The Impact of Multinationals on Labour Relations in Developing Countries: A Literature Review

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Abstract
The study discusses the impact of multinationals on labour relations in developing countries with special reference to Malaysia and Nigeria. The study discovered that several studies have been done on MNCs operating in Malaysia and revealed that the Malaysian government had used oppressive methods and strategies to keep trade unions in Malaysia dormant, so as to meet the urges of MNCs operating within the country. Malaysia has a history of no proper organized labour in the MNCs’ industries, because the managements of those industries are anti-union. Moreover, they just wanted to operate without any union interference, so that they can appropriate workers labour and maximize profit. For the case of Nigeria, there is organized and recognized labour but; their effort to protect members are sometimes dashed away by corrupt institutions that are empowered to monitor and evaluate MNCs activities. Bribery by MNCs to officials of these institutions have weakened the labour unions to carry out their mandate effectively. Hence, MNCs use the opportunity to override some labour laws like salary discrimination between expatriates and locals and ineffective human resource development. They usually fix higher salaries for their expatriates and low salaries for the local workers without being checked by the Nigerian authorities.

Keywords
Multinationals; Labour Relations; Industrial Relations (IR); Host governments/Countries; Foreign Direct Investment (FDI)

I. Introduction

MNC in the twenty-first century has been seen as the central institution in developing nations. According to Ferdaussy and Rahman (2018), a good number of MNCs started their operations in developing countries by the 1990s. This is because MNCs benefits from the lower labour costs and grants given to them by the governments of developing countries in order to attract them. MNCs are also given, lower tax rates or tax exemption for a period in those developing countries they operate. Therefore, the effects of their operations in developing countries can now be assessed quite differently from that was done in the past. As a result, these developing countries can also gain from the investment made by these MNCs. MNCs may support to decrease poverty, drive economic growth, generate jobs for locals, and sometimes increase employment standards by paying improved wages than local firms. As such Robinson (1979) and Tatum, (2010) suggested that multinationals use three dissimilar organizational methods in their operations in different locations to attain their goals. The three formations proposed by Robinson and Tatum are:
The foremost communal model of MNC is to locate its executive headquarters somewhere else whereas production facilities are positioned in other countries. This permits the company to take advantage of benefits of integrating in a given locality, while also being able to produce goods and services in areas where the cost of production is lower.

The second structural model is for MNC to base the parent company in one nation and operate subsidiaries in other countries around the world. With this model, just about all the functions of the parent are based in the country of origin. The subsidiaries more or less function independently, outside of a few basic ties to the parent.

A third approach to the setup of an MNC involves the establishment of headquarters in one country that oversees a diverse conglomeration that stretches many different countries and industries.

In addition, Chukwuemeka et al (2011) pointed out that those who view multinationals as engines of development maintain that: (a) multinationals contribute resources that are generally not available or insufficiently available, namely: capital, technology, managerial and marketing skills and (b) multinationals create jobs and alleviate balance of payment deficits of their host states through import substitution. Related views were also expressed by Pettinger (2017) and Ferdausy and Rahman (2018) but; Pettinger pointed out that there are demerits, and Ferdausy and Rahman were however, skeptical. In similar vein, Chukwuemeka and Obingene, (2002) have earlier viewed the development which MNCs usually brought to developing countries as a deception in disguise.

The earlier discourse on the role played by multinational corporations (MNCs) in assisting emerging economies to develop their economy were as follows: transferring their technology, know-how and skills to host countries. As well as providing access to export markets, through intensifying competition, or by making available goods and services that are better and/or cheaper than those offered by local producers (De Mello, 1999;UNCTAD, 1999; JBIC, 2002). In reality, the benefits purported by MNCs are not realized by the host countries and; these MNCs may at some level stifle economic development by fastening in host economies in little value-added activities as well as through grouping local investments and occupations. Moreover, disruptive competitive practices of MNCs can decrease consumer happiness. Besides, MNCs can assist to shape feeding designs that are unsuitable for host countries (Caves 1996; Buckley and Ghaury 2002; Cypher and Diez, 2004).

