

A stylized world map composed of a grid of dots. Most dots are light gray, but several are colored red, highlighting specific regions or countries.

# Globalising Labour Relations

## On Track with Framework Agreements?

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- Global framework agreements (GFAs) – signed and implemented by labour and management – create arenas for labour relations that are based on the Core Labour Standards of the International Labour Organization (ILO). As such, they are a step towards building a transnational arena for global labour relations.
- Global Union Federations (GUFs) and their affiliates are driving this process, in particular by building transnational union networks (TUNs) that link unions and employee representatives at strategic nodes in the global production networks of transnational corporations. A special challenge of TUNs is that they must link unions that have differing labour relations systems as well as diverse political, cultural, and institutional contexts.
- Today, there are 85 active GFAs worldwide. In many cases their implementation »on the ground« is, however, limited. A comparative analysis of existing agreements shows that the key to the success of GFAs lies in their joint implementation by unions and management. In this respect, the full involvement of local level unions and management at all stages of the GFA process – from its initiation through to negotiations, implementation, and feedback – is crucial.





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## 1. Global Framework Agreements. A Union Initiative for a Global Regulation of Labour

Since the 1970s we have witnessed a massive expansion of global economic activity through the »liberalisation of trade« (deregulation) and the growth in investment and production driven by transnational corporations (TNCs). In many countries, a decline in trade union »control« over the national environment – a measure of which has been the increase in outsourcing, offshoring, »flexibilization and casualization« of work – has been one of the results of this development. For many trade unions, their policy options are increasingly being determined by decisions and developments made beyond their local or national contexts. Trade unions have continued to fight to hold on to and protect their hard-won regulatory instruments within their national domains. But they have also begun to look for cross-border approaches to combat unfettered international competition that is fed by a race to the bottom over labour costs. The challenge is in developing a potentially long-term strategy that will serve as a structural answer to the dilemma they face – namely, how to bring the power of unions, as locally or nationally organised entities, to bear on the transnational regulation gap in labour relations. One important tool they have devised for this task is the global framework agreement (GFA).<sup>1</sup>

GFAs are still not widely recognised as instruments of global labour relations, but their importance is growing. In contrast to the usually unilateral and voluntary character of corporate social responsibility measures, GFAs are based on a bilateral agreement that is negotiated and signed as a policy document between TNCs and Global Union Federations (GUFs).<sup>2</sup> As implied by the term »framework«, GFAs are intended to create a foundation for regulating labour conditions – based primarily on the ILO's Core Labour Standards and other ILO Conventions – and conducting labour relations in a delineated space or arena, that is, throughout the operations of a TNC and its global production network of suppliers,

sub-contractors, and other business partners. GFAs also include mechanisms for monitoring and internal procedures for conflict resolution.

Although GFAs are joint policy instruments agreed upon by management and labour, they were clearly union-initiated. Earlier attempts by unions at engaging TNCs in social dialogue with the goal of global collective bargaining were simply ignored.<sup>3</sup> But with the validity of voluntary and unilateral corporate codes of conduct being widely challenged in public anti-sweatshop campaigns, the international trade unions were gradually able to reach the bargaining table. In 2000 – more than a decade after the first GFA had been signed – little progress had been made, with only eight GFAs in existence at that time. Since then, the number has grown exponentially; today there are more than 90 signed agreements, of which 85 are currently active. Most of the TNCs are European-based, although the number of non-European TNCs is increasing.

During the past three years, our international and interdisciplinary team of researchers<sup>4</sup> has investigated the development and relevance of GFAs. Our focus has been on understanding GFAs as instruments of private governance – albeit based on publicly recognised norms – for regulating labour standards and employment relations within TNCs and their global production networks. In analysing the existing agreements and through several in-depth case studies of European-based TNCs, we have examined not only the motives behind negotiating and signing such agreements, but also the process of implementation within TNCs and across their production networks. We chose Brazil, India, Turkey, and the United States for case studies. In addition to their economic relevance,<sup>5</sup> all four countries have labour relations systems that differ notably from the general European norm and from each other as well. With this focus, we have developed a comprehensive

1. International Framework Agreement is the original generic term; however, the term Global Framework Agreement is more commonly used today.

2. In many cases, the signature of the GUF is a formal act, while actual negotiations are in the hands of an employee representative body, such as a works council, or national unions at corporate headquarters.

3. Except in the maritime sector, where the International Transport Workers' Federation achieved a collective bargaining agreement for so-called »flags of convenience« shipping.

