; i.e., specialized law and consultancy firms dedicated to defeating union organizing campaigns and keeping their clients – including many MNCs – union free (Logan 2006).

Greer and Shearer (1981) provide evidence that foreign ownership of firms indeed lowers the chance of union success in NLRB representation elections. Sanyal and Neves (1992) find that even if unions are successful in representation elections, they are less able to obtain a collective bargaining agreement in foreign-owned than in domestically owned firms. Brady and Wallace (2000) use regional data to show that higher FDI negatively influences union membership within states. Moreover, states with higher FDI have a lower share of successful petitions to hold a union representation election sponsored by the NLRB and a lower union election win rate. Compa (2014) provides corroborating case study evidence showing that European MNCs engage in aggressive union avoidance activities in the U.S. even though they have publicly declared support for global norms on workers' freedom of association. Thus, altogether, the available studies indicate that foreign MNCs, on average, tend to take an even stronger anti-union stance than indigenous firms in a country where a union-free management philosophy is wide spread among employers.

4.2 Ireland

A series of studies have examined the avoidance behavior of foreign MNCs for other countries. Gunnigle et al. (2006) and Collings et al. (2008) provide case study evidence from Ireland showing that affiliates of U.S. MNCs have a preference to operate on a non-union basis. There appears to be an increased tendency among foreign MNCs to avoid unions in Ireland since the 1980s when state agencies no longer encouraged foreign MNCs to recognize unions.

Lavelle (2008) shows descriptive evidence on the share of Irish MNCs and the share of foreign MNCs recognizing unions for the purpose of collective bargaining in Ireland. While the share of British MNCs recognizing unions is similar to the share of Irish MNCs, MNCs from other countries and particularly from the U.S. are less likely to recognize unions. Thus, case study and descriptive evidence indicates a propensity of union avoidance among foreign MNCs in Ireland.

Gunnigle et al. (2009) examine the role of double breasting which can be seen as a specific avoidance strategy. Double breasting refers to a practice whereby a multi-establishment firm simultaneously operates both unionized and non-unionized establishments. While the firm may be not able to avoid unions in all sites, it successfully avoids unions at least in some sites. The authors show that an increasing number of unionized foreign MNCs engage in double breasting. In order to attract continued investment from their headquarters overseas, local managers face pressure to avoid union recognition in new "greenfield site" facilities.

4.3 Britain

Several econometric studies have examined the consequences of foreign ownership for worker representation in Britain. With the exception of a study by Croucher and Rizov (2012), these studies show a negative influence on unionization and collective bargaining coverage. Estimates by Machin (2000) suggest that foreign-owned workplaces are less likely than domestically owned ones to recognize unions for collective bargaining purposes. Moreover, workers in foreign-owned firms are less likely to be union members than those in domestically owned firms. Addison et al. (2011, 2013) confirm that foreign ownership is negatively associated with recognition of unions and coverage by a collective agreement. However, foreign-owned firms appear to more likely use joint consultation committees. While this might indicate union substitution, Dundon (2002) provides case study evidence of union suppression in foreign-owned firms.

Collective bargaining in Britain can occur at the single-employer level or at the multi-employer level (bargaining centralized at the industry level) with the latter being much less frequent (Addison et al. 2011, 2013). While Britain was historically characterized by industry-wide collective bargaining, the country experienced a sharp decline in collective bargaining coverage and, specifically, in the coverage by multi-employer agreements in the decades following the reforms of industrial relations initiated by the conservative Thatcher government (Zagelmayer 2004). The question most salient to our topic is whether foreign MNCs also have played a role in the decentralization of collective bargaining in Britain. Booth (1989) examines the factors that influence whether a firm is covered by multi-employer or single-employer bargaining. Her estimates suggest that foreign ownership is associated with a lower likelihood of multi-employer bargaining and, hence, conform to the notion that foreign MNCs have contributed to the decentralization of collective bargaining in Britain. By contrast, Schnabel et al. (2006) find that foreign ownership decreases both the likelihood of coverage by multi-employer and the coverage by single-employer bargaining to a similar extent and, hence, leads to a higher likelihood that the firm is not covered by any collective agreement.

4.4 Finland

Further evidence on the stance of foreign MNCs toward centralized bargaining comes from Finland, a country with a high unionization rate, widespread extension of collective agreements and, hence a very high share of workers covered by collective bargaining. In Finland, collective bargaining is centralized at the industry level (Jonker-Hoffrén 2019, Kauhanen et al. 2020).[4] While industry-level agreements stipulate the extent to which wages should be increased in a sector, they also provide an allowance for local wage increases negotiated and implemented at the firm level.

Estimates by Heikkilä and Piekkola (2005) show that foreign-owned firms in Finland prefer more scope for local wage bargaining than domestically owned ones. This finding fits the notion that foreign MNCs tend to have preferences against centralized bargaining in the host country. Centralized bargaining may restrict the flexibility of foreign MNCs to implement company-wide management practices and to use coercive comparisons of their subsidiaries.

4.5 Germany

The impact of foreign owners on industrial relations has been relatively extensively examined for Germany. Collective bargaining in Germany is centralized at the industry level with collective agreements being negotiated between unions and employers' associations (Jirjahn 2016). Firms are typically covered by an industry-level agreement if they are members of an employers' association. Membership in an employers' association is voluntary. Mandatory extensions of collective agreements by the government are relatively rare. Thus, coverage by an industry-level agreement depends on a firm's decision to join an employers' association. There are also firms with firm-level agreements. However, the share of these firms is low.

Case studies by Muller (1998) and Tempel et al. (2006) suggest that managers of foreign-owned subsidiaries in Germany tend to extricate their production facilities from collective agreements as they experience pressure to fulfill cost-cutting targets and are supposed to implement the parent company's HRM practices. The results of econometric studies – albeit a little mixed – also suggest that that foreign ownership is negatively associated with collective bargaining coverage in Germany. While Schmitt (2003) does not find a significant link between foreign ownership and collective bargaining coverage, Addison et al. (2011) provide evidence that foreign-owned firms are less likely to be covered by a collective agreement. Schnabel et al. (2006) find a negative link between foreign ownership and the coverage by an industry-level agreement for West Germany and a positive one for East Germany – the latter finding probably reflecting East Germany's fragmented and instable industrial relations that have emerged after reunification.

Jirjahn (2023) distinguishes between European and non-European foreign owners. Both firms with European and firms non-European foreign owners are less likely to be covered by an industry-level agreement than domestically owned firms. Firms with European foreign owners are more likely to be covered by firm-level bargaining whereas firms with non-European foreign owners are more likely to be without any collective bargaining coverage. Thus, while both European and non-European foreign ownership is a challenge to the German industrial system, non-European foreign owners appear to be an even greater challenge. Furthermore, Jirjahn (2022a) finds that even when foreign-owned firms become members of an employers' association they tend to prefer a bargaining-free membership; i.e., a membership without the obligation to adhere to an industry-level agreement.

Jirjahn (2022b) shows that it is important to distinguish between a direct and an indirect influence of foreign ownership. The two influences can work in opposite directions. While foreign owners tend to avoid coverage by centralized collective bargaining (direct influence), workers facing increased job insecurity in a foreign-owned firms have a high propensity to unionize to protect their interests (indirect influence). A unionized workforce may exert pressure on the firm to join an employers' association and participate in centralized bargaining. Thus, in order to disentangle the direct negative influence of foreign ownership from the indirect positive influence, it is important to control for the unionization of the firm's workforce when estimating the determinants of collective bargaining coverage.

