

# Help! A foreign parent!

## HR FUNCTION AT FOREIGN MULTINATIONALS FEELS THE SQUEEZE

- The HR director sometimes gets "squeezed" between the requirements of head office and what is established practice in the Netherlands.
- Americans often have no idea what a collective agreement entails.
- At head offices in France, they shrug their shoulders when a Dutch trade union threatens to strike

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**More and more companies have a foreign parent company. How does that affect industrial relations, personnel policy and employership? And how do you deal with it if you're an HR director?**

Dutch business is rapidly internationalising. More and more companies have a foreign parent. According to Statistics Netherlands (CBS), there are around 15,000 companies in the Netherlands that are controlled from other countries. In 2014, these multinationals provided more than 700,000 full-time jobs, or roughly 10 percent of all full-time jobs. In industry, as many as one in three jobs can be found at a company headquartered outside the Netherlands.

The running of companies from abroad sometimes leads to problems at their Dutch establishments, for example in terms of personnel policy and labour relations. This has consequences for the role of HR director.

A frequent problem is that American head offices are not accustomed to dealing with trade union and employee representatives. "In France people know perfectly well what a trade union is, but Americans often have no idea what a collective agreement entails or what the Works Councils Act is," says AWWN consultant Geke Klinkhamer. Geke Klinkhamer works at AWWN as a consultant on employment conditions and labour relations. "They don't understand that unions - ultimately external parties - exert influence over the company. Things tend to be better at companies that have been working in the Netherlands for a long time. They do at least know that if you overhaul the wage structure you first have to get the consent of the works council. The most you have to do is to explain it again if a new HR director is appointed."

### **Explain, explain**

The Netherlands is a country renowned for consultation. If I want A and you want Z, we will end up with K, L or M. That tends to be a little murky for foreign companies, says AWWN consultant Tammo Delhaas. Tammo Delhaas works at AWWN as a consultant on employee benefits and labour relations. When Organon was taken over by American company Schering Plow, he went to New Jersey at the request of the Dutch company to explain to the top fifty at Schering Plow how we consult with

employees in the Netherlands. "At Anglo-Saxon companies, money is the primary motivation. The Rhineland model focuses more on holding talks, on continuity. "

Delhaas regularly organises the Dutch Labour Relations course at Schiphol Airport to update foreign CEOs on Dutch labour relations. "A Texan once asked me: 'If that's the law in the Netherlands, what will happen if I break it? How big is the fine? Can't we just change the law?' It comes across as a bit arrogant. The Anglo-Saxon organisational model has little to do with stakeholders. You notice this in the manner of running the organisation. Commands are issued – 'these are the rules.' We lean more towards dialogue."

Another inconvenience some companies face with a foreign parent is 'one pot for wage increases.' Subsidiaries receive from their American or Swiss head office a lump sum equal to, say, four percent of the wage bill. Out of this amount, they have to pay for everything, not only the wage increases under the collective labour agreement, but also pay rises resulting from performance evaluations. This is difficult for an HR director, because it leaves little room for individual customisation.

### **America or Japan**

A salient point is that the country where the multinational comes from makes a big difference. A Japanese company is very different to an American or French company. The Netherlands has relatively few strikes. And in Norway the trade unions are actually within the company. In contrast, the motto of the trade unions in France seems to be 'strike first, talk later'. The upshot is that at French head offices they shrug their shoulders when they hear that a union is threatening to strike in the Netherlands. Yet French companies often allow a fair amount of freedom: keep your hair on, fix it, as long as it produces money.

Many Japanese companies are characterised by their good manners and a methodical way of working with numerous protocols. Delhaas: "A Japanese company is a black box. The top is in Japan and it remains unclear exactly how the lines run. You can't just go straight to the top man."

But it would be wrong to overstate the differences between countries, according to Delhaas and Klinkhamer. Differences between companies from one and the same country can sometimes be even greater. One company may focus on KPIs, whereas another will attach importance to the HR function or a tightly designed wage structure. "You also see the same differences between Dutch companies without a foreign parent, although you don't have to explain to anyone there what a trade union or works council is."

### **Tightly controlled**

Klinkhamer does not have the impression that the number of tightly-controlled companies is increasing. "It's still about fifty-fifty. American companies are generally tightly controlled. In some respects, they have no option. In the US there are for example accounting rules for pensions that require a company to know what the costs are now. This differs from the Netherlands. The unions can jump up and down all they want, but American law prescribes how it must be done."

The great influence exerted by the parent company sometimes leads to the HR director ending up in a squeeze between the requirements imposed by head office and what is established practice in the

Netherlands. Some HR directors in the Netherlands cite laws and unions to make clear that something really is not possible here. "Americans are very sensitive to the law. They certainly don't want to break it. But balancing both interests demands a lot from the HR director."