Clark (2010) likewise presented many reasons and argument about the repercussion of multinational enterprises functioning in the emerging countries as follows:
1. The attentions of these multinational enterprises are not tied with the countries they are effective. Therefore, they are not in somewhat situation to support these nations to find answers to their economic problems.
2. They inspire more of profitable activities than creative activities. Consequently, these emerging countries are twisted into trading yield.
3. They constrain local manufacturing activities
4. They corrupt government so as to be attracted in offering them franchise that will empowering them to send home massive amounts of incomes.
5. In addition, money made from host nations are not utilized to progress those nations
6. They shift and takeover the more gainful sectors of the economy like petroleum and the mining industry.
7. They make the developmental problems of emerging countries complex through passing on to them overrated old-fashioned equipment like vehicles, computers, machineries and so on.

8. They also slow down the forward-thinking governments of developing countries by extortion and disruption.

9. They inspire members of host countries to support their products instead of local products which they brand as substandard.

10. They inspire denationalization of local enterprises and as a result acquire the bigger shares in such denationalized enterprises.

   It is necessary in this regard for governments of developing countries to enact labour laws that will improve the wellbeing of workers and their dependants. As this will foster economic development. Thus, Feld (1980:23) reaffirmed the positive role of ‘organised labour’ but contradicted his claim, by expressing the concern of governments of developing countries ‘that if wages are driven up too far, MNC affiliates may close their plants’. In this regard, governments in developing countries have enacted legislation to forestall strike against American firms, as it was the case in South Korea; to prevent TNCs to close down, and also to suppress labour unions from requesting for higher wages. Singapore as well made labour laws, with the intention of restricting union activity and bring wages down. May be, other countries, which have ‘benefited’ from the influx of industries into their territories will walk towards the same direction, like Singapore; so that, they can safeguard the merits they are now deriving from the employment creativity. There is pressure on those developing countries, where union have attempted to influence the legislative process, so that they can obtain favourable laws for organizing workers and protecting their rights. Although, there are enacted labour laws but these laws do not necessitate adequate provisions for trade union ‘freedom of action’ and ‘collective bargaining’ (Feld1980).

   Besides, Cypher and Dietz (1997), also made an input on the role of multinationals in the less developed countries. They elaborated on the work of some critics on the role of TNCs in the export processing zones (EPZs), and the negative effect of the Third World nation, when they hope of benefiting from FDI. These EPZs are usually located at or near harbours or boundaries; where all the rules covering the operations of foreign investors are relaxed or overlooked by host governments. They host governments exempt all imports and exports taxes for all products incoming and leaving the export processing zones, together with corporate and other taxes and license fees are ignored for firms operating in the zones. The TNCs disregard labour unions and all existing labour laws. Sometimes minimum wage regulations are also flouted. These TNCs are given a ‘tax holiday’, and suspend all corporate taxes for a certain number of years, may be five years; in order to encourage them to invest in the EPZs.

   Muthoni (2012:1) defined Multinational Corporations (MNCs) as an expression identical with world trade today. It however, refers to business that function across more than one national border, having their original base in more developed countries like U.S.A, Britain and Japan. They are recognized to form partners in developing countries like Kenya, Bangladesh, Nigeria, Ghana, and Pakistan among others. MNCs can focus in mining and extraction, service provision, manufacturing or agriculture.

   Jamieson (2015) refers to Labour relations as the relations between employers and employees that are affected by a number of factors, together with labour organizations, collective bargaining, labour market, and government policy, the structure of the economy, labour law and technological change. Equally, Industrial relations is also the relationship (by industrial laws) between employers and employees in the workplace. It further,
prescribes what the employers expect of employees (which is meeting employers’ targets) and; what the employees expect from their employers in return (i.e., motivational rewards) in the form of collective agreements.

II. Review of Literature

This paper reviews the influence of Multinationals on labour relations in Malaysia and Nigeria as a benchmark approach to this study.

