

The Role of Multinational Enterprises for the Promotion of Equality-Oriented Policies

by Anke Hassel / Bettina Wagner

The economic and political impact of multinational enterprises (MNEs) on equality in the age of globalization can be analyzed from different perspectives. Although MNEs are private actors with a non-governmental status, their influence does not focus solely on economic outcomes but can also include equality-oriented policies (EOPs) in social, political and philanthropic spheres. Moreover, as they extend beyond the national border of a single country through foreign direct investments (FDI), their influence on and contribution to EOPs can be differentiated between the national level and the transnational level. In other words, the impact of MNEs goes beyond the bilateral relationship with a national government or the employees working in one corporation in one specific region or country. MNEs can shape and promote equality through interactions with international organizations such as the European Union (EU), the United Nations (UN) or the International Labor Organization (ILO). Apart from institutional interactions, the umbrella term ‘corporate social responsibility’ (CSR) denotes a set of policies and actions taken by multinationals to assume responsibility for the stakeholders, shareholders and the society in which they are active (Caroll 1999).

MNEs are business organizations with economic activities located in more than two different countries (Kogut 2001, p.101). The MNE is incorporated in one country and establishes branches and subsidiaries in other countries via FDI, while the principal control and coordination is maintained in the home country. The overall motivation or interest of enterprises to expand beyond the national border is that prevalent interdependencies between agents can be established better or more profitably through business presence in different countries rather than within a single domestic market (Hennart 2000). In other words, increasing market share and/ or local economically profitable resources such as raw materials or cheaper labor motivate corporations to expand. Since MNEs differ in their structure, size and economic activity, there is not a single uniformly accepted definition to capture their different activities and potential areas of influence (Ajami et al. 2006, p.6). MNEs can be approached by focusing on their economic, political, technological, organizational as well as cultural impact (Kogut 2001). At the national level, the policy interaction between MNEs and national governments can be examined from two major perspectives. First, the perspective of political risk; this is based on the assumption that the national political environment is fixed and MNEs must comply with it if they intend to establish a presence in another country (Boddewyn 1988). The alternative perspective is that MNEs will contribute to the institutional

framework of a country either through direct interaction with the government or other institutions within a country or with other actors such as different firms, organizations or labor (Rugman and Verbeke 1998; Hall and Soskice 2001).

Graph about here

In order to evaluate the impact of MNEs on different sets of EOPs, we will follow the different dimensions presented by Graser by focusing first on national level and subsequently on transnational level EOPs. The main argument of this paper is that MNEs can potentially shape and influence EOPs in all spheres presented by Graser. However, whereas the institutional framework of the host country will particularly contribute to the influence in the first two spheres (regulatory and distributive), the remaining two (discretionary spending and soft policies) are largely influenced and shaped by the MNEs and might be guided by multinational institutions. As will be shown in the course of this paper, in the spheres of discretionary spending and soft policies, MNEs can initiate and implement their own policies at the level of the firm or regions which might contribute to the promotion of equality in these contexts and have spill-over effects to society in general. Before we establish the argument, the general development and influence of MNEs will first be presented.

The political and economic influence and responsibility of MNEs and FDI

According to the World Investment Report published by the UN Conference of Trade and Development in 2012 (UNCTAD 2012, p.29), 45% of global FDI is directed towards developing countries and 6% towards transition economies (ibid, at p. xiii). Moreover, indices measuring the potential and success of national economies in attracting FDI during the past several years show an increasing number of developing countries, in particular from Sub-Saharan Africa and South-East Asia, among the top rankings.

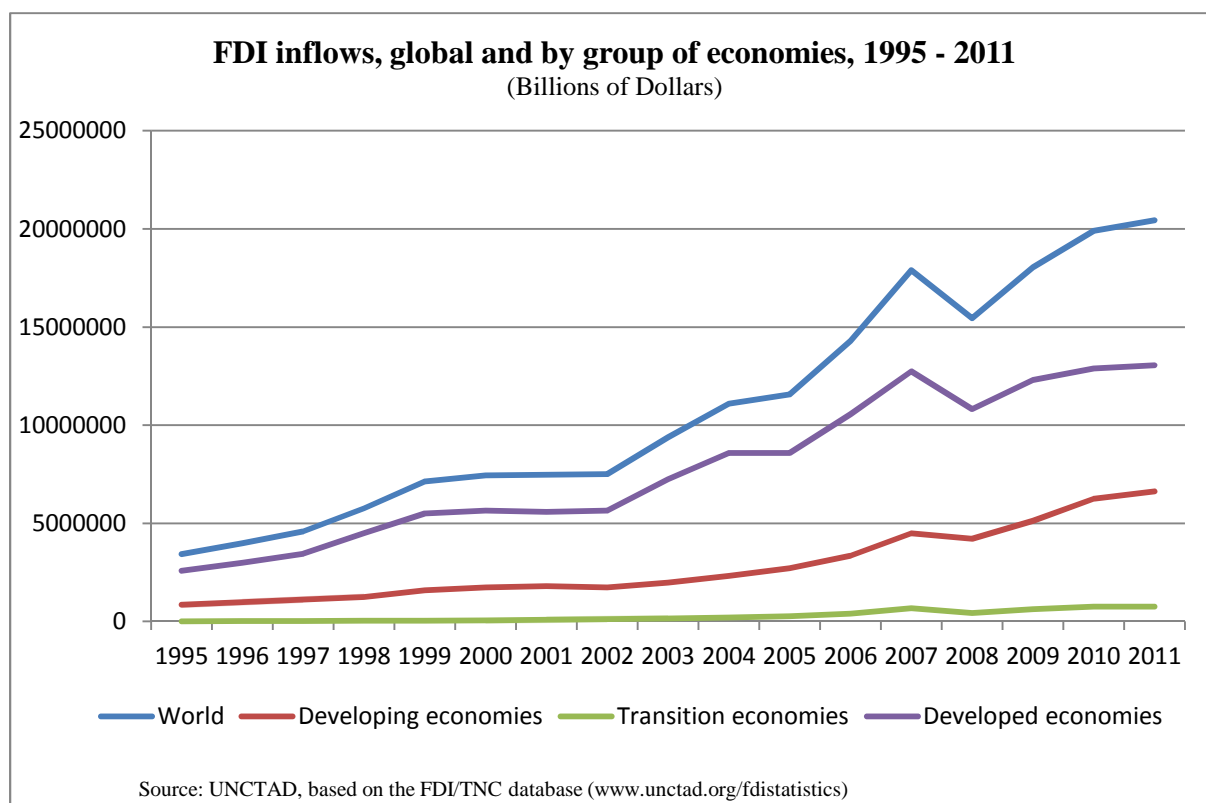
However, as recent data on FDI outflows indicates, institutional stability and labor standards have a positive impact on investment decisions by developed-country MNEs (UNCTAD 2012, p.5). Outward FDI from developed countries to developed countries rose by 25% in 2012, confirming the thesis that especially in times of economic uncertainty and crisis, stable and developed economic and legal as well as technological standards are significant for investment decisions. At the same time, MNEs with developing or transition country origin

