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**Organization and Regulation of Employment Relations in  
Transnational Production and Supply Networks.  
Ensuring Core Labor Standards through International Framework Agreements?**

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## **Abstract**

The purpose of the proposed research is to increase our understanding of International Framework Agreements (IFAs) negotiated by Transnational Corporations (TNC) and Global Union Federations (GUF) as instruments for regulating labor standards and employment relations within TNCs and throughout their global value networks. In the context of discourses on global governance, corporate social responsibility and global value networks, and in regard to the question of arena creation through the transnationalization of labor relations, our thirty month research program based on in-depth case studies will focus on the questions of motivation and implementation of these agreements. Available research has provided valuable insights into their written content as well as the interests, intentions, and understandings in particular of the labor representatives in the social partnership realm of TNC Headquarters responsible for negotiating and monitoring IFAs. Our proposed research will extend the boundaries of the current state-of-the-art in research on IFAs to include management strategies as well as the subsidiaries charged with implementation and their suppliers, thus adding significantly to a general understanding of motivation and implementation as well as the conditions under which IFAs as instruments of "good practice" may be used and proliferated.

## 1. Introduction: Globalization and the world of work

One of the most obvious and far-reaching impacts of globalization is on the world of work. Millions of people are affected directly and indirectly at their workplace, in their training institutions or on the job market by dynamic restructuring processes across national borders often far removed from their immediate surroundings. "For people in their everyday lives, there is perhaps no sphere of social life so consistently bombarded with globalist accounts as that of production and work." (Amoore 2002: 1) This economic globalization has not, however, been flanked by global social measures; indeed, a lowering of social protection standards in the name of competitiveness, flexibility and the elimination of protective 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.

In this context, trade unions have generally been on the defensive in the challenge to parry the expansionary offensive of trans-national corporations (TNC) in the context of liberalization and deregulation processes. Where once strong, their recognition as regulatory actors is eroding; where weak, stemming the tide of commodification has been considerably more difficult. Beyond the national level, their capacity to negotiate binding regulations has always been minimal.<sup>1</sup> Cross-border cooperation among national union organizations from often extremely heterogeneous labor relations settings is still more a programmatic goal than reality, although such activities – for example, in the EU – are an important force in addressing the often glaring deficits in employment standards generated by cross-border business activity and in extending existing labor standards beyond national borders. For their part, international trade union organizations have not been able to mount a comprehensive effort to gain binding recognition for labor standards, and despite considerable reference to its Core Labor Standards, the official institutional representative of such norms, the International Labour Office (ILO), has been unable to achieve equal status with such powerful institutions as the WTO, the IMF and the World Bank (Scherer and Smid 2000).

While trade unions have often been pigeon-holed as being "historically superseded" (Castells 1997: 360) and have not drawn much public support for their efforts, increasing globalization of production and labor market competition on the one hand and the inhuman exploitation of labor in many countries around the globe on the other have fostered the growth of global information and campaign networks and a culture of international concern for the recognition of universal human rights (UN Human Rights Council 2007). In this context, support for the closing of the „responsibility gap“ in regard to the condition of labor in the global economy (Braun 2001: 258) is a key factor. Pressured by human rights interest groups and campaigns, whose efficacy is significantly enhanced by mass media and the Internet, corporations have signed on to collective guidelines and compacts as well as to the use of voluntary codes of conduct as pivotal elements of a strategy for corporate social responsibility (CSR). Such platforms, while by no means representing a move toward an encompassing re-regulation of employment, have however – seldom as an intended consequence – opened paths for securing labor standards on a more comprehensive basis.

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<sup>1</sup> The major exception is the maritime industry. See Koch-Baumgarten 1998, Lillie 2004.

### *Research Questions*

This research proposal argues that the setting of labor standards and the regulation of employment relations with the goal of guaranteeing decent working conditions should be integral elements of a system of global governance. Although directed at governments, ILO core labor standards are widely recognized by private actors as agenda-setters for both unilateral action and negotiated agreements (Greene 2007). While voluntary commitment and good-will contribute to promoting involvement and creating an atmosphere of reliability and trust, a contractual basis of agreement embodying principles of (corporate) social responsibility and recognized throughout global production and supply networks seems to be essential for global governance to advance and secure a better and more comprehensive distribution of wealth and well being.

One possible approach toward creating such a contractual basis across national borders is the International Framework Agreement (IFA). Over the past decade, IFAs have become an instrument of agreement between Global Union Federations (GUF) and – predominantly European-based – Transnational Corporations (TNC) for setting labor standards and promoting social dialogue. The question is whether IFAs are developing into a multi-level instrument of global governance and social responsibility for defining a new arena of Weberian "social enclosure" (Hoffmann 2006: 609) within TNCs and throughout their supply network. In this context our research will address two main questions regarding IFAs:

- First of all, what **motivates** TNCs on the one hand, and trade unions or employee representatives on the other hand, to negotiate and conclude IFAs? What contextual factors are relevant, how and to what extent do they contribute to this process? What strategic goals does each actor attach to the achievement of such an agreement? How do these goals coincide or differ? Is there a discernable "added value" in such an agreement beyond unilateral and voluntary codes of conduct? In this context we will also be concerned with identifying not only participants (insiders) but also non-participants (outsiders) in the completion of an IFA. On the employee side, for example, were national unions at headquarters or at subsidiaries, or company employee representatives involved in the negotiation process? And on the management side, who was responsible for the negotiations, were other functional divisions and subsidiary managers included in preparations for and the conduct of negotiations over IFAs?
- A second question to be addressed is in regard to the contents of IFAs and their **implementation**, as well as their procedures for monitoring and ensuring compliance throughout global production and supply networks. How is the IFA communicated throughout the TNC and to suppliers? Where is the responsibility for the organization and implementation of the process located in the TNC? To what extent are local managers and unions informed and involved? What conditions may contribute to the negotiation of local contracts embodying the provisions of the IFA? How do IFAs impact with the bargaining agenda for employment relations at the various levels of the production and supply network both within the TNC and at its suppliers? Furthermore, is the implementation process supportive of the institutionalization of and compliance to ILO norms by states?

