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# Human Resource Management and Sector Analysis in Emerging Countries. A Comparative Study of Automotive Subsidiaries Operating in Latin America

Cecilia Senén, Redi Gomis, Bárbara Medwid <sup>1</sup>

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## Abstract

**Purpose** - The purpose is to compare the human resource management strategies of MNCs in the automotive sector from two countries: Argentina and Mexico. The leading questions for research were a) Do multinational companies employ different HRM strategies toward workers and union representatives across different countries? b) Do HRM practices in similar sectors tend to converge in these host countries? and c) Do American companies apply similar HRM practices in the automotive sector regardless of the characteristics of those countries in which they are implemented?

**Design/methodology/approach** - The data used was provided by the Survey of Multinationals (SMNs) carried out in Argentina and Mexico within the remit of INTREPID international research project. Interviews were conducted in 38 companies in Mexico and 19 in Argentina. In Mexico those companies employed 180,864 workers while in Argentina they registered 34,900 employees.

**Findings** - Differences in HRM strategies were confirmed but not in the way expected. On the one hand, the sector is a relevant variable. There are convergences in HRM practices in automotive sector across different countries, regardless of variations in the institutional frameworks.

**Originality/value** - The sectoral analysis has allowed us to contrast the theoretical debates proposed. There is a significant lack of knowledge regarding management practice in international automotive firms in Latin America. Additionally, the research contributes to the debate on the comparative labour relations in Latin America.

**Paper Type** - Research paper

**Keywords:** *HRM, Emerging Countries, Automotive Subsidiaries, Latin America*

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<sup>1</sup> Cecilia Senén is based at the University of Buenos Aires. Redi Gomis (corresponding author) works at El Colegio de la Frontera Norte (Mexico). Email address: rgomis@colef.mx. Bárbara Medwid works at the National University of La Pampa (Argentina).

## Introduction

The study of human resource management focused on Multinational Companies (MNCs) operating in Latin America is still in its infancy. During recent years, several studies have been conducted to identify the impact of MNCs' Human Resources Management (HRM) strategies on host countries' industrial relations systems. This discussion is situated in a broader debate that enquires whether the internationalization of the economies and new technologies tend to converge in labor relations practices, regardless of local institutional arrangements.

According to Bechter, Brandl and Meardi<sup>2</sup>, Katz and Darbishire<sup>3</sup> suggest that “owing to internationalization, industrial relations systems tend to converge within sectors but diverge between them”<sup>4</sup>. In this sense, we intend to compare HRM strategies from MNCS in two Latin American countries — Argentina and Mexico— within the automotive sector. Even though at first glance Argentina and Mexico seem to have similar labour relations systems, considering that both are developing countries, there are significant literature and empirical data indicating that MNCs tend to behave differently in those countries<sup>5</sup>. While there is some consensus that parent companies tend to implement their own practices in host country subsidiaries, other studies suggest that local responses are shaped by host countries' institutions and actors<sup>6</sup>. Therefore, three related questions arise.

<sup>2</sup> B. Bechter, B. Brandl, G. Meardi, Sectors or countries? Typologies and levels of analysis in comparative industrial relations, in *European Journal of Industrial Relations*, vol. 18, n. 3, 2012, 185–202.

<sup>3</sup> H. C. Katz, O. Darbishire, *Converging Divergences Worldwide Changes in Employment Systems*, Cornell Studies in Industrial and Labor Relations, Cornell University Press, Ithaca, United States, 2002.

<sup>4</sup> B. Bechter, B. Brandl, G. Meardi, *op.cit.*, 187.

<sup>5</sup> G. Bensusán, J. Carrillo, I. Ahumada Lobo, ¿Es el sistema nacional de relaciones laborales mexicano: un obstáculo o una ventaja para la competitividad de las CMNs?, in *Revista Latinoamericana de Estudios do Trabalho*, vol. 16, n. 25, 2011, 121–154; J. Carrillo, I. Plascencia, R. Zárate, La inversión extranjera directa y las corporaciones multinacionales en América Latina y México, in J. Carrillo, *La importancia de las multinacionales en la sociedad global. Viejos y nuevos retos para México*, El Colegio de la Frontera Norte/Juan Pablos Editor, México, D. F., 2012; M. Novick, H. Palomino, M. S. Gurrera (ed.), *Multinacionales en la Argentina: estrategias de empleo, relaciones laborales y cadenas globales de valor*, Programa Naciones Unidas para el Desarrollo (PNUD) / Ministerio de Trabajo, Empleo y Seguridad Social, Buenos Aires, 2011.

<sup>6</sup> A. Ferner, J. Quintanilla, Between Globalization and Capitalist Variety: Multinationals and the International Diffusion of Employment Relations, in *European Journal of Industrial Relations*, vol. 8, n. 3, 2002, 243–250; A. Ferner et al., Policies on Union Representation in US Multinationals in the UK: Between Micro-Politics and Macro-Institutions, in *British Journal of*

First of all, do the HRM strategies that MNCs carry out in Mexico and Argentina differ? If so, is it a matter of different labour relations systems or union actors, or there are other explanatory factors? The other two questions are concerned with determining the reasons for these eventual differences.

Second, do HRM practices in similar sectors tend to converge in those countries, despite their countries' institutional diversity? In this regard, we intend to describe and analyze similarities and differences in an emblematic sector: the automotive industry. The importance of this sector stems from the significant presence of automotive MNCs in both countries. In addition, this sector has undergone extensive changes over the past 20 years. Large traditional establishments have downsized their personnel and there have been significant transformations in work organization as well as technological innovation (Taylorism, Fordism, and Toyotism)<sup>7</sup>. This sector has particular importance, not only due to significant number of people they employ: 89,735 workers in Argentina<sup>8</sup> and 450,000 workers in Mexico<sup>9</sup>, but also because they integrate powerful unions with strong "structural power"<sup>10</sup> and "strategic position" involved in the general productive economic process<sup>11</sup>.

Taking into account the global magnitude of the MNCs, the significant quantity of capital of US origin in both Argentina and Mexico in the automotive sector, our third question is: are North American owned companies implementing different strategies in these countries or are their practices standardized as some of the literature<sup>12</sup> suggests?

