

**Shifting Locus of Influence in the Labor Union Movement:  
Negotiations in International Framework Agreements**

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## **Abstract**

In the ongoing globalization of business, *transnational* industrial relations systems are emerging as complements to the traditional *national* systems. Integral to the emergent transnational systems are International Framework Agreements (IFAs). This chapter shows that a previously unrecognised key aspect of IFAs is that they shift the locus of influence in the union movement from national unions to either global union federations or enterprise level unions. Based on a study of an IFA signing process, this chapter shows how this tension between different levels of the union movement affected both the IFA signing process and the IFA content. The outcome in the studied case was that the locus of influence was decentralized to the enterprise level union. This result challenges the prevalent argument that IFAs centralize influence to global union federations. Instead, this chapter proposes that the locus of influence will be decentralized to the enterprise level when: i) there is a trustful corporate-enterprise level union relation, ii) there is a distrustful corporate-global level union relation, and iii) the corporate driver for adopting an IFA is to foster its relations with its enterprise level union. On the other hand, the locus of influence will be centralized to the global level when: i) there is a distrustful corporate-enterprise level union relation, ii) there is a trustful corporate-global level union relation, and iii) the corporate driver for adopting an IFA is to improve its external legitimacy.

## Introduction

A process of globalisation is ongoing, marking profound shifts in economic structures, institutional arrangements and the organisation of work (e.g., Stiglitz, 2003; Bhagwati, 2005; Cohen, 2006). Evidence of this development includes increasing competitive pressure, global outsourcing, communications technology evolution, and a homogenisation of consumer tastes and branding (e.g., Klein, 2000). Importantly, the ongoing globalisation is challenging the national organisation of work by introducing a transnational logic of organisation. The transnational organisation of production became prevalent during the 1980s and 1990s as European and US-based TNCs started to offshore much of their production to developing countries (e.g., Jones, 2005; Taylor, 2005). This trend was particularly evident in low-skill industries – such as the garment, footwear and toy industries – in which TNCs to a large extent pursue low-cost strategies (e.g., Christerson and Appelbaum, 1995; Hathcote and Nam, 1999).

The transnational organisation of work is problematic for labour unions that mainly base their activities on national organisations. There are two potential union strategies in response to this challenge. First, unions could redirect focus and influence from the national union level to the enterprise level union, i.e. they could *decentralise* their work to individual TNC enterprise level unions. Second, unions could redirect focus and influence from the national union level to the global union level, i.e. they could *centralise* their work to Global Union Federations (GUFs). At the core of this centralization vs. decentralization tension is the key issue of who should have the right to represent individuals in democratic structures, i.e. where should negotiation power be located within a representative democratic structure such as the labour union movement? Phrased differently, how far from the voters and financiers (i.e. individual workers at specific companies) should negotiation power be located? The purpose of this chapter is to study this tension and shifting of locus of dominance in the labour union movement as it is manifested in the negotiations of International Framework Agreements.

International Framework Agreements (IFAs) are one of the labour union movement's main responses to the ongoing transnationalisation of work. Unions promote IFAs as an alternative to the currently commonplace voluntary non-binding codes of conduct approach. While codes of conduct and IFAs share the same objective, i.e., to increase the responsibility of TNCs for workers' rights (cf. Braun and Gearhart, 2004; Compa, 2004; Roman, 2004), codes of conduct are unilaterally adopted by corporations and IFAs are negotiated agreements between corporations and labor unions. Today, most TNCs have adopted codes of conduct (e.g., Schlegelmilch and Houston, 1989; Sethi, 1999; Guillén et al., 2002; Nijhof et al., 2003; Kaptein, 2004), whereas only a handful have adopted IFAs (Hammer, 2005; Riisgaard, 2005). However, the number of signed IFAs are steadily increasing (Hammer, 2005; Riisgaard, 2005), making IFAs increasingly important to study.

So far, academic research has almost solely been devoted to codes of conduct and largely neglected IFAs (cf. Egels-Zandén and Hyllman, 2007). Recently, a handful of empirical studies have started to fill the IFA research void (Wills, 2002; Miller, 2004; Fairbrother and Hammer, 2005; Hammer, 2005; Riisgaard, 2005; Anner et al., 2006; Egels-Zandén and Hyllman, 2007). However, while making important contributions, this previous research has neglected some critical aspects of IFAs. In particular, previous research has neglected the centralization vs. decentralization tension *within*

the union movement. The purpose of this chapter is to address this gap based on a study of the negotiations leading to the signing of a recent IFA between labor unions and a European TNC.