seem to have a larger interest in investing or expanding into developing countries themselves. According to UNCTAD data, 65% of investment by BRIC countries (Brazil, Russian Federation, India and China) went into developing and transitioning economies in 2011 (2012, p.5). This can be explained by two different factors. First, MNEs from developing countries might have better knowledge of the socio-economic situation of other developing countries and have fewer problems to adapt. Second, the obstacles to entry set by production standards in developed economies might be too difficult to overcome. Hence, FDI in fellow developing countries is the only possible option.

In FDI, a distinction is made between so-called greenfield investments and acquisitions or brownfield investments, the former being a strategy in which the MNE starts a venture in new countries by constructing and building the operational facilities from scratch (Müller 2007). This investment is planned in a long-term perspective, which also creates long-term employment and training possibilities for labor in the host country (Meyer and Estrin 2001, p.576). Greenfield investment is also preferred in particular by developing country governments, as the investments are expected to entail technological transfers, business learning, stable economic investments and growth. Brownfield investments or acquisitions offer a quicker and more direct access to local assets or resources, since stock is purchased in already existing companies. In contrast to greenfield investments, acquisitions benefit from existing resources by combining them with own assets such as managerial skills (ibid). In general, little or no further training is necessary for employment, while the sales market already exists within the country. Companies in the textile and clothing sectors in emerging economies are typical examples for foreign acquisitions of existing plants (brownfield sites) by MNEs (Graziani 1998).

However, the necessary precondition for merger and acquisitions is that the host country already has a similar industrial chain that can be used or acquired by the MNEs. According to the World Investment Report 2012, global direct investment has increased by 16% since 2010 in developed, developing, and emerging economies. This increase is, however, substantially lower compared to that during the financial crisis (see graph 1). Whereas merger and acquisitions have declined in the last years, greenfield investments are constantly flourishing. Unsurprisingly, greenfield investment dominates the FDI in developed and emerging economies, whereas merger and acquisitions are more frequent in developed economies.

Graph 1: FDI inflows



The flow of investment is accompanied by a shift in practices. According to UNCTAD, the influence of MNEs has spread from the respective enterprise within the host countries to the suppliers through the establishment of codes of conduct as conditions for economic cooperation (2012, p. xxii). By creating economic incentives for cooperation, labor standards, together with health and environmental standards, are spilling over from the MNE to national firms within the host countries. However, these requirements by the MNE for local firms to comply with international standards have not been gradually established within the institutional and cultural background of the host country. Rather they are externally set as preconditions for investment or economic cooperation. Hence, these requirements pose challenges in particular for small and medium sized companies that have to adapt them and in many cases bear the costs for their adaptation (ibid). Moreover, analyses of FDI impacts on developing countries have shown that MNEs coming from different countries with diverging institutional frameworks also have different requirements for their local suppliers (Kogut 2001).

In order to benefit in financial as well as institutional terms from these spill-over processes, national governments as well as local companies seek to cooperate with MNEs and rely on harmonized policies that are transparent and economically supported by MNEs. These policies can start as individual programs between one MNE and its direct group of small and

medium sized national suppliers and qualify as soft EOPs where financial support is provided for the adaptation of specific production or work standards. Such support can be provided in order to build up certain qualifications among the workers in these small local firms and thus to achieve some long-term improvement of the suppliers. Due to conflicting interests with other MNEs present in the region, policy measures such as discretionary spending might be used by the MNEs in order to financially support the establishment of the necessary standards. If the necessary changes interfere with national institutions or the national legislative body, governmental support or interaction is necessary in order to create and implement regulatory and distributive policies which establish standards or programs applicable to the whole country (Jones 2010). Hence, the impact of FDI and MNEs on local firms and institutions can vary and affect EOPs qualifying for any of the categories. As Graser argues, complementarities between different EOPs might be necessary in order to increase the effectiveness of either (Graser, p.31).

EOPs in the context of MNEs and foreign investment

EOPs as defined by Graser can take four different forms: regulatory and distributive policies, discretionary spending and soft policies. With regard to the role of MNEs we introduce three further differentiations: At the national level, we can observe an impact first, on equality of working standards and, second, on socio-economic development in general. Equality of working standards refers to policies promoting the general improvement of employment terms, including pay, working conditions, job security as well as training and health provisions at the workplace. Development support refers to policies promoting the social and economic development beyond policies referring directly to the workplace, such as sector specific or general economic development, general health provisions and social as well as political stability. Moreover, technological development and transfer can also be treated as development support. This refers to spill-over effects of knowledge or exchange between domestic firms and MNEs through exchange and/or inclusion in economic supply chains. Thirdly, at the transnational level EOPs imply development towards the economic and welfare standards of developed economies. In sum, policies that are categorized as having equality as their target in this context will either focus on equality in terms of equal access within a country or on equality in a global perspective when compared, for example, with general standards or standards applying to the country of origin of MNEs.

