

Sustainable bargaining: Labour agreements go global

Global framework agreements between multinational corporations and global union federations are becoming more common. What can they achieve, and how do they relate to ILO standards?

Ian Graham
Journalist

Most of the world's biggest employers are now global. And most of the world's unions are affiliated to the sector-by-sector Global Union Federations (GUFs). Companies and unions are beginning to take the obvious step. They are signing global agreements.

The first of these dates back to 1988. Since the turn of the millennium, the trend has been gathering pace. By March 2003, there were 21 global agreements.

Often called "framework agreements", these packages cover issues ranging from trade union rights and collective bargaining rights to information and consultation, equal opportunities, safety and health, minimum wage standards and the banning of child labour and forced labour.

The companies signed up so far are Accor, AngloGold, Ballast Nedam, Carrefour, Chiquita, DaimlerChrysler, Danone, Endesa, ENI, Faber-Castell, Fonterra, Freudenberg, Hochtief, IKEA, Merloni Elettrodomestici, Norske Skog, OTE, Skanska, Statoil, Telefonica and Volkswagen.¹

On the union side, each agreement has been reached with the appropriate GUF – namely, the ICEM (organizing workers mainly in chemicals, energy, mining and process industries), the building and woodworkers' IFBWW, the metalworkers' IMF, the food, agriculture, hotel and allied workers' IUF or the skills and services international UNI.

But most multinationals already have their own codes of conduct, and these usually cover labour relations. So what is the difference between framework agree-

ments and codes of conduct? At the global level, there is a crucial difference between a unilateral company code of conduct and a union-management agreement. It is like, at the national level, the difference between a unilateral company declaration of policy, perhaps contained in a "mission statement" or, in more detail, in an employee handbook, on the one hand, and a collective bargaining agreement on the other. An internal code has generally been written by the company itself for its own purposes. Its code applies, if at all, through processes controlled by the company. Framework agreements give the signatory GUFs the right to raise any alleged breaches of the agreed provisions with corporate headquarters management. Often, the agreements specify regular meetings for that purpose, but even without such meetings, channels exist for communication when needed, including on urgent matters. In other words, the purpose of unilateral company measures is often to certify or try to prove in one way or another, that a company respects a certain number of standards. Framework agreements assume that there will inevitably be problems inside companies – they do not assume that companies are perfect and they in no way guarantee company conduct. Rather, they provide practical, effective and timely means to resolve problems in the areas addressed by the agreements. In effect, framework agreements are part of a global social dialogue process that is the mirror image of unilateral codes. The agreements promise little, but can deliver a lot.

Supplementing regulation

However, while some firms might see voluntary initiatives as a substitute for tighter regulation, that view would not be shared by most unions, particularly with reference to framework agreements. They would be seen as industrial relations that can deepen and improve regulation of the workplace, but not as a replacement for binding legal frameworks.

The agreement between construction multinational Ballast Nedam and the IFBWW “provides an added value for Ballast Nedam”, said IFBWW General Secretary Anita Normark at the signing in March 2002.² “The verification of the efforts of the company to live up to international standards can be facilitated through the use of a global union network which IFBWW can provide with 289 affiliates in 125 countries!” But, she added, “It is also important for governments to provide a legal framework for the implementation of global ILO and OECD standards.”

“The starting point is the need for minimum and agreed global labour and environmental standards”, said IUF General Secretary Ron Oswald.³ These should be “established internationally through bodies such as the ILO and put effectively in place and enforced at national level”. There is, he insists, “no substitute for good national legislation and nationally enforced social and environmental protection. Nothing that we do with corporations or that corporations themselves do should be seen as substituting for this.”

Not coincidentally, the agreements concentrate on many of the issues covered by ILO Conventions, particularly core Conventions. The texts make prominent mention of those standards, often referencing them by number and name. Most cited are the two Conventions best known to trade unionists – No. 87 on Freedom of Association and Protection of the Right to Organise, and No. 98 on the Right to Organise and Collective Bargaining. The effective exercise of these rights enables workers to protect their rights and interests in a number of other areas. However, several

of the agreements cite specific ILO Conventions as the most important *examples* of those to be applied. In these cases, there is an implicit commitment to ILO standards in general. It is important to note that the selection of Conventions is related to the scope of agreements. It may not be considered necessary, for example, for an agreement that is restricted to direct employees of a major multinational to cover child and forced labour.

