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Labour relations and sector analysis in emerging countries. A comparative study of Automotive subsidiaries operating in Argentina and Mexico.

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1. Introduction

The study of labour relations focused on Multinational Companies (MCs) operating in Latin America is still in its infancy. During recent years several studies have been conducted in order 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. As Katz and Darbishire (2000) suggest, "owing to internationalization, industrial relations systems tend to converge within sectors but diverge between them". In this sense, we intend to compare HRM strategies from different countries of origin in two Latin American countries within two different sectors: the automobile industry and the telecommunication sector.

Even though at first glance Mexico and Argentina seem to have similar labour relations systems, taking into account that both of them are developing countries, there are significant literature and empirical data that indicate that MNCs tend to behave differently in those countries (Bensusán, 2011; Carrillo, 2012, Novick, Palomino y Gurrera, 2011). 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 (Ferner et al., 2005; Temple et al., 2006; Ferner &

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Quintanilla, 2006). Therefore, several questions arise. First, why do MNCs carry out different strategies in Mexico and Argentina? Second, are North American owned companies implementing different strategies in these countries or are their practices standardized as some literature (Almond and Ferner, 2006) suggests. Both Argentina and Mexico seem to have considerable institutional differences from European and American industrial relations systems, however there are still important differences within the industrial relations systems in these countries.

This directs us to the second goal of this study that is to explore how practices in similar sectors tend to converge in those countries, despite their countries' institutional differences. In this regard we intend to describe and analyze similarities and differences in an emblematic sector: the automobile industry. The importance of this sector stems from the significant presence of MNCs in both countries. In addition, the automotive sector has undergone important changes during the past 20 years. Big traditional establishments have downsized their personnel and there have been significant transformations in work organization as well as technological innovation (Taylorism, Fordism, and Toyotism). This sector has special importance, not only for the significant number of people they employ: 89,735 workers in Argentina (Senén et al) and 450,000 workers in Mexico (Gil et al 2012), but also because they integrate powerful unions with strong "structural power" (Silver 2005) and "strategic position" involved in the general productive economic process (Wallace, Griffin y Rubin 1989).

The data comes 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* group²). This survey was carried out in 2009 on a sample stratified by sector, size and origin of capital corresponding

² This survey was conducted in Argentina by Marta Novick, Undersecretary of Labour Studies, in the Ministry of Labour, Employment and Social Security with supervision of Hector Palomino, Director of Labour Studies and Silvana Gurrera and in México by Jorge Carrillo. A multinational team has been collaborating during the last 5 years. In a first stage, researcher from England (Tony Edwards, Paul Marginson), Ireland (Patrick Gunnigle), Canadá (Gregor Murray, Christian Lévesque) and Spain (Javier Quintanilla), developed and applied the survey. In the second stage, as well as Latin-American countries like Mexico and Argentina, Nowadays Australia, Singapur, Denmark and Norway are collaborating as well

to 155 subsidiaries located in Argentina and 171 in Mexico. The methodology used in both countries was face-to-face survey. A company with a minimum of 100 employees in the subsidiary of each country and at least 400 employees in the rest of the world is considered a Multinational company (MNC)³.

With regard to the automobile industry, 38 companies were interviewed in Mexico and 19 in Argentina. In Mexico those companies employed 180,864 workers in 2009 while in Argentina approximately 34,900 people were employed. Based on the database on MNCs provided by El Colegio de la Frontera Norte (México) and The Ministry of Labour (Argentina), this paper seeks to shed light on countries and sector differences, focusing on the role played by the country of origin and host country debate.

2. Alike but not too much: the Multinationals and the industrial relations system in Latin America

2.1 Labor relations and the origin of capital: their effect on the host country

There are several theoretical debates encompassing MNCs studies. Broadly speaking, there are those who focus on analyzing the system of labor relations (the role of labor institutions, contextual factors, institutional frameworks), while others emphasize the analysis of employment practices or of human resources (hiring, selection and training policies, communication, salary policies, among other factors).