Figure 1 illustrates the various ways in which MNEs can contribute to EOPs. As will be described below, the effects of EOPs depend largely on the institutional strength and structure

of their country of origin as well as the host country. The literature on varieties of capitalism can be a useful point of orientation in the home country dimension but less so when the impact of MNEs on EOPs in developing countries is analyzed. Given the presence of multiple MNEs originating from countries with divergent corporate governance structures, the probability of successful regulatory EOPs that go beyond the plant level have to be based on the national institutional structure. In the case of developing or transitioning economies, the national economic situation can in some cases be entirely dependent on MNEs' investment. Hence, national governments have to implement policies that promote equality of access for one group of MNEs at the cost of domestic firms (Schneider 2009).

Figure 1: The reach of the concepts of EOPs applied to MNEs

1 Regulatory	2 Distributive	3 Discretionary Spending	4 Soft Policies
Collective bargaining policies Work standards and working conditions	Education and training Social standards Safety and health provisions	CSR Initiatives for health and social protection of employees Micro-credit systems, Scholarships and education programs	Anti-discrimination and social-exclusion initiatives at workplaces UN millennium goals

Multinationals and their impact on national level EOPs

In line with the framework proposed by Graser on the different dimensions of EOPs, MNEs can potentially promote equality through various sets of policies. On the national level, MNEs can influence policies associated with collective bargaining, workplace standards that influence equality with regard to working conditions, as well as exemptions or temporary changes to income or value added tax (VAT) systems facilitating their entry in the market. In the globalization debate, the impact of international trade and MNEs on labor standards and economic growth has been critically assessed with differing conclusions. Globalization critics claim that trade, FDI and the expansion of MNEs into developing countries lead to a race to the bottom of labor standards and impede economic growth (Ozay and Tavakoli 2003). Previous research has shown that the presence of MNEs in developing countries bears some risks, such as leverage and hindrance of institutional development (Loungani and Razin

2001). Globalization supporters claim that FDI supports the transfer of technology by promoting the influx of new capital inflows and knowledge as well as trainings for employees that accelerate human capital development and have spill-over effects on domestic firms. Moreover, it increases the general tax revenue and economic wealth and therefore generates capital for new social policies induced by the host country governments (Loungani and Razin 2001; Blalock and Gerter 2008). Greenhill et al. claim that the motivation behind EOPs or support by MNEs of CSR is the reputation of the firm in the home or importing country (2009, p.670). As consumer awareness about the origin and production of goods has risen within the last decades, MNEs have experienced growing pressure to reveal the trans-border supply chain of their goods. Hence, MNEs have increased their involvement and interest in ensuring improved labor standards and development within the host countries, i.e. the countries in which the goods are produced in order to increase turnover rates in their key markets (ibid).

The dimensional categorization of EOPs can overlap. For example, the aim of collective bargaining policies is to enable, facilitate and protect collective bargaining between labor and capital, as well as freedom of association and labor representation. In other words, the rights of both employees and employers within the company are defined and collectively negotiated in a dialogue. From a business perspective, these policies improve stability and reliability of the employees, as they avoid strikes and job insecurity. Thus, the promotion of equality is an explicit goal of these policies, as they aim to create egalitarian working conditions and remuneration systems for the employees. At the national level, the institutions of a country can influence the impact of collectively bargained contracts. In some countries there is the legal option to declare collectively bargained contracts between trade union and employers' organizations as universally binding for a certain sector or even for the economy as a whole. This option widens the egalitarian impact of a distributive policy tool like collectively bargained contracts. A comparatively small group of persons that are actively involved in the negotiation process are in the position to influence the exact design of the employment contract as well as the working conditions of employees who are not directly involved but nevertheless positively affected.

Some authors argue that depending on the institutional framework of their home-countries, MNEs export the home-country approach towards egalitarian policies into other countries in which they are economically active (Guthrie 2006; Greenhill et al 2009). The opposite view is that, whereas MNEs have increased their mobility, it is questionable in how far they have

been able and willing to export their home-based institutional structure with regard to EOPs. In order to evaluate this question, the impact of multinationals on the different spheres at the national as well as international level will be analyzed in more detail.

The increasing awareness of shareholders, stakeholders and supranational policy actors of codes of conducts and CSR of MNEs in both host and home countries has positively influenced the involvement of MNEs in policies promoting equality and cohesion in different areas (Smith 1990; Smith 1999). This argument becomes clear when the growth and development of MNEs is set into a historical context. In the first phase of FDI, MNEs were granted preferential treatment and exclusive contracts in order to attract their investment (Jones 2010). These initiatives were in some cases harming the local economic situation, as they were undermining labor rights as well as conditions set for local firms. Based on external critique evolving mostly in the MNEs' home country or among customers, the companies were challenged to change their strategies in order to avoid drops in sales (Kytte and Ruggie 2005).

