

MULTINATIONAL CORPORATIONS (MNC) AND EMPLOYMENT AND LABOUR CONDITIONS OF DEVELOPING COUNTRIES: THE NIGERIAN EXPERIENCE

Vincent .A. Onodugo, PhD, FCAI, MNIM

Department of Management,
University of Nigeria, Enugu Campus.

Tel: 234-8035-487-972
eMail: vincent.onodugo@unn.edu.ng

ABSTRACT

This study set out to primarily investigate the extent to which the operations of the Multinational Corporations in Nigeria affect the employment opportunities and whether or not decisions taken at the international headquarters affect conditions of work and labour management relations in locales where they operate. The survey research design was adopted by this study. A sample size of 385 personnel was derived from the total population of 13,446 of the selected 6 multinational firms from oil, banking and manufacturing sectors. Data were collected using questionnaire and interview instruments. Statistical techniques were employed using SPSS to aid analysis. Findings show that the activities of the multinationals have led to the employment of more foreigners than is good for our soaring unemployment situation. Data supports that decision taken at the international headquarters of these MNCs impact on the local conditions of work. However, contrary to expectations, these decisions do not affect the activities of trade unions among sampled organisations.

Key Words: Multinational Corporations, Unemployment and Labour conditions

Introduction

The world in the last couple of years has been besieged by a spectre called globalisation. This is the integration of the world economies into one in a phenomenon aptly called “global village”. The implication is that individual firms and nations act locally but are assessed and judged globally. There is consensus among scholars that technological changes and globalization agents are forces that have and will continue to transform the economic and social fabrics of the various nations (Chaykowski, 2002; Ohamea, 1990; Lipsey, 1993; and Thurow, 1999.) and for the most part is irreversible. (Adei, 2004; Wolfensohn, 2001). Knor (2003) rightly observes that while economic globalization is a very uneven process, with increased trade and investments being focused in a few countries, almost all countries are greatly affected by this process.

The agents and purveyors of globalisation dividends are the Multinational Corporations (MNC). These MNCs have changed methods of operations variously in the light of the changing character and dynamics of global economic trend. They have had to move from operating and controlling activities of their international headquarters to actually locating their business activities to where resource inputs are mostly available and as a result cheaper. The latter has led to the spread of these MNC to resource rich and yet poor developing countries of African, South American and some Asian countries. The way and manner these MNCs are received and treated differ with countries according to their understanding of the impact of their operations on the economy of the host countries. The first usual impulse is for these countries to embrace these companies on the premise that it will facilitate the inflow of Foreign Direct Investment (FDI) and also hold prospects for generating income and employment.

Nigeria has played host to MNCs long before independence till date. The number and activities of these MNCs have grown over time as Nigeria struggles to develop socio-economically as a nation. After over fifty years of nationhood, the economic growth trajectory of Nigeria is at best chequered in spite of the growing presence of these MNC in its core sectors of oil, banking and manufacturing sectors. According to National Bureau of Statistics (2009:238; 2010:2), the national unemployment rates for Nigeria between 2000 and 2009 showed that the number of unemployed persons constituted 31.1% in 2000; 13.6% in 2001; 12.6% in 2002; 14.8% in 2003; 13.4% in 2004; 11.9% in 2005; 13.7% in 2006; 14.6% in 2007; 14.9% in 2008 and 19.7% in 2009.

Study reports by Next Generation Project (2010) and Awogbenle and Iwuamadi (2010) suggest that the future of Nigeria’s prosperity lies with the effective utilisation of the abundance and growing youthful population. An excerpt from Next Generation Projects (2010: 1) reads thus; “Nigeria stands on the threshold of what could be the greatest transformation in its history. By 2030, it will be one of the few countries in the world that has young workers in plentiful supply. Youth, not oil, will be the country’s most valuable resource in the twenty-first century.”

It is against this background that this study sought to assess how the activities of these MNCs affect the employment conditions and labour union activities of the Nigerian workforce.