The data used to examine these issues come from a Survey of Multinationals (SMNs) that operate in Argentina and Mexico within the remit of an international research project (INTREPID '*Investigation of Transnationals' Employment Practices: An International Database*' group).<sup>13</sup> Based on the database

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Industrial Relations, vol. 43, n. 4, 2005, 703–728; A. Tempel et al., Subsidiary responses to institutional duality: Collective representation practices of US multinationals in Britain and Germany, in *Human Relations*, vol. 59, n. 11, 2006, 1543–1570.

<sup>7</sup> J. Humphrey, Y. Lecler, M. S. Salerno (ed.), *Global Strategies and Local Realities. The Auto Industry in Emerging Markets*, MacMillan, London, 2000.

<sup>8</sup> Author, 2006, 77–111.

<sup>9</sup> P. Gil Lamadrid et al., *Ventaja comparativa del sector automotor de México*, Comercio Exterior, 2003, 43–54.

<sup>10</sup> B. J. Silver, *Fuerzas de trabajo / Workforce: Los movimientos obreros y la globalización desde 1870*, Ediciones Akal Sa, Madrid, 2005.

<sup>11</sup> M. Wallace, L. J. Griffin, B. A. Rubin, *The Positional Power of American Labor, 1963-1977*, in *American Sociological Review*, vol. 54, n. 2, 1989, 197.

<sup>12</sup> P. Almond, A. Ferner, *American Multinationals in Europe: Managing Employment Relations Across National Borders*, Oxford University Press, Oxford, United Kingdom, 2006.

<sup>13</sup> This survey was conducted in Argentina by Marta Novick, Undersecretary of Labour Studies, in the Ministry of Labour, Employment and Social Security under the supervision of Hector Palomino, Director of Labour Studies and Silvana Gurrera, and in México by Jorge

on MNCs provided by El Colegio de la Frontera Norte (México) and The Ministry of Labour (Argentina), this paper seeks to shed light on country and sector differences, focusing on the role played by the country of origin and host country debate.

The article is structured into four sections. The first one describes the main debates about multinationals and their role in Latin America. Also, in this part the characteristics of labor relations systems and differential human resources strategies in Argentina and Mexico are briefly developed. In the second section, the methodology is presented. In the third, the results are discussed. And finally, we present our conclusions.

## **1. Alike but not Identical: Multinationals and Industrial Relations System in Latin America**

### *1.1. Labour Relations and the Origin of Capital: Their Effect on the Host Country*

There are several theoretical debates encompassing MNCs studies. Broadly speaking, one group focuses on analyzing the system of labour relations (the role of labour institutions, contextual factors, institutional frameworks), while another emphasizes the analysis of employment practices or of human resources (hiring, selection and training policies, communication, salary policies, among other aspects).

The theoretical perspectives about “*country of origin*” feature among these debates. Ortiz *et al.*<sup>14</sup> recognize the so-called “*host country effect*” in those cases in which the multinationals adapt their practices to the local contexts in which they are operating. In contrast, other scholars describe the “*country of origin effect*” in those cases in which the subsidiary tends to extend their HR strategies to the host countries regardless of the local framework.

For several authors<sup>15</sup>, the parent company attempts to implement their own human resources practices (HR) in the countries where they establish their subsidiaries. They try to implement their own “best practice” manual in the

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Carrillo. A multinational team has been collaborating for the last 5 years. In the initial stage, researchers from England (Tony Edwards, Paul Marginson, Anthony Ferner), Ireland (Patrick Gunnigle), Canada (Gregor Murray, Christian Lévesque) and Spain (Javier Quintanilla) developed and conducted the survey. In the second stage, in addition to Latin-American countries like Mexico and Argentina, Australia, Singapur, Denmark and Norway are also collaborating.

<sup>14</sup> L. Ortiz *et al.*, Relaciones laborales en fusiones y adquisiciones transnacionales. Una aproximación política (Labour Relations in International Mergers and Takeovers. A Political Approach), in Reis, n. 120, 2007, 11.

<sup>15</sup> A. Ferner *et al.*, *op.cit.*; A. Ferner, J. Quintanilla, *op.cit.*; A. Tempel *et al.*, *op.cit.*



host country regardless of the specificities of the local context. Thus, they leave little or no room for local managers to adapt to local labour union demands or even to local legislation. Quoting Quintanilla *et al.*, “their tendency is to transfer practices and policies to their subsidiaries in a highly standardized and formalized manner”<sup>16</sup>. The problem arises when local formal and informal institutions differ significantly, as they do, for instance, in the Mexican and Argentinean cases with respect to European and North American frameworks. Thus, studies of the “institutional duality”, that is to say those that analyze how subsidiaries are submitted to “dual pressures” are associated with the “country of origin”.

The HR practices of North American companies within the diverse national labour relation systems merits special attention. In broad terms, this is defined as an “*Americanization*” effect on the practices adopted by the HR departments of US companies in their subsidiaries. The definitive features of these practices are their ethnocentrism, their high level of centralization and their standardization<sup>17</sup>. The head offices design these practices without considering the unique aspects that the labour relations of the host country itself could present. This leaves little space for the managers to be able to act as mediators. In relation to the role of the multinational companies and their subsidiaries in Latin America (LA), Carrillo *et al.*<sup>18</sup> state that during the 90s the region attracted a high volume of investment as a result of economic measures based on the deregulation of the economy, the liberalization of commercial activities and the provision of horizontal incentives consisting of deregulation and the privatization of state owned companies. According to these authors, the profits of these companies and of foreign direct investment (FDI) in LA are subject to controversy and debate since while they may have achieved significant modernization and transformation (export platforms in Mexico and telecommunication networks for example), they have also taken advantage of abundant low-cost labour. A large part of the FDI in that decade in Latin America stemmed from buying existing companies, not creating new value. For instance, European firms BBVA (Spain) HSBC (United Kingdom), Electricité (France), and the US firms (automotive and auto part) that concentrated their presence in the manufacturing sector.

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<sup>16</sup> J. Quintanilla, L. Susaeta, R. Sánchez-Mangas, The Diffusion of Employment Practices in Multinationals: “Americanness” within US MNCs in Spain?, in *Journal of Industrial Relations*, vol. 50, n. 5, 2008:682.

<sup>17</sup> T. Edwards, A. Ferner, Multinationals, Reverse Diffusion and National Business Systems, in *MIR: Management International Review*, vol. 44, n. 1, 2004, 49–79.