In the case of the sports manufacturer Nike, the MNE was confronted with a New York Times article criticizing the labor conditions in its Asian production sites. The article received broad international economic as well as political attention. In order to tackle the critique, the company had to establish a long-term strategy ensuring compliance with local laws and labor standards as well as improve the company's social risk management. As will be shown in part **XX** of this paper, Nike established various policies to tackle the critiques. Policies and strategies applied abroad to ensure equality and socio-economic standards developed in host countries have become figureheads which influence the economic profitability of MNEs. They are used not only as parts of image campaigns, presenting the corporate social and environmental responsibility taken by MNE's within their production or supply chains, but also influence the marketing and sales figures within markets. However, research on labor standards and CSR strategies applied by MNEs has led to the conclusion that the level of impact at the national as well as transnational level also depends on general institutional frameworks (Meardi et al 2009; Geppert and Williams 2006; Morgan and Kristensen 2006; Schneider 2009). With regard to the distributive dimension, MNEs can influence social policies as well as employment standards. Within this context, the potential spill-over effects and institutional learning from MNEs will be critically assessed. Moreover, CSR constitutes the general term for various discretionary spending initiatives, mechanisms, and policies on which MNEs have the most noteworthy impact. Finally, at the company level, MNEs can

implement various soft policies within the regulatory and distributive dimension that promote equality within the enterprise.

Regulatory EOPs

Regulatory EOPs are generally legally binding provisions that regulate and control certain procedures in their application. However, they do not necessarily refer to the distribution of certain goods or assets, but ensure equal access and treatment in certain situations (Graser pp.XX). For MNEs at the national level, collective bargaining policies as well as collectively bargained contracts are potentially the most powerful among regulatory EOPs. This said, the effect of firms on national institutional frameworks has to be included into the analysis. Previous research on business systems in post-industrial economies has been based on the assumption that the institutional structure of a country is reinforced by complementarities evolving within the different spheres in which firms are based (Hall and Soskice 2001). In this firms based approach, the authors distinguish between two ideal types, liberal market economies (LME) and coordinated market economies (CME). The distinction is based on the institutions to which firms are exposed: industrial relations, vocational training and education, corporate governance and inter-firm relations. Whereas LMEs are characterized by arm's-length relations and decentralized policies dominated by market competition, CMEs are dominated by non-market regulations and decisions based on long-term strategic interactions (ibid, at p.8). For instance, pay inequality in CMEs such as the Scandinavian countries or Germany is lower than in LMEs such as the UK, Canada or the US (Bernard 2008; Estevez-Abé 2009). Hence, the probability that firms will rely on and support EOPs is higher in CMEs than in LMEs where policies might be implemented at the firm's level in specific contexts and are more difficult to sustain. However, national institutions are, according to this approach, not perceived as constraining action, but rather as "resources that actors use....providing opportunities for particular types of action, and especially collective action" (Hall and Thelen 2007, p.6).

Based on these differentiations, research on the MNEs within the varieties of capitalism debates has claimed that MNEs with their origin in a CME like Germany would be likely to export this model to their host countries, whereas Anglo-Saxon countries export the LME framework (Almond and Ferner 2006; Morgan and Kristensen 2006). However, case-study evidence has shown that the likelihood that MNEs from CMEs will export their institutional framework with regard to labor standards and working conditions into the host-country cannot be generalized and depends on various factors such as the skill-level of employees, the degree

of internationalization of the economic sector as well as the institutional framework of the host country (Meardi et al 2009). Kristensen and Zeitlin argue that even if MNEs aim to implement their home-country working policies within the host country, the inevitable adaptation to the different institutional framework of the host country will automatically alter the intended policy-structure (2005).

The influence of MNEs on regulatory EOPs can be explained with the economic impact of FDI in (predominantly) developing economies. At the national level, governments are confronted with the challenge to attract FDI in order to safeguard economic growth and development goals of the own national economy. Therefore, regulatory policies designed and implemented in cooperation with foreign MNEs investing in the country have to comply with the national general development objectives (Kristensen and Zeitlin 2005). Depending on the economic dependence on MNEs and FDI and institutional coordination, national governments might be more willing or unwilling to adapt regulatory policies benefiting some MNEs at the cost of other general development goals established at the national level. In other words, depending on the institutional framework, national governments might implement EOPs that are universally oriented or benefit a certain group only. As Graser outlined, EOPs do not necessarily imply an increase of equality for society in total but might occur at the cost of others. In the context of insecure economic and sometimes also political stability in a country, MNEs can become key actors for the organization of capital, technology and labor standards (Schneider 2009, p.10).

The form of interaction between the MNEs and the government as well as national economic actors provides us with information about the institutional structure that evolves within these countries (Geppert and Williams 2006; Morgan and Kristensen 2006; Schneider 2009). Morgan and Kristensen claim that the concept of embeddedness used within the varieties of capitalism literature can be a helpful tool in order to understand the home-country spill-over effect of MNEs (2005). According to the authors, MNEs from countries classified as CME's are more likely to include local or host-country nationals into their managerial boards and hereby include national or regionally specific cultural characteristics or work-habits into their management styles. In contrast, MNEs originating from countries labeled as LMEs are more likely to establish managerial boards with staff from the home-country. Therefore, the latter group might export their home-country institutional structure and way of working, but the probability that EOPs will evolve that support the development of the host country are less likely (2006 p.1485). If the institutional framework of the host country is similar to the home

country, it is more likely that working standards will be generalizable beyond the MNE production plant than if the host country's institutional framework is categorically different.

The distributional dimension: social benefits and education standards

Within the dimension of distributive EOPs, MNEs have an impact on pay and social benefits or other regulatory measures that have been embedded into the national framework of collective bargaining, as has been discussed in the previous section. However, recent studies on social policy as well as on education and training systems in developing economies indicate that MNEs can potentially influence the spread of EOPs in substantial ways. The ILO Declaration concerning Multinational Enterprises and Social Policy (first signed in 1977) underlines that MNEs can encourage governments in policy adaptation with regard to employment, training, conditions of work and life, as well as industrial relations, in order to redistribute the economic prosperity fostered through the presence of MNEs in the host country. One concrete example is the field of education and training. According to UNCTAD, FDI of MNEs is particularly sensitive to local training and the availability of skills. In order to attract MNEs, governments therefore have to promote vocational training and education (2012, p.113). MNEs can support the government in establishing the policies through financial incentives as well as through provision of occupational profiles necessary for the respective plants. EOPs initiated in cooperation with MNEs can then have positive spill-over effects on the respective national economy as the skill level of the labor-force improves. In a long-term perspective, specific economic sectors can benefit from this MNE induced skill transfer. The same argument also holds for safety and health provision at the workplace. Through the technological and skill transfer by the presence of MNEs, different standards of health and safety at the workplace might be introduced. Although the latter policies might also qualify within the regulatory dimension, they are covered here, as health and safety policies have distributive effects.