### **Previous research into International Framework Agreements**

As noted above, there are two main types of materializations of the emerging transnational industrial relations system: codes of conduct and international framework agreements (IFAs). The main difference between codes of conduct and IFAs are that codes are unilaterally adopted by corporations and IFAs negotiated agreements between corporations and labor unions. Today, the code of conduct approach dominates transnational industrial relations systems, but the importance of IFAs in transnational relations are steadily increasing (Hammer, 2005; Riisgaard, 2005).

Similarly to the dominance of codes of conduct among practitioners, researchers have almost exclusively been interested in codes of conduct as compared to IFAs. While there is ample research into different aspects of codes of conduct (e.g., Cowton and Thompson, 2000; Frenkel, 2001; van Tulder and Kolk, 2001; Nijhof et al., 2003; Egels-Zandén, 2007), it is only recently that a handful of studies have started to analyse IFAs. First, several authors note that IFAs are becoming an increasingly important part of labour unions' agenda (e.g., Gallin, 2000; Muller-Camen et al., 2001; Wills, 2001; Connor, 2004; Spooner, 2004; Chang and Wong, 2005; Royle, 2005; Andersen, 2006; Turnbull, 2006; Waddington, 2006; Doellgast and Greer, 2007). However, these studies do little more than notice that more research is needed into IFAs.

Second, there are some studies that have focused on analysing the content of IFAs, showing that most IFAs have been signed during the last years, build on ILO and UN Conventions, cover both company's own and their suppliers' operations, and involve labour unions in the negotiation processes (Hammer, 2005). Egels-Zandén and Hyllman (2007) also shows that IFAs include more processual aspects of worker representation than do codes of conduct, and Anner et al. (2006) provides comparisons between IFAs and other transnational union strategies.

Third, some studies have focused on the motives for adopting IFAs. Miller (2004) studied the motives by analysing Global Union Federations' strategies for pressuring TNCs to sign IFAs. Miller (2004) found that despite extensive efforts to sign IFAs, Global Union Federations have so-far had only limited success. Riisgaard (2005) also studied the motives concluding that external NGO and union pressure threatening TNCs' legitimacy was important for the signing of IFAs.

Finally, there are a handful of recent empirical studies into the actual implementation of IFAs. Wills (2002) studied the Accor-IUF agreement in developed countries such as USA and Canada and found that IFAs: i) secure access for local unions to workplaces, ii) develop the international dimension of daily union work, iii) provide international support to local union organizing and local negotiations and disputes, and iv) foster internationalism among the workforce. Riisgaard (2005) complemented this picture by studying the Chiquita-COLSIBA IFA in developing countries and showing that it was not fully implemented and that workers were uninformed about the IFA. A recent International Metalworkers' Federation (IMF) commissioned study of 27 foreign-

owned IMF related factories has also supported Riisgaard's (2005) findings (AMRC, 2007).

While all of this previous research provides valuable insights into IFAs and the emerging transnational industrial relations system, they neglect the fact that IFAs are leading to a shifting locus of influence in the union movement from a traditional national to a transnational level. The purpose of this chapter is to address this gap in previous research and by doing this provide insights into both the ongoing changes in the union movement and the processes of signing IFAs. As will be shown in this chapter, the tension within the union movement is not simply an abstract theoretical tension. On the contrary, it is manifested in the ongoing negotiations of IFAs and, hence, important to analyse in order to understand IFAs.