1.1 Study Objectives, Hypotheses and Methodology

Study Objectives

There are two main objectives of this study which are:

- I.** To critically appraise the extent to which the activities of MNCs has led to the employment of more expatriates in Nigerian organisations; and
- II.** To assess the extent to which global forces have influenced labour- management relations and union activities in Nigeria

Hypotheses

This study is guided by the following hypotheses:

1. Globalization has led to the employment of more expatriates in Nigerian organizations than Nigerians.
2. Activities and decisions at the headquarters and other branches of the multinational corporations do have strong impact on labour management relations and union activities in Nigeria

2.0 Theoretical framework and models

There is no gainsaying the fact that international human resource management has several challenges owing to several varying differences in the milieu of operations. These challenges notwithstanding, multinational companies must operate and are left with no choice than to on balance select the model and/or strategies that will maximally impact on their ability to realize their corporate objectives. Bernadine (2003:26) identifies four possible models/ strategic approaches in international HRM. They shall briefly be discussed below:

Ethnocentric model: This model works within the assumption that management and human resource practices are critical core competence to a firm's competitive advantage and as such should not be trifled with nor compromised (Bird et al, 1998:159). Under this model, the foreign subsidiaries tend to have little autonomy and operations and decisions are typically centralized at the headquarters. The bulk of the management staffs are usually sent from the headquarters and comprise mainly the Parent Company National (PCNs). Most Japanese and American organizations are known to use this approach in recruiting and deploying international staff. There is usually pay disparity between the management staff which are paid in foreign currency and the rest of the staff usually members of the Host Country National (HCNs) that receive their pay in local currency and according to local market trend. This could be problematic if not properly managed. Firms that use this model usually have the onerous task of ensuring that local personnel acquire the necessary competencies and skills to help them perform optimally.

Polycentric Model: Compared with the ethnocentric model, the Polycentric model lies at the polar end of the continuum. This model treats subsidiary as a distinct entity with some level of decision making authority. The essential thrust of this model is that international subsidiaries operate in a different environment (legal, socio-economic, political and cultural) conditions from that of the parent company and as such should be allowed to evolve its own HR management systems unique to it. Under this model both the management and the supporting staff are usually selected competitively from the local labour market. The only challenge is that in most cases, these local personnel are hardly ever promoted to work outside their local environment either in other countries where the company has subsidiaries or in the headquarters. This model is cheaper in addition to being more adaptable to local conditions.

Geocentric Model: This model tries to remove the boundaries and separating lines between the parent company and the subsidiaries scattered all over the globe. It strives to integrate its businesses with the relationships based on collaboration and mutual reciprocity. Under this model, the organization begin to see itself as having a global workforce that can be deployed and utilized in a variety of ways throughout the world. Key positions tend to be filled by the most qualified individuals regardless of nationality. For cost effective purposes, among others, most of the lower and middle level personnel could be sourced from the HCN, key management positions are sourced from anywhere-PCNs, HCNs and Third-Country National (TCNs). Staff remunerations in companies that are geocentric are generally based on global market rates and standards. Pay and work considerations are solely based on individual contributions to the organization rather than country of origin.

Regiocentric Model:

This is a modified version of geocentric model. The main difference is in scope; while the latter is global in scope the former is regional. In other words, African subsidiaries will be managed by Africans, just as European subsidiaries will be managed by Europeans. To function properly, there is usually a strong regional headquarters that is vested with the power and authority to manage its operations in the particular region. These regional headquarters integrate and collaboratively manage the subsidiaries within its region. The only challenge is that there is usually limited flow between the regions and the global headquarters. In some cases some use this model as a prelude and preparation to full-scale geocentric model.

It is important to note that within the contextual needs of developing countries any model chosen must strike a balance between maximizing its huge labour potential and providing opportunities for technology transfer. A critical look at the models presented above shows a clear trade-off between the twin goals of maximizing labour potentials of the host countries and technology transfer. For instance, ethnocentric and geocentric models increases the chances of technology transfer while minimizing the chances of utilizing local labour. While the regiocentric and polycentric models maximize the use of labour and reduce chances of technology transfer. The best strategy is for developing countries to initiate policies that will achieve a proper mix between the two goals.