Of course, it may depend on circumstances and type of firm whether or not the indirect influence works in the opposite direction than the direct influence. Jirjahn (2021) shows that the size of the firm plays a role. Foreign ownership is associated with a higher unionization of the workforce in smaller firms whereas it is associated with a lower unionization in larger firms. A more severe collective action problem makes a unionization more difficult in a larger firm so it is easier for the managers of a foreign-owned subsidiary to undermine a unionization of the workforce. This suggests that the direct and the indirect influence of foreign ownership only work in opposite directions up to a certain size threshold and work in the same direction (toward avoidance of coverage by industry-level bargaining) in large firms.

Foreign ownership not only affects industry-level collective bargaining, but also codetermination at the establishment level. Establishment-level codetermination through works councils is the second pillar of worker representation in Germany (Jirjahn and Smith 2018, Mohrenweiser 2022). Works councils provide a highly developed mechanism for participation in decision making. They are a key institution of nonunion worker representation in many West European countries. Compared to their counterparts in most of the other countries, German works councils have acquired quite extensive powers. On some issues they have the right to information and consultation, on others a veto power over management initiatives and on still others the right to co-equal participation in the design and implementation of policy. Their rights are strongest in social and personnel matters including the introduction of payment methods, the allocation of working hours, the introduction of devices designed to monitor employee performance, and up- and down-grading. Works councils shall be elected by the whole workforce of establishments with five or more employees, but the creation of the council depends on the initiative of the establishment's employees. Thus, works council are not present in all eligible firms.

Addison et al. (2003) and Schmitt (2003) find that works councils are more likely to be present in foreign-owned than in domestically owned firms. However, this does not mean that foreign owners welcome works councils. Workers in foreign-owned firms face a higher degree of uncertainty (Dill and Jirjahn 2006). Thus, they may implement works councils even against management resistance to protect their interests. Dill and Jirjahn (2017) show that while foreign ownership is positively associated with works council incidence, works councils and managers in foreign-owned firms are less likely to cooperate than they do in domestically owned firms. Jirjahn and Mueller (2014) find that works councils contribute to increased productivity in domestically owned firms, but not in foreign-owned ones. In a similar vein, Heywood and Jirjahn (2014) show that the presence of a works council is positively associated with the use of various types of performance-related pay in domestically owned firms, but not in foreign-owned ones. Altogether, these findings conform to the notion that foreign ownership undermines the functioning of firm-level codetermination. Works councils in foreign-owned firms do not play the co-managerial and trust-building role they often play in domestically owned firms.

Case studies also indicate that foreign ownership entails increased tensions with firm-level codetermination. Wever (1995) finds less cooperation between management and works councils in foreign-owned firms. Muller (1998) and Royle (1998, 2002) show that managers in foreign-owned firms tend to isolate, undermine and bypass the works council. Looise and Drucker (2003) provide corrobating evidence for the Netherlands – a country where works councils have similarly strong codetermination rights as their counterparts in Germany.

4.6 Post Socialist Countries

Croucher and Rizov (2012) examine the influence of foreign ownership for firms in six post-socialist countries (Bulgaria, Czech Republic, Estonia, Hungary, Slovakia, and Slovenia). Unions played an important political role within the socialist system. They were part of firm management and functioned as transmission belts for communist policy. Union membership was typically compulsory and unions were supposed to encourage workers to identify with the labor collective.

After the fall of the Iron Curtain and the implementation of market systems, post-socialist countries have been strongly exposed to mass privatization, financial institutions and global markets. Croucher and Rizov (2012) find that the share of union members is lower in foreign-owned than in domestically owned firms. Accordingly, unions are less likely to have an influence in foreign-owned firms. The results conform to the notion that foreign MNCs also weaken the position of unions in post-socialist countries.

4.7 China

China provides an example of the functioning of unions in an autocratic country. Chinese unions are not politically independent. They are controlled by the State Party. Union officials are typically appointed by the communist party rather than being elected by union members and they belong to government administration. The All-China Federation of Trade Unions (ACFTU) is the monopoly trade union approved by the Chinese government. Firm-level unions are allowed to exist only as a branch of the ACFTU. However, for their financial resources, the firm-level unions are dependent on the employers. In order to ensure stable labor relations, the Chinese governments prohibits unions from organizing strikes. Thus, firm-level unions cannot play an active role in representing workers' interests unless the government and management allow them to do so (Chan and Hui 2012, Chen 2009).

While unions have been an important part of the state-run economy (Zhu et al. 2011), the ACFTU experienced a substantial decline in membership in the 1980s and 1990s since the marketization reform. The decline particularly was due to foreign-owned firms (Kim et al. 2014). As a response, the Chinese government initiated a national campaign that pressured employers to recognize unions. The government specifically targeted foreign MNCs in the unionization campaign. On the one hand, the campaign had some success. Union density showed a notable growth pattern and union recognition increased also among foreign MNCs. By the end of the year 2008, workers had been unionized in eighty-five percent of the Fortune 500 companies operating in China (Liu 2010). On the other hand, econometric studies show that foreign-owned firms were still less likely to be unionized (Ge 2014, Yang and Tsou 2018).

It is important to note employers have some scope to manipulate the nature of the union being established (Kim et al. 2014). Thus, in many firms, newly established official unions have only a nominal presence and recognizing unions in foreign-owned firms is rather a strategic issue of keeping good relations with the government. Moreover, even when local unions or government authorities are actively involved in a unionization campaign, a firm-level union cannot be recognized unless the management agrees to be involved in the union establishment process (Taylor and Li 2010). Thus, managers have some leeway in avoiding unions. The econometric evidence provided by Ge (2014) and Yang and Tsou (2018) suggests that managers of foreign-owned firms disproportionately use this leeway to avoid that their firms are unionized.

4.8 Heterogeneous Influences and Global Trends

To summarize, evidence from a series of countries with very different industrial relations systems suggests that foreign MNCs tend to avoid unions and particularly centralized collective bargaining. Moreover, the German experience with works councils indicates that if foreign MNCs are not able to avoid institutions of worker representation these institutions are less likely to play a cooperative role in their subsidiaries and are more likely to entail tensions and conflictual industrial relations.

Of course, similar to the investment decisions of foreign MNCs, the issue of heterogeneity also plays a role in the avoidance behavior once these MNCs have invested in a country. Studies by Kim et al. (2014), Lamare et al. (2013), Lawler et al. (2013), Marginson et al. (2010) and Yang (2023) provide evidence that the avoidance behavior of foreign MNCs depends on characteristics of the host and the home country and also on particular organizational characteristics. However, it is important to note that these studies solely compare foreign MNCs with each other, but do not include domestically owned firms as a reference group in their analyses. Thus, it may be well possible that foreign MNCs show a stronger avoidance behavior than domestically owned firms even though they differ in the propensity to avoid worker representation. This notion is supported by Jirjahn's (2023) study for Germany. While firms with non-European foreign owners have a stronger tendency to avoid industry-level bargaining than those with European foreign owners, both types of foreign-owned firms are less likely to be covered than domestically owned ones.

Moreover, union avoidance itself has gained a new global dimensions. Logan (2019, 2020) provides case study evidence suggesting that union avoidance law firms located in the U.S. have internationalized their operations. They provide advice to a growing number of MNCs and have expanded their reach to Latin America, Europe, and Asia. These firms have also engaged in the debate over global labor standards and cautioned firms against signing international framework agreements. The union avoidance law firms not simply provide a service demanded by employers. They have become policy advisors and lobbyists actively promoting the ideology of U.S.-style union avoidance. This fits the notion that globalization affects unions by spreading ideas of neoliberalism which use the U.S. as a benchmark (Blanton and Blanton 2016, Dreher and Gaston 2007).