4. See [http://www.polsoz.fu-berlin.de/polwiss/ifa\\_projekt](http://www.polsoz.fu-berlin.de/polwiss/ifa_projekt). The research was conducted at the Freie Universität Berlin with generous support from the Hans-Böckler-Foundation in Düsseldorf.

5. Our country selection reflects the changing pattern of the global division of labour. Brazil and India (along with China and Russia) are part of the BRIC group with a growing political and economic importance in the world economy. The United States is the second largest regional economy in the world and a prime focus of manufacturing investments among our sample TNCs. And Turkey, with its above-average economic growth rates, is of particular regional importance for European TNCs.

approach to evaluating GFAs as being a genuine step towards building and institutionalising a transnational arena of labour relations in which actor recognition, interest articulation, negotiation, and boundary-setting are recognised processes.

## 2. GFAs as a Policy Instrument

As a policy instrument, GFAs incorporate four dimensions: spatiality, actors, content, and processes. GFAs have a spatial dimension in which the boundaries within which the GFA is applicable as an instrument for the governance of labour are delineated. With suppliers, sub-contractors, and other business partners referenced in most of the agreements (with the exception of the service sector), GFAs are generally directed at reaching beyond the formal organisation of the signatory TNC in order to include the extensive realm of global production networks. In the actor dimension, GFAs are always signed by a representative of the TNC's central management and by a Global Union Federation. This not only gives the GFA a global dimension, it also provides the GUF with recognition and legitimacy. Nevertheless, labour's representative in negotiations may not be the GUF, but instead an employee body such as a works council or home country unions. Actors for management – such as TNC regional directors, subsidiary managers, or possibly major suppliers; and for labour, GUF affiliates at the subsidiaries and suppliers – are rarely or never involved directly in negotiations. This is despite the fact that they – local management and labour – carry responsibility for GFA implementation.

While TNCs are prone to regard GFAs (and in many cases labour relations) as an element of their policy on corporate social responsibility and sustainability, GUFs argue that GFAs represent a means of globalising labour-management relations based on the Core Labour Standards, as embodied in the ILO's Declaration on Fundamental Principles and Rights at Work (1998). Such ILO standards are the generally recognised bottom line of GFA content. Many agreements supplement this basic coverage by including principles and standards on further issues. Procedurally, GFAs also provide, in varying detail, mechanisms and means for monitoring the agreement, for renewing it, and for conflict resolution. With few exceptions, however, explicit processes, procedures, and resource commitments regarding implementation have

not been incorporated into agreements. Headquarters management simply exercises its prerogative to implement the GFA in the TNC and its global production network. Furthermore, one-half of the GFAs contain no explicit reference to implementation at suppliers, not even in the first tier of the global production network, let alone those on the outer periphery of networks. Without a jointly negotiated, process-oriented plan of implementation anchored in the agreement as signed, labour's role is curtailed.

## 3. GFAs and Transnational Union Networks

GFAs are not only about establishing regulations governing labour in global production networks. They are also about relations among unions from differing systems of labour relations. In conjunction with the GFA strategy, transnational union networks (TUNs) are intended to bring selected actors together to focus resources and intensify inter-union activities towards a particular TNC within the GFA arena. GUFs need to take the initiative and proceed in three interdependent steps: first, identify locations in the global production network where they already have – or can develop – the capacity to effectively pursue union activities; secondly, choose the common and relevant issues; thirdly, build a TUN to organise the necessary power.

Taking these steps requires an appropriate management of TUNs. While corporations construct their global production network according to business goals and market strategies, TUNs must link organisations with differing organisational resources and boundaries as well as varying and – not infrequently – contrary political, social, and institutional logics. They may involve GUFs, national and local unions and (European, world) works, as well as company councils as key actors. In this respect, »ownership« – that is, the integration of the GFA into each organisation's policy and realm of responsibility – has become the watchword.

In our research, we found variations in the kinds of networks from one GFA to another, but also across sectors. A combination of factors – foremost among them union density; the existence and location of affiliates within the TNC and its global production network; the configuration of those networks themselves; and stra-

tegic approaches to GFAs – contributed to those differences. For example, the International Metalworkers' Federation (now part of the new GUF IndustriALL) has pursued a more centralised network approach, geared to operate on the strength of its existing affiliates (and works councils) at major producers in core industrial countries. UNI, on the other hand, operates in highly fragmented sectors largely plagued by low – or no – union density. Its answer has been to prioritise an »organising« strategy throughout its operations and to support union recognition and membership drives at the local level. In both cases, as with all the GUFs, the actual impact of a particular strategy is often hampered by insufficient resources.