Another important lesson for developing countries could be gleaned from the growth strategy of most Asian economies. Nissanke and Thorbecke (2008:12) note that the “growth –accompanied by a substantial reduction of abject poverty –in East Asia can be explained in terms of the region-wide comparative advantage recycling in the production of labour-intensive goods. The process involves a strong demand for unskilled and semi-skilled labour, driven by exporting labour intensive goods and pro-trade FDI through effective knowledge skill transfer.”

3.0 Methodology

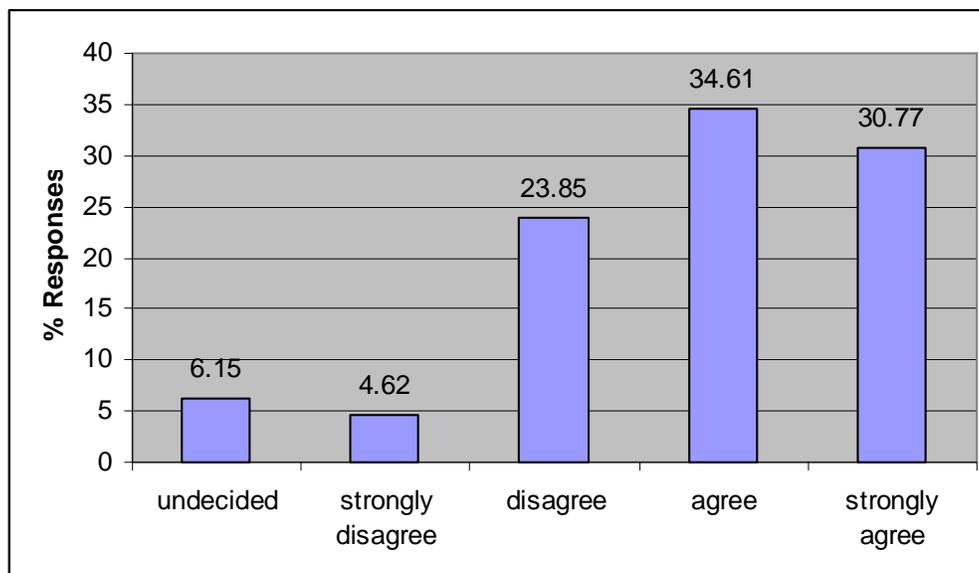
Data for this study was sourced from both primary and secondary sources. Personnel (especially those from the human resources department) from the sampled firms were the major source of primary data while reports of previous studies and literature were the source of secondary data.

A sample size of 385 personnel was derived from the total population of 13,446 of the selected 6 multinational firms from oil, banking and manufacturing sectors. Survey method of design was used and data were collected using questionnaire and interview. The interview was mainly carried out on the human resources managers of these organisations. The analysis of data, interpretation and test of hypotheses was done with SPSS.

4.0 Analysis, Results and findings

4.1 MNC and the Employment of Expatriates in Nigerian Organisations

This section presents and interprets data on the impact of MNCs on the employment of more expatriates among Nigerian organisations. This is a major research objective of this study and has a corresponding hypothesis.

Fig. 1: 2: Data on the Employment of more Expatriates Due to MNCs

Data in Figure 1.2 show that there is increased employment of expatriates in the sampled Nigerian organisations due to the activities of the MNCs. Approximate 65% agreed, about 29% disagreed and 6% were undecided.

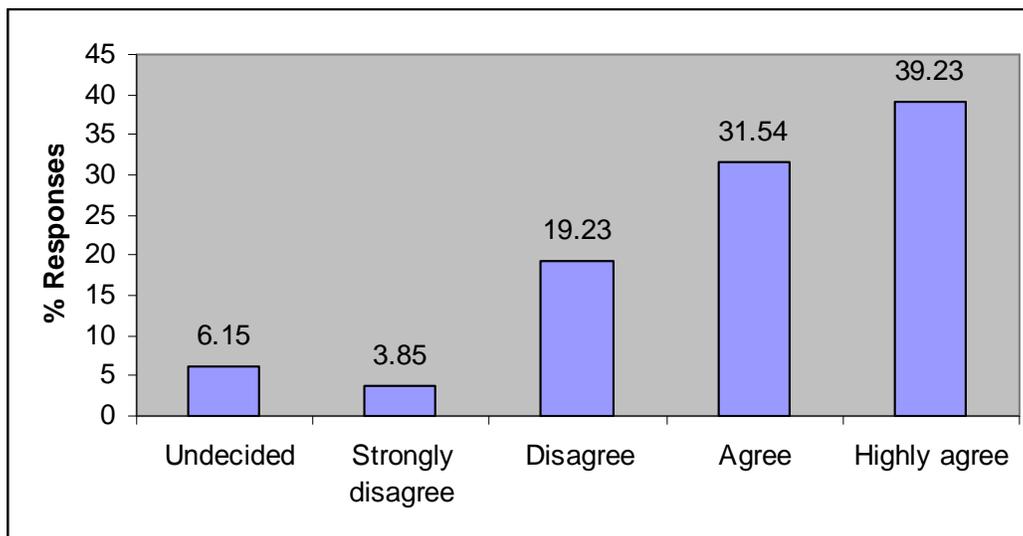
4.2 The Impact of MNCs on Labour-Management Relations and Union Activities