2.1 The Case of Malaysia

Kaur (2004:12-13) disclosed that trade unions legitimate role was accepted in Malaysia during the labour unrest in the late 1930s and a shift in colonial labour policy that laid the basis for labour relations. ‘In 1940 and 1941 three ordinances were passed:’ the Industrial Courts Ordinance, the Trade Union Act, and the Trade Disputes Ordinance’. In 1945 the British returned to Malaya, following the Japanese occupation period. John Brazier, an erstwhile British trade union official who was sent from London to arbitrate between wage labour, capital and the state, and to ease conflict and weaken aggressive unions. His legislative bundle was meant at controlling trade unions, their constitutions and rules, and made registration provisional for the enjoyment of any rights by labour. The package was based on the British Trade Disputes and Trade Unions Act 1927 (Gamba, 1962). Even though, the Trade Unions Act of 1957 ‘legitimized’ trade unions and the Industrial Relations Act 1967 ‘formalized’ collective bargaining; these legislations were amended to restrict labour unions’ freedom. These restrictions diluted the powers of trade unions to organize and bargain freely. It also banned Malaysia civil servants from industrial actions and imposed ‘compulsory arbitration’ on ‘a wide range of essential public services’ (Kaur 2004:13)

Malaysia has moved from a country dependent on agriculture and primary commodities in the sixties, to an export-driven economy stimulated by high technology, knowledge-based and capital-intensive industries. The structural transformation of Malaysia's economy over the last 40 years has been spectacular; often dubbed the ‘lucky country’ because of its wealth of mineral resources and fertile soils (Raman 2008). This move attracted MNCs to invest in Malaysia couple with the suppression of labour unions and the application of low wages to local workers. Which, Raman referred to as ‘arbitrary refusal of union recognition … and collective bargaining rights’. The oppression of labour unions in Malaysia has been persistent since colonial period. The restriction of organized labour is a strategy by the government of Malaysia to weaken them not to pose a major challenge to capital's interest. The multinational corporations use this opportunity created by the government to ignore or disregard Malaysia trade unions in a location where the post-Colonial ‘developmentalist' state has tried to uphold and upsurge regulation over organized labour, as part of a bundle to entice foreign direct investment (FDI) (Benson and Rowley 2000). Ramasamy (2008:2) expressed similar assertion that Malaysian trade unions are still experiencing serious difficulties due to ‘neoliberal policies and changing structures of employment.’ The challenges can also be attributed to the enactment of the Trade Union Act 1959 that stifle the right of labour unions to freely organize employees in workplaces (ILO convention 87) and, bargain on their behalf (ILO convention 98).

In addition, US electronics MNCs operating in Malaysia made it clear that their personnel policies disprove the necessity and wish for union representation amongst their workforces. They monitor and check all applicants against a list of union organizers held by the company. The same applied to Japanese and Australian companies, whom also took
pro-active measures to make sure their companies continue to reject union. Labour-management struggle still continues in the MNCs factories, because of the anti-union sentiments of the Malaysia managers in those industries. Those Malaysia managers saw unionized workplaces as threat to their cost and managerial privilege than Australia managers. So, they used the opportunity created by their government to suppress workers from joining or organizing unions in MNCs factories (Ramasamy (2008).

Jomo and Todd (1994) made similar assertion that ILO Convention 87 is yet to be ratified by the Malaysian Government that will guarantee the freedom of association for workers. Because of this situation (supposedly) employers’ hostility to unionization of workers at several industries has become shocking and the Malaysian authorities have been hesitant to challenge MNCs move, leaving workers defenseless against those employers that are denying to recognize sincere rights for union coverage. As a result, employers have been using so many techniques to inhibit unionization and indefinite delay on union recognition request. They sometimes victimize employees for participating in union activities or use promotion tool to remove activists from shopfloor level to managerial level in order to prevent them from becoming union members or cajole union activists to form unions sponsored by companies. Equally Peetz and Todd made reference to that that, the existing Malaysian Industrial Relations is over shadowed by high level of state interference mainly in terms of directing trade unions and collective bargaining. In fact, the Malaysia employers can sometimes use the Industrial Relations Act against Malaysian unions when they want to forestall their power in collective bargaining and also use the Promotion Investment Act 1986 to prevent them from organizing workers in pioneer industries as pointed out by Peetz and Todd (2006:23):