5. Bargaining Power and Industrial Conflict

5.1 The Influence on Workers' Bargaining Power

Foreign MNCs may not always succeed in avoiding worker representation. However, even if they are not able to avoid institutions of worker representation, they may at least affect the bargaining power of these institutions. From a theoretical viewpoint, foreign ownership erodes the bargaining power of institutions of worker representation as the threat to move production abroad improves the outside option of the firm relative to the outside options of the workers. Thus, the outcome of worker representation should be less advantageous for workers in foreign-owned than for workers in domestically owned firms.

While this theoretical prediction is intuitive, only a few empirical studies have examined the consequences of foreign ownership for the bargaining power of workers and their organizations. The few available studies indeed point to a negative influence of foreign ownership on the bargaining power of unions. Using linked employer-employee data from Denmark, Braun (2009) shows that the wage premium of plant level unionization tends to vanish in foreign-owned firms. Brock and Dobbelaere (2006) find for Norway that the share of foreign-owned firms within an industry has a negative influence on workers' bargaining power in that industry. However, the finding is only significant in estimations that do not control for sector-fixed effects. Balsvik and Sæthre (2014) also provide a study for Norway. Measuring foreign-ownership and unionization at the firm level, they provide strong evidence of a negative link between foreign owners and unions' bargaining power. Their estimates show that the wage premium of firm-level unionization erodes in foreign-owned firms. Dumont et al. (2005) use data from Belgium, France, Germany, Italy and the UK to examine the determinants of workers' bargaining power at the industry level. They find a negative association between FDI within an industry and workers' bargaining power in that industry.

Altogether, the studies provide evidence that foreign MNCs negatively affect the bargaining power of workers and their unions in the host country. One interesting implication of this finding is that the influence of foreign ownership on wages is ambiguous. On the one hand, a series of studies have documented that foreign-owned firms tend to pay higher wages (OECD 2008). Foreign-owned firms may pay higher wages because the implementation of new technologies and management practices requires further training (Goerg et al. 2007) or they want to reduce worker turnover to avoid knowledge dissipation (Glass and Saggi 2002). However, on the other hand, an adverse influence on the bargaining power of unions implies an opposing effect on workers' wages at least in firms and industries where unions play a role (Balsvik and Sæthre 2014, Clougherty et al. 2014).

Of course, lower bargaining power does not necessarily mean that worker representation has no influence at all on the behavior of foreign owners. Quite the contrary, some studies show that worker representation can play a particular role in protecting workers' interests in foreign-owned firms. Pohler and Riddell (2019) provide evidence from Canada that unions have a positive influence on foreign MNCs' compliance with employment law. Wang et al. (2021) show for Britain that foreign-owned firms have a stronger propensity than domestically owned ones to respond with redundancies to adverse economic conditions. A higher unionization of the workforce mitigates the stronger tendency of foreign-owned firms to lay off workers. Jirjahn et al. (2022) find for Germany that a positive influence of works councils on workplace health promotion is more pronounced in foreign-owned than in domestically owned firms. The authors suggest that works councils in foreign-owned firms to a larger extent specialize in activities that improve workplace health as workers in these firms experience more stressful working conditions including higher perceived job insecurity. Yang (2022) uses panel data from forty-nine African countries to show that Chinese FDI increases the number low-skilled Chinese expatriate workers in countries with weak collective labor rights, but not in countries with strong collective labor rights. Strong collective labor rights appear to prevent that Chinese MNCs hire expatriate workers at the expense of native workers. Altogether, while foreign ownership challenges worker representation in various ways, there appears to be a particular need for worker representation in foreign-owned firms. Even though foreign ownership affects the bargaining power of institutions of worker representation, these institutions appear to provide some protection of workers' rights and well-being in foreign-owned firms.

Finally, the direction of influence may not only run from FDI to workers' bargaining power, but vice versa also from workers' bargaining power to FDI. Owen (2013, 2015) provides evidence from industries within the U.S. and from nineteen developed countries that stronger union power is associated with more formal restrictions (e.g., mandatory screening and approval procedures) on inward FDI. Stronger union power means that unions also have more influence on political decisions. Owen's findings suggest that unions use this political influence to support policies creating barriers to the market entry of foreign investors. Such barriers help protect domestically owned firms and, hence, workers' jobs in these firms from the competition by foreign MNCs.

Owen’s findings have implications for the discussion on the race to the bottom. Countries with strong unions impose stronger restrictions on inward FDI and, hence, may be more resilient to the pressure of participating in the race to the bottom. However, it is an open question whether this resilience can be sustained in the long run. Imposing some restrictions may lower the influx of FDI, but does not stop it. To the extent foreign MNCs invest in a country and the country’s dependency on these investments increases, the power and the political influence of unions are likely to diminish implying that they are forced in the long run to participate in the race to the bottom.

5.2 The Influence on Industrial Conflict

Lower bargaining power might imply that there is less scope for workers to protest and strike. However, from a theoretical viewpoint, there are a series of reasons suggesting that the activities of foreign MNCs can nonetheless result in increased industrial conflict. Foreign MNCs may face difficulties in adjusting to the institutional and cultural framework of the host country so that their activities can involve tensions with that framework (Kostova and Roth 2002). They bring different firm strategies and management practices to the host country. Adopting new management practices and firm strategies entails a high degree of uncertainty for the workers of a foreign-owned firm. Local workers may show resistance to change if a foreign MNCs unilaterally implements its practices without taking workers’ interests into account. In a similar vein, the activities of a foreign MNC may lead to increased conflict if it tends to take excessive advantage of the local subsidiary by violating labor standards. Moreover, the decision processes within MNCs may suffer from a higher degree of information asymmetry and lack of transparency (Carmichael 1992, Dill and Jirjahn 2017). While the workers of the local firm have no access to the information possessed by the parent company's managers, the managers of the foreign parent company lack sufficient information about the local conditions of the firm. This not only results in increased distrust and antagonism. It can also lead to wrong assessments of the situation on both sides when bargaining over wages and working conditions. In this case, a period of costly disagreement, such as a strike, serves to reveal the true bargaining positions of the parties (Kennan and Wilson 1993).

As already discussed, evidence from Germany suggests that management and works councils are less likely to cooperate in foreign-owned firms (Dill and Jirjahn 2017, Heywood and Jirjahn 2014, Jirjahn and Mueller 2014). Studies for other countries have examined the influence of foreign ownership on strikes. Studies for Canada do not support the view that the activities of foreign MNCs lead to increased labor conflict (Budd 1994, Cousineau et al. 1991). By contrast, Carmichael (1992) shows for Britain that foreign ownership is associated with an increased strike proneness. While the activities of both domestic and foreign MNCs within an industry have a positive influence on the days lost through strikes in the industry and the share of workers involved in industrial disputes, the influence of foreign MNCs is stronger than the one of domestic MNCs.

Robertson and Teitelbaum (2011) use data from eighty-four developing countries to show that higher inward FDI is associated with a larger number of strikes. The influence of FDI is less strong if a country is more democratic. Chu and Fafchamps (2022) find for Ethiopia that foreign-owned firms experience more complaints, strikes and protests with Chinese-owned firms reporting particularly high rates of labor conflict.