In this section, data on the relationship between MNCs and labour-management and union activities were presented and analysed. It is a major study objective and has corresponding research question and hypothesis.

Table 2.1 Data on Areas of Personnel Decisions that cannot be taken without Reference to the International HQ

Response Category	Frequency	%
Undecided	8	6.15
Strongly disagree	5	3.85
Disagree	25	19.23
Agree	41	31.54
Highly agree	51	39.23
Total	130	100

Fig. 2:2 Data on Areas of Personnel Decisions that cannot be taken without Reference to the International HQ



Data in Table 2.1 and Figure 2.2 show that there are quite a number of personnel decisions that cannot be taken locally without recourse to the international headquarters. Approximately 71% of the respondents either agreed or highly agreed, 23% either disagreed or highly disagreed and 6% were undecided.

Table 2.3 The Impact of Internationalization of HR Decisions on Labour-Management Relations and Union Activities

Response Class	Frequency	Percent
Undecided	86	22.34
strongly disagree	69	17.92
Disagree	42	10.91
Agree	163	42.34
strongly agree	25	6.49
Total	385	100.00

Fig. 2.4 The Impact of Internationalization of HR Decisions on Labour-Management Relations and Union Activities

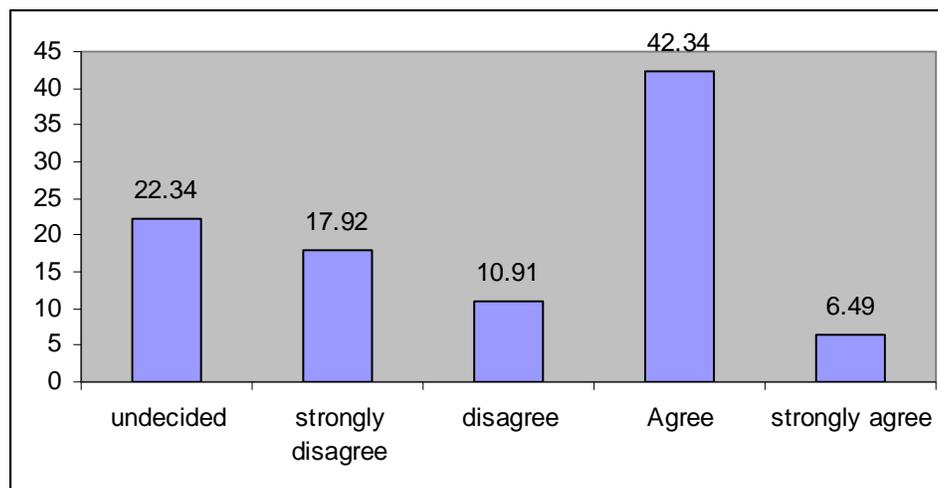


Table 2.3 and Figure 2.4 show that the impact of internationalization of HR decisions on labour-management relations and union activities is not significant. Approximate 49% agreed, about 29% disagreed and a substantial 22% were undecided.

Test of Hypotheses

Hypothesis 1

Hypothesis one is stated in null and alternate forms as follows:

H0: MNCs has not led to the employment of more expatriates in Nigerian organizations than Nigerians.

