

**Is there Convergence or Divergence?
Employment Relations in Australian and
Internationally-Owned Enterprises in Fast Food¹**

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Abstract

The issue of convergence or divergence of human resource management (HRM) and industrial relations (IR) practices and institutions between countries has been an enduring theme in employment-relations research. The role of multi-national corporations (MNCs) as a force for convergence of employment practices between countries has been an increasing focus of research interest. American fast-food MNCs have aimed to globalise their strategies and operations. Using data from a survey of employees' perceptions of HRM and IR practices in the fast-food industry, we find relatively few differences between employee perceptions and experiences in MNC and domestic fast-food firms. We conclude that there is both a process of convergence and divergence occurring, with MNCs adapting to local labour regulatory and IR arrangements, while Australian-owned employers appear to be emulating MNC production and HRM practices.

Key words: fast-food, industrial relations, human resources, multi-national corporations, convergence.

INTRODUCTION

Since the 1960s, the issue of convergence or divergence of IR practices and systems has been of major interest to employment-relations scholars. A point of departure for this debate was Kerr *et al.* (1964) who argued that technological and market forces were leading to a convergence of behaviour in industrialised countries. Numerous scholars have returned to this issue and reformulated the convergence thesis in different ways. Some researchers have used a comparative approach to study the similarities, differences and trajectories of industrialised market economies (Locke *et al.*, 1997; Bamber *et al.*, 2004). Several important studies have focussed on pairs of nations to highlight the distinctive embeddedness of institutional arrangements within countries (Dore, 1973; Maurice and Sorge, 2000). Others have compared industries across countries to distil the degree of convergence or divergence between national work and employment systems (Katz and Darbishire, 2000). A theme in this literature is the extent to which national employment-relations systems should be seen as distinctive or derivative of other nations.

The issue of distinctiveness or conformance in employment practices has also been an important focus for scholars interested in exploring the behaviour of MNCs in host countries. The employment policies and practices of these MNCs reflect their corporate history and the local cultural and institutional context where these developed. However, in the global marketplace, many MNCs operate in countries where national business systems, cultural values and traditions are different from their home country. Hence the practices of MNCs may be modified or adapted to local circumstances. Key research questions, therefore, are to what extent do MNCs act as forces of convergence by transplanting their employment-relations systems to host countries and perhaps acting as 'best practice' beacons for domestic enterprises

to emulate. Conversely, to what extent do MNCs adapt their practices to local circumstances and thus tend to reinforce national distinctiveness?

Fast food is an interesting case as American fast-food operators use a low-trust, American mass-production model characterised by emphasising managerial prerogative, hierarchical work relations, low wages, high labour turnover and strong anti-unionism (Katz and Darbshire, 2000:10). How do the employment practices of fast-food MNCs hosted by Australia compare to locally-owned Australian fast-food employers?

MNCs AND EMPLOYMENT RELATIONS

There has been a growing interest in employment-relations policies and practices of MNCs. This research interest has increased as a response to a growing debate about globalisation and the role of MNCs within the world economy (Ferner and Quintanilla, 1998:710). Interest in this topic has also developed, in part, from research on the diffusion of management practices between countries associated with the growth of MNCs' influence (Bamber *et al.*, 1992; Martin and Beaumont, 1998).

MNCs are strongly influenced by their country of origin. The behaviour of parent companies reflects the institutional and business environment in which they are embedded (Ferner and Quintanilla, 1998:713). The key features of national business systems that shape enterprise behaviour include the character of the financial system, the system of property rights, the role of the state particularly in terms of ownership rights and market regulation, the education system, labour-market and regulatory institutions and forms of labour representation (Ferner, 1997). In the USA, such factors have fostered behaviour that tends to be highly individualistic, competitive and low-trust (Colling and Clark, 2001:3).

A good example of the country-of-origin effect is the development of the fast-food industry in the USA. The McDonalds chain began with one store in 1955 and was soon followed by Burger King, Pizza Hut and others that created what became known as the fast-food industry. By the 1960s and 1970s, this American model of fast-food production was being exported to Australia and many other countries (Love, 1995; Reiter, 1997). The fast-food model is an archetypical example of the low-cost, high-volume, mass-production strategy (Porter, 1990) based on a simplified product range delivered through a standardised production process (Ritzer, 1993). The characteristics and impacts of this American fast-food model have been examined earlier (e.g. Leidner, 1993, Reiter, 1997, Schlosser, 2001; Royle and Towers, 2002).

