

HRM Practices in MNCs: Australia

Australia

Australian Team

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MNC Presence in Australia

- Heavy foreign investment and ownership across the economy – second only to Canada across the OECD
- Stock of foreign investment 2007, A\$1565b – stock of foreign investment abroad A\$923b.(the gap has been narrowing)
- Largest FDI partners – US, UK, Japan, NZ, other EU (Germany, Netherlands)
- Stock of FDI by country 2006 – shares – USA 23.3%; UK 17.1%; Japan, 7.5%; Netherlands 6.6%; Switzerland 5.9%; Germany 3.4%

MNC Presence

- Australia has a long history of FDI with the ratio of FDI to GDP being around 3% which is higher than the ratio in most OECD economies
- High in manufacturing & mining
- Complete in some sub-sectors – car manufacturing
- Australian MNCs – mining; construction; banking; investment funds (utilities, shopping centres)
- How many MNCs in Australia– 250 Japan, 500 USA, 200 UK, 1000 Australian(project criteria)
- Invest Australia – 900 MNCs with regional headquarters in Australia, 2003
- MNCs have always had a significant presence in the Australian economy in all sectors of the economy. They are important in terms of their contribution to employment, investment, research and development and trade (around 50% of exports are from MNCs)

Australian MNCs

- 45 in the Forbes Global 2000
- In the top 200 – BHP; National Australia Bank; Commonwealth Bank; ANZ Bank; Westpac; Rio Tinto
- BHP Billiton - mining
- Rio Tinto – mining – no.1 for transnationality
- Amcor - paper
- Macquarie Bank – finance; infrastructure
- Qantas – air travel
- Westfield – shopping centres
- AMP - insurance
- Fosters – beverages
- Woodside - oil

Institutional Context

- Australia has a number of attractive features that warrant its inclusion in a study of ER practices of MNCs. First, it has a long tradition of legal regulation of ER practices through a third party tribunal system. This sets it apart from many countries, including other Anglo Saxon countries. This and Australia's proximity to Asia makes it an important country to include in an international study of MNCs.
- Second, and linked to the first, there are issues of public policy around whether unique institutional arrangements hinder MNC ER practices or result in innovation and different practices emerging in Australian based subsidiaries. These are the questions McGraw (2004) explores, albeit within the context of a limited data set. Likewise, there is an issue for Australian MNCs operating abroad, whether they are able to develop and adapt these institutional arrangements for offshore operations. These issues have been raised (de Cieri and Dowling, 1997), but without access to a comprehensive data base.
- Third, and in this context, it would be useful to compare MNC ER practices in Australia with MNC ER practices within very different institutional and legal settings; this is able to be accommodated in the international study. This gets back to extending out the set of countries in the international study to examine "varieties of Capitalism" issues thoroughly within the context of an international data set. The proposed survey will contribute to this debate by showing how far practices in foreign MNCs resemble each other, and how far such practices originate outside Australia.

MNC and HR Issues

- Kim and Gray (2005) – subsidiary role and national cultural difference shape HR policies of Australian MNCs
- McGraw (1999) – HR policies between local firms and subsidiaries of MNCs fairly similar – UK subsidiaries more autonomous than US and other European MNCs
- Rodwell and Teo (2000) – HR policies in the Australian hospitality sector – US, Australia, Asia

MNC and HR Issues

- Rodwell and Teo (2001) examined the impact of country of ownership on ER practices in the hospitality sector.
- Davidson, Guilding and Timo (2006) – labour use strategies in 4/5 star hotel sector – low cost, labour flexibility strategies uniform
- McGraw (2004) examined the relationship between head offices and local subsidiaries in the development of ER policy – role of political lobbying and perceived competence of head office.

MNCs and IR Issues

- Is IR a factor shaping MNC investment and HR policy?
- Walsh (2001) – MNCs had more innovative HR practices than Australian firms – IR system not a barrier to innovation – US MNCs more unitarist
- Falling trade union density; no social charter
- History of engagement and access to government support – see motor vehicles
- Background of MNCs
- Neo liberal IR policy agenda – Work Choices
- Options – greenfield sites and non standard employment arrangements
- Vignettes - Boeing; Hydra; Qantas; Ford; Rio Tinto – very different IR approaches

Australia in the Global Division of Labour

- Ongoing tariff reductions and strong local currency – large fiscal surplus and compulsory pension funds - facilitate offshoring and outward FDI
- Offshoring present in business services (banking, insurance, call centres) and clothing/footwear/textiles/manufacturing – China, India, other parts of Asia
- Strong employment growth in non traded services – hospitality; retailing; health – professions
- Large 2 way migration flows – 200,000 immigrants per year
- mining and agricultural sector are international industries – high productivity, low labour input

Australia in the Global Value Chain

- Minerals sector – clear emphasis on extraction – value adding into countries with capacity/cost advantages – some intra organisational linkages eg Rio Tinto, aluminium
- Regional headquarters for Asia Pacific – especially US and UK MNCs – competition with and relationships with other regional headquarters – Hong Kong, Singapore – tensions and conflict re HR policies
- Offshoring – banking/insurance/call centres – but also inshoring (call centres)
- Leaders in offshoring from Australia – Qantas, Telstra, ANZ, Westpac, NAB, St George Bank
- Gartner (consultants) – Australia preferred source for outsourcing in Asia Pacific – culture; security; labour skills; language; intellectual property protection; infrastructure
- Role of government contracts and procurement in attracting MNCs – defence industry; private health insurance

Ongoing Issues

- Global commodity prices and the impact on the global distribution of resources (and power)
- Emerging Chinese MNCS – move into the Australian mineral sector
- Global mega commodity MNCs – BHP/Rio Tinto
- Currency alignments – falling US dollar; appreciation of Australian, Indian, Chinese currencies
- Ongoing outflow of Australian savings (sovereign funds ; pension funds) in portfolio investment