In fact, the relationship between ILO standards and the GUFs now parallels the interaction between national industrial legislation and national industrial unions. From the nineteenth century onwards, it was clear that even the best labour legislation needed to be backed by a strong union presence in the workplace. Conversely, that presence could be assisted by good industrial law. And the more farsighted employers realized that good law and good agreements with the workers’ representatives were in their own best interests. Today, those same lessons are being learned at the global level.

“Give Freudenberg Group credit for demonstrating a social conscience”, urged the industry journal *Rubber and Plastics News*.⁴ But, it continued, “Give Freudenberg even more credit for being smart.” The company had just signed a global agreement with the ICEM. “While confirming policies it probably already pursues, Freudenberg has taken a big step toward keeping labor relations on an even keel”, *Rubber and Plastics News* reported. “That gives it an edge over competitors that take a more combative approach to labor.”

ILO touchstones

Fifteen global framework agreements are analysed in some detail in the ILO’s new *Guide to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*.⁵ It finds that nearly all the agreements incorporate the Declaration’s fundamental principles on the elimination of child and forced labour, discrimination in employment, and respect for freedom

of association and collective bargaining. On the other hand, some issues covered in the ILO Multinationals Declaration feature less often in the agreements. For example, less than one global agreement in five includes ILO standards on vocational guidance and training.

This may well change as the number of global framework agreements increases and as existing agreements are renegotiated. As the *Guide* says, "The ongoing process of achieving decent work involves the building of sound relations within the workplace and community of operation, based on closer commitments among business, unions and government to work together. Because of its global scope, the Declaration is well suited for use, directly or indirectly, in providing baseline content for framework agreements." In addition, the OECD Guidelines for Multinational Enterprises have provided definition in some agreements to respect for freedom of association and may, in the future, be even more closely linked with framework agreements.

Meanwhile, the sectoral coverage of the framework agreements is continuing to grow. The automotive industry is one of the latest sectors to join the trend. In June 2002, Volkswagen (VW) signed its Declaration of Social Rights and Industrial Relations with the International Metalworkers' Federation (IMF) and the VW Global Works Council. A few weeks later, DaimlerChrysler adopted a similar document, Social Responsibility Principles, in an agreement with its World Employee Committee, signed in conjunction once again with the IMF.

The pioneers of framework agreements were the food and allied workers' international IUF and the French-based multinational Danone. Negotiations for their first agreement began in 1985. Since then, they have signed additional agreements on trade union rights, on skills training and on the measures to be taken "in the event that new techniques [or] organizational processes are implemented, or in the case of substantial changes in production volume, transferral of substantial part of production, partial or full closings of facilities and, in general, in all situations

whereby working conditions or the nature of employment contracts are significantly affected."

Of these texts, "the most crucial for the IUF is the agreement covering respect for trade union and collective bargaining rights", said IUF General Secretary Ron Oswald.⁶ "It refers to ILO Conventions, specifically Nos. 87, 98 and 135 since we believe it is crucial that ILO Conventions be encased in such an agreement."

But "The most challenging and innovative of these internationally applicable agreements is the one that relates to handling the impact of changes in company strategy on employment", he said. "The agreement specifically addresses procedures for negotiation when restructuring exercises are proposed."

Put to the test

Due to that provision, the Danone package underwent the toughest real-life test so far faced by any of the framework agreements.

"In 1998, a proposed plant closure in France was subject to lengthy consultations according to French labour law", Oswald explained. "Local unions subsequently invoked the international agreement, admittedly later in the process than we would have liked. Invoking the Danone/IUF agreement led to an additional review of the closure proposal and an alternative buyer appeared with a significant number of jobs guaranteed as a result.

"For many reasons, this example understandably strained and tested the relationship we have with Danone. However, we had always known that experience was bound to have an impact on the implementation of such a complex agreement and we subsequently proceeded to jointly analyse what took place in this case. Following a frank and healthy process of analysis by both parties, we have now agreed that even closer attention to this agreement in the early stages of proposed restructuring represents the best way to find mutual benefit in it in the future."

Two million workers and counting...

The recent VW and DaimlerChrysler agreements each cover more than 300,000 employees. In all, some 2 million workers worldwide are employed by the 21 companies that have signed framework agreements. Generally, companies headquartered in Western Europe have taken the lead, but there are also examples from New Zealand (Fonterra) and South Africa (AngloGold).