The impact of MNEs on tax-based EOPs is disputed. Previous research has shown that for MNEs, the national tax system is an important factor influencing investment decisions (UNCTAD 2012, p.116). Low tax policies or relief for multinational investors have been often used as incentives to attract FDI and would hence qualify as 'inequality-oriented policies'. However, within the global codes of conduct proposed by the UN and the ILO, MNEs are actively encouraged to open dialogue on transparent tax policies in order to limit the implementation of tax avoidance schemes available to international investors.

In addition, MNEs can also positively affect initiatives for redistributive policies at the national level. However, so far the evidence for redistributive policies initiated by MNEs falls into the third category of discretionary spending and will be discussed in the following section.

Discretionary spending and soft policies

According to Graser's framework, these two dimensions entail policies that are not implemented by law and do not have a binding status. Discretionary spending refers to policies that are non-regulatory but distributive in their core. Soft policies are neither regulatory nor distributive but refer to policy initiatives that contribute to an improvement of equality in the interaction among individuals without the necessity for a legal framework.

MNEs are increasingly considered as relevant actors which promote economic development throughout the world. In addition to their impact on economic development, MNEs are also perceived as leading actors in social development and cohesion with regard to sustainable development. The immediate economic impact of EOPs by MNEs takes the form of CSR. CSR policies vary substantially between firms as well as in their scope and extent, and can address either the employees within the company and their relatives or specific groups, or general unspecified members of a community. According to Carroll (1991), CSR incorporates a four tiered pyramid concept of economic, legal, voluntary and philanthropic responsibilities that firms must handle simultaneously if they decide to engage in CSR (p.40).

While CSR can potentially entail EOPs that fit in any of the four categories, we will predominantly focus on the CSR policies that fit into the categories of discretionary spending and soft policies. Another perspective proposes corporate citizenship as an alternative approach which fits better to the activities of MNEs, since it also includes factors such as entrepreneurship and corporate governance (Schwab 2008, p.107). This concept has also been taken up by the UN Global Compact, focusing on 'voluntary corporate citizenship' within the collective action programs (UN Global Compact 2004).

CSR initiatives can either be seen as initiatives based on the responsiveness to the demands and perspectives of stakeholders as well as paths towards ethical business, or economic and social sustainability. Overall, CSR initiatives can take at least three different perspectives: the stakeholder perspective, the broader and society oriented perspective and the more economic and predominantly shareholder perspective. From a stakeholder perspective, the interest in EOPs initiated by MNEs can vary from policies that improve the situation at the workplace

for potentially and/or factually disadvantaged groups to concrete policies aimed at improving the company's value. The broader and society oriented perspective on CSR includes initiatives that may not directly be linked to the company as such but aim at communities or society in general. An example for discretionary spending of MNEs in host-countries is the Nike Village Development Project (Frank 2004; Pimpa et al. 2012). In 1998, Nike and other garment industry based MNEs established a regional development project under which low-interest loans were offered to villagers and farmers to set up and finance income-generating activities based on own initiatives. In addition to the credits, educational programs were provided for entrepreneurial activities and environmental awareness as support to stabilize and ensure the sustainability of these initiatives (ibid). Moreover, scholarships and school lunches were installed as means to support the improvement of the educational level in the rural areas (Frank 2004).

Another example for soft policies initiated or supported by MOEs which promote equality and equal access to social assets such as health is the fight against HIV/AIDS as well as any forms of social exclusion related to this disease in host countries that qualify as developing states. In 2005, twenty-one of the largest MNE (such as American Express, Federal Express, PepsiCo.) active in Mexico signed a cooperation agreement to combat workplace discrimination related to HIV/AIDS (Mahabir 2005). This cooperation between the MNEs and the American and Mexican government, as well as non-governmental organizations (NGOs), did not include any regulatory mechanisms but was entirely based on soft mechanisms to be determined by the companies themselves. These included the implementation of workplace tolerance rules, voluntary and free testing possibilities, the promotion of sexual tolerance as well as seminars and educational campaigns. The goal of the initiative is two-fold: the combat of workplace discriminations in order to improve the working conditions for employees and the enhancement of an organizational learning process among MNEs as well as national firms to promote reciprocal learning processes among firms through soft policies such as exchange (Mahabir, 2005).

Numerous other initiatives have been promoted by MNEs in cooperation with other multinational institutions as well as NGOs in order to promote policies and programs to fight HIV/AIDS. Launched in 1997, UNAIDS has published a handbook on business responses to HIV/AIDS, indicating that MNEs from various post-industrial companies have actively been involved in mostly non-regulatory policies which attempt to control and reduce the spread of HIV/AIDS (UNAIDS 1997).

Both the level and scope of involvement in EOPs differ among firms. Some firms concentrate on soft policies addressed to their employees, others broaden the perspective to the community level, including external actors from the host country. Workplace oriented policies such as voluntary testing, counseling services, and education and communications frameworks have been strengthened by policies that go beyond the enterprise and include part of the community or region in which the MNEs settle (Knigge 2004). Daimler Chrysler has set up an entire taskforce to help combat HIV/AIDS in one of their host regions in South Africa. Going beyond the workplace level, Daimler Chrysler has initiated a so-called "National Strategic Plan Information Resource for South Africa (NSPiSA)" which focuses on prevention, treatment, research as well as human rights and access to justice (NSPiSA 2013).

