

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

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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. 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 de-commodification has been far more commonplace. As firms grow and – as transnational corporations (TNCs) – reorient their business strategies toward global markets, 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, 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). Voluntary CSR initiatives in regard to labor rights, however, are window-dressing with little or no impact if not monitored by independent bodies. Nor are encompassing and effective government hard law policies to reign in TNCs close to becoming 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." (Jørgensen et al. 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). IFAs have become a recognized, albeit small, basis of agreement between Global Union Federations (GUF) and TNCs for setting labor standards and promoting social dialogue. Within the general framework of multi-level governance and the studies of transnational production and supply networks or global value chains, this paper deals with IFAs as a means of implementing and maintaining recognized labor standards along cross-border chains/networks. As an instrument of governance, 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." (International Confederation of Free Trade Unions (ICFTU) 2004) Despite their increasing numbers, little is actually known about their impact and their implementation.

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 which is funded by the Hans-Böckler-Foundation analyzes 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 postulate 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 endeavors to integrally link management prerogatives derived from market considerations (including product and quality standards) with issues of labor standards.

IFAs: A Tool for Labor Standards and Union Involvement in HRM

At the beginning of the year 2009, there are 72 IFAs. Every IFA is a contract between the central management of a TNC and a GUF in which the corporation agrees at a minimum to comply with International Labour Office (ILO) labor standards, in particular, the core labor standards established by the Declaration on Fundamental Principles and Rights at Work in 1998 (ILO 1998). As such, every IFA contains elements of voluntary CSR, company-related industrial relations, and international regulation by the ILO. The actors involved on both sides of the agreements are international players: On average, TNCs which have signed an IFA operate in 22 different international locations. Although a few are „small“, international firms with an employee figure of below 5,000 employees, on average IFA corporations employ around 95.000 employees. On the union side, GUFs have affiliations in over 100 countries and their aggregated memberships show a range between 12 and 25 million workers.

Since the most distinctive characteristic of this type of agreement is the recognition of and negotiation with global unions, IFAs present an exemplary case of external actor involvement in international human resource management (HRM). In particular, HRM practices in the area of transnational employment relations are affected by IFAs, i.e. basic norms and principles in labor-management relations and elementary working conditions as defined by the core labor standards of the ILO. As an exercise in social partnership labor relations and mutual recognition of labor standards, the emergence of IFAs raises several questions of which the following are central to this paper: What is the influence of trade unions in this process and do IFAs actually offer additional opportunities for union involvement? Are IFAs an example of headquarter dominance, or do they result in “hybrid” solutions for employment relations in which headquarter initiatives are modified by adaptations to national law and bargaining arrangements at the subsidiary level? And what is the chance that IFAs actually extend to subsidiaries and even suppliers, including those at the periphery of global production networks?

Our starting point for analysis is the observation that many TNCs have organized a transnational production and supply network in which their activities extend beyond original corporate organizational boundaries. TNCs thereby do not only entertain internal hierarchical relationships and external market relationships, but increasingly opt for cooperation and networking strategies by which they try to save on costs, increase revenues, and reduce uncertainties (Powell 1990; Sydow 1992; Gereffi, Humphrey and Sturgeon 2005; Bair 2008; Levy 2008). In consequence, TNCs are confronted with a host of additional coordination problems between organizational units, especially those which are located in the periphery of their global production network. Due to these interdependencies, the management of a focal TNC is today not only concerned with HRM practices inside the corporation, including its subsidiaries, but also with those of their suppliers and, eventually, customers. From a management perspective, awareness for employment relations throughout the production and supply network might help to avoid negative reputation effects and ensure smooth operation of value chains. As a consequence, IFAs can be considered as an initiative to disseminate practices throughout a TNC’s operations which ensure compliance with standards in employment relations by recurrent organizational action and negotiation with unions (Fichter, Helfen and Sydow 2009).