<sup>18</sup> J. Carrillo, I. Plascencia, R. Zárate, *op.cit.*

In 2004 <sup>19</sup> 50 of the largest multinationals had an income of US \$258,000 million in Latin America, with 22 US companies topping the list, although altogether there are 24 European companies, 3 Asian and 1 Australian. Most of the companies are manufacturing firms, of which 5 of the 10 largest are from the automotive sector, either US (Chrysler, General Motors, Delphi and Ford) or German (Volkswagen), 3 of the other most important firms are in the telecommunication sector (Telefónica from Spain and Telecom Italia). Most of them operate in the 3 largest markets: Brasil, Mexico and Argentina <sup>20</sup>.

However, the evolution of FDI in Argentina and Mexico has diverged <sup>21</sup>. At the beginning of the 90s the volume of FDI was similar, but starting from 1992 Mexico began to grow more than Argentina, and by around 2010 it had tripled the volume of investment. In Argentina, FDI showed a continual growth throughout 2004, was interrupted by the 2008 crisis, but recovered its ascendancy afterwards. Among the sectoral differences related to these flows of FDI, the same authors <sup>22</sup> point to the orientation of investment in Mexico towards manufacturing for export, with a marked trajectory towards ‘maquila’ (*offshoring/outsourcing*), and due to this enjoying, a privileged access to the US market. In contrast, in Argentina investment is directed towards natural resources and services. As for market strategy, in Mexico more than half of the MNCs orient their sales to the regional market and in Argentina more than 80% of the MNCs sales are destined for the domestic market <sup>23</sup>. Also, in the Mexican case, in the year 2010 among the top largest 10 MNCs, 5 are automotive, 3 are service providers, 1 is in trade and, regarding their country of origin, 6 are North American, 2 Spanish, 1 German and 1 is Japanese.

Argentina and Mexico seem to have considerable institutional differences in terms of their industrial relations systems. In the next section we describe the main features of the labour relations systems of both countries from a comparative perspective.

### *1.2. The National Systems of Labor Relations Systems in Argentina and Mexico*

At first glance, these Latin American countries don’t seem to have great differences between them. From a macroeconomic perspective, both countries are emerging economies and, in both cases, similar cultural practices and frameworks coexist. They look similar especially when compared with the main

<sup>19</sup> CEPAL, *La Inversión Extranjera en América Latina y el Caribe 2004*, CEPAL (Comisión Económica para América Latina y el Caribe), Santiago de Chile, 2005.

<sup>20</sup> J. Carrillo, I. Plascencia, R. Zárate, *op.cit.*

<sup>21</sup> Author, 2012, 73–108.

<sup>22</sup> Author, 2012, *op.cit.*

<sup>23</sup> Author, 2012, *op.cit.*

Anglo-Saxon or continental European economies. However, when micro levels of analysis are reached it is possible to identify with greater clarity and sharpness the similarities and contrasts between the two countries.

Broadly speaking, the Argentinian and Mexican labour relations systems have been categorized by specialized literature as “corporatist systems”<sup>24,25</sup> The particularity of these systems is the strong bond existing between the trade unions, the employers and the State in the determination of labour relations associated with the intervention of the state.

In this sense, state intervention in both countries has a party political character. The Argentinian case is characterized by an alliance between the Justicialist Party and the main unions grouped together in the CGT;<sup>26</sup> while in the Mexican case an alliance is formed between the Institutional Revolutionary Party (PRI)<sup>27</sup> and the main national unions. In both cases, significant social rights and protection have been achieved for workers during their welfare state experiences<sup>28</sup>.

Despite these similarities, it must be highlighted that these labour systems have had and continue to have a very dissimilar “performance” in terms of results. Even though the state has a foregrounded presence derived from the establishment of strong regulatory frameworks, the impact as well as the enforcement of these norms has affected labour relations in each country in a differentiated way. These differences are partly due to the divergent commitments that the states have historically assumed in relation to the

<sup>24</sup> G. Bensusán, *Diseño legal y desempeño real: México*, in G. Bensusán, *Diseño legal y desempeño real: Instituciones laborales en América Latina*, Universidad Autónoma Metropolitana/Miguel Ángel Porrúa, México, D. F., 2006, 313–410; S. Etchemendy, R. B. Collier, *Down but Not Out: Union Resurgence and Segmented Neocorporatism in Argentina (2003–2007)*, in *Politics & Society*, vol. 35, n. 3, 2007, 363–401; M. V. Murillo, *Sindicalismo, coaliciones partidarias y reformas de mercado en América Latina*, Nueva ciencia política de América Latina, Siglo XXI, Madrid, 2005; P. C. Schmitter, *Reflections on where the theory of neo-corporatism has gone and where the praxis of neo-corporatism may be going*, in G. Lehbruch, P. C. Schmitter, *Patterns of corporatist policy-making*, Sage modern politics series 7, Sage Publications, London ; Beverly Hills, Calif, 1982, 259–279.

<sup>25</sup> The “state corporatism” in some Latin American countries is characterized by the leading intermediary role of the state in the interests of civil society, in general, creating those interests or subordinating society to the state. This characteristic differentiates it from “social corporatism” or “neocorporatism” (distinctive of North European countries) see B. Marques-Pereira, “Corporativismo societal” y “corporativismo de Estado”: Dos modos de intercambio político, in *Foro Internacional*, vol. 39, n. 1 (155), 1999, 93–115.

<sup>26</sup> Justicialist Party, party political expression of the Peronist movement, born in 1943; and the CGT (General Confederation of Labor), founded in 1930.

<sup>27</sup> Named National Revolutionary Party in 1928, later Party of the Mexican Revolution and from 1946 onwards PRI.

<sup>28</sup> G. Bensusán, “Diseño legal y desempeño real: México”, *cit.*

working class, to the establishment of labour regulations that haven't been modified for more than 70 years such as in Mexico and the institutional rupture or discontinuity that Argentina has suffered due to the military dictatorships.