The theoretical perspectives about “*country of origin*” are among these debates. Ortiz, Coller, Edwards, Rees y Wortmann (2007) recognize the so-called “*host country effect*” in those cases in which the multinationals adapt their practices to the local contexts in which

³ 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 18.7% remaining in other countries and regions; in Mexico the corresponding percentages are: 43.9% in the USA, 17.5% in Europe, and 38.6% elsewhere. Carrillo et al (2011) indicate that in Argentina in 2007 MNCs employed 300,000 people, representing 21% of the total number of employees in private companies and 6.7% of EAP (Economically Active Population). In Mexico, the figure is 530,000 workers, 11% of the total number of registered workers in the manufacturing and service sectors. Source: Survey of MNCs 2009 MTEySS (Argentina) y COLMEX (México).

they are operating. In contrast, there are those who describe the “*country of origin effect*” in those cases in which the subsidiary tends to emulate HR strategies in the host countries regardless of the local framework.

For Ferner et al., 2005; Temple et al, 2006; Ferner y Quintanilla, (2006), the parent company attempts to implement their own human resources practices (HR) in the countries where they establish their subsidiaries. They try to implement in the host country their own “best practice” manual regardless of the specificities of the local context. Thus, they leave little or no room for local managers to adapt to the labor union demands or even to local legislation. Quoting Quintanilla et al (2008), “*their tendency is to transfer practices and policies to their subsidiaries in a highly standardized and formalized manner*”. The problem arises when local formal and informal institutions differ significantly, as they do, for instance, in the Mexican and Argentinean cases in regard 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 different national labor relation systems merits special attention⁴. 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 (Edwards & Ferner, 2004). These practices are designed by the head offices without taking into account the particularities that the labor relations in the country where the company establishes 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 (2012) 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 privatization of state owned companies. According to these authors, the gains of these

⁴ In Spain these studies were carried out by Ferner & Quintanilla, 2002; Quintanilla et al 2008; in Great Britain by the same team and Tregaski, 1997; Marginson et al. 2010, in Ireland by Gunnigle, Lavelle et al. 2005.

companies and of foreign direct investment (FDI) in LA are subject to controversy and debate since even if they have achieved significant modernization and transformation (export platforms in Mexico, telecommunication networks for example), they have also taken advantage of abundant and low cost labor. 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 (automobile and auto part) that concentrated their presence in the manufacturing sector.

In 2004 (CEPAL 2005), 50 of the largest multinationals had an income of \$US 258,000 million in LA, 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 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 (Carrillo et. al 2012).

However, the evolution of FDI in Argentina and Mexico has been different (Carrillo et al 2011). At the beginning of the 90s the volume of FDI was similar, starting from 1992 Mexico began to grow more than Argentina and by around 2010 it had tripled the volume of investment. In Argentina, the year 2004 showed a continual growth of FDI, interrupted by the 2008 crisis, but which recovered its ascendancy afterwards. Among the sectoral differences related to these flows of FDI, the authors (ibid) point to the orientation of investment 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 is destined for the domestic market (Carrillo et al 2011). Also, in the Mexican case, in the year 2010 among the top largest 10 MNCs, 5 are automotive, 3 are service providers, 1 in trade and, regarding their country of origin, 6 are North American, 2 Spanish, 1 German and 1 Japanese.

Taking into account the global magnitude of the MNCs, the significant quantity of capital of US origin in both Argentina and Mexico and in the automotive and telecommunications

sectors, in the next section the main features of the labor relations systems of both countries are analyzed from a comparative perspective.

2.2 The national systems of labor relations in Argentina and Mexico.

At first glance, 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. That is to say, they look similar especially when compared with the main 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 labor relations systems have been catalogued by specialized literature as “corporatist systems” (Schmitter, 1982, Bensusán, 2006, Murillo, 2005, Etchmendy and Collier, 2007)⁵. The particularity of these systems is the strong bond existing between the trade unions, the employers and the State in the determination of labor 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 CGT⁶; while in the Mexican case the alliance is formed between the Institutional Revolutionary Party (PRM/PRI⁷) and the main national unions. In both cases, important social rights and protection have been achieved for workers during their welfare state experiences (Bensusán, 2006). Despite these similarities, it must be

⁵ The “state corporatism” in some Latin American countries is characterized by the leading role of the state in the intermediation of 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) (Marques-Pereyra, 1999).