#### 4. GFA Implementation. Findings from Brazil, India, Turkey, and the United States

As a »top down« instrument of regulation – negotiated at the headquarter of TNCs and couched in the language of social dialogue – questions of dissemination, applicability, and implementation »on the ground« are continually being raised. In our empirical research, we sought to assess the dimensions of implementation through case study explorations in Brazil, India, Turkey, and the United States.

##### Brazil

In general, the information and communication practices in regard to the GFAs of our seven Brazilian case studies have been inadequate: in most of the cases, the GFA was still basically »unknown« to the key local actors at the subsidiaries. Neither the suppliers nor the sub-contractors had been adequately informed about the GFA. Among the four countries, the constraints of the institutional setting in Brazil are a marked hindrance to the widespread implementation of GFAs. Due to legal restrictions, unions are organisationally fragmented. Policy development across different workplaces – even within the same company – requires a special effort. As such, while a GFA may be fully implemented at one subsidiary due to a particularly favourable constellation of actors, its implementation at another subsidiary, or at any number of suppliers, might be completely inadequate. This problem looms especially large in such

sectors as construction and private services, in which workplaces are not spatially fixed. As such, we can argue that unions need to establish reliable links among related worksites to use the agreement in their local context. Secondly, GFAs are an essential but insufficient step towards securing basic labour standards and must be complemented by a more comprehensive legal framework of labour rights.

##### India

We also found that GFAs were largely unknown in India, at least prior to our research. In the few cases where they were communicated to local management, it was done without being highlighted as a joint labour-management policy. Whether communicated or not, local management maintained that the core principles of the GFA were implemented through corporate human resource and social responsibility policies. In general, management at TNC subsidiaries favoured independent unions limited to a single plant. Such organisations have few financial resources, as they do not have an affiliation to a central trade union or a political party, thus exacerbating the existing widespread organisational fragmentation in Indian trade unionism. In addition, political fragmentation, an outgrowth of India's history, adds to the weakening of workers' bargaining power in general.

As in Brazil, union fragmentation is a hindrance to cooperation in using GFAs. A further obstacle is the fact that while the number of atypical jobs is growing, these workers have been almost completely ignored by the unions. But GFAs could be used via their clauses on non-discrimination and freedom of association to organise them and bridge the great divide between the wages and treatment of permanent workers, contract workers, and trainees.

One exceptional case is from the service sector, whereby the GFA was being used by a coalition of unions to frame their organising campaigns in ways that gained greater sympathy from policymakers and important stakeholders. The coalition was successful in getting legal backing from the courts. However, in another case from the service sector, local management pursued an openly anti-union labour policy.

## Turkey

The case studies from Turkey, where local implementation varies markedly, are indicative of the importance and specificity of organisational policies and actors. There are policy differences between the TNC cases regarding the dissemination of the GFA to the subsidiaries as a central element of policy. The differences ranged from fully informing subsidiaries to not informing them at all. On the labour side, the involvement of the GUF in one of the sectors was inhibited by the presence of a non-affiliated union that had no specific policy regarding the use of the TNC's GFA. In another case, however, at a supplier, the same GUF and GFA played a decisive role in supporting the local union's recognition drive. Such variations show that at the local level, unions and management can be decisive factors as to whether a GFA is implemented or not.

Among local actors, we found instances of both ideological-political opposition to recognising unions among local managers as well as organisational barriers, such as a TNC minority-holding in a joint venture. Among trade unions, knowledge of GFAs was spotty, and most unions were uncertain as to how the GFA could be effectively implemented in Turkey, where overcoming political opposition and legal restrictions to unionism has been an uphill battle. As in Brazil and India, union fragmentation hinders cooperation and solidarity among unions in using GFAs as an organising tool.

## United States

In the United States, our research showed the importance of negotiating GFAs that contain clear and definitive language that is not subject to widely differing interpretations, most importantly regarding the neutrality of employers during a union-organising drive. Because of the fundamentally antagonistic nature of labour relations, the TNC's headquarters needs to inform local management about the GFA as a joint company-union policy and train local TNC and supplier management personnel to use it. The monitoring and auditing of procedures involving management and unions need to be accurately defined. In our case studies, we found some evidence of intervention on the part of the TNC's headquarters to ensure compliance by local management. However, as a rule, this intervention was the result of networking initiatives by the unions.


Regarding the applicability and effectiveness of GFAs, especially as a tool for union recognition, we found US trade unions to be pursuing diametrically different approaches. Several unions representing workers from the metal and transport sectors were quite critical of GFAs, arguing that as »stand-alone« instruments of social dialogue, they were unenforceable. In contrast, unions from other sectors, in particular from the service sector, were aggressively (and successfully) using GFAs to gain employer neutrality and secure their recognition. Such differences, it may be concluded, partly reflect the diversity of the organisational context; beyond that, the particulars of union involvement at the global level certainly are influential.