In the last two decades both countries have gone through profound processes of deregulation and flexibilization that have had an impact on the triad: State – Union – Companies. Indeed, quoting Dombois "...the role of the State as regulator and supervisor being the differential feature of labour relations in Latin America, it is important to know how the neoliberal transformation of the 90s impacts, accepting that neoliberalism encourages the withdrawal of the state from its regulatory functions. Therefore, it is appropriate to ask, to what extent the withdrawal of the state has modified the relations of power in labour relations between the unions and businesses..."<sup>29</sup>.

While in Argentina a profound change to labour regulations was produced, due to more flexible labour laws during the 90s, which in turn weakened the labour unions' power, in Mexico reforms took place first in practice, and later became enshrined in labour laws. Labour flexibility was introduced in firms before the modification to the Federal Employment Law was approved<sup>30,31</sup>.

Those reforms affected labour relations and union actors in the two countries differently. In Argentina, although the unions lost power, the norms related to union structure remained intact, being unaffected by the neoliberal laws of the 90s. Therefore, the unions conserved their monopoly of representation (*personería gremial*),<sup>32</sup> meaning only one union per industrial branch or activity, which gave them greater representativity and autonomy in relation to the employers. In the case of Mexico, the union representation is decided on a company level, the employer being able to choose their preferred union interlocutor, generating a style of union representation with the need to

<sup>29</sup> R. Dombois, Tendencias en las transformaciones de las relaciones laborales en América Latina. Los casos de Brasil, Colombia y México, in L. Pries, E. De la Garza, Globalización y cambio en las relaciones industriales, Fundación Friedrich Ebert, México, D. F., 1999, 18.

<sup>30</sup> E. De la Garza, Reestructuración productiva y respuesta sindical en América latina (1982-1992), in Sociología del trabajo, n. 19, 1993, 41–68.

<sup>31</sup> The Federal Labor Law, passed in 1917 is the most important legal regulatory framework for labor rights.

<sup>32</sup> "*Personería gremial*" (union recognition) is the legal norm through which the state awards a "monopoly of representation" to the union with the largest number of members in each branch of activity or company. Thus, the authorities recognize the union's right to represent collective or individual interests, including those of non-affiliates, to collect union dues through the deductions that the employers make, and to administrate their own welfare schemes. Other characteristics of the Argentinian union model can be seen in Author, 2011. On the Mexican model of labor regulation see G. Bensusán, Diseño legal y desempeño real: México, *cit.*

“please” the employer if they want to maintain their role as negotiator, distancing the union in many cases from the interests of the workers. However, in neither of the countries, up until now, have alternative institutionalized forms of representation independent of the unions been consolidated by the workers with the power of representation and negotiation. At the start of the 21<sup>st</sup> century, the situation across different Latin American countries is very disparate. In several countries, there have been or are currently taking place transformations that give space to processes of economic reactivation and restructuring that, at the same time, bring with them the strengthening of labour institutions. As Leite argues, “the growth of the economies, the expansion of the employment market and the arrival of progressive governments have benefited a greater union presence in the political and economic decision-making spheres”<sup>33</sup>. In the Argentinian case, after a serious economic, social and political crisis in 2001, economic growth, the fall of unemployment, greater state intervention in the economy and policies oriented towards the domestic market have made the revitalization of trade union power and action possible. An example of the change of context is the drop in the rate of unemployment from 21.5% in 2002 to 7.1% in 2014 and the rate of unregistered employment which went from 38% to 32.8% in the same period, marking its largest decrease since the 1980s<sup>34</sup>. In other cases, like Mexico, no substantial change in the orientation of labour relations has been generated although in 2012 a labour reform with a predominantly pro-business orientation was passed, which formalized a flexibility that has been growing in the country over the last few decades<sup>35</sup>.

The characteristics of the labour relations systems and the positioning of the union actors could a priori affect the form in which the companies of foreign capital choose to implement their HR strategies within their subsidiaries.

In the next section, we will focus on the differences in the HR strategies utilized in both countries by the MNCs based on how the decisions of the MNC and the local institutional framework interact. We will also look at the characteristics of the labour force and their representation in relation to the type of subsidiary firm and its place in the global economy.

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<sup>33</sup> M. de P. Leite, *Los desafíos actuales de la Sociología del Trabajo en América Latina*, in *Sociología del Trabajo*, vol. 0, n. 75, 2012, 29-52.

<sup>34</sup> Ministry of Employment and Social Security, *Trabajo, ocupación y empleo: 2010-2014*, Ministry of Employment and Social Security, Buenos Aires, Argentina, 2014.

<sup>35</sup> G. Bensusán, *Reforma laboral, desarrollo incluyente e igualdad en México*, *Estudios y perspectivas* 143, CEPAL (Comisión Económica para América Latina y El Caribe), Santiago de Chile, 2013.

### 1.3. Differential Human Resources Strategies in Each Country

As has been argued, the origin of the capital of the MNCs and the labor relations systems of the host countries are dimensions “matters” of the study of MNC human resources strategies. In general terms, the companies form bonds with their employees by complying with two main factors: the HR practices belonging to the company, whose country of origin is often a determining variable as has been demonstrated in numerous studies; and the characteristics of the labour relations system belonging to the country in which they are installed. However, there are other existing variables that intervene in the strategies that the MNCs utilize to create bonds with their employees: a) market strategies of the company, b) sector of activity, c) size of the firms according to the number of employees.

The comparative literature from these two countries, Argentina and Mexico, is produced by researchers who form part of INTREPID and have carried out studies looking at, for example, the form that trade union representation takes in the workplace<sup>36</sup>; or exploring the participation of the multinational firms in their respective global value chains (GVCs)<sup>37</sup>. In this sense Bensusán and Martínez<sup>38</sup> have pointed out the differences in the insertion strategies of the MNCs, highlighting that while 41% of Argentinian MNCs have the domestic market or the broader internal market of Mercosur as their final destination, the MNCs established in Mexico export a great part of their products abroad; in the majority of cases they are intra-industrial sales within the same company. In relation to studies carried out just in Mexico, Bensusán *et al.*<sup>39</sup> analyze the advantages and disadvantages of the Mexican national system of labour relations for the competitiveness of the MNCs, while the study carried out by Pozas and Gomis<sup>40</sup> analyzes the multinational companies established in the

<sup>36</sup> G. Bensusán et al., Regímenes sindicales y entornos políticos-económicos en la Argentina y México: representación sindical en firmas multinacionales, in in Ministerio de Trabajo, Empleo y Seguridad Social (ed.), Trabajo, ocupación y empleo, Investigaciones 2013: Estudios sobre multinacionales y evaluación de políticas públicas, Serie Estudios 12, Ministerio de Trabajo, Empleo y Seguridad Social, Buenos Aires, Argentina, 2013, 31–54.