When one or more companies in a sector sign up, there will be some pressure for others to follow suit. That pressure may also be felt by the unions. A company that has signed a framework agreement may feel exposed if its competitors fail to do likewise after a certain time – exposed, that is, to criticism both from the competitors and from the company's own shareholders. So the GUFs will feel a particular need to keep up the momentum.

Here, another factor comes into play. In the nature of things, the first companies to sign the agreements have tended to be those that already have a good working relationship with the unions even though there may have been major problems in the past. The toughest corporate nuts have yet to be cracked. When a major multinational and a GUF move straight from conflict to the signing of a framework agreement, a further important step will have been taken in global industrial relations.

Meanwhile, one way forward could be to reach sectoral-level global agreements on specific issues. One of the reasons that this has not yet happened is that, for the most part, there is an asymmetry in the mandates of the negotiating partners. While most industrial manufacturers are in sector-wide bodies at the global level, the relationship between these councils and their member companies is not the same as that between the GUFs and their affiliated unions. In the only existing global collective bargaining agreement (as opposed to a framework agreement) in the maritime industry, a new employers' federation, IMEC, had to be created as a counterpart to the ITF.

The potential difficulties with industry associations are well illustrated by a chemical industry initiative that had its origins in an ILO sectoral conference. In February 1999, governments and chemical industry employers and unions met under ILO auspices. They agreed that negotiations should begin for trade union participation in the chemical industry's existing Responsible Care programme. This aims to ensure universally high health and safety and environmental standards wherever the industry operates.

Detailed negotiations were indeed launched between the ICEM and the companies' International Council of Chemical Associations (ICCA), and by the beginning of 2001, everything seemed set for a worldwide sectoral agreement. However, the deal was scuppered at the last minute, apparently at the behest of two big anti-union US companies. Nonetheless, the ICEM still hopes to reach agreement, possibly at the regional level. So this innovative ILO-backed approach may yet bear fruit.

If global framework agreements become as commonplace as the GUFs hope, another problem could arise. The global union federations have fairly small secretariats. They can cope with the present handful of agreements, but if hundreds or thousands of such deals are signed, it will be difficult for the GUFs to service them centrally.

For this reason, the rise of framework agreements has gone hand in hand with another important development – global union networks within major multinationals. In future, the likelihood is that framework agreements will be serviced primarily by unions organizing within the company concerned or through facilities negotiated with employers.

The idea of framework agreements is spreading, but it could still do with some more promotion. Here too, the ILO may be able to help by stimulating and supporting global social dialogue. After all, the precondition for any such deal is to get the unions and the companies together at the global level. Where better to do that than at the tripartite ILO?

The basis for this role has been laid by the ILO Tripartite Declaration on Multi-national Enterprises and Social Policy. As Director-General Juan Somavia points out, this text is a universal basic reference point for social responsibility in the world of work. Its principles, he says, “foster mutual understanding, participation, transparency and social responsibility – all prerequisites to sustainable partnerships among global and local actors and markets”.

In a global marketplace, no task is more urgent.

Notes

¹ An online list of current global framework agreements, with onward hyperlinks, is maintained by the International Confederation of Free Trade Unions at <http://www.icftu.org/displaydocument.asp?Index=991216332&Language=EN>

² IFBWW press release, 19 March 2002. Available online at <http://www.zulu.worldcom.ch/ifbww/cgi-bin/enpolicies.cfm?Id=257>

³ Ron Oswald. IUFAgreements. 2001. Available online at <http://www.icftu.org/displaydocument.asp?Index=991215155&Language=EN>

⁴ *Rubber and Plastics News*, “Freudenberg’s global labor pact makes sense”, 2000. Available online at <http://www.icem.org/agreements/freudenberg/freurp.html>

⁵ Available online at <http://www.ilo.org/public/english/employment/multi/download/guide.pdf> Print copies can be ordered from multi@ilo.org. Subtitled *Knowing and Using Universal Guidelines for Social Responsibility*, this guide is a valuable tool for anyone wanting to use the Multinationals Declaration. It gives practical information on corporate social responsibility in general, drawing on worldwide experience of tackling issues such as health and safety and child labour. It also stresses the value of informed social partnership arrangements at local level, with multinationals sharing information with governments and workers’ representatives. As it points out, keeping negotiations free of threats of transfer of operations or transfers of workers is critical to building confidence across the table.

⁶ Oswald, op. cit.