Industrial relations in foreign owned subsidiaries in Germany: Integrated results of a three-way empirical investigation

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Foreign owned subsidiaries make a major contribution to the German economy. They account for one fourth of total turnover of all companies in Germany and employ around 3 million people. Despite the importance of foreign owned subsidiaries for the German economy, there has been little systematic research on industrial relations (IR) in these firms. Given the infant state of research on the subject matter the paper draws on the results of three consecutive empirical investigations the authors have carried out between 2014 and 2017: *(i)* a comparative case study investigation (21 case studies involving 50 in-depth interviews); *(ii)* the first large-scale representative management survey on IR in foreign owned subsidiaries in Germany (865 respondents); *(iii)* based on the latter, a survey of the chairs of the work councils (yielding 255 management-works council pairs) for pairwise and matched sample analysis.

Based on the climate/conflict matrix we developed from the literature, our empirical investigation showed that industrial relations in foreign owned subsidiaries in Germany can take on four different qualities: IR based on social partnership, conflict partnership, latently adversarial and adversarial industrial relations. A deeper, case based illustration of these different IR qualities revealed novel indications which factors seem to be responsible for the quality of IR in foreign owned subsidiaries in Germany. While pervious literature first and foremost focused on county of origin effects, our study revealed subsidiary and MNC specific effects next to some country of origin effects.

Our representative management survey suggested a high degree of acceptance and a generally positive experience with the German model of co-determination, regardless nationality of ownership. IR based on social partnership and conflict partnership significantly outweigh more adversarial IR. Confirming the results of our qualitative study, subsidiary characteristics and MNC specific effects were far more important predicators for the nature and quality of IR than country-of origin effects. However, and analogues to our case study results, our matched sample survey highlights that works councils saw IR climate, conflicts and management-works council cooperation far more critical than managers. The works council survey found some significant country-of-origin effects, showing that especially conflicts in connection with international MNC policies and practices are more pronounced in subsidiaries of MNCs from liberal market economies, and US ones in particular.

Our study demonstrates the importance of combining: *(i)* large scale-scale representative quantitative work with *(ii)* in-depth qualitative work and *(iii)* to conduct matched sample multi-responded surveys with management and works council, as well as *(iv)* the systematic incorporation of MNC specifics and internationalization aspects for a meaningful assessment of the nature and IR outcomes of co-determination in foreign owned firms in Germany.

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