Other MNEs have expanded their protection policy initiative to the families of their employees by issuing initiatives to stop the spread of HIV/AIDS among their target group, offering counseling as well as medical and social assistance. One way to expand workplace oriented policies which are distributive, such as medical and social support, has been to openly share and publish the guidelines of their initiative within the host countries and actively ask for support from local actors such as NGOs or government representatives. The latter groups are perceived as necessary in order to include locally specific and in some cases sensitive culturally specific values that are necessary for the success of these initiatives (UNAIDS 1997).

The relationship between international organizations and MNEs for the promotion of EOPs

Critical perspectives on the impact of MNEs on local economic growth and the development of skills have claimed that by increasing the wage levels above the regional average, MNEs can not only easily buy out qualified labor from domestic companies but also reduce the economic incentives of local firms to invest in labor training (Berg 2005; Schneider 2009, p.567). Therefore, external control and coordination is necessary to ensure that FDI and the presence of multinational corporations lead to policies that promote equality with a long-term and broader perspective and are not only beneficial for the sector or market of the respective MNE.

During the last two decades, international institutions such as the UN and the EU have begun to directly address companies and include them in international policy making processes in order to promote political stability and social cohesion. In 1999, the UN based Global

Compact offered MNEs the opportunity to join this CSR initiative and support ten universal principles in human rights, labor rights, environment and anti-corruption as well as general UN goals such as the Millennium Development goals (Kell 2005; UN 2011; Rasche 2012). The Global Compact is a voluntary initiative and therefore falls within the fourth dimension of Graser's EOP systematization system. The promotion of equality at a transnational level is directly as well as indirectly included in these principles. Apart from the protection and promotion of human rights at a transnational level, the aim is to set a goal for coherence of rights beyond national borders with regard to labor and working standards (Rasche, 2012). 'Equality' hence refers to similar working conditions irrespective of the economic or political background of a country. In order to facilitate the implementation of these goals within the framework of the global compact, another form of EOP has been initiated at a smaller level, so-called Local Networks (UN Global Compact Office 2011). Within these networks, MNEs, together with other stakeholders such as NGOs, have the possibility to adapt policies within the respective local context and in line with the respective national institutional framework (Nolan 2005).

Another example is initiatives within the EU to foster transnational collective bargaining and the promotion of a 'European Social Dialogue'. In contrast to the UN, the EU has in some areas the sovereignty to design and enforce policies that have a legal basis within the treaties. For example, the European Works Council's directive and the European Posted Workers Directive are legally binding and have to be implemented into national law. They provide a legal framework for the right of representation and working conditions within multinational organizations active within the EU, for the promotion of cohesion of co-decision, and collective bargaining (Dörrenbächer and Wortmann 1994; Schulten 1996; Meardi 2004; Pedersini and Pallini 2010). However, a major challenge to the actual application of these legal frameworks is that potential resulting EOPs that could have a regulatory character, such as transnational collective bargaining, have to be in-line with the national collective bargaining policy structures. As a consequence, national sectoral level bargaining still constitutes the core within the regulation of EOPs by firms (Ales et al 2006).

Conclusion

The impact of MNEs has been a much discussed topic in the discourse of globalization and economic growth. Data on the global economic influence of MNEs emphasize the need to deal with their economic power in policy making processes. The framework proposed by Graser offers a good and differentiated perspective on the potential impact of multinational

agreement on EOPs in their destination countries. However, as shown in previous sections of this chapter, the impact of MNEs depends to a significant extent on the institutional setting and institutional inclusion of MNEs within the host country. Given the limited possibilities to control their action, soft policies are the dominant sphere in which EOPs can be generated and be fruitful. The attempts to regulate the impact of MNEs by international actors such as the UN, the OECD or the EU highlight the difficulties of regulating MNEs.

References

Ajami, Riad A.; Cool, Karel; Goddard, G. Jason; Khambata Dara (2006), *International Business: Theory and Practice* 2nd Edition. M.E. Sharpe: New York.

Ales, Edoardo; Engblom S.; Jaspers T.; Laulom S.; Sciarra S.; Sobczak A.; Valdés Dal-Ré F. (2006), *Transnational Collective Bargaining: Past, Present and Future*; available at: www.ec.europa.eu/social/BlobServlet?docId=4641&langId=en

Ales, Edoardo; Dufresne, Anne (2012), *Transnational Collective Bargaining: Another (Problematic) fragment of the European multi-level industrial relations system*, *Euroean Journal of Industrial Relations*, Vol 18 (2): 95-105.

Berg, Janine (2005), *Miracle for Whom? Chilean Workers Under Free Trade*, New York: Routledge.

Bernard, P.M. (2008), *Varieties of Capitalism and Inequality: Canada from a Comparative Perspective*, *Journal of Humanities and Social Sciences* Vol. 2 (2).

Blalock, Garrick; Gertler Paul (2008), *Welfare gains from foreign direct investment through technology transfer to local suppliers*, *Journal of International Economics* Vol.74 (2): 402–421.

Boddewyn, J. (1988), *Political aspects of MNE theory*, *Journal of International Business Studies*, Vol. 19: 341–63.

Carroll, Archie B. (1991), *The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders*, *Business Horizons*, Vol (34): 39-48.

Carroll, Archie B. (1999), *'Corporate Social Responsibility: Evolution of a Definition Construct'*, *Business and Society*, Vol. 38 (3): 268-95.

Dahan, Nicolas; Doh, Jonathan; Terrence Guay (2006), *The role of multinational corporations in transnational institution building: a policy network analysis*, *Human Relations* Vol. 59 (11): 1571-1600.

Dobers, Peter; Halme, Minna (2009), *Corporate Social Responsibility and Developing Countries*, *Corp. Soc. Responsib. Environ. Mgmt.* 16, 237–249.