The lack of research into the centralization-decentralization tension in the union movement as manifested in the process of signing IFAs is likely related to two factors. First, the role of labour unions is largely neglected in CSR and business ethics literature (Michalos, 1997; Leahy, 2001; Riisgaard, 2005; Provis, 2006), i.e. business ethics researchers have likely ignored IFAs due to their close link to union issues. At the same time, industrial relation researchers have interpreted IFAs as part of the CSR trend (e.g., Miller, 2004; Riisgaard, 2005; Shanahan and Khagram, 2006; Waddington, 2006); a trend that only sparsely has been studied in industrial relations literature (Egels-Zandén and Hyllman, 2007). Hence, IFAs have ended up in a vacuum between two research streams. Second, previous research into tensions between actors in transnational industrial relations has almost exclusively focused on tensions *between* groups of actors. For example, the tension between labour unions and NGOs in transnational industrial relations have received increasing attention recently (e.g., Justice, 2003; Braun and Gearhart, 2004; Roman, 2004; Spooner, 2004; Egels-Zandén and Hyllman, 2006). However, tensions *within* a group of actors – be it NGOs, TNCs, or unions – have largely been left unanalysed. Hence, among the sparse existing research that has focused on IFAs, the focus has been on tensions *between* rather than *within* groups of actors and this has led to a gap in research into the role of tensions within the union movement in the signing of IFAs.

## **From national to transnational industrial relations**

To fully understand the significance of codes of conduct and international framework agreements for industrial relations, a short background is needed regarding recent trends in industrial relations. Traditionally, industrial relations have been handled through collective bargaining and industrial agreements between firms, labour unions, and governments (e.g., Dunlop, 1958; Emery and Thorsrud, 1969; Hedlund and Otterbeck, 1977; Bamber and Lansbury, 1998). These bargaining and industrial agreements have predominantly been based on national legislation and thus been characterised by a high degree of national path-dependence (e.g., IDE, 1981; Piazza, 2002). Hence, industrial relations systems has historically been embedded in a context of national, tripartite arrangements negotiated by actors engaged in ongoing relationships with each other.

However, these national and tripartite industrial relations systems have been challenged by the ongoing globalisation with production moving geographically from a European and US setting to a predominantly Asian setting (cf. Frenkel, 2001; Schrage, 2004). In this process, the European and US national arenas where workers' rights

issues traditionally have been negotiated become less relevant and, consequently, the dominant actors in these settings such as national European and US governments lose influence. In contrast, the national settings of developing countries (mainly in Asia) increase in importance. Many Asian countries have fairly stringent labour laws similar to those in Europe and US with countries such as China and Vietnam recently making profound changes in their labour laws (Warner, 1996; Chan, 1998; Ding and Warner, 1999; Cooney et al., 2002). However, there are large gaps between the labour law and corporate practice in these countries – especially in the countries with recently changed laws (Zhu and Fahey, 1999; Lau, 2001; Liew, 2001; Cooney et al., 2002; Chen, 2003; Cooke, 2004; Frenkel and Kim, 2004).

In practice, this means that TNCs that are offshoring production to Asian countries are entering national settings with little labour law enforcement. Since transnational institutions for workers' rights have not yet developed to balance the offshoring trend and the weak enforcement of Asian labour laws, there are industrial relations governance gaps that are starting to be filled by TNCs, unions, and NGOs (Beck, 1992; Rosenau and Czempiel, 1992; Strange, 1996; Christmann and Taylor, 2002; Frenkel and Scott, 2002; Sullivan, 2003; Frenkel and Kim, 2004; Prieto and Quinteros, 2004). These gaps have been filled by the introduction of transnational "soft law" in the form of codes of conduct and/or international framework agreements (Emmelhainz and Adams, 1999; Kolk and van Tulder, 2002; Sethi, 2002; Radin, 2004; Bartley, 2005).

Hence, codes of conduct and international framework agreements comprise a *transnational* industrial relations system that operates in parallel with the traditional *national* industrial relations systems. The purpose of this chapter is not to discuss the intricate relations between these national and transnational systems (for an overview of these issues see for example Bartley (2005)). For the purpose of this chapter, it is enough to notice that the emergence of a complementary *transnational* industrial relations system challenges the traditional *national* level of dominance in the labour union movement.

The above described emergence of a transnational industrial relations system in the form of codes of conduct and/or international framework agreements means that negotiations of certain fundamental workers' rights issues move from a national (mainly Asian) setting to a transnational (mainly Western) setting. Hence, the transnational industrial relations system *centralise* negotiations of certain fundamental workers' rights. Thörnqvist (1999) argues that decentralisation of workers' rights is partly done to widen wage differentials and stimulate flexibility. Consequently, centralisation of negotiations of fundamental workers' rights could be seen as an attempt to achieve the opposite, i.e. to introduce less wage differentials and limit flexibility. These arguments are also closely linked to those presented by proponents of codes of conduct and/or international framework agreements.