⁶ Justicialist Party, party political expression of the Peronist movement, born in 1943; and the CGT (General Confederation of Labor), founded in 1930.

⁷ Named National Revolutionary Party in 1928, later Party of the Mexican Revolution and from 1946 onwards PRI.

highlighted that these labor 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 labor 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 working class, to the establishment of labor 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 – firms. Indeed, quoting Dombois (1999) “...the role of the State as regulator and supervisor being the differential feature of labor 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 labor relations between the unions and businesses ...”.

While in Argentina a profound change in labor regulations was produced, due to more flexible labor laws during the 90s - which in turn weakened the labor unions power, in Mexico reforms took place, first in practice, which later became enshrined in labor laws. Labor flexibility was introduced in firms before the modification to the Federal Employment Law was stated⁸ (De la Garza, 1993).

Those reforms affected labor 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*)⁹, meaning only one recognized union

⁸ The Federal Labor Law, passed in 1917 is the most important legal regulatory framework for labor rights.

⁹ The “*personería gremial*” (union recognition) is the legal norm through which the state awards the “monopoly of representation” to a union with the largest number of members in each branch of

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 centers on the company level, the employer being able to choose their preferred union interlocutor, generating a style of union representation with the need to “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 21st century, the reality in some Latin American countries is very disparate. In several countries there were or are taking place transformations that give space to processes of economic reactivation and restructuring that, at the same time, bring with them the strengthening of labor institutions. As Leite (2012) 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. 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 possible¹⁰. In other cases like Mexico, no substantial change in the orientation of labor relations has been generated, although in 2012 a labor reform with a predominantly pro-business orientation was passed, which formalized a flexibility that has been growing in the country in the last few decades (Bensusán, 2013).

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 Senén, Medwid, Trajtemberg (2011). On the Mexican model of labor regulation see Bensusán and Cook (2013).

¹⁰ 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 (MTEySS, 2010; BEL-MTEySS, 2014).

The characteristics of the labor 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 institutional framework interact. We will also look at the characteristics of the labor force and their representation in relation to the type of subsidiary firm and its place in the global economy.

2.3 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 destination countries are dimensions (“matters”) of the study of HR strategies in the MNC. 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 labor relations system belonging to the country where they are installed. However, there are other existing variables that intervene in the strategies that the MNCs utilize to create links 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, comes from researchers who form part of INTREPID and that have carried out studies looking at, for example, the form that trade union representation assumes in the workplace (Bensusán, Carrillo, Gurrera, and Palomino, 2013); or exploring the participation of the multinational firms in their respective global value chains (GVCs) (Carrillo, Novick, Gomis, Gurrera, and Palomino, 2011). In this sense Bensusán, Carrillo and Gurrera (2012) 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, Carrillo, and Lobo (2011) analyze the advantages and disadvantages of the Mexican national system of labor relations

for the competitiveness of the MNCs, while in the study carried out by Pozas and Gomis (2012) they analyze the multinational companies established in the North of Mexico and point out that one of the greatest incentives to setting up in that region is the search for a cheap labor force in the initial stages of the process of creation of global value.

In the case of Argentina, Novick, Palomino and Gurrera (2011) approach in an interdisciplinary way the study of MNCs and their impact on employment, management of human resources, labour relations, innovation and the connection between the subsidiaries that operate in that country and global value chains.