Internationalisation is undoubtedly putting pressure on the role of the HR director in the Netherlands: the HR man or woman is in danger of disappearing from the management board. This is because many multinationals have a strong HR function at their head office. It means there are global reward programmes, global job descriptions and global performance indicators. The HR director in the Netherlands is handed a package, ceases to be a policymaker and becomes an implementer. AWWN considers this an undesirable development and has therefore started a course in association with Nyenrode University to upgrade the HR manager and get the incumbent back on the management team. Delhaas: "It's like a wave movement, a time comes when everything is divided into business units and later centralised again. We are currently in a rein-tightening phase."

### **Dynamics**

But it's not all doom and gloom, Klinkhamer hastens to add. Because international companies do have special dynamics. "A lot of talent development is happening, such as traineeships around the world. Your immediate supervisor may be in another country and you are in contact with other cultures. You can learn from it. For example, foreign companies are far ahead when it comes to the inclusive labour market. American companies do a lot in that field. The boss at the Spanish company Inditex, which includes Zara and Massimo Dutti, did not understand why Dutch companies do so little in the way of inclusive entrepreneurship. It's very common in Spain.

### **"Americans are gradually becoming more aware of differences"**

Lourens Eppink is an HR manager at an industrial company that is part of a large American corporation. Whatever way you look at it, it's different from working for a purely Dutch company, he says from experience. "You definitely notice that the head office is on the other side of the pond: that is where you will find the 'truth'. The US is one big country going in one direction. In Europe, every country has its own history and chooses its own route. Europeans are used to doing that, Americans don't understand it. The European establishments are regularly confronted by sudden changes. A process will have preceded this in the United States, but the European establishments will not have been fully involved. When the time comes to roll out their new policy, they come face to face with the works council and the trade unions in the Netherlands, who feel ambushed. I'll explain it and usually it will be fine. But sometimes the works council objects and I have to go the US to tell them it's no deal. The Netherlands is a consensus country and the unions do not immediately let everything come to a head. But you mustn't overplay your hand. I can't constantly say 'Sorry we are so late.' But things are changing, according to Eppink. Americans too are gradually becoming more conscious of differences, especially managers who have lived in Europe or Asia for a while. "But it takes time." Unlike colleagues at many other companies, Eppink has the freedom to operate within the frameworks laid down for the Netherlands. But there is American pressure to get things done and to achieve greater uniformity. "That's good too. It's very complex now. And if we want to be a global company, our employees must be able to switch easily between establishments in

different countries. It's difficult enough with national rules for occupational and statutory pension schemes." *For privacy reasons, the name Lourens Eppink is fictional.*

### **International labour mobility**

Procedures for international labour mobility are complex and cumbersome. To assist employers who post employees to other countries or hire foreign workers, AWWN has developed the International Labour Mobility (ILM) workshop cycle. This is held every spring and autumn. The cycle consists of five parts: labour migration law, social security insurance, labour law and employment conditions, tax law and pensions. The next entire ILM workshop cycle for which you can register is in spring 2019. It starts on 7 February 2019 (dates of other workshops: 7 March, 11 April, 16 May and 6 June). It is also possible to attend individual workshops rather than the entire cycle. The ILM workshop cycle is accredited by NIRPA, the Dutch Institute of Register Payroll Accounting, and by the RB (Register of Tax Consultants). Costs for participation in the entire cycle: €2,750 (AWVN members), €3,450 (non-AWVN members); costs per workshop €750 (AWVN members), €975 (non-AWVN members). For more information about ILM, visit the AWWN website and go to 'Agenda' (search term: International labour mobility). You will also find the registration form there.

### **Dutch Labour Relations**

AWVN organises "Dutch Labour Relations" especially for HR managers from other countries who come to work temporarily or otherwise for a Dutch establishment of a foreign company. The one-day workshop, scheduled for Tuesday 27 November 2019, gives participants an insight into Dutch industrial relations, the role of works councils and trade unions and how employee benefits are negotiated in the Netherlands. Other subjects extensively covered are Dutch labour law, in particular dismissal law, and the tax system. The workshop on 27 November will be led by Reinout Scholte (labour relations consultant), Armand Lahaije (tax affairs and international labour mobility consultant) and Eva de Graaff (labour lawyer). English is the working language. Maximum number of participants: 15. Costs: €1,495 for members; non-members pay €1,795 (exclusive of VAT). For more information and a description of the workshop in English, visit the AWWN website and go to 'Agenda' (search term: Dutch Labour Relations). You will also find the registration form there.

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