The country of origin has an important influence on the development of employment-relations practices of MNCs, but to what extent are such practices transported to other countries through MNC subsidiaries? Research indicates that the practices of MNCs tend to be modified or adapted to local circumstances in the host country (Tayeb, 1998; Geary and Roche, 2001). Several studies have found an

apparent divergence between the employment-relations practices of locally-owned and overseas-owned workplaces (e.g. Geary and Roche (2001) in Ireland, and McGraw and Harley (2003) in Australia).

Unlike most other studies, we seek to examine the difference between the MNCs and local operators from the perspective of *employees* rather than from data gathered mainly from *employers*. A key benefit is that we are able to consider the operation of work and employment systems as employees perceive them in practice, rather than as managers report on these systems, which may tend to be more rhetoric than reality. As such, we gain an important insight into the operation of the fast-food work system in MNC and Australian employers from those most intimately acquainted with it: their employees.

We infer from earlier research that we would find clear differences between MNC and Australian-owned employers? Our central question is: to what extent are there differences in the work experiences of employees in MNCs compared with those in Australian domestic fast-food employers. We attempt to answer such questions thorough a survey of employees' experiences with fast-food employment.

METHODS

One of the difficulties confronting those trying to conduct research on fast-food HRM is that fast-food employers, particularly the major employers, are reluctant to grant research access to their operations and workforce. Much of the research on fast-food work is qualitative, with most researchers experiencing difficulty in gaining access to workplaces (Leidner, 1993; Reiter, 1997). Others have avoided the difficulty of securing research access from employers and relied instead on interviews with fast-food workers (which may be away from the workplace) and secondary sources (Schlosser, 2001; Tannock, 2001).

To overcome these difficulties,, we chose to survey university students who had fast-food work experience. We had access to numerous students and a substantial proportion of them had some type of fast-food work experience. The majority of students we surveyed were 18 years or older. We did receive some response from people younger than 18 years, but we removed those responses from our dataset to ensure that research ethics guidelines were not breached.

After reviewing the fast-food literature, we developed a survey instrument. Our initial survey design was piloted among a group of students with fast-food work experience. Following improvements to the design, we administered the survey to university students. We gained permission from heads of school and subject convenors to allow us to administer the survey before lectures. There were 269 students surveyed at Griffith University and Queensland University of Technology campuses in Brisbane (63 per cent) and on the Gold Coast (37 per cent). A majority of students surveyed were studying commerce or business. There were some 239 useable responses on the question of whether students had worked for

either an Australian-owned or an MNC fast-food employer. Of these responses, a third of students worked for domestic employers and two-thirds for MNCs.

As with other survey research, a limitation of this study is that it does not allow us to investigate causation, nor the extent to which MNCs tend to adapt to or impose practices in the host country. Further, such data do not allow us to assess whether local operators emulate the practices of MNCs. But we can infer from the data how employees perceive their work experiences with fast-food operators. The advantage is that such a survey of employees does allow us to paint a picture of differences and similarities in work practices between Australian-owned firms and MNCs from the perspective of employees, which is relatively novel.

RESULTS

Basic data about respondents is shown in Table 1. A majority of people surveyed were aged 18 or 19 years, as we surveyed first and second year students. But more than a quarter of respondents were more than 21 years old. There were only minor differences between the ages of respondents working in the domestic and MNC sectors, though, employees in Australian-owned fast-food outlets were slightly younger.

Table 1: A Profile of the Fast-food Workforce, Domestic and MNC Employers (Percentage)

Item	MNC (n=154)	Domestic (n=85)
<i>Age</i>		
18 and younger	29	41
19	28	24
20	12	10
21+	31	25
Total	100	100
<i>Employment Status</i>		
Permanent Full-time	5	4
Permanent Part-time	12	7
Casual	79	89
Don't know	3	0
Total	100	100
<i>Work Regular Hours</i>		
Yes	39	63
No	32	24
Sometimes	29	14
Total	100	100

Note: Totals may not sum to 100% due to rounding

Table 1 also indicates that fast food is a highly casualised industry in both sectors. Casual employees are employed on an hourly basis (usually with a 2 hours minimum engagement) and can be sent home

without notice. Casual employees normally receive 'loading' (generally around 23 to 25 per cent) on the base pay to compensate them for not having holiday pay, sick pay and job security. Casualisation is slightly higher in the domestic sector than it is in the MNCs. In both sectors, few employees work on a permanent part-time or full-time basis.