In our proposed research on IFAs as an instrument for organizing and regulating employment relationships in a globalizing world we intend to draw on the theoretical and analytical tenets from social science discourses on global governance, corporate social responsibility, and global value networks both from a political science and business studies perspective, and in doing so, use the insights we gain from our research to contribute to these academic debates in the interest of raising our understanding of such processes in general and in furthering academic recognition of "processes of transnational development of structures" (Müller, Platzer and Rüb 2004: 77) in regulating employment and labor relations.

## 2. State of the Art: IFAs in the context of selected social science discourses

The purpose of this section is to develop our understanding of how research on IFAs may be theoretically grounded and, through its findings, contribute to furthering our theoretical and analytical tools for understanding global organizational and institutional change. In addition to the three major discourses on global governance, corporate social responsibility, and global value networks, we will also review the state of the art regarding the transnationalization of labor relations and the – still sparse – literature on IFAs.

### Global governance and the relevance of IFAs

As defined by the UN Commission on Global Governance, governance is "the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest. .... There is no single model or form of global governance, nor is there a single structure or set of structures. It is a broad, dynamic, complex process of interactive decision-making that is constantly evolving and responding to changing circumstances." (Commission on Global Governance, 1995: 1)

From the perspective of the international relations discipline, the discourse on global governance addresses the functionality and legitimacy of international institutions in the absence of "government" (Czempiel and Rosenau 1992). For some, this is placed in conjunction with processes of "denationalization" (Zürn 1998). In classical international regime theory<sup>2</sup>, which juxtaposes the anarchy of the international sphere with the sovereignty of the nation state, increasing internationalization has curtailed the capacity of states to cushion social effects of market liberalization (Ruggie 2004). Others have defined the global governance discourse as being about "re-regulation" and having both an analytical and a normative dimension (Brand 2003; Cox 1987). In particular, the ongoing debates in the political science community and among students of International Political Economy (IPE) on "global economic governance" (Schirm 2007:13) have centered on the growing power of TNCs and the extent and implications of "a worldwide tilt from states to markets." (Hewson and Sinclair 1999: 5) More recently, these debates have been both deepened and widened to recognize the impact and possible inclusion of civil society organizations in global governance, an issue with important ramifications for theoretical considerations of legitimacy and democracy (Palan 1999; Zürn 2004). Non-state actors are recognized for their role in rule making, for their competency and resources (informational, expertise, monitoring capacity, mobilization and representation power), and above all for their contribution to the implementation of decisions (Grande et al. 2006). In particular, because "the regulation of transnational socio-economic problems depends essentially on the option 'governance without government'" (Müller, Platzer and Rüb 2004: 69), increasing attention is being paid to the spread of such phenomena as "public-private-partnerships" (Börzel and Risse 2005), "global public policy networks" (Detomasi 2007), "industry self-regulation" (Haufler 2003), "transnational private authority" (Nölke 2004) and cooperative "private governance" schemes (Pattberg 2005), the existence of which attests to a piece-meal process of constructing new locations of authority in a global space.

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<sup>2</sup> See Krasner 1982: 186, who defines a regime as "a set of explicit or implicit principles, norms, rules, and decision making procedures around which actors' expectations converge in a given area of international relations".

Despite the academic interest in the role of non-state actors (including TNCs and NGOs) in the realm of international politics and economics and the broad public attention which has been given to the issue of labor standards (Greven and Scherrer 2002), within the global governance discourse only marginal attention has been directed at issues of employment and the impact of globalization on the daily lives of employees<sup>3</sup> (Amoore 2002; Palan 1999; O'Brien 2000). And as we mentioned above, employment relations and trade unions have been largely ignored in regard to global governance (Koch-Baumgarten 2006). Indeed, even those publications directed at the topic of IFAs have not generally couched their analysis in terms of a contribution to furthering the discourse on global governance. Moreover, research and theoretical considerations have generally treated TNCs as homogenous entities, rarely problematizing their internal power struggles and interest conflicts. (cf. Strange 1999; Fuchs 2004).

From the perspective of the international business discipline, global governance has traditionally been considered as a restriction on the free market activity of firms (e.g. Casson 1990). Only more recently, the role of TNCs in actively and strategically shaping global governance has drawn some research attention (e.g. Djelic and Quack 2003). Interest in the role of TNCs beyond their own firm boundaries has been increasing as well. This is most evident in the discourses on global value chains or networks (e.g. Gereffi, Humphrey and Sturgeon 2005; Fichter and Sydow 2002; Boyd et al. 2007; Locke and Romis 2007) as well as on CSR, discourses which we will address more extensively below. At this point, it suffices to confirm that for the international business discipline, IFAs are virtually non-existent, while the broader issue of employment relations and trade unions as issues of global governance for TNCs has been largely ignored.