Legislation regulates the collective bargaining process and restricts the role of Malaysian unions in collective bargaining. The Industrial Relations Act prohibits the inclusion of items deemed to be managerial prerogative - hiring, firing, redundancy, promotion, transfer and the allocation of duties - in a union's proposal for a collective agreement, whilst the Promotion of Investments Act 1986 prohibits workers in pioneer industries from negotiating working conditions more favourable than the minimum standards embodied in the Employment Act. This means that, in effect, there is little reason to form unions in many companies which have pioneer status.

Further, Parasuraman and Schwimbersky (2005:297) argues that there are different patterns of IR that have surfaced at different levels of the industries. He therefore placed those levels into classes of three major stages of the industrialization. The patterns are as follows: (1) the smallest industrialized countries point toward a political-paternalistic pattern of IR (unitary approach), (2) the semi-industrialized countries such as Thailand, the Philippines, Malaysia, and Indonesia point toward a repressive-confrontative pattern of IR, (distributive bargaining) and (3) the lately industrialized countries (NICs) such as South Korea or Taiwan point toward an accommodative-cooperative pattern of IR (integrative/cooperative bargaining)'. Nevertheless, research carried out by Wan Aziz (1994) showed some earlier positive step by MNCs in the area of human resource development practices like training and innovation. In one of his findings, he discovered that on the conduct of 60 transnational corporations (TNCs) situated in Kuala Lumpur, Selangor, Johor and Penang of which 33 were electrical and electronics, 16 food, beverages and tobacco and the remaining 11, textile, apparel and footwear found that TNCs used influence in promoting employment, training and innovation and; implemented a much more proactive policy towards HRD than local firms in Malaysia.
However, in another study also done by Wan Aziz (1995) in 60 randomly selected manufacturing firms from the Kiang Valley, Johor and Penang in order to assess the existing production system, organizational hierarchy and decision-making process and the approachability and flow of information procedures in those firms. The study disclosed that though, Malaysia is facing fresh competition, the country is still practicing Fordism pattern of production well known as ‘mass production’. As Wan Aziz put it ‘but at the same time, locked into a regime of mass production’. It proposed that Malaysian manufacturing industry was anticipated to move from simple muster and operation-kind processes which utilize labour intensive methods to more innovative business commerce. It is also important to make more investments in human resource development to advance the skills of workers. It is as well vital for suitable industrial relations policies which will stress on devolution, more employees involvement as well as incessant novelty to be implemented for Malaysia to compete positively in the global economy.

2.2 The Case of Nigeria

Before the arrival of the colonial masters, Nigeria was an agriculture economy nation. And their labour relations were based on patriarchy and communal labour. The head of the family organized work on behalf of the entire family up to the extended family and there was no money in exchange for work. As Ubeku (1984) noted that there was employer employee relationship in Nigeria before the colonial period given the overpoweringly agricultural economy, culture, and traditions which were the foundation for the schemes of work and reward. And ‘in most cases’ the head of the nucleus family spearhead the family working groups as well as the extended family working groups. As Yesufu (1967) pointed out that in general, the employer was patriarch whereas the employees were members of his instant family and the protracted family. Earlier in time of the ‘colonial nations’ wage payment for work done was not known by the people of Nigeria. The employment bond was resulting from their family bonds as well as heads of family who will be the head of labour in working groups. And this employment relationship model was prevalent in most West African states during precolonial era according to history. On this same period in history the ‘barter system or trade’ was in use for goods and services. Thus, George (2012) discovered that:

On such occasions, remuneration was mainly through the exchange of food and drinks as the economy was rural with no acceptable monetary currency or probably to reciprocate good gestures by working on another person’s farm when required, or at the extreme end by providing security in terms of invasion of the friend’s farm or household by an enemy and in some cases as part of the dowry for a very beautiful fiancée.