H1: MNCs has led to the employment of more expatriates in Nigerian organizations than Nigerians.

The above hypothesis was also tested using t-test. A t-value of 5.71 and 3.47 were obtained for the variable on increased activities of MNCs like merger and acquisition leading to increased number of expatriates in Nigerian organisations at $p \leq 0.05$, respectively. These results as shown in Table 2.4 below are all in support of the alternate hypothesis. We therefore conclude that; *MNCs activities have led to the employment of more expatriates in Nigerian organizations than Nigerians.*

Table 2.4 T values for hypothesis 1

Question item	Mean	Std. Deviation	t-value	df	Sig. (2-tailed)	Correlation	Sig.
Do you think that global factors like mergers and acquisitions have increased number of expatriate?	3.78	1.13	5.71	118	0.00	0.40	0.02
more expatriates are employed by MNCs now that before the era of globalization	3.53	1.25	3.47	118	0.00		

Hypothesis 2

- H0: The activities and decisions at the headquarters and other branches of multinational corporations do not have strong impact on labour-management relations and union activities.
- H1: Activities and decisions at the headquarters and other branches of the multinational corporations do have strong impact on labour management relations and union activities in Nigeria.

Data for the test of this hypothesis were obtained from responses from the questionnaire. Hypothesis 2 was tested using t-test, which was applied on the variables reflecting personnel decision that cannot be taken locally and on whether activities of trade unions have been hindered by decisions at the headquarters. Tables 4.38 below reveals that while the t-test result shows the existence of significant result on the first variable ($t = 6.7$ at $p \leq 0.05$). Different result was obtained for the variable on hindrance of the activities of trade unions ($t = 1.07$ at $p > 0.29$). These results show that while there are areas of internal personal decisions that cannot be taken locally, the activities of trade unions are not hindered by activities and decisions at the headquarters and other branches of the multinational corporations. Based on the findings above we partially accept both the alternate and null hypothesis. We conclude therefore, *that activities and decisions at the headquarters and other branches of the multinational corporations do have strong impact on labour management-relations but do not hinder union activities in Nigeria.*

Table 4.38: Values for Hypothesis 2

Variables	Mean	Std. Deviation	T	Sig. (2-tailed)	Correlation	Sig.
Are there areas of personal decisions that cannot be taken locally?	3.92	1.16	6.70	0.00	-0.04	0.83
The activities of trade unions have been hindered	2.83	1.28	-1.07	0.29		

5:0 Implications of Findings/Results

5.1 MNCs and the Employment of Expatriates in Nigerian Organisations

The finding that the activities of MNCs have resulted in the employment of more expatriates in the Nigerian organisations has a lot of implications to management of business in Nigerian economy of today. First, this finding, no doubt, will worsen the unemployment situation of the country which is bad enough presently. It is the desire of Nigerian government to attract venture capitalists but certainly not more expatriate employees. For a labour resource rich nation like Nigerian, this is a very disturbing development.

Second, most of these expatriates are paid in foreign currency or its local equivalent. The implications are threefold. The first is that it leads to an increase in the cost of production of the organisations where they work; second, is that it is a veritable source of capital flight as they may be repatriating most of their earnings to their country of origin; and finally it worsens the income gap leading to conflicts with trade unions. The result is that the average income of even local employees in such organisations spirals out of industrial average leading to discontents, strikes and search unemployment (Nwaba, 1995). Search unemployment is a situation where people refuse to take jobs in sectors other than the ones they prefer. In Nigeria, a number of people will not seek for nor take employment in any other sectors but oil and gas, banks and other sectors where multinationals hold sway. This may be one of the far-fetched reasons that slows the diversification of the Nigerian economy. Most highly skilled personnel move to these preferred sectors instead of going to try their hands in virgin areas.

5.2 The Impact of MNCs on Labour-Management Relations and Union Activities

This study has as one of its objectives to investigate how the operations of MNCs have impacted on labour management relations and union activities of the selected Nigerian organisations. Findings revealed that though most of the decisions taken by these MNCs in the country of operations are influenced by the headquarters it does not hinder or interfere with union activities.