Despite the high degree of casualisation, in both the MNC and the domestic sectors a significant proportion of employees appear to work regular hours or sometimes work regular hours (Table 1). This is particularly so in the domestic sector where the vast majority of respondents work or are likely to work more or less regular hours. In the MNC sector, the proportion working such hours is somewhat lower with only 39 per cent positively reporting working regular hours.

These results indicate that employees less often work less regular hours in MNCs than in domestic fast-food operations. It is difficult to conclude why this is so, because it is unlikely that trading patterns in MNCs are any more or less stable than in domestic fast-food outlets. It may be that MNC employers intentionally advise staff of the lack of certainty of employment so as not to raise employee expectations, or may draw employees from a larger pool of casual labour. Alternatively, it may be that MNC employers intentionally withhold regular work so as to enforce labour-market discipline on the workforce, reflecting an assumption that this might encourage employees to perform well on the job and to be flexible in job assignments.

We asked a series of questions about HRM and IR issues in fast-food employment. For our purposes, the HRM items are job design, management style and the social relations at work (Table 2). The IR issues are pay, health and safety and unionism (Table 3). We also include another section reporting two general 'satisfaction at work' questions (Table 4).

We can infer from Table 2 that, with regard to the job design items, generally, employees seem to have acquired valuable skills from working in fast-food, were well trained to do their jobs and were given a lot of responsibility at work. This suggests that employees were relatively positive about the skill development opportunities in fast food. There were few differences between the MNC and the domestic sectors, though MNC employees were less likely than workers in the domestic sector to state that they had a lot of responsibility in their jobs. Such lower perceptions of job responsibility could reflect the systematised and simplified nature of job design in MNC companies.

The aspects of work that were considered most favourably were the social relations of work. Team-based working was popular. In addition, a large majority also enjoyed the social interaction of working with other employees and dealing with customers. These results were similar between the two sectors, though employees in the domestic sector appear to have more favourable views toward customers than was the case in the MNC sector. This finding is at odds with an expectation that MNC employers might be most active in developing a stronger customer orientation among staff.

We were particularly interested to establish if the management style was different between MNCs and local fast-food operators. Again, there were few differences between sectors. Students held positive and negative views about fast-food management. It was commonly reported that managers treated employees fairly and that employees could speak to managers if they had problems at work. However, it was often reported that managers were ‘hustling’ employees to work faster. This form of work intensification could represent a potential hazard to employees if they are encouraged, for example, to hurry with their food preparation work or to run on greasy floors around hot equipment. Many also reported being sent home early without pay if business was slack. The practice is particularly prevalent in the MNC sector where more than half reported such practices compared with only a third of employees in the domestic sector. This sectoral difference may be due to the greater tendency of MNCs to oblige their managers to use every opportunity to minimise wage costs and thus ensure profitability.

Table 2: HRM Issues by Sector (Percentage)

Item	Sector (n)	SA/A	N	SD/D	Total
<i>Job Design</i>					
1. I have learnt valuable skills that will help me in my career	MNC (n=153)	65	19	16	100
	Domestic (n= 83)	54	19	27	100
2. I am well trained to do my job	MNC (n= 154)	70	20	10	100
	Domestic (n= 85)	72	15	13	100
3. I am given a lot of responsibility in my job (#)	MNC (n=152)	50	26	24	100
	Domestic (n= 85)	62	14	24	100
<i>Social Relations</i>					
4. I enjoy being nice and smiling when dealing with customers (*)	MNC (n=152)	64	25	12	100
	Domestic (n=84)	81	10	10	100
5. I like working in teams	MNC (n=153)	78	18	4	100
	Domestic (n=85)	78	19	4	100
6. The best part is working with other employees	MNC (n=152)	67	22	12	100
	Domestic (n= 85)	60	33	7	100
<i>Management Style</i>					
7. Managers and supervisors treat me fairly at work	MNC (n= 153)	60	20	20	100
	Domestic (n= 85)	62	19	19	100
8. If I have a problem at work, I know that I can speak to the managers or supervisor/team leader	MNC (n=152)	71	13	16	100
	Domestic (n= 84)	68	13	19	100
9. Managers ‘hustle’ us at work to make us go faster in our jobs	MNC (n=151)	72	12	16	100
	Domestic (n=84)	69	8	23	100
10. When business is slow, managers find an excuse to send staff home, without pay, before their shifts are due to end (*)	MNC (n=150)	53	21	25	100
	Domestic 85 (n=77)	38	18	44	100