Now, with aim of providing an answer to our first question: why are HR strategies different in Argentina and Mexico?, we start from a previous study of the Argentinian case Palomino et. al 2010, in which we have summarised different strategies of the MNCs 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. There are not 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 the 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 avoiding the relationship between the HR department and the workers. In order to define these strategies, based on the aforementioned research, Palomino et. al 2011, we have identified the following variables and then designed a cluster of human resources strategies:

Figure 1: Variables considered indicators of managerial strategies towards employees and their representatives

| Variables | Categories | Country | | Total | Chi-square | |
|--|--|-------------|-------------|-------------|------------|------|
| | | Mexico | Argentina | | Value | Sig. |
| Information and consultation | Without | 10% | 24% | 17% | 29,947 | 0,00 |
| | Medium | 33% | 50% | 41% | | |
| | High | 56% | 27% | 42% | | |
| | Total | 100% | 100% | 100% | | |
| Involvement mechanisms | Low: absence of work teams | 21% | 38% | 30% | 20,538 | 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% | 10,724 | 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% | 4,317 | 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 workpalce | 63% | 67% | 65% | | |
| | Total | 100% | 100% | 100% | | |
| Performance appraisal system | Without | 18% | 9% | 14% | 4,817 | 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

In the first place, it is noteworthy that in the variables of involvement and performance appraisal there are many similarities between the managerial set up in Mexico and Argentina. Both have a significant presence of **union representation** and the HR departments carry out performance appraisal. However, we can affirm that the role of union representation in each of the countries seems to perform a different role¹¹.

While in the Mexican companies high levels of communication can be observed, probably related to the vertical integration of the subsidiaries into the parent companies, in the Argentinian companies more than 70% are notable for having partial or low levels of communication. The strategies in this case are clearly disparate. At the same time, when the involvement of the workers in decision making is analyzed, in the Argentinian case two differentiated strategies can be distinguished: either participation is sought for or the managers don't show much motivation to seek participation. In the case of Mexican companies there is a greater inclination to seek participation from the workers whether this participation is high or medium-level.

Figure 2: Human Resources strategies of Argentinian and Mexican MNCs

| Strategie | Country of application | | Total | Chi-square | |
|--------------|------------------------|-------------|-------------|------------|-------|
| | Mexico | Argentina | | Value | Sig. |
| Direct | 11% | 27% | 22% | 6,485542 | 0,039 |
| Mixed | 16% | 23% | 20% | | |
| Mediated | 73% | 51% | 58% | | |
| Total | 100% | 100% | 100% | | |

Source: Idem Figure 1

In table 2 we can observe the three human resources strategies already defined, and the above mentioned arguments can be verified: the representation of the trade unions 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

¹¹ The X² test design shows that in almost all dimensions except for the 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.

their interlocutor and the unions have a less confrontational culture of organization and thus they are more collaborative. So, though (it may be) involuntarily, the union is functional to the goals of the multinational. 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.

3. Sectoral Analysis: Convergence within Divergence

3.1. 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 labor and constitutes the vanguard in terms of transformations in the organization of labor (Taylorism, Fordism, Toyotism); b) it has had a prominent role in the generation of employment and a revitalizing role in the intermediate goods market and in 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 CENDA (2005) 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 has shown warning signs of 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 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. By mid 2011 the automotive

sector employed around 450,000 people, contributed 3.2% of GDP and 22% of the export income derives from this sector (Gil et al, 2012).

Beyond a few differences, in both countries more than 90% of the main companies in the sector belong to foreign investment: all terminals are MNCs as are most autopart companies. The majority of 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 (eg General Motors and Fiat) (Novick y Wilkis, 2001).

In contrast, Mexico, starting from the 1980s, began to occupy a privileged position on a global level in the production of cars and autoparts. Two fundamental factors have been responsible for this process. As Contreras, Carrillo and Alonso (2012) show, on the one hand we can identify a territorial proximity to the North American market that everybody competes for¹². Also, “low production costs are associated with higher levels of productivity” (Ibid) which is a comparative advantage of Mexican labor market.

Broadly speaking, the automotive sector is composed of: terminal plant companies or assembly companies (mostly subsidiaries of large, globally recognized MNCs) and autopart companies among which suppliers of the first and second level can be distinguished (Novick, Senén y Miravalles, 1997)¹³. The automotive sector creates important chains with other sectors or productive industries (textile, plastics, chemicals, steel), making the environment of labor relations more complex (Bensusán y Martínez, 2012). In relation to this point, the 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

¹² 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, possible more susceptible to foreign crisis.