#### *Our Arguments:*

In contrast, we regard the transnationalization of social forces in conjunction with the organization of global production and sourcing as key factors of economic globalization which are in the process of "regime building". We intend to investigate IFAs as an instrument of cross-border regulation between transnational corporate management and global unions and find out whether IFAs could possibly fit the "regime" categorization. In the context of the global governance debate we conceive IFAs potentially as an emerging instrument of the global regulation of labor relations and as such a necessary component of functioning global governance. IFAs may be regarded as "soft law": They are an act of rule-setting by non-state actors which does not infringe on national sovereignty (Grande et al. 2006). To a certain degree IFAs embody the "informality" issue posited by the concept of global governance due to their lack of judicial recognition. But because of their character as a contract relationship among mutually recognized private actors, IFAs also seem to have a "formal norm-setting" capacity and increased implementation legitimacy over unilateral instruments.

#### **IFAs as an instrument of Corporate Social Responsibility (CSR)**

In its diffuseness, the concept of CSR has sparked an equally wide-ranging and disparate academic debate. In the European Union, CSR has been officially defined as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. ... This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success." (European Commission 2001: 5) In the context of a developing public discourse over CSR, corporate management has responded with their own voluntary and unilateral Codes of Conduct and a variety of cooperative monitoring initiatives (e.g. Fichter and Sydow 2002; Müller and Rüb 2005). Beyond being designed to stem the negative publicity and its impact on shareholder value, their record as an

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<sup>3</sup> Hewson and Sinclair agree with this assessment but also point to the work of James Rosenau as "a sociology of global life". Globalization is understood to be "reaching into the level of personal conduct." (1999: 6-7).

instrument to foster decent labor standards, in low wage countries in particular, has been continually challenged by activist NGOs and trade unions on the basis of reported violations at the workplace (e.g. Wick 2003; Haan and Oldenziel 2003). Along with NGOs trade unions have criticized the unilateral and voluntary character as well as the monitoring deficits of such codes. And as van Tulder and Kolk have shown in an empirical study of the sporting goods industry, "individual companies tend to adopt codes that are less pronounced than in case codes are the result of interaction with other stakeholders. This finding underlines the importance of institutions and the establishment of common norms and rules, as put forward by institutional, stakeholder, regime and business ethics theorists." (2001: 280)

In light of such problems some have labeled CSR as a "myth" used to mask the much less pleasant reality (Hiß 2006; Fonteneau 2003) or as being inadequate in the face of reality (Rose 2007). In contrast, as political scientist David Vogel has argued in reference to the economics of profits and morality, there is "a market for virtue", but it "is sustainable only if virtue pays off. ... There is a place in the market economy for responsible firms. But there is also a larger place for their less responsible competitors." (Vogel 2006: 2-3) The question remains as to the extent to which the institutional business environment may be shaped by the way responsible consumers and union activists, for instance, are successful in ensuring that irresponsible firm behavior does not pay off.

CSR may cover a broad range of topics, but it invariably includes a voluntary commitment in principle to certain minimum labor standards. For our purposes, the CSR debate on management–employee relations serves as an applicable framework for the issue of IFAs. As in the global governance debate, the overarching issue of regulation has been at the forefront for political scientists and has generally been addressed in terms of voluntarism versus binding legal statutes (Bredgaard 2004) or market liberalism versus an ordering political framework (Scherer and Löhr 1999). As we have concluded earlier, the voluntarism of CSR is only a first step toward comprehensive standard-setting which requires the involvement of interested and competent stakeholders to become a truly effective tool for securing good labor standards (Fichter and Sydow 2002: 375).

For Colin Crouch, the commonly referred to shareholder vs. stakeholder dichotomy does not capture the dynamics of the firm's interaction with the market and, as an organization, with its environment. His approach to the issue of "virtue" differs from Vogel in that he defines CSR as "corporate externality recognition", i.e. as "behavior by firms that voluntarily takes account of the externalities produced by their market behavior, externalities being defined as results of market transactions that are not themselves embodied in such transactions." (Crouch 2006: 1534) We do not regard externalities as being avoidable or as voluntary issues for enterprises. Indeed, TNCs are major players which can not avoid intervening with the political and social environment (see also Djelic and Quack 2003). Dealing with trade unions is one example of this interaction and falls under the category of an externality. A firm may be motivated to such activity in the interest of risk management, i.e. to reduce (possible) negative influences or increase positive ones or to enhance its reputation for sustainability. An IFA could provide both a shield against negative reactions to unacceptable working conditions as well as an incentive toward cooperative "good practices". A further motivation is seen by Crouch in the establishment of institutional trust (Crouch 2006: 1543). In regard to the regulation of labor relations and working conditions throughout a TNC and its supply network this would seem to be particularly important, as is attested to by the growth of monitoring firms.

#### *Our Arguments:*

For our research, we would postulate that the institutionalized interaction with trade unions and/or employee representatives based on an instrument of regulation such as an IFA should

significantly decrease the likeliness of CSR being a "myth" and becoming exclusively a market product for building reputation. Drawing on the theoretical insights from ongoing CSR debates (e.g. Journal of Management Studies Special Issue 2006 or Basu and Palazzo 2008), we will endeavor to clarify the extent to which IFAs may be regarded as an effective instrument of CSR and a part of a "market for virtue". Furthermore, we ask what impact IFAs may have on CSR policies of TNCs and why most TNCs with CSR policies have not signed an IFA.