The question of interest in this chapter is where this centralisation of negotiations ends up in the labour union movement hierarchy, i.e. where is the locus of influence shifted to? There are two main potential answers to this question. First, dominance could be shifted from national unions to Global Union Federations, implying a *centralisation* of influence in the union movement. Second, dominance could be shifted from national unions to corporate level unions, implying a *decentralisation* of influence in the union movement.

Fundamentally, this centralization vs. decentralization debate is about the central and general issue of who should have the right to represent individuals in democratic structures, i.e. where should negotiation power be located within the representative democratic structures of the labour union movement. More specifically, what hierarchical level within the union movement is the legitimate spokesperson in transnational industrial relations issues? Should the union movement's transnational industrial relation strategies be mainly bottom-up driven (the effect of decentralization to enterprise level unions) or should strategies be mainly top-down driven (the effect of centralization to global level unions)? Phrased differently, how far from the voters and financiers (i.e. individual workers at specific companies) should negotiation power be located?

## **Method**

To explore how the centralization-decentralization tension within the union movement is manifested in and affect the signing of IFAs, I make use of material from an explorative study of the IFA signing process in a European TNC – hereafter referred to as “EuroCorp”<sup>1</sup>. Given the limited understandings of IFAs, the reliance on a qualitative study is in line with previously proposed methods (e.g., Marshall and Rossman, 1995; Lee, 1999; Maguire et al., 2004). EuroCorp was chosen since it is ranked as one of the best European CSR firms and it is also one of the few TNCs that has signed an International Framework Agreement.

The study of the centralization-decentralization tension in the signing of an IFA is part of a larger study of EuroCorp CSR practices in both Europe and Asia. Data for this larger study was gathered from interviews, written documentation and observations. Between 2005 and 2007, over 100 actors that had links to EuroCorp's CSR practices were interviewed. This included EuroCorp top and middle management, EuroCorp's CSR department, EuroCorp workers, international and local EuroCorp union representatives as well as local and international stakeholders. For the sub-study of the signing of EuroCorp's IFA, I mainly relied on semi-structured interviews with the key actors involved in the process. This included corporate representatives, and enterprise, national and global level union representatives. The interviews lasted on average one hour. In addition to interview data, analysis of documents (mainly different versions of the emergent international framework agreement) was used as background for the interviews and as a complement to the verbal sources.

The collected data were used to construct a chronological representation of EuroCorp's process of signing an IFA focusing on key decision points and conflicts. This chronological representation was then condensed into a short description of the signing process and a more extensive section on how the tension within the union movement affected the process. This empirical description was then sent to the interviewed representatives to validate the description of the definition process. Finally, the interviewees' suggested changes were incorporated into the final description of the definition process.

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<sup>1</sup> “EuroCorp” is a anonymized name that has no reference to either the studied TNC's name or any potential firm and/or organization actually named “EuroCorp”.

## The process of developing an International Framework Agreement

### Background: International workers' rights turbulence

The focus on Corporate Social Responsibility in relation to developing countries started in late 1980s and early 1990s with activist campaigning uncovering the working conditions in TNCs' and their suppliers' operations (e.g., van Tulder and Kolk, 2001; Roberts, 2003; Frenkel and Kim, 2004; Bartley, 2007). Issues such as child labour and 'sweatshops' were readily debated in mass media putting extensive pressure on TNCs to justify their operations. In the early 1990s, TNCs such as Levi's, GAP, Nike, and Reebok responded to this criticism and embraced and extended responsibility for workers' rights (e.g., Braun and Gearhart, 2004). This extended responsibility was mainly operationalised through corporate adoption of codes of conduct (e.g., Schlegelmilch and Houston, 1989; Sethi, 1999; van Tulder and Kolk, 2001; Guillén et al., 2002; Nijhof et al., 2003). In turn, this led to a growing number of organizations focused on monitoring these codes of conduct and the establishment of organisations such as Fair Labor Association (FLA) and Social Accountability International (SAI) (e.g., O'Rourke, 2003; Esbenschade, 2004; Bartley, 2007).