## 5. Conclusions and Policy Recommendations

In all four countries of our case study research, GFAs were still widely unknown among local managers and union officials. Where knowledge of them existed, local actors often lacked an understanding of how they could use the GFA in the context of their labour relations. Remarkably, however, we also uncovered a number of cases in each country in which the GFA was used successfully – and even innovatively. Taken as a whole, our case studies provide evidence in support of the following arguments:

1. Policies of the organisations involved can have a greater impact on the success of a GFA by overriding the particular environmental constraints of local and national institutions. The extent of centralisation/decentralisation of the TNC and its global network organisation – along with the strength, sustainability, and extension of trade union networks – are decisive factors in this regard. Involvement of local actors throughout the GFA process, from its initiation, through to negotiations and implementation, is crucial for establishing a viable multi-level GFA arena throughout a global production network.
2. Pro-active policies of locally tailored implementation are essential, especially in countries such as Brazil, India, Turkey, and the United States, all of which lack the embedded European experience of social dialogue. To ensure pro-active implementation, a greater commitment to organising the implementation process and the resources it needs during the negotiation phase is re-





quired. To date, implementation is generally dealt with reactively on a case-by-case basis; only in select cases did we find instances of pro-active approaches, though they were still lacking in comprehensiveness.

3. Implementation based on participatory, bi- and multilaterally negotiated approaches promises to be more successful than the currently widespread practice of unilateral implementation by management. The effectiveness of GFAs, as policy devised in labour-management negotiations, necessitates being communicated and practised as a joint instrument.

4. For a »full scale« implementation of a GFA – apart from strong content – three sets of practices involving all relevant actors are necessary: the first set concerns the information dissemination and communication practices; the second set is marked by training practices; while the third is operational and concerns the introduction of routines, rules, and procedures as well as related organisational and inter-organisational structures (e.g., an inter-organisational team in charge of coordinating the monitoring process).



## Selected Publications

**Fichter, M.** (2011): Exporting Labor Relations across the Atlantic? Insights on Labor Relations Policies of German Corporations in the U.S. *WorkingUSA* 14(2): 129-143.

**Fichter, M., and M. Helfen** (2011): Going Local with Global Policies: Implementing International Framework Agreements in Brazil and the United States. In: K. Papadakis (ed.), *Shaping Global Industrial Relations. The Impact of International Framework Agreements*. Houndsmills: Palgrave Macmillan, 73-97.

**Fichter, M., M. Helfen, and J. Sydow** (2011): Employment Relations in Global Production Networks - Initiating Transfer of Practices via Union Involvement. *Human Relations* 64(4): 599-624.

– (2011): Ensuring Core Labor Standards through International Framework Agreements? *Perspectives on Work* 15 (1-2): 23-25.

– (2011): Regulating Labor Relations in Global Production Networks. Insights on International Framework Agreements. *Internationale Politik und Gesellschaft* (2): 69-86.

**Fichter, M., and D. Stevis** (2011): Global Framework Agreements: Looking Inwards, Outwards and Onwards. *International Union Rights* 18(2): 16-17.

**Gartenberg, I., and S. Bandekar** (2011): Challenges to Ensuring Core Labour Standards in Transnational Corporations: The Case of India. *The Indian Journal of Labour Economics* 54(2): 269-283.

**Stevis, D.** (2011): The Impacts of International Framework Agreements: Lessons from the Daimler Case. K. Papadakis (ed.), *Shaping Global Industrial Relations. The Impact of International Framework Agreements*. Houndsmills: Palgrave Macmillan, 116-142.

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## About us

Trade unions, works councils and other forms of workplace representation of interests are fundamental as an expression of democratic freedoms in a society. They enable a significant segment of the population to articulate its interests and contribute to the social and equitable development of societies in so doing.

To strengthen the representation of interests of wage and salary earners is therefore an integral part of efforts undertaken by the Friedrich-Ebert-Stiftung towards the promotion of social democracy across the globe.

The Friedrich-Ebert-Stiftung therefore seeks to ensure that trade union positions are included in political and economic decision-making at the workplace, at the national level, in regional as well as in international contexts.

Yet trade unions, works councils and other forms of workplace representation of interests can only achieve this if they are representative, democratic, autonomous, competent and efficient. To promote and advise trade union organisations in this manner constitutes an important part of the international support provided by the Friedrich-Ebert-Stiftung.

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