### **IFAs and global value networks**

The credible CSR policy of a TNC, especially in times of outsourcing and off-shoring, will undoubtedly be formulated to include references to suppliers. Indeed, there is also widespread use of such clauses in IFAs, although the language of inclusion varies widely. But 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).

In recent years, a number of scholars in international political economy have been researching the structure and governance of global value chains (Berger et al. 2001, Gereffi and Korzeniewicz 1994; Gereffi 1999; Henderson et. al. 2002. Early publications postulated a simple dichotomy between "production-driven" and "buyer-driven" value chains, a concept which has since been refined and differentiated (Gereffi et al. 2005). Growing academic interest in this topic (Bair and Ramsay 2003) provides a number of insights into the location of value-adding transactions (see also Baldwin 2008) and into the distribution of power, and brings the issues of organizational learning and industrial upgrading beyond the single workplace (Palpacuer 2000) more into focus. O'Brien's broad criticism that labor conditions and the regulation of labor standards in global value networks are not addressed at all (O'Brien 2000) is slowly being challenged. For some (Gereffi et. al. 2005: 85, 93), the governance of labor is an issue only insofar as firms may have to respond to a governmental regulatory environment. Others however have at least begun to discuss employment and human resource management as well as strategies for labor in terms of the global restructuring of business (Fichter and Sydow 2002; Bair and Ramsay 2003; Hayter 2004; Boyd et al. 2007; Locke and Romis 2007; Ramioul 2007). These studies also point out that independent of a particular mode of production and supply governance (market, network, or hierarchy), the governance of labor and employment relations reaches beyond the organizational borders of individual firms. Understanding this changing environment of the "inter-organisational division of labour" (Ramioul 2007: 13), is a task in analyzing the effectiveness as well as the reach and comprehensiveness of IFAs.

In the field of business studies the overall importance of networks in general and global value networks in particular has been acknowledged for some time (e.g. Sydow 1992; Rugman and D'Cruz 2000). However, the debate about Codes of Conducts, in the field of management and organization and international business in particular, has by and large been restricted to issues of motivation and implementation within the TNC, making the recognition of the importance of implementing such codes across global value networks the rare exception to the rule (Fichter and Sydow 2002; Locke and Romis 2007).

#### *Our Arguments:*

IFAs as an instrument of international monitoring and local implementation may also be approached based on this discourse, as we will show in more detail below. 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 and the 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. While we have no illusions about the difficulties involved, a better understanding of these based on empirical evidence from different case studies can help management and unions to focus their resources on practical steps forward.

### **IFAs and the internationalization of labor relations**

Over the past years, processes of economic globalization have intensified the discussion in trade unions and among labor-oriented academics over the need for cross-border collective bargaining and the internationalization of labor relations. Especially in Europe, the issue is often framed in terms of the possible development of transnational collective bargaining via such stepping stones as Social Dialogue and CSR (cf. Müller, Platzer and Rüb 2004: 77-78). IFAs have also been defined in this manner by the international unions (Ryder 2003), eliciting a reply of warning by the employers (IOE 2007).

Industrial relations theory itself has generally been framed in the context of national boundaries (Haworth and Hughes 2002: 67-69) and there still seems to be no ready answer to the question posed by Hyman (2004), i.e. whether – in his terms – industrial relations theory is by definition ethnocentric. Indeed, while the spatial dimension in terms of a Weberian "social enclosure" (Hoffmann 2006: 609) or arena (Müller-Jentsch 1996) is an integral part of industrial relation theory, within academic discourses on international political economy its meaning beyond the nation state in a cross-border or transnational context has been largely neglected (O'Brien 2000). But there are scattered indications in the literature (Ramsay 1999; Palan 1999; Abel, Ittermann and Wannöffel 2001) that supra-national economic developments (EU, NAFTA) and the resurgent interest in the global power of TNCs may be spawning a new interest for the conceptualization and theoretical development of the transnationalization of labor relations. Kädtler, for example, has presented a highly differentiated analytical picture of the challenges faced by unions and employee representatives to develop new approaches in "fragmented bargaining arenas" (2006: 312), and recently, an important study by Müller, Platzer and Rüb has provided a solid conceptual basis for developing this issue in a global context.

#### *Our Arguments:*

While these authors have correctly pointed to the fact that one can not yet speak of the existence of a collective bargaining "arena" in the global economy (2004: 39), the question of arena creation is still highly pertinent to our research. Are IFAs an instrument toward this end? Can they structure a framework within which issues of common interest to employers and employees in a TNC and throughout the global value network can be negotiated by mutually recognized actors? As "framework agreements", IFAs should be able to provide a "protective shield", i.e. a recognized basis of minimum standards guaranteed by the contractual parties, within which bargaining over employment issues takes place. Our research will address the topic of how such a "protective shield" raises new issues in conjunction with workplace bargaining within a particular national legal framework.

## **IFAs under academic evaluation**

The first IFA dates back to 1988, but most of the existing 60 IFAs (January 2008)<sup>4</sup> are of more recent origin (see Table 1 in the appendix).