Dörrenbächer, Christoph; Wortmann, Michael (1994), *Multinational Companies in the EU and European Works Councils*. *Intereconomics* 29/4, 199-206.

Estevez-Abe, Margarita (2009), Gender, Inequality, and Capitalism: The “Varieties of Capitalism” and Women, *Social Politics*, Vol. 16 (2): 182-191.

Frank, Wolfgang (2004), Successful Partnership For CSR Activities in Thailand: the Nike Village Development Project in: Contreras, Manuel E. (ed.) *Corporate Social Responsibility in the Promotion of Social Development: Experiences from Asia and Latin America*, Inter-American Development Bank, Washington pp.71-92

Geppert, Mike; Williams Karen (2006), Global, national and local practices in multinational corporations: towards a sociopolitical framework, *The International Journal of Human Resource Management*, Vol.17 (1):49-69.

Görg, Holger (2002), Analysing foreign market entry – The choice between greenfield investment and acquisitions, *Journal of Economic Studies*, Vol. 27 (3): 165-181.

Graziani, Giovanni (1998), Globalization of production in the Textile and Clothing Industries: the Case of Italian Foreign Direct Investment and Outward Processing in Europe. Working Paper, BRIE Policy Conference: Foreign Direct Investment and Trade in Eastern Europe: the Creation of a Unified European Economy, Vienna June 5-6 1997.

Greenhill, Brian; Mosley, Layna; Prakash, Aseem (2009), Trade-based Diffusion of Labor Rights: A Panel Study, 1986–2002, *American Political Science Review* Vol. 103 (104): 669-690.

Hall, Peter A.; Soskice, D. (2001), *Varieties of capitalism: The institutional foundations of comparative advantage*, Oxford: Oxford University Press.

Hall, Peter A., Thelen, Kathleen (2007), Institutional Change in Varieties of Capitalism, Working Paper 2008-0037, Weatherhead Center for International Affairs, Harvard University, August 2007.

Hennart, Jean-Francois (1982), *A theory of the multinational enterprise*. University of Michigan Press.

International Labor Organisation (2006), Tripartite Declaration of Principles Concerning Multinational Enterprises, available online at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/--multi/documents/publication/wcms_094386.pdf

Kell, Georg (2005), The Global Compact: Selected Experiences and Reflections, *Journal of Business Ethics* Vol. 59: 69-79.

Knigge, A. K. (2004), DaimlerChrysler South Africa HIV/AIDS workplace project, Conference Paper, The XV International AIDS Conference.

Kogut, Bruce (2001), Multinational Corporations, pp 10197-10204 in: Smelser, N. J.; Baltes, Paul B. (eds.), *International Encyclopedia of the Social and Behavioral Sciences*, Oxford: Pergamon.

Kristensen, P. H.; Zeitlin, J. (2005), Local players in global games. The strategic constitution of a multinational corporation, Oxford: Oxford University Press.

Lim, Alwyn; Tsutsui, Kiyoteru (2012), Globalization and Commitment in Corporate Social Responsibility: Cross-National Analyses of Institutional and Political-Economy Effects, *American Sociological Review* Vol. 77: 69-98.

Loungani, Prakash; Razin, Assaf (2001), How beneficial is foreign direct investment for Developing Countries?, *Finance and Development*, Vol. 38 (2). <http://www.imf.org/external/pubs/ft/fandd/2001/06/loungani.htm>.

Mahabir, Karen (2005), Multinationals to Fight AIDS Discrimination, *The Herald Mexico*, retrieved online at <http://www.banderasnews.com/0506/hb-aidsblindness.htm> on February 13th, 2013. *Meardi, Guglielmo* (2004), Short Circuits in Multinational Companies: The Extension of European Works Councils to Poland, *European Journal of Industrial Relations*, Vol. 10 (2): 161-178.

Meardi, Guglielmo; Marginson, Paul; Fichter, Mike; Friebes, Marcin; Stanojevic, Miroslav; Toth, Andras (2009), Varieties of Multinationals: Adapting Employment Practices in Central Eastern Europe, *Industrial Relations* Vol. 48 (3): 489-511.

Meyer, Klaus E.; Estrin Saul (2001), Brownfield Entry in Emerging Markets, *Journal of International Business Studies*, Vol. 32 (3): 575-584.

Morgan, Glenn; Kristensen, Peter Hull (2006), The contested space of multinationals: Varieties of institutionalism, varieties of capitalism, *Human Relations* Vol. 59 (11): 1467-1490.

Müller, Thomas (2006), Analyzing Modes of Foreign Entry: Greenfield Investment versus Acquisition, *Review of International Economics*, Vol. 15 (1): 93-111.

Nolan, J. (2005), The United Nations Global Compact with business: Hindering or helping the protection of human rights? *The University of Queensland Law Journal*, 24, 445–466.

OECD Employment Outlook 2008, available at http://www.oecd-ilibrary.org/employment/oecd-employment-outlook-2008_empl_outlook-2008-en

Ozay, Mehmet; Tavakoli, Akbar (2003), Does foreign direct investment cause a race to the bottom?, *Journal of Asia Pacific Economy*, Vol. (2): 133-156.

Pimpa, Nattavud; Gekara, Victor; Fry, Simon (2012), Multinational Corporations, CSR and Poverty Alleviation: Views from Lao PDR and Thailand; Conference Paper, The 2012 World Business Research Institute Conference, available online at <http://www.wbiconpro.com/423-Nattavud.pdf>

Pedersini Roberto; Pallini, Massimo (2010), Posted workers in the European Union, *European Industrial Relations Online*, retrieved online at http://www.eurofound.europa.eu/eiro/studies/tn0908038s/tn0908038s_2.htm on January 30th. 2013.

