

# GLOBAL VALUE CHAINS AND TRADE UNION STRATEGIES: IMPLEMENTING INTERNATIONAL FRAMEWORK AGREEMENTS

Submission by:

Michael Fichter ([michael.fichter@fu-berlin.de](mailto:michael.fichter@fu-berlin.de))

Freie Universitaet Berlin

## Abstract

In recent months, the global financial crisis has made abundantly clear that economic globalization has not been flanked by global protective regulation of social matters; indeed, a lowering of social protection standards in the name of competitiveness, flexibility and the elimination of regulatory instruments of decommodification has been far more commonplace. As firms grow and reorient their business strategies toward global market demands, governments compete to provide them with optimal conditions for investments and profitability. Despite the increasing transnationalization of labor markets, setting standards for wages and working conditions is still dealt with within national boundaries, primarily as a workplace issue marked by employer discretionary or unilateral action, but also, where organized and institutionalized, dependent on a mixture of state regulations and negotiated contracts between national employer and employee representatives.

Voluntary CSR initiatives are window-dressing with little or no impact, and effective government hard law policies to reign in TNCs are still not reality. As a number of studies have shown, CSR as a "top-down" strategy emanating from TNC headquarters is "insufficient and even inefficient in achieving further real and sustained improvements." (World Bank 2003: 2) Experiences with company-specific Codes of Conduct (Fichter and Sydow 2002) as well as voluntary sectoral codes (Hiß 2006) testify to the difficulties as well as the need for a comprehensive approach emanating from the structural and strategic conditions within the TNC and throughout its supply network (Barrientos 2002; Greven and Scherrer 2002).

One possible approach to closing the regulatory gap and toward creating a contractual basis across national borders is the International Framework Agreement (IFA). International Framework Agreements (IFA) have become a recognized basis of agreement between Global Union Federations (GUF) and Transnational Corporations (TNC) for setting labor standards and promoting social dialogue. Within the general framework of multi-level governance this paper deals with IFAs as a means of implementing and maintaining recognized labor standards along cross-border production chains. As an instrument of governance, the IFAs have a normative regulatory mandate to "establish a formal ongoing relationship between the multinational company and the global union federation which can solve problems and work in the interests of both parties." Despite their increasing numbers, little is actually known about their impact and their implementation.

As such, the focus of this paper is on the creation of a regulatory regime along the production, supply and value chains of multinational corporations in terms of setting labor standards and protecting workers from the volatility of global financial markets. Are IFAs a viable approach? Can they achieve this goal? What factors may promote or inhibit the effectiveness of IFAs? And how may IFAs fit to the overall management and regulation of global value chains?

## Methodology:

The research context of the paper is a project funded by the Hans-Boeckler-Foundation of the German Trade Union Federation (DGB) on "Organization and Regulation of Employment Relations in Transnational Production and Supply Networks. Ensuring Core Labor Standards through International Framework Agreements?" The paper will be based on a sample of 16

TNC with IFAs selected from the current list of 67 TNC with IFAs (October 2008). The TNCs in the sample are being chosen from the IFAs signed by four of the Global Union Federations (IMF, ICEM, BWI, UNI), which have signed 60 of the 67 agreements. The sample is being prepared as a basis for the final selection of four in-depth case studies. Each of these will be from one of the four GUFs and will focus on the implementation of the agreement in one country outside of the European Union in which the TNC has at least one subsidiary (production site). The paper will focus on the global production and supply chains of the 16 TNC and present a comparative analysis of their structure, governance and power relations, including a special emphasis on the status of trade unions at the various levels of the value chain and their ability and opportunities to engage management in a regulatory capacity.

### **Findings/conclusions**

An extensive and comprehensive review of the selected global value chains will provide the necessary basis for drawing conclusion on the impact of global competition and financialization on employment and labor relations in these TNC. And it will enable us to present initial findings on the viability of IFAs as a strategic approach to establishing a cross-border regulatory regime for labor standards. The normative goal of achieving decent social and environmental standards in the global economy is closely linked to the development and management of cross-border production and supply relationships. Our research intends to analyze IFAs as a governance instrument and its effectiveness in providing a basic platform across individual workplaces for designating the actors and negotiating the issues. We will consider that the particular structure and management of a global value network, as well as divergent interests between the European context of IFA origin (core) and the countries of actual implementation (periphery), will have considerable impact on the implementation effectiveness of an IFA and should be recognized by the negotiating partners and signatories. Furthermore, our research will endeavor to integrally link management prerogatives derived from market considerations (including product and quality standards) with issues of labor standards. And, last but certainly not least, we will address the issue of trade union involvement, their policies and opportunities to cooperate in the implementation process throughout the global value chain.