The question as to why IFAs have been agreed upon between unions and this selection of corporations is still an open one on which more empirical research is needed. Bourque (2005) has presented an explanation using a collaborative paradigm perspective: in the 1990s, the International Confederation of Free Trade Unions (ICFTU) and the International Trade Secretariats, as the GUFs were called at the time, embarked on an intensified course of cooperation in the area of corporate social responsibility which resulted in the rapid increase in IFA signings. Fairbrother and Hammer (Fairbrother and Hammer 2005) also point to a renewal of international trade unionism in the 1990s. For them, the spread of IFAs were an outcome of the campaign for a social clause at the WTO. Despite its failure, it focused attention on the issue of core labor standards, a basic element of IFAs.

Another explanation points out that the overwhelming majority of all IFAs are with TNCs headquartered in Europe. The concentration of IFAs in European TNCs suggests that the institutional setting in the EU has laid the groundwork for the signing of such global accords (Rudikoff 2005).

Stavis and Boswell (2006) explain the emergence of IFAs as resulting from the inadequacies of global governance in regard to labor and employment relations and the growing importance which TNCs attach to corporate social responsibility. Why exactly TNC management in Europe has been more motivated to sign IFAs than its counterparts in other regions of the world, is nevertheless still an open research question. The overwhelming majority of TNCs shows little interest in such agreements and the union recognition they entail. Some authors have pointed to the importance of corporate social responsibility or to factors such as the cost benefits of high road competition (Crouch and Streeck 1997). But since CSR is endorsed by non-European based corporations as well, especially those with a "market for virtue" (Vogel 2006), its mere advocacy does not adequately explain a readiness to enter into a framework agreement with the unions. Moreover, a case may be made that there is a collective action problem in managing corporate social responsibility efforts, and TNCs may be unwilling to incur the extra costs which an IFA could entail unless they are assured that competitors will bear the same burdens (Detomasi 2006). Hiß (2006) argues that a "CSR myth" exists and as such, commitment to corporate social responsibility may foster visible reactions to pressures from civil society and government but does not necessarily result in its full institutionalization in the corporation's business practices.

Other explanations point to the impact of national business cultures (ICEM 2005; Ferner, Quintanilla and Carlos 2006) or to the importance of IFAs as useful tools of risk management, providing TNCs with more lead time to deal with potential labor related problems in its economic activities and also in its supply chains or networks (see the section on CSR above). Finally, there is the argument in favor of IFAs which emphasizes the fact that workers treated fairly are more productive (Rüb 2004). A number of companies have also emphasized that after signing IFAs better working relationships with unions have developed (IOE 2005). But as the International Organization of Employers (IOE 2007) points out on its website,

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<sup>4</sup> The listing of IFAs is based on the numbers declared by GUFs. Although some of these agreements do not meet all the criteria which Hammer (2005) uses to define an agreement as an IFA, they are still included in our listing.

“many companies that have signed IFAs principally see them as a vehicle for deepening dialogue, first and foremost, and not as an industrial relations exercise. The difficulty however is that International Trade Unions see them as the latter, which might explain the growing trend of including dispute resolution mechanisms in the text of IFAs.”

Our preparatory research on IFAs identified another possible grouping of TNCs as signatories: those which had a history of good internal communication, a well-developed culture of employee relations and dialogue within formalized labor structures (the majority of the European TNCs) and those whose product or corporate brands are sensitive to public pressure. The companies of the first group are headquartered in countries with highly institutionalized systems of labor relations. In their business practices they have committed themselves to corporate social responsibility policies and the promotion of good relations with home country unions (e.g. Accor, Danone, Norske Skog, Volkswagen). For these TNCs, signing an IFA embodies the recognition and institutionalization of an existing CSR policy, which in many cases had previously been written into a voluntary code of conduct. The second group of companies includes those cases where, despite the absence of institutionalized practices, union strength and the capacity for mobilization and campaigning (sometimes in cooperation with NGOs) have brought TNCs to sign IFAs (Chiquita, IKEA, Arcelor). Key motivational factors for TNC management in this group are both the presence of strong unions and the need to present themselves as socially responsible in comparison to competitors.

### *The scope of IFAs*

Basically, IFAs specify minimum social standards which are to be applied throughout the TNC. Most agreements also contain provisions which extend them to suppliers' employment practices. The minimum standards include not only core labor standards, but also other relevant issues such as health and safety, skills development, wages and working time. Most agreements – as a closer analysis of their contents show – include enforcement mechanisms; however, these are restricted to complaint procedures handled by joint review bodies. As the cases of Accor (Wills 2002), Chiquita (Riisgaard 2004), and IKEA (IFBWW 2004) show, IFAs can have an impact under conditions of consequential implementation and continuing monitoring.

Nevertheless, the scope of regulatory content and procedures in an IFA differs markedly from one IFA to the next, even among IFAs negotiated by a single GUF. Still, there is a basic trade union understanding common to all of their approaches which is well formulated in the first IFA of the IUF (2006a: 2):

"to provide space within the specific global company's operations for unions to organize freely and for workers to exercise their rights within the company free of any form of obstruction – particularly the right to form or join a union".

The opening of "space for organizing", meaning the free and unrestricted exercise of freedom of association, is regarded as the most vital and important goal of IFAs for labor. Unions view IFAs as a means of organizing and recognition, of stopping membership decline and enhancing union power to establish and regulate labor standards. This core issue is the foundation for Hammer's (2005) analytical distinction between "rights agreements" (those that aims at ensuring the right to freedom of association and collective bargaining) and "bargaining agreements."<sup>5</sup>

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<sup>5</sup> The latter "contain detailed provisions about regular meetings, deal with a range of issues beyond core labor rights and are meant to be discussed, renegotiated or prolonged after certain intervals" (Hammer 2005: 519).