Rasche, A. (2012), The United Nations and Transnational Corporations: How the UN Global Compact Has Changed the Debate, pp. 33-49 in: Lawrence, J.; Beamish, P. (eds.), *Globally Responsible Leadership: Business According to the UN Global Compact*. Thousand Oaks: Sage.

Rugman, A.; Verbeke, A. (1998), Multinational enterprises and public policy, *Journal of International Business Studies* 1998, Vol. 29 (1): 115–36.

Smith, N. Craig (1990), *Morality and the Market*, London: Routledge.

Smith, N. Craig (1999), Ethics and the Typology of Consumer Value, pp. 147-58 in: *Consumer Value: A Framework for Analysis and Research*, Holbrook, Morris B. (ed.), New York: Routledge.

Schneider, Ben Ross (2009), Hierarchical Market Economies and Varieties of Capitalism in Latin America, *Journal of Latin American Studies* Vol. 41 (3): 553-575.

Schulten, Thorsten (1996), European Works Councils: Prospects for a New System of European Industrial Relations, *European Journal of Industrial Relations* Vol. 2 (3): 303-324.

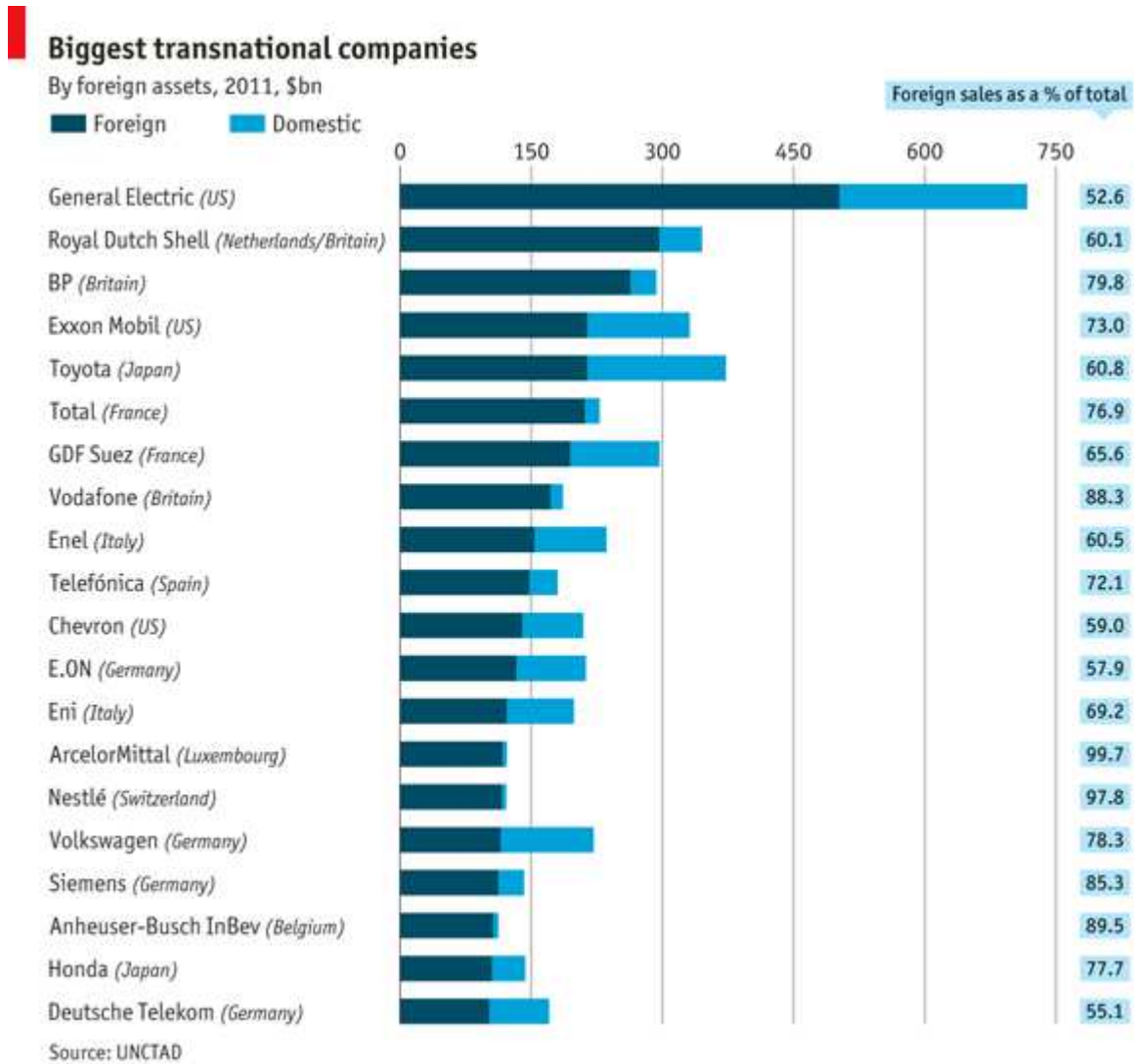
Schwab, Klaus (2008), Global Corporate Citizenship: Working with Governments and Civil Society, *Foreign Affairs*, Vol. 87 (1): 107-118.

United Nations (2011), Transnational Corporations, retrieved online at http://unctad.org/en/Docs/unctaddiaeia20114a_en.pdf on January 28th, 2013.

United Nations Global Compact Office (2011a), Global Compact Local Network Report 2011.

United Nations Conference on Trade and Development - UNCTAD (2012), World Investment Report 2012: Towards a New Generation of Investment Policies, United Nations Publication.

Weyzig, Francis (2009), Political and Economic Arguments for Corporate Social Responsibility: Analysis and a Proposition Regarding the CSR Agenda, *Journal of Business Ethics* Vol. 86: 417-428.



Source: The Economist, <http://www.economist.com/blogs/graphicdetail/2012/07/focus-1>.