Beyond this perspective of employment practices and relations, our research is addressing the issue of setting labor standards in terms of governance, but the relevance of labor in the academic debates over governance is still minimal. For some (Gereffi, Humphrey and Sturgeon

2005: 85, 93), the governance of labor is an issue only insofar as firms may have to respond to a governmental regulatory environment. 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) Others however have at least begun to discuss employment and HRM 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; Koch-Baumgarten 2006). 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.

Accordingly, governance in regard to labor must be understood to encompass both the sphere of organizational interaction (whether in chains or networks), as well as questions of control, power and hierarchy, of interest constellations, conflicts and negotiation within single organizational units (workplaces) of the overall operation and relationships. In both spheres, there are key elements of governance which need to be defined. The extent to which the contentiousness of these elements is reduced and their mutual recognition increased may serve as an indication of the strength and stability of a particular sphere of governance. First of all, there must be a recognized constellation of actors, their roles and positions of power. Secondly, interest conflicts revolve around substantive matters, around the content of inter-action and goals. Closely related to this is a third element: the processes which regulate inter-action. Finally, the boundaries of inter-action and norm-setting must be delineated.

Industrial relations theory itself has generally been framed in the context of national boundaries (Haworth and Hughes 2002: 67-69), but there are some important exceptions to be found. Kädler (2006), 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" (312), and recently, an important study by Müller, Platzer and Rüb (2004) has provided a solid conceptual basis for developing this issue in a global context.

Setting Labor Standards via International Framework Agreements

The negotiation of IFAs is one strategy pursued by GUFs to establish and regulate labor standards in transnational production and supply networks. Are IFAs really an instrument toward this end? Can they structure a bounded space within which issues of common interest to employers and employees in a TNC and throughout the network can be negotiated by mutually recognized actors? The existence of over seventy IFAs testifies to their experimental relevance in constructing an arena of governance:

- Central level and local management of a signatory TNC on the one hand, a GUF and contributing national member unions as well as employee representatives on the other hand are the recognized actors;
- the issues and the content of interest negotiation are defined by the IFA, as are
- the procedures of implementation and its monitoring as well as those for resolving conflicts;
- and the reach or boundaries of regulation. As international or "global"¹ agreements, IFAs are constructed to apply to all facilities of the signatory TNC and in many cases are intended to be applicable to suppliers as well.

¹ The International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) prefers to designate such agreements as "Global Framework Agreements". And recently, UNI has chosen to use the term "Global Agreement".

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. 2007), but in most cases does compliment or enhance on it. 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.

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. 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. This assumes, first, the analysis of the contents of IFA and, second, their implementation within the TNC and beyond.

To what extent these IFAs are actually implemented within the TNCs and their supply networks is still open to investigation. In order to explore this issue in some detail, we will conduct in-depth case studies of four European TNCs and their supply networks. Each of the TNCs will represent a different sector, enabling us to consider the policies of four different GUFs. Likewise, we will conduct the case studies in four countries from different regions of the world: Brazil, India, Turkey, and the United States. We have chosen these regions because of their (growing) economic importance on the one hand and their relatively low level of employment regulations on the other. This enables us to explore more easily how working conditions in these countries are affected by the TNCs and the agreement they have signed with the respective GUFs. The TNCs chosen will be expected to represent 'best practice' cases, at least with respect to the content covered by and the regulations (including monitoring) agreed on in the IFA. The reason is that we wish to be able to explore instances of insufficient or non-implementation even in those cases where the relevant IFA contains explicit language regarding standards for working conditions and monitoring provisions for their compliance.

The baseline hypothesis of our research is that IFAs differ in principle from unilateral CSR strategies of TNCs because they include unions as external actors, ensuring that key issues of employment and their regulation are addressed. A counter-argument would be that despite the inclusion of a GUF as an external actor, there is no real policy change regarding labor, neither inside the TNC nor at its main suppliers. In both cases, we postulate that both TNCs and GUFs are faced with organizational and inter-organizational challenges to their capacities to implement and enforce the provisions onto which they have signed. Given the well-known difficulties to implement any headquarter policy in a more or less hierarchically or heterarchically structured TNCs (Hedlund 1986; Szulanski 1996), we expect major impediments to realizing the intended results. Moreover, we expect these difficulties to be related to some extent at least to the internal organization of CSR/IFA responsibilities within TNC headquarters and their representation in foreign subsidiaries. On the union side, we presume to find inter-organizational problems of cooperation and coordination between the GUF and its member trade unions which impact on the success of their implementation policies.