Note: Totals may not sum to 100% due to rounding Key: * p < 0.05; # p < 0.1; N = number of responses
SA/A = strongly agree/agree; N = neutral; SD/S = strongly disagree/disagree

In addition to such HRM issues, we also asked about IR issues (Table 3). In terms of pay-related issues, once again, there were few differences between the sectors. In both sectors, students held negative views about pay. They reported that fast-food was not relatively well-paid. They also reported a tendency of managers to expect staff to work extra hours without pay; approximately a quarter reported such practices. This type of practice occurs where managers expect staff (or 'crew members' as they may be called) to commence work before the official start time and to continue at work after clock-off time. A small minority of workers in both sectors reported having wages deducted due to problems they were alleged to have caused at work. (This practice is illegal unless employees explicitly agree to such a practice.)

Table 3: IR Issues by Sector (Percentage)

Item		SA/A	N	SD/D	Total
<i>Pay-related Issues</i>					
1. Employees are relatively well paid for working in fast food, compared with some other jobs	<i>MNC (n=152)</i>	22	22	57	100
	<i>Domestic (n=84)</i>	25	29	46	100
2. I work extra hours and do not get paid for this work	<i>MNC (n=147)</i>	31	10	59	100
	<i>Domestic (n=78)</i>	24	17	59	100
3. Managers will deduct some of my wages because of problems I have been alleged to cause at work	<i>MNC (n=142)</i>	12	19	69	100
	<i>Domestic (n=71)</i>	13	23	55	100
<i>Health and Safety</i>					
4. I have been injured at work (#)	<i>MNC (n=119)</i>	33	19	49	100
	<i>Domestic (n=64)</i>	41	6	53	100
5. I had to take time off work because of an injury at work	<i>MNC (n=110)</i>	13	18	69	100
	<i>Domestic (n=60)</i>	13	7	80	100
6. The health and safety of employees is a high priority with my employer	<i>MNC (n=152)</i>	63	15	22	100
	<i>Domestic (n=82)</i>	52	24	23	100
<i>Union issues</i>					
7. Managers/supervisors at my workplace discourage employees from joining unions	<i>MNC (n=137)</i>	17	52	31	100
	<i>Domestic (n=72)</i>	7	54	39	100
8. As a fast-food worker, I want to be a member of a union	<i>MNC (n=138)</i>	26	43	31	100
	<i>Domestic (n=79)</i>	24	39	38	100

Note: errors due to rounding. Key: see Table 2.

SA/A = strongly agree/agree; N = neutral; SD/S = strongly disagree/disagree

In terms of health and safety, injuries at work were often reported in both sectors. Few of these incidents, however, resulted in time off work. A majority of respondents also stated that management placed a high priority on health and safety. This was particularly so among MNCs' employees, which

may reflect the tendency among MNCs in general to display elaborate health and safety policies and procedures. Nevertheless, as with the other items, there were few major differences between sectors on health and safety issues

With regard to unionism, there were only minor differences between sectors. Only a small proportion of employees in the MNC sector (11 per cent) and the domestic sector (7 per cent) reported being a member of a union. Despite this, approximately a quarter reported that they wanted to be a member of a union, indicating some potential for further unionisation. Only a small proportion of employees reported being discouraged from joining a union. However, employees may be unaware of employers' possible anti-union tactics, however, such as refusing to meet or negotiate with unions and discouraging them from visiting the workplace. In Australia, few fast-food employees have contact with unions (White, 1997:26) which may reflect the hostility of some employers, but it could also indicate the relative inactivity and weakness of workplace unionism.