Another categorization was introduced by Nilsson (2002), whose six criteria for defining an agreement as an IFA are based on the pioneering and comprehensive IFA reached by the IUF and Danone:<sup>6</sup> the global reach of the agreement, references to the ILO Conventions, extension to suppliers, a GUF as a signatory, trade union involvement in the implementation, and the right to bring complaints. For our purposes, we find the following categories, to which we have attached illustrative information, particularly useful and relevant, in particular because they cover issues which can be regarded as representing the kind of externalities postulated by Crouch (2006):

- ILO Core Labor Standards
- Inclusion of other ILO Standards: Some 47 out of 60 IFAs refer to other ILO Conventions
- Reference to other international agreements related to labor standards
- Working Conditions
- Notification and publication of the IFA
- Regulation of union involvement
- Duration of the agreement
- Monitoring of the IFA
- Dispute resolution
- Compliance by suppliers and sub-contractors

### *Implementation within the TNC*

As has been examined in reference to codes of conduct, implementation is a key issue (e.g. Gordon and Miyake 2000). Different institutional and legal frameworks, business cultures and attitudes, intra-organizational structures, the role of local management, subcontractors, and suppliers as well as issues of union involvement and resources all contribute to the complexity of ensuring effective implementation.

Since monitoring is crucial to effective implementation it is argued to be the most important element of labor's IFA strategy. Müller and Rüb (2005) distinguish three basic approaches: firstly, the integration of monitoring into company management procedures (with the possible involvement of external auditors as is the case at IKEA); secondly, monitoring conducted exclusively through unions; and thirdly, a "wait-and-react" approach (DaimlerChrysler IFA). Beyond these three approaches, monitoring can also be effected through available representation structures such as European Works Councils. In contrast, little is known regarding the inclusion of NGOs in the monitoring of IFAs and whether this approach could be regarded as a possible "winning combination" (Hall-Jones 2006).

From labor's viewpoint, union-conducted monitoring is the most effective means. While the presence of a local union is perceived to be a pre-condition for effective implementation, at the same time it is also often seen as an intended result (Müller and Rüb 2005). The GUFs may persist in demanding that management recognizes the right to unionize, but without some semblance of local union activity, such demands become mere appeals (see Wills 2002). Equally, local unions need the GUF to pursue reported violations in the interest of effective implementation of IFAs.

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<sup>6</sup> On the understanding of the Danone agreement as the most comprehensive see Hammer 2005, Gallin 1999, Torres and Gunnes 2003.

Research on implementation has provided comparative analyses of the provisions and procedures embodied in IFAs, but not on actual daily practice. Incidents of violations provide some insights into the problems and achievements of implementation and monitoring, but such reports are scarce and there is no requirement or agreement to publish progress reports in this regard. Our research project will contribute to closing this gap by investigating the motivation and implementation issues in particular by extending the scope of research beyond the core firm's boundaries. Towards this end, we will be interested in determining which kind of global value governance supports or hinders the implementation of IFAs and which role unions may play in implementation processes that cut across both firm and union organizational boundaries.

### **3. Project design and case selection**

Our proposal is designed to conduct a rigorous multi-level empirical examination of the motivation for and implementation of IFAs, embedded in the academic discourses on global governance, corporate social responsibility and global value networks as well as in the analysis of IFAs as a structuring element of cross-border labor relations. Despite the necessarily exploratory nature of the research and the limits of drawing far-reaching conclusions from only a small number of case studies, it is our goal to provide insights into the factors which determine whether IFAs are an instrument "good practice". Furthermore, our research is designed to complement and extend the current research state-of-the-art on IFAs in regard to three dimensions:

#### **Empirical Research across the Global Value Network**

First of all, previous research on IFAs provides important insights on the content of IFAs and on actors' constellations among the signatories,<sup>7</sup> but there has been no systematic investigation of whether IFAs have a real and measurable impact on labor conditions in subsidiaries and at suppliers, i.e. the "periphery" beyond the core social partnership realm of negotiations at the TNC headquarters level.<sup>8</sup> While our starting point is a critical assessment of this research in defining our criteria for analyzing IFAs and for selecting our case studies, we will emphasize the "added value" which our proposal intends to provide. We argue that both motivation and implementation can only be thoroughly researched and analyzed via such an inclusive approach.

#### **A Dual Focus on Management and Trade Unions/Employee Representatives**

Secondly, by including the role of management, our proposal goes beyond the almost exclusive focus in the literature on the role of trade unions and employee representatives in regard to IFAs. IFAs are the product of the interaction between employee or union representatives and management. They are an expression of the negotiated state of power and interest relationships among particular actors and constituents. Their effective implementation and their extension to further TNCs is dependent on the content and scope of this relationship. As such, we regard a fuller understanding of management strategies to be essential to determining the effectiveness of IFAs as a tool for the regulation of labor relations. For example, in regard to business strategies, is the negotiation of an agreement with labor representatives at the discretion of corporate management or do "organizational path dependencies" (Sydow, Schreyögg and Koch 2005; see

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<sup>7</sup> A selection of the published literature is reviewed in the section on IFAs. A new investigation comparing Codes of Conduct and IFAs based on 11 case studies and funded by the European Foundation (Dublin) has only recently been released. See: <http://www.eurofound.europa.eu/publications/htmlfiles/ef0792.htm>