<sup>37</sup> J. Carrillo et al., Las filiales de la Argentina y México en la cadena global de valor, in M. Novick, H. Palomino, M. S. Gurrera, Multinacionales en la Argentina : estrategias de empleo, relaciones laborales y cadenas globales de valor, Programa Naciones Unidas para el Desarrollo (PNUD) / Ministerio de Trabajo, Empleo y Seguridad Social, Buenos Aires, 2011, 129–154.

<sup>38</sup> G. Bensusán, A. Martínez, Calidad de los empleos, relaciones laborales y responsabilidad social en las cadenas de valor: evidencias en la cadena productiva de VMW, in J. Carrillo, La importancia de las multinacionales en la sociedad global. Viejos y nuevos retos para México, El Colegio de la Frontera Norte / Juan Pablos Editor, Ciudad de México, 2012, 133–184.

<sup>39</sup> G. Bensusán, J. Carrillo, I. Ahumada Lobo, *op.cit.*

<sup>40</sup> Author, 2010.

North of Mexico and point out that one of the greatest incentives to setting up in that region is the search for a cheap labour force in the initial stages of the process of creation of global value.

In the case of Argentina, Novick *et al.*<sup>41</sup> approach in an interdisciplinary way the study of MNCs and their impact on employment, human resources management, labour relations, innovation and the connection between the subsidiaries that operate in that country and global value chains.

## 2. Methodology

The data for the empirical analysis comes from a Survey of Multinationals (SMNs) that was conducted in Argentina and Mexico in 2009, within the remit of INTREPID international research project. The survey covered a representative sample of MNCs stratified by sector, size and origin of capital; in Argentina, the questionnaire was applied to 155 entities, while in Mexico the sample size was 171.

In sectoral terms, in Argentina, 49.7% of the firms correspond to the manufacturing sector and 50.3% to the service sector. In Mexico, 78.9% belong to manufacturing and 21.6% to services. In relation to the origin of capital, in Argentina 38.1% of cases have their head office in the USA, 43.2% in Europe, and the remaining 18.7% in other countries and regions; in Mexico, the corresponding percentages are: 43.9% in the USA, 17.5% in Europe, and 38.6% elsewhere.

Taking the generated employment as an indicator, we can appreciate the importance of this type of company in the economies of the two countries. Through projections using the survey data, Carrillo *et al.*<sup>42</sup> determined that in Argentina MNCs employed 300,000 people, representing 21% of the total number of employees in private companies. In Mexico, the figure is 2,500,000 workers, 20% of the total number of registered workers in the manufacturing and service sectors<sup>43</sup>.

The survey included a set of questions essentially related to the employment practices and labour relations strategies of these important economic actors. Among these were questions related to the, structure of operations, salaries, bonuses or performance awards, training, employee participation and communication, union representation in the workplace, management of human resources in the global context, etc. The survey was carried out through face-

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<sup>41</sup> M. Novick, H. Palomino, M.S. Gurrera, *op.cit.*

<sup>42</sup> J. Carrillo et al., "Las filiales de la Argentina y México en la cadena global de valor", *cit.*

<sup>43</sup> J. Carrillo et al., Metodologías para el estudio del impacto de las multinacionales relacionadas con el empleo y el trabajo en México, Reporte, El Colegio de la Frontera Norte/UAM-X, Ciudad de México, 2016.

to-face interviews with executives or managers of human resources at the corporate level.

It is important to note that a comprehensive definition of the MNC was used for the investigation. An MNC can be made up of several production plants and/or service units. The unit of analysis was not the individual plants but rather the corporate unit that would encompass them all. In operational terms, for a company to be considered a multinational, it must meet the following criteria: a company with a minimum of 100 employees in the country of application of the survey and at least 500 employees in the world.

Three variables are key to the analyses we develop in order to empirically address the questions presented at the beginning of this paper. These are: the origin of the MNCs, the sector they belong to (especially whether or not it is the automotive sector), and the HR strategy. The first was always part of the base, as it was one of the questions in the survey. The second and third were constructed for the purposes of this study.

In the case of the sector, the North American Industry Classification System (NAICS) code was used to filter the MNCs belonging to the automotive sector. All the MNCs in the database had previously been identified according to four digits within this classification. Thus, those corresponding to the following codes were catalogued within the sector: 3262 (Rubber Product Manufacturing), 3361 (Motor Vehicle Manufacturing), 3362 (Motor Vehicle Body and Trailer Manufacturing), 3363 (Motor Vehicle Parts Manufacturing), 4231 (Motor Vehicle and Motor Vehicle Parts and Supplies Merchant Wholesalers), 4411 (Automobile Dealers), 4412 (Other Motor Vehicle Dealers), 4413 (Automotive Parts, Accessories, and Tire Stores), 5321 (Automotive Equipment Rental and Leasing), 8111 (Automotive Repair and Maintenance).

The survey database included 38 multinational companies in Mexico and 19 in Argentina belonging to the automotive sector. It is worth pointing out that these 57 do not represent the entirety of MNCs in each sector, given that excluded from the analysis are some companies that weren't interviewed when the survey was carried out. Regarding size, considered starting from the total number of employees, we can see that the MNCs in the sector in Mexico tend to be larger than their counterparts in Argentina. Actually, while 63% of the automotive companies in Mexico employ more than 1000 workers, this same percentage corresponds to the number of companies in Argentina with less than 1000 employees. This size feature is important, because it has a close relationship to the human resource management strategies.



Regarding the HR strategy, we draw on a previous study of the Argentinian case Palomino et al. <sup>44</sup>, in which different MNC strategies are summarized such as:

- *Direct strategy*: high level of communication between management and the employees, consultation and information with the aim of avoiding any type of mediation between workers' representation and the managers. In this type of strategy, the HR departments, which are prominent, are composed of a fairly well developed individual performance appraisal system.
- *Mediated strategy by the union actor*: this is the type of strategy where the link between the company and the workers is highly mediated by trade union representation. Here we do not observe high levels of communication between the workers and management. It is the trade union that intervenes, discussing with management the needs of the workers and their participation in the workplace.
- *Mixed strategy*: combines the mediation of union representation alongside intermediate levels of communication between management and workers. In this type of strategy, we find the presence of unions in the determination of working conditions and collective bargaining without elimination the relationship between the HR department and the workers.