Further evidence comes from within China. While unions in China typically side with management and the government, workers may strike even without support by a union

(Chan and Hui 2012). A study by Lim (2023) shows that regions with a higher influx of FDI experience a higher incidence of labor protests. The study provides evidence that FDI has a deregulatory effect. While labor standards are set by the central government, local officials do not fully enforce these standards to attract foreign investors. Such violations of labor norms intensifies worker discontent and lead to industrial conflicts.

Altogether, even though the evidence is somewhat mixed, available studies indicate on the whole that the activities of foreign MNCs lead to less cooperative industrial relations and increased labor conflicts in the host country. From the viewpoint of society as a whole, labor conflicts and lack of cooperation are inefficient. This gives rise to the question of what factors or policy measures reduce labor conflicts in foreign-owned firms. An important step to mitigate labor conflicts could be to reduce information asymmetries between foreign headquarters and worker organizations in the host country (Carmichael 1992). For example, worker participation in the management of foreign MNCs could make their global operations more transparent.

Furthermore, learning may play a role in the functioning of worker representation implying that the likelihood of cooperation between management and workers increases with the age of the relationship (Jirjahn et al. 2011). Firms with foreign ownership usually have shorter relationships. The quality of industrial relations within these firms may improve as management and workers accumulate experience with each other. However, the outcome of such learning processes will depend on foreign owners' willingness to build long-term cooperation with workers and their organizations. The quality of industrial relations is less likely to improve if foreign-owned firms have a tendency to focus on short-term profit (Dill et al. 2014). As a consequence, unions show more opposition to impatient than to patient foreign capital (Raess 2023).

6. Summary

From a theoretical point of view, it is not clear whether or not foreign MNCs value institutions of worker representation in host countries. On the one hand, worker representation may help foreign MNCs build cooperative relationships with local workforces and establish a reputation as responsible investors. On the other hand, there are reasons suggesting that foreign MNCs tend to avoid worker representation in their affiliates. Worker representation may restrict the flexibility and power to implement unified management practices in the affiliates and to use coercive comparisons among them. Moreover, lack of transparency and a high degree of information asymmetry between managers of the head quarter overseas and local workers in the host country may make it less likely that worker representation leads to cooperative management-worker relations. Finally, to the extent foreign MNCs are footloose and have a stronger focus on short-term profit, they may be simply less interested in building long-term cooperative relationships with local workforces in the host countries.

Studies on the determinants of FDI provide evidence that MNCs tend to avoid worker representation. MNCs invest less in countries with centralized (or coordinated) collective bargaining and with a high unionization of the workforce. Findings on the role of works councils are a little mixed, but there is evidence that works council legislation is also a negative determinant of FDI particularly when it is coupled with strong employment protection. Altogether, available studies provide some support for the view that corporate globalization entails a race to the bottom. However, there is also evidence that home-country effects and strategic aspects play a moderating role in the investment decisions of foreign MNCs. It also has to be noted that the evidence of a race to the bottom is more mixed when considering developing countries. It is reserved to future research to exactly quantify a race to the bottom and to evaluate the effectiveness of measures that aim at counteracting the race to the bottom (e.g., international framework agreements or European works councils).

Other studies have examined the behavior of foreign MNCs once they have invested in a host country. These studies provide evidence that foreign affiliates tend to avoid institutions of worker representation. Thus, foreign MNCs appear to challenge the industrial relations systems of host countries also from within. This evidence comes from a diverse set of countries – liberal market economies, coordinated market economies, post-socialist countries, and autocratic countries. However, depending on the home country of an MNC and the institutional frameworks of a host country, the strength of the avoidance behavior can vary. An important topic for future research could be to examine in more detail whether the internationalization tendencies of U.S. union avoidance firms will contribute to the emergence of a globalized avoidance industry.

A small number of studies have analyzed the impact of foreign MNCs on workers' bargaining power. The affiliates of foreign MNCs are not always able to avoid institutions of worker representation. This gives rise to the question of whether foreign affiliates influence workers' bargaining power. Available evidence shows that foreign ownership negatively affects workers' bargaining power. However, the available evidence also suggests that worker representation is nonetheless important to protect workers' interests in foreign-owned firms. Workers have an increased need for protection as foreign ownership entails a higher degree of job insecurity and violations of labor law. Worker representation appears to tackle these issues (at least partially) despite a lower bargaining power.

Finally, there is evidence that foreign MNCs affect the quality of industrial relations within host countries. All in all, this evidence suggests that foreign ownership is associated with less management-worker cooperation and increased labor conflicts. It is an open question whether learning processes mitigate this association in the long run. Future research could also fruitfully examine whether the time horizon of foreign MNCs plays role in the quality of industrial relations in their affiliates.

To summarize, available research suggests that foreign MNCs challenge worker representation in various ways. This should be taken into account when evaluating the consequences of globalization. If one viewed the various types of worker representation simply as rent-seeking institutions, one might welcome the deregulatory influence of MNCs. However, cooperative labor-management relations and properly designed institutions of worker representation can contribute to improved labor market outcomes (Feldman 2006) and increased economic performance (Jirjahn and Smith 2018). They even play a role in democratic processes within society (Budd and Lamare 2020). This may call for policy measures to limit the negative impact of foreign MNCs. Policy makers within host countries should carefully weigh up any positive growth effect of FDI against the negative consequences for institutional quality. Countries should be selective in the type of foreign MNCs they try to attract.

References

Addison JT, Bellmann L, Schnabel C et al. (2003) German works councils old and new: Incidence, coverage and determinants. *Journal of Applied Social Science Studies* 123: 339 – 358.

Addison JT, Bryson A, Teixeira P, Pahnke A (2011) Slip sliding away: Further union decline in Germany and Britain. *Scottish Journal of Political Economy* 58: 490–518.

Addison JT, Bryson A, Teixeira P et al. (2013) The extent of collective bargaining and workplace representation: Transitions between states and their determinants. A comparative analysis of Germany and Great Britain. *Scottish Journal of Political Economy* 60: 182–209.

Altman SA, Bastian CR (2022) *DHL global connectedness index 2022*. Bonn: DHL and NYU Stern School of Business.

Antón JI, Böheim R, Winter-Ebmer R (2022) The effect of migration on unionization in Austria. *Empirical Economics* 63: 2693–2720.

Artz B, Heywood JS (2021) Unions, worker participation and worker well-being. In: Zimmermann KF (ed) *Handbook of labor, human resources and population economics*, Springer, Cham, Forthcoming.

Balsvik R, Sæthre M (2014) Rent sharing with footloose production: Foreign ownership and wages revisited. Discussion Paper Series in Economics 30/2014, Norwegian School of Economics.

Bayo-Moriones A, Galdon-Sanchez JE, Martinez-de-Morentin S (2013) The diffusion of pay for performance across occupations. *Industrial and Labor Relations Review* 66: 1115–1148.

Bedaso FJ, Jirjahn U (2023) Immigrants and trade union membership: Does integration into society and workplace play a moderating role? *British Journal of Industrial Relations*: Forthcoming.

Bellak C (2004) How domestic and foreign firms differ and why does it matter? *Journal of Economic Surveys* 18: 483–514.

Bernard AB, Sjoeholm F (2003) Foreign owners and plant survival. NBER working paper no. 10039.

Blanton RG, Blanton SL (2012) Labor rights and foreign direct investment: Is there a race to the bottom? *International Interactions* 38: 267–294.

Blanton RG, Blanton SL (2016) Globalization and collective labor rights. *Sociological Forum* 31: 181–202.