Table 4: Satisfaction at Work by Sector (Percentage)

Item		SA/A	N	SD/D	Total
1. I find fast-food work boring	<i>MNC (n= 151)</i>	36	38	25	100
	<i>Domestic (n= 84)</i>	44	35	21	100
2. I like working in fast food	<i>MNC (n=153)</i>	25	37	38	100
	<i>Domestic (n=83)</i>	23	31	46	100

Note: errors due to rounding

SA/A = strongly agree/agree; N = neutral; SD/S = strongly disagree/disagree

In addition to the HRM and IR questions, we also sought views on the nature of fast-food work (see Table 4). More than a third of employees reported that fast-food work was boring. Employees in the domestic firms were a little more likely to report this view than employees in the MNC sector. Further, only about a quarter of employees stated that they liked working in fast food. There was little difference between the results for the two sections. These results suggest that there was a minor tendency for MNC employees to find work a little more satisfying than those working for domestic fast-food employers.

CONCLUSIONS

The issue of convergence or divergence of HRM and IR practices and institutions between countries has been a perennial theme in international employment-relations research. Many scholars have been interested to learn whether institutional or workplace arrangements in key economies are being transplanted to other countries leading to a convergence of employment-relations practices.

The role of MNCs is particularly important in this regard. The practices of MNCs are developed and nurtured in their country of origin. The typical fast-food management model includes production and employment systems based on standardised products, processes, job design and employment-relations

practices. This fast-food strategies and operations have been exported to other countries as MNCs have globalised since the 1970s. We sought to establish if there were major differences from employees' perspectives between Australian-owned firms and American MNCs operating in the fast-food industry in Australia.

Our findings suggest that there are relatively few differences in terms of HRM and IR features between MNCs and those in the domestic sector of the fast-food industry. Most workers in the industry are employed on a casual basis. Employees tend to have positive views about HRM factors such as job design and social relations at work and mixed views on the fast-food management styles. In terms of IR factors, employees in both sectors tend to have negative perceptions of pay-related issues with a minority of employees having negative experiences with health and safety and management anti-unionism.

Despite the findings of other researchers (e.g. Geary and Roche 2001; McGraw and Harley 2003), we generally found strong similarities between perceptions of employment-relations practices in the MNC and the domestic sectors in this particular industry. Key questions are: to what extent have MNCs adapted their practices to suit local circumstances or have domestic fast-food employers emulated the practices of MNCs? A survey of employees' views cannot fully answer such questions, but they can offer some interesting insights. Earlier research indicates that both *adaption* by MNCs and *emulation* by local employers does occur.

In terms of employment-relations policies, Ferner and Quintanilla (1998) argue that some matters are more susceptible than others to the influence of the host country. For example, IR matters are likely to be shaped to greater extent by the imprint of the host country due to the influence of local labour laws and domestic labour regulatory institutions. By contrast, HRM policies tend to be less regulated by the local system and more susceptible to direct transfer from the county of origin. This accords with our observations that, on the one hand MNC fast-food employers tend to adapt to Australian IR arrangements, for they have to recruit and retain employees in the local labour market and these MNCs generally aim to be seen as good citizens who comply with local laws and customs. It appears that MNC fast-food operators are pragmatic and try to adopt the IR management strategies which seem to be most appropriate in the host-country context. On the other hand; MNCs do tend to try to transfer their HRM practices to their subsidiaries, for such practices are integral aspects of their global systems and are less constrained by local IR regulation. The American fast-food system has served as such a suitable model for the organisation of production systems and HRM that local fast-food enterprises have attempted to emulate them too.

We find evidence, then, both of convergence and divergence in the fast-food industry in Australia. This should be a reminder to researchers that it is too simplistic to keep asking the oft-asked question: 'is

there convergence or divergence?’ In future research it would be more appropriate to ask rather more sophisticated research questions. Also, are we seeing the emergence of a distinctly Australian fast-food model of work and employment or are the forces for convergence towards the American model so strong as to produce little more than a minor Australian variation of a global fast-food system? Such questions await further research.

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