In order to define these strategies for our study, based on the aforementioned research <sup>45</sup>, we have first identified which of the variables used in that study were equally relevant for comparative purposes between Argentina and Mexico (see Table 1). And afterwards we design a cluster analysis for determining the three groups of human resources strategies. The chi-square test was carried out to assess whether there were significant differences in the distributions of each variable by country.

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<sup>44</sup> Estrategias de gestión hacia los empleados y sus representantes en las firmas multinacionales con operaciones en la Argentina, Paper presented at Conference on Employment Relations in Multinationals, School of Industrial and Labor Relations, Cornell University, Ithaca, New York, September 2010.

<sup>45</sup> H. Palomino et al., *op.cit.*

**Table 1. Variables of indicators of managerial strategies towards employees and their representatives**

Variables	Categories	Country		ToT	Chi-square	
		MEX	ARG		Value	Sign.
Information and consultation	Without	10%	24%	17%	29,9	0,00
	Medium	33%	50%	41%		
	High	56%	27%	42%		
	Total	100%	100%	100%		
Involvement mechanisms	Low (absence of work teams)	21%	38%	30%	20,5	0,00
	Medium (teams with less than 50% LOG employees)	42%	19%	30%		
	High (teams with more than 50% LOG employees)	37%	43%	40%		
	Total	100%	100%	100%		
Approach towards trade union representation	Hierarchical (management decides unilaterally about two areas: salary and career planning)	16%	30%	25%	10,7	0,01
	Consultative (management consults about at least two areas. If only one area is consulted on, the other they decide alone)	23%	35%	31%		
	Bargaining (management negotiates at least one of the two areas)	61%	34%	44%		
	Total	100%	100%	100%		
Union Representation in the workplace	Absence of representatives (no workers affiliated to unions and no non-union representation)	26%	28%	27%	4,3	0,12
	Non-union representation (without union affiliation (workers' association or committee, complaints and demands system)	11%	5%	8%		
	Union membership and union presence in the workplace	63%	67%	65%		
	Total	100%	100%	100%		
Performance appraisal system	Without	18%	9%	14%	4,8	0,03
	With	82%	91%	86%		
	Total	100%	100%	100%		

Source: Databank on MC provided by El Colegio de la Frontera Norte (México) and the Ministry of Labour (Argentina) 2009

The  $X^2$  test design shows that in almost all dimensions except for that of union representation one, the variables behave differently in each country. Indeed, when p-value is lower than 0.05 it means that there is not a wide margin of error in this assessment. Hence, this variable was excluded in our case. Considering then the rest of the variables, a hierarchical cluster analysis was performed to determine the three groups corresponding to the HR strategies, whose distribution is presented below, in the results section.

### 3. Results

This section is structured following the same order of the questions presented at the beginning of this paper.

#### *3.1. Argentina and México: divergence within Convergence in HR strategies*

With the aim of providing an answer to our first question about how HR strategies are different in Argentina and Mexico, as mentioned above, we draw on a previous study of the Argentinian case Palomino et al. <sup>46</sup>, in which different MNC strategies were typologised as direct, mediated by the union and mixed.

In table 2 we can observe the three human resources strategies already defined. The chi-square test shows that the distribution of this variable is significantly different in each country. In addition, the above-mentioned arguments can be verified: trade union representation seems to satisfy different goals: greater degrees of participation in the Mexican case (73%) and an attitude that varies between hostile (27%) and participatory (51%) depending on the company in the Argentinian case. In Mexico, the subsidiaries are more inclined to include union mediation probably, as we mentioned in the second section, because they can choose their interlocutor and the unions have a less confrontational culture of organization and thus they are more collaborative. So, though (perhaps) involuntarily, the union is functional to the goals of the multinationals. In the case of Argentina, even though there is a strong presence of strategies “mediated by the union actor”, there is a significant group of companies that employ direct strategies (27%), avoiding contact with the union. In the case of Mexico only 11% of companies employ direct strategies and just 16% choose a mixed one.

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<sup>46</sup> *Op.cit.*

**Table 2. Human Resources strategies of Argentinian and Mexican MNCs**

Strategy	Country of application		Total	Chi-square	
	Mexico	Argentina		Value	Sig.
Direct	11%	27%	22%	6,48	0,039
Mixed	16%	23%	20%		
Mediated	73%	51%	58%		
Total	100%	100%	100%	-	-

Source: Databank on MC provided by El Colegio de la Frontera Norte (México) and the Ministry of Labour (Argentina) 2009

Before answering our second question regarding whether HRM practices in similar sectors tend to converge in both countries despite their countries' institutional diversity, we will now briefly outline the importance of the automotive sector in both countries is briefly presented.

***3.2. The Automotive Industry and its Development in Argentina and Mexico.***

In Argentina, the selection of the automotive sector corresponds to the fact that: a) it is a large employer of labour and constitutes the vanguard in terms of transformations in the organization of labour (Taylorism, Fordism, Toyotism); b) it has played a prominent role in the generation of employment and a revitalizing role in the intermediate goods market and consumption during the period of import substitution (1950-1973). At the current conjuncture of economic reactivation this industry has again driven forward production and employment (from 2003 when the sector employed 39,686 workers to the current date in which 89,735 workers are employed). According to data from Centre for Studies in Argentinian Development <sup>47</sup> the sector represents 22.4% of GDP, nearly half the total of industrial exports, and a quarter of total commodities exported. However, during 2014 this industry showed warning signs of a coming recession, which won't be taken into consideration given the year in which the survey was carried out.

Another key factor to take into account is the relatively high bargaining power that unions have in this sector. Silver (2005) describes it as “structural power” while others refer to it as “strategic position” in the general productive economic processes (Wallace, Griffin y Rubin 1989). Broadly speaking, a strike

<sup>47</sup> Centro de Estudios para el Desarrollo Argentino (CENDA), El trabajo en Argentina. Condiciones y Perspectivas, Informe trimestral, Centro de Estudios para el Desarrollo Argentino (CENDA), Buenos Aires, 2005.

action affects the economic cycle according to the position of the economic sector in which the strike is carried out, and this disruptive capacity becomes a resource of structural power.