Bloom N, Van Reenen J (2010) Why do management practices differ across firms and countries? *Journal of Economic Perspectives* 24: 203–224.

Bognanno MF, Keane MP, Yang D (2005) The influence of wages and industrial relations environments on the production location decisions of U.S. multinational corporations. *Industrial and Labor Relations Review* 58: 171–200.

Booth AL (1989) The bargaining structure of British establishments. *British Journal of Industrial Relations* 27: 225–234.

Boyer R, Drache D (1996) *States against markets: The limits of globalization*. London: Routledge.

Brady D, Wallace M (2000) Spatialization, foreign direct investment, and labor outcomes in the American states, 1978–1996. *Social Forces* 79: 67–99.

Brandl B, Strohmer S, Traxler F (2010) US foreign direct investment, macro markets and labour relations: the case of enlarged Europe. *Industrial Relations Journal* 41: 622–638.

Brandl B, Strohmer S, Traxler F (2013) Foreign direct investment, labour relations and sector effects: US investment outflows to Europe. *International Journal of Human Resource Management* 24: 3281–3304.

Brändle T (2024) Unions and collective bargaining: The influence on wages, employment and firm survival. In: Zimmermann KF (ed) *Handbook of labor, human resources and population economics*, Springer, Cham, Forthcoming.

Braun S (2009) Should trade unions welcome foreign investors? First evidence from Danish matched employer-employee data. *Economics Bulletin* 29: 1175–181.

Breusch T, Ward MB, Nguyen HTM et al. (2011) FEVD: Just IV or just mistaken? *Political Analysis* 19: 165–169.

Brock E, Dobbelaere SD (2006) Has international trade affected workers' bargaining power? *Review of World Economics* 142: 233–266.

Buckley PJ (2011) International integration and coordination in the global factory. *Management International Review* 51; 269–283.

Budd JW (1994) The effect of multinational institutions on strike activity in Canada. *Industrial and Labor Relations Review* 47: 401–416.

Budd JW, Konings J, Slaughter MJ (2005) Wages and international rent sharing in multinational firms. *Review of Economics and Statistics* 87: 73–84.

Budd JW, Lamare JR (2020) Worker voice and political participation in civil society. In: Zimmermann KF (ed) *Handbook of labor, human resources and population economics*, Springer, Cham, Forthcoming.

Budd JW, Slaughter MJ (2004) Are profits shared across borders? Evidence on international rent sharing. *Journal of Labor Economics* 22: 525–552.

Burdin G, Perotin V (2019) Employee representation and flexible working time. *Labour Economics* 61: 101755.

Busse M, Nunnenkamp P, Spatareanu M (2011) Foreign direct investment and labour rights: a panel data analysis of bilateral FDI flows. *Applied Economics Letters* 18: 149–152.

Cadestin C, De Backer K, Desnoyers-James I et al. (2018) Multinational enterprises and global value chains: New insights on the trade-investment nexus. OECD Science, Technology and Industry Working Papers 2018/05, Paris.

Carmichael F (1992) Multinational enterprise and strike: Theory and evidence. *Scottish Journal of Political Economy* 39: 52–68.

Caves RE (1971) International corporations: the industrial economics of foreign investment. *Economica* 38: 1–27.

Chakrabarti A (2001) The determinants of foreign direct investment: sensitivity analyses of cross-country regressions. *Kyklos* 54: 89–114.

Chan C, Hui E (2012) The dynamics and dilemma of workplace trade union reform in China: The Case of the Honda workers' strike. *Journal of Industrial Relations* 54: 653–668.

Chen F (2009) Union power in China: Source, operation, and constraints. *Modern China* 35: 662–689.

Chu J, Fafchamps M (2022) Labor conflict within foreign, domestic, and Chinese-owned manufacturing firms in Ethiopia. *World Development* 159: 106037.

Clougherty J, Gugler AK, Sorgard L et al. (2014) Cross-border mergers and domestic wages: Integrating positive 'spillover' effects and negative 'bargaining' effects. *Journal of International Business Studies* 45: 450–470.

Collings DG (2008) Multinational corporations and industrial relations research: A road less travalled. *International Journal of Management Reviews* 10: 173–193.

Collings DG, Gunnigle P, Morley MJ (2008) Between Boston and Berlin: American MNCs and the shifting contours of industrial relations in Ireland. *International Journal of Human Resource Management* 19: 240–261.

Compa L (2014) When in Rome: The exercise of power by foreign multinational companies in the United States. *Transfer* 20: 217–293.

Contractor FJ (2022) The world economy will need even more globalization in the post-pandemic 2021 decade. *Journal of International Business Studies* 53: 156–171.

Cooke WN (1985a) The failure to negotiate first contracts: Determinants and policy implications. *Industrial and Labor Relations Review* 38: 163–178.

Cooke WN (1985b) The rising toll of discrimination against union activists. *Industrial Relations* 24: 421–442.

Cooke WN (1997) The influence of industrial relations factors on U.S. foreign direct investment abroad. *Industrial and Labor Relations Review* 51: 3–17.

Cooke WN (2001a) Union avoidance and foreign direct investment in the USA. *Employee Relations* 23: 558–580.

Cooke WN (2001b) The effects of labour costs and workplace constraints on foreign direct investment among highly industrialized countries *International Journal of Human Resource Management* 12: 697–716.

Cooke WN (2005) Exercising power in a prisoner's dilemma: transnational collective bargaining in an era of corporate globalization? *Industrial Relations Journal* 36: 283 – 302.

Cooke WN, Noble DS (1998) Industrial relations systems and US foreign direct investment abroad. *British Journal of Industrial Relations* 36: 581–609.

Cools S, Finseraas H, Rasmussen MB (2021) The immigrant-native gap in union membership: A question of time, sorting or culture? *Labour* 35: 24–51.

Coughlin CC, Terza JV, Arromdee V (1991) State characteristics and the location of foreign direct investment within the United States. *Review of Economics and Statistics* 73: 675–683.

Cousineau JM, Lacroix R, Vachon D (1991) Foreign ownership and strike activity in Canada. *Relations Industrielles / Industrial Relations* 46: 616–631.

Croucher R, Rizov M (2012) Union influence in post-socialist Europe. *Industrial and Labor Relations Review* 65: 630–650.

Demena BA, van Bergeijk PA (2017) A meta-analysis of FDI and productivity spillovers in developing countries. *Journal of Economic Surveys* 31: 546–571.

Dill V, Jirjahn U (2016) Foreign owners and perceived job insecurity in Germany: Evidence from matched employer-employee data. *International Journal of Manpower* 37: 1286–1303.

Dill V, Jirjahn U (2017) Foreign owners and the quality of industrial relations in Germany. *Economic and Industrial Democracy* 38: 5 – 25.

Dill V, Jirjahn U, Smith SC (2016) Do foreign owners favour short-term profit? Evidence from Germany. *Cambridge Journal of Economics* 40: 123–140.

Doeringer PB, Evans-Klock C, Terkla DG (1998) Hybrids or hodgepodges? Workplace practices of Japanese and domestic startups in the United States. *Industrial and Labor Relations Review* 51: 171–186.

Dreher A, Gaston N (2007) Has globalisation really had no effect on unions? *Kyklos* 60: 165–186.

Duanmu JL (2014) A race to lower standards? Labor standards and location choice of outward FDI from the BRIC countries. *International Business Review* 23: 620 – 634.

Dumont M, Rayp G, Willemé P (2005) Does internationalization affect union bargaining power? An empirical study for five EU countries. *Oxford Economic Papers* 58: 77–102.