¹³ At the first level are found companies controlled by the terminals and that belong to the same business group. At the second level there are supplier companies that manufacture materials, pieces and critical input materials, some possess a foreign license, others are independent autopart manufacturers.

interactions with the local economies (Contreras, Carrillo y Alonso, 2012), they are not primarily Mexican companies that are integrated into the chains of production. .

The base of the survey utilized included 38 multinational companies in Mexico and 19 in Argentina (see Annex I) belonging to the automotive sector. It is worth pointing out that these 57 do not represent the entirety of the sector 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 of less than 1000 employees. This size feature is important, because it has a close relationship to the human resource management strategies.

3.2 Human Resources strategies in the automotive industry in both countries

In Figure 3 it can be observed that the analysis of 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 labor 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.

Figure 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: Idem Figure 1

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 they are obliged to by law. Another difference is that MNCs in the automobile sector tend to display more strategies toward work involvement and communication than the other sectors.

However, as can be seen in Figure 4, upon analyzing 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 a majority of companies (60%), a good proportion of the multinationals (27%) prefer to avoid union intervention and to deal directly with the workers.

Figure 4 Human resources strategies in the automotive sector

| Variables | Categories | | | | |
|---|------------|------------|-----------|---------------|-----------|
| | | 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% |
| | | 100% | 100% | 100% | 100% |

Source: Idem Figure 1

In the other sectors, even if the tendency is maintained, the inclination to utilize strategies mediated by the union actor are significantly lower than in the automobile sector; in these other sectors there is an increased use of the mixed strategy.

3.3. Automotive sector and origin of capital

Finally, it remains to assess the question of whether the country of origin is a determining variable when defining HR strategies in the automobile sector. Despite the extensive literature which argues that North American owned companies have a reputation for avoiding unions as much as possible, our findings suggest otherwise. In the automobile

sector there is a tendency toward embracing unions in the firms regardless of the country of origin.

Figure 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: Idem Figure 1

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 with unions and protective labor relations systems. It would 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. 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.

4. Conclusions

As was mentioned before, 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 different countries of origin in two Latin American countries. Even though in recent years there have been significant contributions regarding the comparison of these two countries, little has been done to analyze sectoral 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 automobile industry.

Several questions have been addressed in order to achieve this goal: do labor relations systems and union actors affect the way MNCs apply HRM strategies in host countries? Apparently they do. Even in countries with rigid labor relations systems MNCs apply different strategies. Moreover, labor unions seem to achieve different goals depending on the country. While Argentinean unions seem to be stronger, with higher levels of representation of labor in general, Mexican unions seem to be more consulted and participative than the Argentines. 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 analyzing strategies other than union involvement: in Mexico, MNCs tend to have higher degrees of communication with their employees while there are not major differences in relation to "performance appraisal" or employee consultation.

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 which was 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. We have proved the assertion to be correct. Despite the flourishing literature (Pulignano, 2006) discussing whether convergences in HRM practices are not homogeneous, in the automobile sector strategies appear to be similar regardless of the country. The choice for anti-union strategies of MNCs in those countries reduces significantly. MNCs in the automobile 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 was based on the assumption that the country of origin of the MNCs 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 HRM strategies applied at home, offshore. The findings in this article suggest

otherwise. In the automobile 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.

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.

Aneex I

| Country of Origin | Country of application | | Total |
|-------------------|------------------------|-----------|-------|
| | Mexico | Argentina | |
| United States | 16 | 4 | 20 |
| France | 2 | 3 | 5 |
| Germany | 5 | 3 | 8 |
| Switzerland | 0 | 1 | 1 |
| Spain | 1 | 0 | 1 |
| Italy | 1 | 1 | 2 |
| Japan | 4 | 4 | 8 |
| Korea Republic | 0 | 0 | 0 |
| Canada | 3 | 0 | 3 |
| Mexico | 5 | 0 | 5 |
| Other | 0 | 1 | 1 |
| UK | 1 | 2 | 3 |
| Total | 38 | 19 | 57 |

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