In Mexico, the importance of the automotive industry is crucial, due to its highly competitive and dynamic nature, both in production and in employment. As of December 2015, the automotive sector was responsible for 875,382 direct jobs of which 81,927 correspond to the manufacture of cars and trucks, and 793,456 are located in the auto parts sector; contributed 3.2% of GDP and 27% of export income was derived from this sector.<sup>48</sup>

Beyond a few differences, in both countries more than 90% of the main companies in the sector belong to foreign investment: all final assembling plants are MNCs as are most autopart companies. Most these have been established in host countries for several decades. For example, in Argentina, the incorporation of MNCs began during the 60s, they withdrew in the 80s and returned in the 90s (e.g. General Motors and Fiat).

In contrast, Mexico, starting from the 1980s, began to occupy a privileged position on a global level in the production of cars and auto parts. Two fundamental factors have been responsible for this process. As Contreras *et al.*<sup>49</sup> show, on the one hand we can identify a territorial proximity to the North American market that everybody competes for.<sup>50</sup> And on the other hand, as this same author also suggested, low production costs are associated with higher levels of productivity<sup>51</sup>, which is a comparative advantage of the Mexican labour market.

Broadly speaking, the automotive sector is composed of: final assembly plants (mostly subsidiaries of large, globally recognized MNCs) and autopart companies among which suppliers of the first and second level can be distinguished<sup>52 53</sup>. The automotive sector creates important chains with other sectors or productive industries (textile, plastics, chemicals, steel), making the

<sup>48</sup> ProMéxico, La industria automotriz mexicana: situación actual, retos y oportunidades, ProMéxico / Secretaría de Economía, Ciudad de México, 2016, 20.

<sup>49</sup> O. F. Contreras, J. Carrillo, J. Alonso, Local Entrepreneurship within Global Value Chains: A Case Study in the Mexican Automotive Industry, in *World Development*, vol. 40, n. 5, 2012, 1013–1023.

<sup>50</sup> This also constitutes an element of fragility, as the sector is strongly dependent on the dynamics of the US economy and market and, in this sense, possibly more susceptible to foreign crises.

<sup>51</sup> O.F. Contreras, J. Carrillo, J. Alonso, *op.cit.*

<sup>52</sup> Author, 1997, 237–276.

<sup>53</sup> At the first level are found companies controlled by the terminals and that belonging to the same business group. At the second level there are supplier companies that manufacture materials, parts and critical input materials, some possess a foreign license while others are independent auto part manufacturers.

environment of labour relations more complex<sup>54</sup>. In relation to this point, a marked vulnerability or retraction in response to the international crises of the world economy is also characteristic of the sector, such as occurred with the financial crisis of 2008. In Mexico although the productive concentration generates a high density of interactions with the local economies<sup>55</sup>, it is not primarily Mexican companies that are integrated into the chains of production.

### *3.3. Human Resources Strategies in the Automotive Industry in both Countries*

In Table 3 it can be observed that the impact of the strategies and the way in which the MNCs organize their human resources in their subsidiaries do not present great differences between the countries under comparison.

In both countries within the automotive industry (61% in Mexico and 67% in Argentina), management encourages the involvement of workers and the creation of work teams to enhance work processes. In both countries, there is a clear policy of consultation and negotiation in relation to the unions: 73% of the companies in Mexico and 63% in Argentina have a marked tendency of bargaining with unions. Lastly, the presence of union representation in the plants is quite overwhelming: 87% and 89% in Mexico and Argentina respectively.

At first glance, this apparent convergence could be explained by the similarities between the national labour relations systems and HR practices. However, when the performance of the automotive sector is compared with the other sectors in an aggregate manner in both countries, the results of the human resources strategies display different outcomes.

As we have emphasized, the policy towards the unions is more consensual in the Mexican case than in the Argentinian and in the other sectors. MNCs in Argentina have a higher degree of acceptance of the unions. This could be because law obliges them to behave that way. Another difference is that MNCs in the automotive sector tend to display more strategies toward work involvement and communication than the other sectors.

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<sup>54</sup> G. Bensusán, A. Martínez, *op.cit.*

<sup>55</sup> O.F. Contreras, J. Carrillo, J. Alonso, *op.cit.*

**Table 3. Human Resources variables in the automotive sector and other sectors**

Variables	Categories				
		Automotive		Other sectors	
		Mexico	Argentina	Mexico	Argentina
Information and consultation	Without	5%	26%	12%	22%
	Medium	34%	32%	32%	53%
	High	61%	42%	56%	25%
	Total	100%	100%	100%	100%
Involvement mechanisms	Absence of teams	6%	17%	27%	41%
	Medium	33%	17%	45%	19%
	High	61%	67%	29%	40%
	Total	100%	100%	100%	100%
Approach towards trade union representation	Hierarchical	0%	13%	26%	35%
	Consultative	27%	25%	20%	36%
	Bargaining	73%	63%	54%	29%
	Total	100%	100%	100%	100%
Union Representation in the workplace	No representation	11%	11%	29%	30%
	Non-union representation	3%	0%	14%	6%
	Union representation	87%	89%	57%	64%
	Total	100%	100%	100%	100%
Performance appraisal system	Without	13%	5%	19%	9%
	With	87%	95%	81%	91%
	Total	100%	100%	100%	100%

Source: Databank on MC provided by El Colegio de la Frontera Norte (México) and the Ministry of Labour (Argentina) 2009

However, as can be seen in Table 4, upon analysing the cluster some of the differences that we have previously indicated can be confirmed. The preferred strategy for the multinationals in Mexico is clearly the intervention of the union in human resources issues (81%). While in the automotive sector in Argentina, this strategy is also employed by most companies (60%), a good proportion of the multinationals (27%) prefer to avoid union intervention and to deal directly with the workers.

In the other sectors, even if the tendency is maintained, the inclination to utilize strategies mediated by union actor are significantly lower than in the

automotive sector; in these other sectors there is an increased use of the mixed strategy.