Dundon T (2002) Employer opposition and union avoidance in the UK. *Industrial Relations Journal* 33: 234–245.

Edwards T, Sanchez-Mangas R, Jalette P et al. (2016) Global standardization or national differentiation of HRM practices in multinational companies? A comparison of multinationals in five countries. *Journal of International Business Studies* 47: 997–1021.

Fabbri, F, Haskel JE, Slaughter, MJ (2003) Does nationality of ownership matter for labor demands? *Journal of the European Economic Association* 1: 698–707.

Feldmann H (2006) The quality of industrial relations and labour market performance. *Labour* 20: 559–579.

Fetzer T (2012) *Paradoxes of internationalization: British and German trade unions at Ford and General Motors 1967–2000*. Manchester: Manchester University Press.

Florokowski GW (2023a) Foreign investment sensitivity to employment regulation: Reassessing what really matters. *Employee Relations* 45: 1098–1128.

Florokowski GW (2023b) Is there a liability of foreigness or foreign privilege in developing nation compliance monitoring? *International Journal of Emerging Markets*: Forthcoming.

Ford M, Gillan M (2022) Understanding global union repertoires. *Industrial Relations Journal* 53: 559–577.

Ford S, Strange R (1999) Where do Japanese manufacturing firms invest within Europe, and why? *Transnational Corporations* 8: 117–142.

Freeman RB, Kruse D, Blasi J (2008) The same yet different: Worker reports on labour practices and outcomes in a single firm across countries. *Labour Economics* 15: 750–771.

Freeman RB, Lazear EP (1995) An economic analysis of works councils. In: Rogers J, Streeck W (eds) *Works councils – consultation, representation and cooperation in industrial relations*, University of Chicago Press, Chicago, p 27–52.

Friedman J, Gerlowski DA, Silberman J (1992) What attracts foreign multinational corporations? Evidence from branch plant location in the United States. *Journal of Regional Science* 32: 403–418.

Gaston N, Trefler D (1995) Union wage sensitivity to trade and protection: Theory and evidence. *Journal of International Economics* 39: 1–25.

Ge Y (2014) Do Chinese unions have “real” effects on employee compensation? *Contemporary Economic Policy* 32: 187–202.

Geary JF, Roche WK (2001) Multinationals and human resource practices in Ireland: A rejection of the ‘new conformance thesis’. *International Journal of Human Resource Management* 12: 109–127.

Girma S, Goerg H (2004) Outsourcing, foreign ownership, and productivity: evidence from UK establishment-level data. *Review of International Economics* 12: 817–832.

Glass AJ, Saggi K (2002) Multinational firms and technology transfer. *Scandinavian Journal of Economics* 104: 495–513.

Goerg H, Strobl E (2003) Footloose multinationals? *Manchester School* 71: 1–19.

Goerg H, Strobl E, Walsh F (2007) Why do foreign-owned firms pay more? The role of on-the-job training. *Review of World Economics* 143: 464–482.

Gorodzeisky A, Richards A (2013) Trade unions and migrant workers in Western Europe. *European Journal of Industrial Relations* 19: 239–254.

Graham EM (1996) *Global corporations and national governments*. Institute for International Economics.

Graham EM, Krugman PR (1995) *Foreign direct investment in the United States*. 3rd ed. Institute for International Economics.

Greene, W (2011) Fixed effects vector decomposition: A magical solution to the problem of time-invariant variables in fixed effects models? *Political Analysis* 19: 135–146.

Greenhill B, Mosely L, Prakash A (2009) Trade-based diffusion of labor rights: A panel study, 1986–2002. *American Political Science Review* 103: 669–690.

Greer CR, Shearer JC (1981) Foreign ownership effects on NLRB representation elections. *Journal of International Business Studies* 12: 9–23.

Gunnigle P, Collings DG, Morley MJ (2006) Acommodating global capitalism? State policy and industrial relations in American MNCs in Ireland. In: Ferner A, Quintanilla J, Sanchez-Runde C (eds.) *Multinationals and the construction of transnational practices: Convergence and diversity in the global economy*. Basingstok, Hampshire & New York: Palgrave Macmillan.

Gunnigle P, Lavelle J, McDonnel A (2009) Subtle but deadly? Union avoidance through “double breasting“ among multinational companies. *Advances in Industrial and Labor Relations* 16: 51–73.

Ham H, Kleiner MM (2007) Do industrial relations institutions influence foreign direct investment? Evidence from OECD nations. *Industrial Relations* 46: 305–328.

Harris R (2009) The effect of foreign mergers and acquisitions on UK productivity and employment. Final report submitted to UK Trade & Investment. Available at: data.parliament.uk/DepositedPapers/Files/DEP2010-0099/DEP2010-0099.pdf.

Hatton E (2014). Temporary weapons: Employers’ use of temps against organized labor. *Industrial and Labor Relations Review* 67: 88–110.

Heikkilä A, Piekkola H (2005) Explaining the desire for local bargaining: evidence from a Finnish survey of employers and employees. *Labour* 19: 399–423.

Helfen MO, Schüßler E, Stevis D (2016) Translating European labor relations practices to the United States through global framework agreements? German and Swedish multinationals compared. *Industrial and Labor Relations Review* 69: 631–655.

Helpman E (2006) Trade, FDI, and the organization of firms. *Journal of Economic Literature* XLIV: 589–630.

Hennebert MA, Roberge-Maltais I, Coiquaud U. (2023) The effectiveness of international framework agreements as a tool for the protection of workers' rights: A metasynthesis. *Industrial Relations Journal* 54: 242–260.

Hessami Z, Baskaran T (2015) Has globalization affected collective bargaining? An empirical test, 1980–2009. *World Economy* 38: 1880–1911.

Heywood JS, Jirjahn U (2014) Variable pay, industrial relations and foreign ownership: evidence from Germany. *British Journal of Industrial Relations* 52: 521 – 552.

Hübler O, Jirjahn U (2003) Works councils and collective bargaining in Germany: The impact on productivity and wages. *Scottish Journal of Political Economy* 50: 1–21.

Jirjahn U (2016) The contribution of labor economics to the analysis of unions and collective bargaining in Germany. In: Artus I, Behrens M, Keller B et al. (eds) *Developments in German industrial relations*. Newcastle: Cambridge Scholars Publishing, p 187–220.

Jirjahn U (2017) Works councils and collective bargaining in Germany: a simple theoretical extension to reconcile conflicting empirical findings. *Journal of Institutional and Theoretical Economics* 173: 322–346.

Jirjahn U (2021) Foreign ownership and intra-firm union density in Germany. *Economic and Industrial Democracy* 42: 1052–1079.

Jirjahn U (2022a) On the determinants of bargaining-free membership in German employers' associations. *Industrial Relations Journal* 53: 545–558.

Jirjahn U (2022b) Foreign ownership and centralized collective bargaining: Direct and indirect influences. *Journal of Industrial Relations* 64: 101–123.

Jirjahn U (2023) Membership in employers' associations and collective bargaining coverage in Germany. *Economic and Industrial Democracy* 44: 798–826.

Jirjahn U, Mohrenweiser J, Backes-Gellner U (2011) Works councils and learning: On the dynamic dimension of codetermination. *Kyklos* 64: 427–447.

Jirjahn U, Mohrenweiser J, Smith SC (2022) Works councils and workplace health promotion in Germany. *Economic and Industrial Democracy* 43: 1059–1094.