This finding partly supports and contradicts the claim by Tickly (2001) and Farazmand (1999) that the consequence of globalization was the enthronement of multinationals and NGOs to dictate the codes and ethics of work (this is supported by the findings). They also claim that environment fostered by globalization will weaken individual and collective representations by unions in the work place (this is contradicted by the findings).

It definitely requires another study to highlight the reasons for this trend. One plausible reason however, could be the increased tendencies on the part of citizens to expect and demand a fair hearing by organisations that operate in their environment. This is particularly the case with organisations in the oil and gas sector. In most cases, violent activities including abducting their workers, picketing and destruction of work equipment are used to receive the required attention from the companies.

6:0 Recommendations and Conclusion

Based on the study findings, this paper makes the following brief recommendations:

1. The Nigerian Local Content policies¹ should be adapted and applied to ensure a proper mix between local and expatriate employees among Nigerian business organisations. This should be done in such a way that venture capitalists are not scared from coming to invest while ensuring that Nigerian employees are not displaced in preference to foreigners.
2. Ministry of labour and productivity in liaison with organized private sector should initiate labour laws for passage at the national assembly that will protect Nigerian workers in multinational organisations and ensure that local decisions are not unduly influenced from outside.

This study after review and analysis of the field data concludes that MNCs in Nigeria adopts ethnocentric model to hiring of personnel which see them have more foreigners in their employ than is necessary. It was also found out that most of the local decisions taken by MNCs operating in Nigeria is influenced by policies in the international headquarters. However, contrary to expectation MNCs do not interfere with the activities of trade unions these organisations.

¹ These are Nigerian policies that require foreign organisations to procure certain proportion of their inputs are obtained from the locality of their operations.

References

- Adei, S. (2004). "Impact of Globalisation on Management the African Perspective," *Management in Nigeria*, Oct 2003-March 2004, Vol. 39/40.
- Aimiuwu I.E.A. (2004). "Globalisation- The Human Resource Challenge," *Management in Nigeria*, Oct 2003-March 2004, Vol. 39/40.
- Awogbenle, A.C. & Iwuamadi, K.C. (2010). Youth Unemployment: Entrepreneurship Development Programme as an Intervention Mechanism. *African Journal of Business Management*, 4(6), 831-835.
- Bernardin, H. J. (2003). *Human Resources management An Experiential Approach*, New York: MacGraw-Hill Incorporation.
- Bird, A., Taylor, S. and Beechler, S. (1998). "A typology of human resource management in Japanese multinational corporations: Organizational Implications," *Human Resources Management*, 37(2).
- Chaykowski, R.P. (2002). "Globalisation and Canadian Labour Policy," *Canadian Public Policy*, Vol. 28, No 1.
- Farazmand, A. (1999). "Globalization and Public Administration," *Public Administration Review*, Vol. 59, No.6 (Nov.-Dec).
- Khor, M. (2003). *Globalisation and the South, Some Critical Issues*, Ibadan: Spectrum Books Limited.
- Lipsey, R. (1993). "Globalisation, Technological Change, and Economic Change," *Canadian Business Economics* 2(1).
- Nigeria- *Next Generation Final Report*, August 17, 2010
- National Bureau of Statistics. (2009). *Social Statistics in Nigeria*. Abuja: The NBS Publication
- National Bureau of Statistics. (2010). *Statistical News: Labor Force Statistics No. 476*. Abuja: The NBS Publication.
- Nissanke, M. and Thorbecke, E. (2008). *Globalisation-Poverty Channels and Case Studies from Sub-Saharan Africa*, Oxford: Blackwell Publishing ltd.
- Nwaba, G.N. (1995). *Macroeconomics for Nigerian Students*, Enugu : Department of Management, Faculty of Business Administration, University of Nigeria, Enugu Campus.
- Ohamae, K. (1996). "Putting Global Logic First," *International Business* 96/97.
- Tickly, L. (2001). "Globalisation and Education in the Postcolonial World: towards a conceptual framework," *Comparative Education*, Vol. 37 No. 2.
- Thurow, L. (1992). *Head to Head*, New York: William Morrow.
- Wolfensohn, J.D. (2002). "Opening Address," *Annual World Bank Conference on Development Economics 2001/2002*, New York: Oxford University Press.