**Table 4. Human resources strategies in the automotive sector**

Variables	Categories	Sector/Origin			
		Automotive		Other sectors	
		Mexico	Argentina	Mexico	Argentina
Strategies grouped by results of the cluster	Direct	10%	27%	13%	26%
	Mixed	10%	13%	22%	25%
	Mediated	81%	60%	65%	49%
	Total	100%	100%	100%	100%

Source: Databank on MC provided by El Colegio de la Frontera Norte (México) and the Ministry of Labour (Argentina) 2009

### *3.4. The Automotive Sector and The Origins of Capital*

Finally, remaining is the question of whether the country of origin is a determining variable when defining HR strategies in the automotive sector. This corresponds to the third question initially raised. Despite the extensive literature that arguing that North American owned companies have a reputation for avoiding unions as much as possible, our findings suggest otherwise. In the automotive sector, there is a tendency toward embracing the participation of unions in the firms regardless of the country of origin.

Moreover, not only are North American owned companies likely to include unions within the workplace but they are also less inclined to apply direct strategies towards employees. As unexpected as this result may be, European companies having the lowest percentage of mediated strategies is also an unforeseen result. Most of the European companies in our sample are German or French, both countries with strong ties to unions and protective labour relations systems. It might be expected that given a strong union system at home, German firms would have a more amicable approach to the unions than the American ones. One explanation of the low percentage of mediated strategies could be that due to the long E.U. tradition of close collaboration between firms and unions, the essence of their work environment was less conflictive between these actors.

Nonetheless, the inclination towards mediated strategies in European firms is still high. The high degree of mediated strategies implemented by “Other Countries” is also noteworthy, with Japan, Canada and Mexican MNCs leading the list.



**Table 5. Human resources strategies by country of origin in the automotive sector**

Strategy	Country of Origin			Total
	US	European	Others	
Direct	10%	21%	17%	17%
Mixed	20%	14%	0%	11%
Mediated	70%	64%	83%	72%
Total	100%	100%	100%	100%

Source: Databank on MC provided by El Colegio de la Frontera Norte (México) and the Ministry of Labour (Argentina) 2009

#### 4. Conclusion

As mentioned above, the data used in this survey was drawn from a larger research project carried out by some researchers from Argentina and Mexico within the INTREPID group. The main purpose of this article was to compare HR management strategies from MNCs in two Latin American countries in the same sector. Even though in recent years there have been significant contributions regarding the comparison of these two countries, little has been done to analyse sectorial aspects. Therefore, this paper contributes to the literature by examining how HRM strategies from MNCs differ and coincide in these two countries in the same sector: the automotive industry.

Several questions have been addressed in order to achieve this goal: Do the MNCs apply different HRM strategies in host countries? Regarding this first question, the data seems to suggest that they do. Even in countries with rigid labour relations systems MNCs apply different strategies. Moreover, labour unions seem to achieve different goals depending on the country. While Argentinian unions seem to be stronger, with higher levels of labour representation of in general, Mexicans unions seem to be more consulted and participative than their Argentinians counterparts. As a result of our analysis, we've emphasized that 73% of the MNCs consulted in Mexico are inclined to apply strategies mediated by unions while only 51% of the MNCs located in Argentina do. More significantly, 27% of MNCs in Argentina are willing to avoid the unions. Only 11% of the MNCs in Mexico seek to avoid the unions altogether. There is not much difference when analysing strategies other than union involvement: in Mexico, MNCs tend to have higher degrees of communication with their employees. In this regard, another question arises: why do MNCs carry out different strategies regarding union involvement in Mexico and Argentina? Our preliminary assumption is that unions in Mexico tend to be more "business friendly" than most of the unions in Argentina. But

in order to justify this hypothesis further qualitative research must be carried out.

The second question originally posed aimed at shedding some light on whether practices in the same sectors tend to converge in different countries, regardless of their countries' institutional differences. The analysis of the data suggests support for that idea. Despite the flourishing literature (Pulignano 2006) discussing whether or not convergences in HRM practices are homogeneous, in the automotive sector strategies appear to be similar regardless of the country. MNCs opting for anti-union strategies in those countries are at a significantly low level. MNCs in the automotive sector in both countries are more inclined to include the unions than in the other sectors (whether manufacturing sectors or service). Also, union recognition is significantly higher in both countries in the other sectors.

Finally, the third question raised at the beginning of this study assumed that the MNCs' country of origin was a determining variable when applying HRM strategies. North American owned companies have a reputation of avoiding unions as much as possible, as well as standardizing and extending the HRM strategies applied at home to offshore subsidiaries. The findings presented in this article suggest otherwise. In the automotive sector, the country of origin doesn't seem to be an explanatory variable. Strategies tend to converge regardless of the home country. Moreover, North American owned companies are not more likely to employ "union avoiding" strategies than European ones. European owned companies are more likely to adopt direct strategies towards employees than North American owned ones. Other countries, with Japan top of the list, adopt mediated strategies regarding union presence and involvement.

Lastly, sectoral analysis has allowed us to contrast the theoretical debates proposed. On the one hand, we have shown the convergence of HRM practices in one sector across different countries, regardless of variations in the institutional frameworks. On the other hand, we have shown that the multinationals' country of origin is not an explanatory variable, due to finding that North American companies do not implement standardized approaches, nor do they reject unions.

For the next stage of the research it would be useful to ask if this interaction between the multinationals and the unions is due to the characteristics of the MNCs in the sector themselves, or of the union actors. To achieve this aim we would hope to go into greater detail in the personal interviews with the relevant actors.

# Adapt International Network



**ADAPT** is a non-profit organisation founded in 2000 by Prof. Marco Biagi with the aim of promoting studies and research in the field of labour law and industrial relations from an international and comparative perspective. Our purpose is to encourage and implement a new approach to academic research, by establishing ongoing relationships with other universities and advanced studies institutes, and promoting academic and scientific exchange programmes with enterprises, institutions, foundations and associations. In collaboration with the Centre for International and Comparative Studies on Law, Economics, Environment and Work, (DEAL) the Marco Biagi Department of Economics, University of Modena and Reggio Emilia, ADAPT set up the International School of Higher Education in Labour and Industrial Relations, a centre of excellence which is accredited at an international level for research, study and postgraduate programmes in the area of industrial and labour relations. Further information at [www.adapt.it](http://www.adapt.it).

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