Jirjahn U, Mueller S (2014) Nonunion worker representation, foreign owners and firm performance. *Oxford Economic Papers* 66: 140–163.

Jirjahn U, Smith SC (2018) Nonunion employee representation: theory and the German experience with mandated works councils. *Annals of Public and Cooperative Economics* 89: 201–234.

Jonker-Hoffrén P (2019) Finland: Goodbye centralized bargaining? The emergence of a new industrial bargaining regime. In: Müller T, Vandaele K, Waddington J (eds) Collective bargaining in Europe: Towards an endgame, vol. 1, ETUI, Brussels, p 197–216.

Kandogan Y (2012) Regional foreign direct investment potential of the states within the US. *Journal of Economics and Business* 64: 306–322.

Kauhanen A, Maczulskij T, Riukula K (2020) Heterogeneous impacts of the decentralization of collective bargaining. IZA Discussion Paper No. 13867.

Kennan J, Wilson R (1993) Bargaining with private information. *Journal of Economic Literature* 31: 45–104.

Kim S, Han J, Zhao L (2014) Union recognition by multinational companies in China: A dual institutional pressure perspective. *Industrial and Labor Relatíons Review* 67: 34–59.

Kostova T, Roth K (2002) Adoption of an organizational practice by the subsidiaries of the MNC: Institutional and relations effects. *Academy of Management Journal* 45: 215–233.

Kranendonk M, de Beer P (2016) What explains the union membership gap between migrants and natives? *British Journal of Industrial Relations* 54: 846–869.

Krzywdzinksi M (2014) Do investors avoid strong trade unions and labour regulation? Social Dumping in the European automotive and chemical industries. *Work, Employment and Society* 28: 926–945.

Laroche P (2021) Unions, collective bargaining and firm performance. In: Zimmermann KF (ed) *Handbook of labor, human resources and population economics*, Springer, Cham, Forthcoming.

Lavelle J (2008) Charting the contours of union recognition in foreign-owned MNCs: Survey evidence from the Republic of Ireland. *Irish Journal of Management* 29: 45–63.

Lawler JJ, Chang PC, Hong W et al. (2013) Going abroad: HR policies, national IR systems, and union activity in foreign subsidiaries of U.S. multinationals. *Industrial and Labor Relations Review* 66: 1149–1171.

Lamare JR, Gunnigle P, Marginson P et al. (2013) Union status and double-breasting at multinational companies in three liberal market economies. *Industrial and Labor Relations Review* 66: 696–722.

Lee CS (2005) International migration, deindustrialization and union decline in 16 affluent OECD countries, 1962-1997. *Social Forces* 84: 71–88.

Liljeblom E, Vaihekoski M (2010) Who creates short-term pressure? An analysis of firms with different ownership structures. *Finnish Journal of Business Economics* 59: 239 – 264.

Lim T (2023) Fragmented labor regime: FDI, labor regulation, and workers' protests in China. *Journal of East Asian Studies* 23: 125–149.

Liu M (2010) Union organizing in China: Still a monolithic labor movement? *Industrial and Labor Relations Review* 64: 30 – 52.

Logan J (2006) The union avoidance industry in the United States. *British Journal of Industrial Relations* 44: 651–675.

Logan J (2019) The new union avoidance internationalism. *Work Organization, Labour & Globalization* 13: 57–77.

Logan J (2020) The U.S. avoidance industry goes global. *New Labor Forum* 29: 76–81,

Looise JK, Drucker M (2003) Dutch works councils in times of transition: The effects of changes in society, organizations and work on the position of works councils. *Economic and Industrial Democracy* 24: 379–409.

Lucas RE (1988) On the mechanics of economic development. *Journal of Monetary Economics* 22: 3–42.

Machin S (2000) Union decline in Britain. *British Journal of Industrial Relations* 38: 631–645.

Macpherson DA, Stewart JB (1990) The effect of international competition on union and nonunion wages. *Industrial and Labor Relations Review* 43: 434–446.

Magnani E, Prentice D (2003) Did globalization reduce unionization? Evidence from US manufacturing. *Labour Economics* 10: 705–726.

Marginson P (2016) Trade unions and multinational companies: A multi-level challenge. Warwick Papers in Industrial Relations, No. 103.

Marginson P, Edwards P, Edwards T et al. (2010) Employee representation and consultative voice in multinational companies operating in Britain. *British Journal of Industrial Relations* 48: 151–180.

Marginson P, Lavelle J, Quintanilla J et al. (2013) Variation in approaches to European works councils in multinational companies. *Industrial and Labor Relations Review* 66: 618–644.

Marginson P, Meardi G (2009) Multinational companies and collective bargaining. European Industrial Relations Observatory Online. Available at: www.eurofound.europa.eu.

Marginson P, Sisson K (1996) Multinational companies and the future of collective bargaining: a review of the research issues. *European Journal of Industrial Relations* 2: 173–197.

Markusen J (1995) The boundaries of multinational enterprises and the theory of international trade. *Journal of Economic Perspectives* 9: 169–189.

Martins PS, Yang Y (2015) Globalized labour markets? International rent sharing across 47 countries. *British Journal of Industrial Relations* 53: 664–691.

Meriküll J, Rõõm T (2014) Are foreign-owned firms different? Comparisons of employment volatility and elasticity of labour demand. Working Paper No. 1704, European Central Bank, Frankfurt.

Mohrenweiser J (2022) Works councils. In: Zimmermann KF (ed) Handbook of labor, human resources and population economics, Springer, Cham, Forthcoming.

Muller M (1998) Human resources and industrial relations practices of UK and US multinationals in Germany. *International Journal of Human Resource Management* 9: 732 – 749.

Navaretti GB, Checchi D, Turrini A (2003) Adjusting labor demand: multinational versus national firms: A cross-European analysis. *Journal of the European Economic Association* 1: 708–719.

Negi V, Barhan AK (2017) Labour market regulations and FDI inflows in developing countries – An empirical analysis. *Journal of International Economics* 8: 27–42.

Nielsen BB, Geisler Asmussen C, Dohlmann Weatherall C (2017) The location choice of foreign direct investments: empirical evidence and methodological challenges. *Journal of World Business* 52: 62–82.

Odega PM, Ornelas E, Soares RR (2021) Labor unions and the electoral consequences of trade liberalization. IZA Discussion Paper No. 14849.

OECD (2008) Do multinationals promote better pay and working conditions? In: *OECD Employment Outlook*, OECD Publishing, Paris, 263–331.

Olney WW (2013) A race to the bottom? Employment protection and foreign direct investment. *Journal of International Economics* 91: 191–203.

Owen E (2013) Unionization and restrictions on foreign direct investment. *International Interactions* 39: 723–747.

Owen E (2015) The political power of organized labor and the politics of foreign direct investment in developed democracies. *Comparative Political Studies* 48: 1746–1780.

Pflüger M, Blien U, Möller J et al. (2013) Labor market effects of trade and FDI – Recent advances and research gaps. *Journal of Economics and Statistics* 233: 86–116.

Piazza JA (2005) Globalizing quiescence: Globalization, union density and strikes in 15 industrialized countries. *Economic and Industrial Democracy* 26: 289–314.

Plümper T, Troeger V (2007) Efficient estimation of time-invariant and rarely changing variables in finite sample analyses with unit fixed effects. *Political Analysis* 15: 124–139.

Pohler D, Riddell C (2019) Multinationals' compliance with employment law: An empirical assessment using administrative data from Ontario, 2004 to 2015. *Industrial and Labor Relations Review* 72: 606–635.