In addition to the actual implementation of IFAs in the TNCs and their supply networks under scrutiny we will investigate the motivations of TNCs and GUFs to negotiate and sign IFAs. This will help us to understand why IFAs spread and are implemented the way they are. Moreover, it will help us to draw some conclusions about the extent to which IFAs are instruments embedded in the CSR/HRM policy of TNCs or a step toward the internationalization of labor relations.

Preliminary Conclusions

Based on our document analysis of the IFAs as well as a snapshot of the IFA regulating sphere in only four of the more than 70 TNCs which have signed such agreements, it is not yet possible to draw definitive conclusions regarding their implementation. Nevertheless, there are some insights and arguments which can hopefully contribute to stimulating discussion:

- Although IFAs are applicable to millions of employees worldwide, their relevance as an instrument of global governance is still quite limited. Outside of the realm of TNCs with a history of constructive and institutionalized labor relations – and even within that realm in some cases² – TNCs either have no trade union to bargain with or show no interest in recognizing a local union as a bargaining partner. Where there is such a union, it is often too weak to bargain effectively, and the GUFs for their part are hardly in a position to bring such TNCs to the bargaining table on their own. It is an exceptional case when a TNC takes the initiative to negotiate an IFA.
- Considering the enormous impact which financialization has made on working conditions and labor relations over the past decades it seems that with IFAs, unions and employee representatives have been able to reach a consensus with management on maintaining a minimum level – i.e. ILO Core Conventions – of de-commodification of wages and working standards. However, the current financial and economic crisis could reveal some IFAs to be no more than fair weather instruments.
- IFAs are always signed by the head of the TNC or his immediate representative. On the labor side, there is always a signature of a GUF representative. But in many cases, other trade union and employee representatives are also signatories. Seen positively, this could mean that labor's involvement is coordinated and shared among different actors at both the local and the global level. But it could also be characteristic of rivalry and unresolved power struggles, which also raises the question of where responsibility for ensuring implementation and monitoring actually lies.
- Our current survey of all IFAs shows that there is a clear preference for management to maintain control over the status of the IFA in its policy repertoire. On the other hand, through the common application of the principle of subsidiarity, trade unions at the local level are generally designated as actors in resolving disputes, and GUFs are directly involved in monitoring most agreements. Overall, these approaches have the potential for institutionalizing the processes and contents negotiated in the agreements, provided that the IFAs achieve general recognition as an instrument of governance and standard setting. Otherwise, they will turn into an alibi for avoiding substantive and binding regulations.
- As several of the IFAs show, management's interest in having a social dialog with trade unions and employee representatives, in negotiating with them and in signing an agreement is subject to considerations which can not be simply subsumed to be "PR". Initial research at several TNCs shows that IFAs are only one segment of a broader corporate governance strategy of signatory TNCs. Sustainability, risk management, social responsibility etc. may be buzz words, but management which invokes them without a follow-up, is open for criticism. Even in cases where a proactive management approach to dissemination and implementation of the IFA is lacking, there is at least in principle recognition of trade union and employee voice.
- Finally, some newly-signed IFAs are ground-breaking in regard to their potential impact on trade union organizing. Going beyond a reference to ILO Convention 87, they specify minimum legal requirements for union recognition, and protect organizing initiatives from

² BASF is such a case in which neither management nor the employee representatives show an interest in a global agreement.

adverse management interventions. For trade unions in the US, where the failure of IFAs to address this issue has been repeatedly criticized (Herrnstadt 2007), as well as in all in other labor relations systems characterized by conflict and anti-unionism, the recognition of such basic rights can improve the chances of trade union organization and collective interest representation.

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