Iwuji (1968) further clarified the labour relations which was existing in precolonial time as:

The employer/family head was at his discretion all-in-all as he determined the reward system, recruitments, selections, promotions, and not necessarily based on merit or seniority; Provided food, housing and security for all the employees (mostly family members) and even determined when they would get married and to whom.

Nevertheless, MNCs have existed in Nigeria long before independence and their presence are still felt to date. There has been increasing number of MNCs coming to Nigeria, as it tries to develop as a nation both economically and socially. The economic growth slowed down after fifty years of progress in Nigeria main economic sectors in oil, banking and manufacturing (Onodugo 2012). Also, Onodugo (2012) conducted a study on
Multinational Corporations (MNC) and employment and labour conditions of developing countries: the Nigerian experience. On the study on ‘the impact of MNCs on Labour-Management Relations and Union activities’ one of the objectives of this study was to investigate how the operations of MNCs have impacted on labour management relations and union activities of the selected Nigerian organisations. The findings discovered that decisions taken by MNCs (in the country of operation) through the influence of their headquarters do not in any way inhibit or interpose union activities. This finding partly supports and contradicts the claim by Farazmand (1999) and Tickly (2001) that the consequence of globalization was the enthronement of multinationals and NGOs to dictate the codes and ethics of work, which was upheld by the findings. They also claim that environment fostered by globalization will weaken individual and collective representations by unions in the work place, which was opposed by the findings. The findings of the labour management relations in Nigeria contrasted the labour union relationship with MNCs in Malaysia. Where, labour unions recognition is very low and there is too much of government interference on unions operations though; the unions tried to operate independently from government interference as specified by Raman (2008).

Another study was conducted by Jiboku and Akpan (2015) and, in one of the findings it was discovered that state institutions that were empowered to monitor MNCs were ineffective and weak to carry out their functions effectively. Consequent upon the institutions’ debility, the MNCs use that opportunity to train and develop skills of employees as and when they need arise, regardless agreements engaged with governments of host country. As a result, there were skills gaps and skills scarcities in companies in spite of MNCs operations of those companies for over semi-century in Nigeria. It was noted by an official of the Nigeria Labour Congress (NLC) that: MNCs will only develop skills that will help the understanding of their business objective. Similar view was also echoed by another senior official of the Trade Union Congress (TUC) that:

Multinational corporations only come with the technology needed for production in an area of operation to execute a business for which they teach the indigenous people just a minute part; [that they would be interested for you to know how to do it], so as to compete with them? So, they train you only to the extent that they [would] want you to know.

In fact, one NLC official further stated that the reasons why expatriate quota system is being misused in Nigeria is because there is no proper monitoring mechanism in place to make the system work properly - to develop employees’ skills:

The issue of Expatriate quota as an avenue of developing skills is a good idea but in reality, in Nigeria, it exists only in the books. There is no serious backup by the government and so the various companies are simply implementing it as its soothes them. The monitoring to ensure compliance is weak such that the Nigerian workers and the country are not deriving maximum advantage. In short, Nigeria is short-changed due to weak institutional monitoring

Thus, multinational corporations continue to weaken the monitoring institutions through bribery in order to keep the salaries of their expatriates high and the locals low. As rightly noted by Ozoigbo and Chukuezi (2011) on two of the four assertions that resulted to (in their opinion) the negative impact of MNCs on the Nigeria economy:

- Bribery and corruption: MNCs operating in Nigeria have become the embodiment of ‘corruption’ and, have deceived numerous heads of institutions through bribery
so as to get their way without difficulty. This has been immoral reaction to the international community and evil sign for Nigerians.

- Salary Discrimination: Multinational corporations use inequitable salary policies in favour of the expatriates since they can at all times get their way on whatever they want to do. In this case expatriates are highly paid whereas Nigerians are given trifles when equated to what expatriates are receiving monthly or annually. Besides, Eluka et al (2016) made a case to a situation at ‘7-up Bottling Company and Ama Breweries plc. positioned in Enugu’ where he was an observer. He further expressed dissatisfaction on ‘not only the fat salaries they pay their expatriates but, the responsibility the MNCs also take in up-keeping their expatriates to the extent of feeding their dogs also’.