<sup>8</sup> Under the direction of Prof. Dr. Ludger Pries (Bochum), Siglinde Hessler, a Stipendiatin of the HBS, is currently writing a doctoral thesis on the implementation of the IFAs of four German subsidiaries in the automotive sector in Mexico. We have exchanged ideas and will maintain regular contact.

also Bowen 2007) stand in the way because the signing and implementation of an IFA is regarded as a policy change?<sup>9</sup>

### **Embedding the Empirical Findings in Broader Social Science Discourses**

Determining actors' constellations and understanding the objective and subjective dimensions surrounding IFAs as an instrument of global labor relations are essential empirical aspects of our research program, but they also need to be assessed in the larger, more general context of political and economic globalization. Our proposal to reference the ongoing discourses on global governance, corporate social responsibility and global value networks in both the social sciences and the international business discipline aims to confront mainstream scholarship with the issue of work and labor relations in the global context and hopefully to contribute to a broader academic and political debate of these issues.

In seeking to determine what "good practice" might be, we will concentrate on objective and subjective factors which have a bearing on motivation and implementation in regard to IFAs:

- The **structure of the particular branch or sector** including its markets, its production and supply characteristics, its global logistics, the division of labor as well as labor supply and qualification. While our empirical focus will be on the TNC itself, we will endeavor to conduct primary research at suppliers and will definitely include secondary research for an inclusive analysis of the global value network in each selected case.
- **TNC organization structures and management.** Concepts and policies are to be evaluated in the context of both structural factors (resources, products, markets) and behavioral factors related to actors' choices and constellations. Management strategies, the location and scope of decision-making capacities, and the interplay of production, marketing and human resource factors have a bearing on the motivation for having an IFA and on its implementation.
- **Labor relations in the TNC and the global value network.** The history of interest conflict, the extent and character of mutual recognition and negotiation, inclusion and exclusion of particular actors, the inter-dependency of labor relations in a multi-level context as well as the variety of actors and actors' constellations will be considered as a factor complex bearing in particular on the implementation of IFAs, but also in affecting the creation of such an agreement. The content and scope of the case study IFAs will be analyzed as part of this dimension as well.
- The **political, institutional and socio-economic environment of TNC operations.** Previous research on global governance (esp. the role of private actors), CSR and IFAs has brought to light the importance of a contextual dimension beyond the particular reference factors of the sector or the global value network: The national, supranational and global context of policy decisions and actions on the part of management in the TNC and throughout the global value network as well as outside "stakeholders" is crucial for understanding agreements and conflicts in regard to IFAs.

While it might be argued that our sample of some 60 IFAs is in itself an example of "good practice", we contend that there are notable differences to be found among its members. Where resources are being expended to implement an IFA there will be experience and insights gathered which will not only enhance the practicality of an evaluation but will also provide

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<sup>9</sup> Conflicts in the USA over the implementation of IFAs and the criticisms of American trade unions of this instrument shed some light on this aspect. See Herrnstadt 2007

indications of ways to develop the efficiency and efficacy (regulating capacity) of IFAs. While we wish to emphasize the importance of developing analytical instruments for evaluating and comparing the case studies, in the selection process, much will depend on such pragmatic considerations as contacts with management and union representatives, the openness and readiness of these actors to support our research, the geographical distribution of company worksites and supplier locations, access and language.

### **Case Selection**

The existing IFAs (see again Table 1 in the appendix) are spread across a wide range of sectors within the jurisdiction of five of the ten Global Union Federations (GUFs): BWI (woodworking, construction & building), ICEM (energy, oil, chemicals), IMF (electronics, engineering, automotive), UNI (telecommunications, services, media), and IUF (food and beverages). Exploratory reviews including contacts with union officials, information gathering on the TNC and analysis of published sources have been conducted on the following IFAs: IKEA and Faber-Castell (BWI), DaimlerChrysler and EADS (IMF), Securitas (UNI), ENI and Lukoil (ICEM), and Chiquita (IUF). Furthermore, the responsible representative at IG Metall headquarters for Bosch has indicated a strong interest in promoting this company as one of the case studies. This would not only fit our project design but would facilitate access as well.

Selection criteria for our four in-depth case studies will include:

- Selection of the case studies from one of each of the four GUFs which have signed 54 of the 60 existing IFAs: BWI (13), ICEM (12), IMF (16) and UNI (14).<sup>10</sup>
- Within each GUF a concentration of the selection on the dominant economic sector:  
BWI: building and construction;  
ICEM: chemicals  
IMF: automotive  
UNI: services
- Country locations of subsidiaries and suppliers outside of continental Europe, i.e. we will be looking for geographical overlaps which will not only concentrate research resources but will also reduce the number of variables and enable comparisons within particular national systems of labor relations. A survey of the websites of the TNCs with IFAs indicates that in the following countries, all four GUFs are signatories and at least 15 of the 60 TNCs have operations<sup>11</sup> there:

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<sup>10</sup> ICEM has co-signed two IFAs, one with BWI and one with IMF, which accounts for the total of all four GUFs being less than the sum of each one's IFAs.

<sup>11</sup> This includes all sectors under the jurisdiction of the four GUFs.