Poutsma E, Ligthart P, Veersma U (2006) The diffusion of calculative and collaborative HRM practices in European firms. *Industrial Relations* 45: 513–546.

Pull, K (2008) Flexibility in HRM and foreign direct investment: do international investors self-select? *International Journal of Human Resource Management* 19: 314–329.

Radulescu R, Robinson M (2008) Trade unions, wage bargaining coordination, and foreign direct investment. *Labour* 22: 661–678.

Raess D (2014) Export dependence and institutional change in wage bargaining in Germany. *International Studies Quarterly* 58: 282–294.

Raess D (2023) Disentangling public opposition to Chinese FDI: Trade unions, patient capital, and members' preferences over FDI inflows. *European Journal of International Relations*: Forthcoming.

Robertson GB, Teitelbaum E (2011) Foreign direct investment, regime type, and labor protest in developing countries. *American Journal of Political Science* 55: 665–677.

Rodrik D (1997) *Has globalization gone too far?* Washington, DC: Institute for International Economics.

Rodrik D (2018) Populism and the economics of globalization. *Journal of International Business Policy* 1: 12–33.

Royle T (1998) Avoidance strategies and the German system of co-determination. *International Journal of Human Resource Management* 9: 1026 – 1047.

Royle T (2002) Just vote no! Union-busting in the European fast-food industry: The case of McDonald's. *Industrial Relations Journal* 33: 262–278.

Sanyal RN, Neves JS (1992) A study of union ability to secure the first contract in foreign-owned firms in USA. *Journal of International Business Studies* 23: 697–713.

Saurav A, Kuo R (2020) *Foreign direct investment and productivity: A literature review on the effects of FDI on local firm productivity*. FCI in Washington, D.C.: World Bank Group.

Schaller Z (2023) The decline of U.S. labor unions: Import competition and NLRB elections. *Labor Studies Journal* 48: 5–34.

Scheve K, Slaughter MJ (2004) Economic insecurity and the globalization of production. *American Journal of Political Science* 48: 662–674.

Schmitt J, Zipperer B (2009) Dropping the ax: Illegal firings during union election campaigns, 1951–2007. CEPR Reports and Issue Briefs 2009-12.

Schmitt M (2003) Deregulation of the German industrial relations system via foreign direct investment: Are the subsidiaries of Anglo-Saxon MNCs a threat for the institutions of industrial democracy in Germany? *Economic and Industrial Democracy* 24: 349 – 377.

Schnabel C (2013) Union membership and density: Some (not so) stylized facts and challenges. *European Journal of Industrial Relations* 19: 255–272.

Schnabel C, Zagelmeyer S, Kohaut S (2006) Collective bargaining structure and its determinants: An empirical analysis with British and German establishment data. *European Journal of Industrial Relations* 12: 165–188.

Shaver JM (1998) Do foreign-owned and U.S.-owned establishments exhibit the same location pattern in U.S. manufacturing industries? *Journal of International Business Studies* 29: 469–492.

Singh RK (2017) Does foreign ownership improve firm's productivity? An analytical view. *Indian Journal of Industrial Relations* 53: 225 – 238.

Slaughter MJ (2001) International trade and labor-demand elasticities. *Journal of International Economics* 54: 27–56.

Stiglitz J (2002) *Globalization and its discontent.* New York and London: W.W. Norton.

Taylor B, Li Q (2010) China's creative approach to "union" organizing. *Labor History* 51: 411–428.

Tempel A, Edwards T, Ferner A et al. (2006) Subsidiary responses to institutional duality: Collective representation practices of US multinationals in Britain and Germany. *Human Relations* 59: 1543–1570.

Traxler F, Woitech B (2000) Transnational investment and national labour market regimes: A case of 'regime shopping'? *European Journal of Industrial Relations* 6: 141–159.

UNCTAD (2020) *World investment report 2020*. United Nations Conference on Trade and Development, Geneva.

Wagner J, Weche Geluebcke JP (2012) Foreign ownership and firm survival: First evidence for enterprises in Germany. *International Economics* 132: 117–139.

Walsh J (2001) Human resource management in foreign-owned workplaces: Evidence from Australia. *International Journal of Human Resource Management* 12: 425–444.

Wang W, Cook M, Seifert R (2021) Foreign ownership and job insecurity during the recession: The moderating effect of union density in the UK. *Economic and Industrial Democracy* 42: 785–804.

Western B (1997) *Between class and market: Postwar unionization in the capitalist democracies*. Princeton University Press, Princeton.

Wever K (1995) *Negotiating competitiveness: Employment relations in organizational innovation in Germany and the United States.* Cambridge, MA: Harvard University Press.

Whitfield K, Strauss G (2000) Methods matter: Changes in industrial relations research and their implications. *British Journal of Industrial Relations* 58: 141–151.

Witt MA (2019) De-globalization: Theories, predictions and opportunities for international business research. *Journal of International Business Studies* 50: 1053–1077.

Woodward DP (1992) Locational determinants of Japanese manufacturing start-ups in the United States. *Southern Economic Journal* 58: 690–708.

Yang CH, Tsou MW (2018) Labour unions and firm productivity: Evidence from China. *Manchester School* 86: 699–721.

Yang Y (2022) Bring your own workers: Chinese OFDI, Chinese overseas workers, and collective labor rights in Africa. *World Development* 152: 105808.

Yang Y (2023) Racing to the bottom? Chinese foreign direct investment and collective labor rights. *International Interactions* 49: 962–988.

Zagelmeyer S (2004) The development of governance structures in Britain and Germany: A comparative inquiry. *German Journal of Industrial Relations* 11: 61–76.

Zhu Y, Warner M, Feng T (2011) Employment relations “with Chinese characteristics”: The role of trade unions in China. *International Labour Review* 150: 127–143.

Endnotes

[1] The focus of this chapter implies that I do not discuss other dimensions of globalization. A series of studies have analyzed the linkages between international trade and worker representation (Gaston and Trefler 1995, Greenhill et al. 2009, Macpherson and Stewart 1990, Magnani and Prentice 2003, Ogeda et al. 2021, Raess 2014, Schaller 2023, Western 1997). Some studies have examined the implications of migration for worker representation (Antón et al. 2022, Bedaso and Jirjahn 2023, Cools et al. 2021, Gorodzeisky and Richards 2013, Kranendonk and de Beer 2016, Lee 2005). Finally, a few studies combine the various dimensions of globalization in one aggregate indicator to examine the influence on worker representation (Hessami and Baskaran 2015, Piazza 2005).

[2] See Whitfield and Strauss (2000) for the respective advantages and disadvantages of quantitative and qualitative approaches in industrial relations research.

[3] For the sake of completeness, I may mention two studies by Brandl et al. (2010, 2013) producing rather inconclusive results. The main conclusions of those studies are based on Plümper and Troeger's (2007) fixed effects vector decomposition estimator. Plümper and Troeger developed that estimator to include time-invariant variable in fixed effects regressions. However, as shown by Breusch et al. (2011) and Greene (2011), the fixed effects vector decomposition estimator is illusory. I may also mention a precursor study by Traxler and Woitech (2000). That study fails to use the panel structure of the data, provides unclear variable definitions, and includes only a very thin set of controls giving rise to concern that the results suffer from a serious omitted variable bias.

[4] For many decades, collective bargaining in Finland was highly centralized with a tripartite income policy at the national level. Tripartite bargaining at the national level has been abandoned and industry-level agreements increasingly provide scope for firm-level negotiations.