III. Research Methods

The study reviewed the impact of multinationals on labour relations in developing countries such as Malaysia and Nigeria through a retrospective investigation done by the use of secondary data from connected books, journals as well as related materials on websites in order to find out the impact of multinationals on labour relations.

IV. Results and Discussion

MNCs have been seen by some host countries as the engine of growth in the 21st century. It is therefore, appreciated that, the existence of multinational operation (at low cost through tax holidays and other incentives) in the developing countries has created many job opportunities, training facilities for workers and the use of modern technology in the production process. They have also contributed to a large extent, the economic growth of some developing countries, especially in the south. Inversely, MNCs have also contributed to some extent or perhaps to a larger extent, for the continuous brain drain and exploitation of workers of the less developed nations. Although in many cases, this exploitation and brain drain is supported by the so-called host governments at the detriment of their people. This scenario has weakened trade union operation in MNCs industries in general and Malaysia and Nigeria in particular. These MNCs sometimes, offer higher wages to their workers. But the question is, do these wages reflect the employees’ production output? If they do, why do they hate workers representation in their industries? These corporations do not regard workers as an integral part of their production but, treated like machines. They failed to know that, workers too need satisfaction from both material and social needs. Since, these social variables in many cases have more weight in guaranteeing the sustainable development of workers and the society.

Many studies on MNCs operating in Malaysia have disclosed that the Malaysian government had used oppressive methods and strategies to keep trade unions in Malaysia dormant or weak, in order to meet the whims and caprices of MNCs operating within the country. Malaysia has a history of no proper organized labour in the MNCs industries, because the managements of those industries are anti-union. More so, they just wanted to operate without any interference, so that, they could appropriate workers labour and maximized profit. For the case of Nigeria, there is organized and recognized labour but, their effort to protect members are sometimes dashed away by corrupt institutions that are empowered to monitor and evaluate MNCs activities. Bribery by MNCs to officials of these institutions have weakened the institutions to carry out their mandate effectively. MNCs therefore, use the opportunity to override some labour laws like salary
discrimination between expatriates and locals and ineffective human resource development. They usually fix higher salaries for their expatriates and low salaries for the local workers and; conduct training as and when the MNCs deem necessary without being checked by the Nigerian authorities. Similar practice is also done in Sierra Leone where higher salaries are fix for expatriates and low salaries for local workers as well as keeping expatriates in strategic positions even if, the local staff may have the comparable skills and qualifications in multinational corporations such as Banks, mining companies etc.

V. Conclusion

Importantly, trade unions in Malaysia and Nigeria should try to become a formidable pressure group in order to meet the challenges posed on them, by their governments and MNCs’ operating in their countries. More so, when MNCs always set higher salaries for expatriates than local workers doing the same job or holding the same position in the organization. It is the practice of MNCs in most cases to keep the expatriates in strategic positions even though, the local staff may have the equivalent skills and qualifications to occupy the same positions. Therefore, the Labour unions, should safeguard the right and interest of their membership (especially in the case of Malaysia where MNCs are highly protected through the enactment of industrial laws that gave them more power to disregard labour unions) if, sustainable development is to be achieved for the vulnerable workers in Malaysia and Nigeria. This can be achieved by improving their organizing and operational skills. As a result, this attempt may increase their membership strength, and improve their capacity to meet the task of compelling the governments to change their attitudes in dealing with MNCs in both countries. The UN as a world body and its agency (ILO) must be playing an active and just role on workers issues, and stop the game of double standards, when performing their functions. They should be neutral and protector of all vulnerable groups in the world, not MNCS. Perhaps more significantly, host governments, UN, ILO, multinationals and trade unions need to ensure social justice in workplaces. This should be the guiding principle of these bodies, if, they are interested in promoting reduced adversarial industrial relations.

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