<b>TNC - IFAs with BWI-ICEM-IMF-UNI</b>	
<b>Number of sites</b>	<b>Country</b>
32	China
27	USA
26	Brazil
21	Argentina
20	India
19	Malaysia
17	Canada
17	Russia
17	Turkey
15	Mexico

Table 2 below provides an overview of our proposed interview sample:

**Table 2. Interview Plan**

	<b>Management</b>	<b>Labor</b>	<b>NGO</b>	<b>min/max No. of Interviews</b>
Headquarters (Country1)	HRM Production Sourcing	GUF National Trade Union WWC/EWC/other	1	6-9
Subsidiary (Country2)	HRM Production Sourcing	National Trade Union employee reps. other TU, empl. reps	1	5-8
Supplier1 Supplier2	HRM/Prod. HRM/Prod.	Trade Union/empl. reps. Trade Union/empl. reps.	1	2-9

Minimum / Maximum per Case Study: 13 / 25

Further interviews may be conducted as deemed necessary with staff officers of the International Labour Organization, NGOs or relevant research institutions (e.g. IILS, Global Labour Institute).



### **Concluding Remarks:**

In the interest of furthering a lively discussion of our proposed research we will conclude this paper with four additional hypotheses on IFAs as instruments of setting minimum standards for the regulation of labour throughout the global value network:

- *IFAs are a logical extension of both the European institutional context of social partnership and the ILO principles of social dialogue.*
- *Effective development and implementation of IFAs beyond the European context of most TNC headquarters will depend greatly on the status and culture of interaction of the social partners in a particular national or local environment of labor relations.*
- *As one field or arena of non-governmental regulation and global governance, the effectiveness of IFAs will also depend on how they integrate with and affect standards set by other regulatory means.*
- *As social partners, employee representatives and TNC management face the multi-level challenge of developing the human and organizational resources necessary for recognizing and implementing IFAs. How they approach this task will be crucial for the future content and effectiveness of IFAs.*

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## Appendix

Table 1: List of International Framework Agreements by year and industry

	<b>TNC</b>	<b>GUF</b>	<b>Year</b>	<b>Sector</b>
1	Danone	IUF	1988	Food processing
2	Accor	IUF	1995	Hotel & tourism
3	Ikea	BWI	1998	Furniture, Retail
4	Statoil	ICEM	1998	Oil & Gas Refining
5	Metro <sup>12</sup>	UNI	1999	Retail
6	Faber-Castell	BWI	1999	Office & writing material
7	Freudenberg	ICEM	2000	Chemical
8	Hochtief	BWI	2000	Construction
9	Carrefour	UNI	2001	Retail
10	Chiquita	IUF	2001	Fresh & processed foods
11	OTE Telecom	UNI	2001	Telecommunication
12	Skanska	BWI	2001	Building-related services
13	Telefonica	UNI	2001	Telecommunication
14	Indesit/Merloni	IMF	2002	Metal
15	Endesa	ICEM	2002	Power
16	Ballast Nedam	BWI	2002	Construction
17	Fonterra	IUF	2002	Dairy
18	Volkswagen	IMF	2002	Auto
19	Norske Skog	ICEM	2002	Paper
20	AngloGold	ICEM	2002	Gold Mining
21	DaimlerCrysler	IMF	2002	Auto
22	ENI	ICEM	2002	Energy
23	Leoni	IMF	2003	Electrical & automotive
24	ISS	UNI	2003	Building cleaning & maintenance
25	GEA	IMF	2003	Engineering
26	SKF	IMF	2003	Ball bearing & seals
27	RAG	ICEM	2003	Chemical, Mining
28	Rheinmetall	IMF	2003	Electronics, automotive & defense
29	H&M	UNI	2004	Cloths & Retail
30	Bosch	IMF	2004	Automotive & Electronics
31	Prym	IMF	2004	Metal manufacturing
32	SCA	ICEM	2004	Paper
33	Lukoil	ICEM	2004	Oil & Energy
34	Renault	IMF	2004	Auto
35	Impregilo	BWI	2004	Construction
36	Club Mediterranee	IUF	2004	Tourism
37	EDF	ICEM/PSI	2005	Energy
38	Rhodia	ICEM	2005	Chemicals
39	Veidekke	BWI	2005	Construction & Property Development
40	BMW	IMF	2005	Auto
41	EADS	IMF	2005	Aerospace & defense
42	Roehling	IMF	2005	Auto & supply
43	Schwan Stabilo	BWI	2005	Writing, drawing, painting materials, cosmetics
44	Lafarge	BWI/ICEM	2005	Construction materials
45	Arcelor	IMF	2005	Steel
46	Falck	UNI	2005	Security
47	Staedtler	BWI	2006	Writing and drafting instruments
48	PSA Peugeot Citroen	IMF	2006	Automotive
49	Royal Bam Group	BWI	2006	Construction
50	Portugal Telecom	UNI	2006	Telecommunication
51	Securitas	UNI	2006	Security
52	Euradius	UNI	2006	Graphics media
53	Nampack	UNI	2006	Packaging
54	France Telecom	UNI	2006	Telecommunication
55	National Australia Bank	UNI	2006	Banking
56	Volker Wessels	BWI	2007	Construction
57	Brunel	IMF	2007	Metalworking
58	Quebecor	UNI	2007	Printing
59	WAZ	IFJ	2007	Media
60	Umicore	ICEM/IMF	2007	Chemicals, Metalworking

<sup>12</sup> There is some discussion regarding whether the scope of this agreement extends beyond Europe.