In parallel with the NGO driven emergence of codes of conduct as a way to operationalise corporate responsibility, labour unions started to develop an alternative way to operationalise corporate responsibility: international framework agreements. Already in the mid 1980s Danone and IUF had signed an IFA, and in the mid 1990s Accor, Statoil, IKEA and other companies started to sign IFAs (Fairbrother and Hammer, 2005; Hammer, 2005). In this way, two competing (or complementary) ways of operationalising corporate responsibility emerged with NGOs and companies mainly promoting codes of conduct and labour unions mainly promoting IFAs (Gallin, 2000; Connor, 2004; Hammer, 2005; Riisgaard, 2005; Egels-Zandén and Hyllman, 2006). The unions' critique of codes of conduct was to a large extent rooted in them being sceptical of unilaterally 'given rights' (cf. Justice, 2003; Roman, 2004; Lipschutz, 2004). Instead, the union movement opted for signed corporate-union agreements to regulate workers' rights. Hence, the union movement attempted to base the emerging *transnational* industrial relations system on a similar "bargaining logic" as that dominating *national* industrial relations in mainly Europe and US.<sup>2</sup>

### Process initiation: The Global Union Federation proposes an IFA

It was in this turbulent setting of the mid 1990s that the idea of a EuroCorp IFA emerged. The EuroCorp international framework agreement idea was instigated by the Global Union Federation responsible for EuroCorp. The GUF had at that time recently that had taken a policy decision to prioritize and promote IFAs, and as a step in the implementation of this strategy GUF representatives raised the issue of an IFA at one of the EuroCorp World Works Council meetings.

During the World Works Council meeting, the GUF representatives and enterprise level union representatives also had the opportunity to discuss how to move forward with a EuroCorp IFA. As one of the EuroCorp enterprise level union representatives

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<sup>2</sup> For a discussion on the main characteristics of national industrial relations systems in Europe and US see for example Dunlop (1958), Emery and Thorsrud (1969), Bamber and Lansbury (1998), and Huzzard et al. (2004).

noted, the timing of this GUF initiative was favourable since the enterprise level union was looking for a way to handle issues of workers' rights globally in EuroCorp.

“It all started in mid 1990s. The reason was that at that time EuroCorp was being questioned regarding how EuroCorp handled issues mainly related to child labour, working environment, salaries etc. in different countries. We [the enterprise level union] wanted to have a general EuroCorp view of how to treat employees regardless of where production is located.”

When discussing what he meant by “being questioned”, it became clear that these questions mainly came from members of the EuroCorp enterprise level union and the international union movement. At this time, few, if any, other stakeholders discussed these issues with EuroCorp. The EuroCorp manager then responsible for these issues confirmed this picture claiming that there was, at this time, no pressure from customers, investors, media or stakeholders other than the unions for adopting a code of conduct and/or International Framework Agreement.

As noted above, the International Framework Agreement idea was first officially discussed at a EuroCorp union World Works Council. After internal union discussion, representatives from the EuroCorp union approach the relevant corporate manager. As this manager recalled:

“In conjuncture with a EuroCorp labour union World Works Council meeting, the question about a code of conduct arose. It was probably the Global Union Federation that pushed for this issue and then the question came to me. The EuroCorp enterprise union representatives posed the question: Should not EuroCorp have such a code of conduct that more formally regulate how we the union and you EuroCorp management work together? I responded: it is possible. Leave the issue with me and I will consider it.”

### **Internal debate: Stopped processes**

Shortly after this approach by the EuroCorp enterprise union, the relevant EuroCorp managers discussed the idea of an IFA. Although the managers saw few direct problems of having such an agreement, there was a general scepticism towards codifying workers' rights issues. As one manager explained:

“We discussed it internally and my opinion was that there is nothing really that stops us from formalizing what we do anyway. There is though always a risk when you start formalising that it becomes so rigid. I mean it was not that the [EuroCorp] union tried to fix something that was not working and it was not that we wanted to fix something that was not working. Rather, I guess both parties felt that it was working very well. We had at that time rules and agreements on the European level that regulated the European corporate-union relations. If you would really follow all these rules to the letter, it would become extremely bureaucratic and we felt that we had a more normal and productive way of working. So there was some fear or scepticism regarding what would such an agreement yield. But for some reason I felt that maybe we should have an agreement because they [EuroCorp's

union] will not let this idea go. However, it should include more than simply our corporate-union relation.”

At this time, numerous international firms had already adopted unilateral codes of conduct. The EuroCorp managers started collecting different codes of conduct and talked to relevant individuals outside the firm. Once they had gotten a fairly good idea of what a code of conduct would mean, they presented the idea to top management. However, some key top managers had the same objections that codifying practices and responsibilities would make it very rigid. As one of the involved EuroCorp manager recalled:

“We talked to top management that was sceptic of the code of conduct idea. They basically reasoned as we did, but as top management they could decide that we should not have such a code. It becomes so rigid.”

This led the process to somewhat of a halt. At the same time, the EuroCorp manager mainly responsible for union relations perceived that the EuroCorp union would simply not accept a negative answer to the development of an IFA. This perception seemed to be correct with union representatives continuing to on a regular basis inquire into if it would be possible to develop an agreement.

### **Moving forward with a working group**

In the end of the 1990s, the process regained momentum with a working group being created with the purpose of developing a code of conduct. Hence, the focus had at this time been shifted from a corporate-union agreement to a unilateral code of conduct. The enterprise level union representatives were though still convinced that the workers' right part of the code of conduct eventually would turn into an agreement. The working group consisted of two EuroCorp representatives, one external consultant and a national union representative. Hence, the union movement was represented in the process, but not in the form of either the enterprise level union or the global union federation. This might be somewhat surprising given that it was these two actors that had instigated and driven the IFA question at EuroCorp up to that point. One of the EuroCorp managers explained why they had chosen a national rather than enterprise union representative:

“Our idea was probably to not get a negotiation. If it had been the enterprise level union representative, it would have turned into a negotiation. He would have taken a EuroCorp union position, so in retrospect it feels like it was the right choice. The chosen nation union representative was also the person with responsibility for EuroCorp in the national union.”

The enterprise level union representatives saw no problems with having this particular national union representative participate in the code of conduct process as a representative for the union movement's agenda. As one enterprise level union representative explained:

”He [the national union representative] was our union expert. He has an impeccable reputation, is extremely knowledgeable and has an outstanding network. From my perspective he might as well have been at EuroCorp. We were supportive of having him in the working group.

It is our relationship with him that makes all the difference, so from our perspective there was no big difference if it was him or me that were involved in the process... We talked weekly about all sorts of issues, met at least monthly and travelled around the world together three-four times a year.”

Once the code of conduct process was initiated there were four main issues remaining that were related to the workers’ right section of the code and the signing of a corporate-union agreement. First, it was the issue of what actor within the union movement that should sign the agreement. Second, it was the issue of specificity of the content of the code. Third, it was the issue of inclusion of suppliers’ operations in the agreement and, fourth, it was the issue of how to monitor the agreement.

### **Issue I: What union representative signs the IFA?**

One key issue in developing the EuroCorp IFA was to decide what union representative that should sign the IFA. The global union representatives perceived that the agreement should be signed between the GUF and EuroCorp potentially with the enterprise level union co-signing the agreement. As one GUF representative explained:

“The question was who should sign the agreement – if it should be we [the GUF], the European union federation or the enterprise level union. But it was totally clear, to have a world wide legitimate agreement, the only option was that we [the GUF] signed such an agreement. This was the appropriate solution according to us. However, we also believed that the union organization at the company headquarter location that in practice had negotiated the agreement should be allowed to co-sign the agreement in order to give them recognition for their role.”

The enterprise level union recognised, and seemed to accept, this position by the GUF, understanding the symbolic importance of IFAs for GUFs. As one enterprise level union representative explained:

“If the GUF is to play a role in society and show its union strength, this [IFAs] was a good opportunity. If the GUF could establish a number of these agreements where the GUF was the signatory, then the GUF establishes itself as the instigator and driver of union issues on an international level. So signing IFAs would increase the GUF’s influence in many many other issues. It has to find legitimacy for its role. IFAs became a way for them to move beyond abstract discussions into bargaining at the enterprise level. GUFs have tried to influence national unions that in turn influence enterprise level unions, but even though GUFs have instigated initiatives they have not received credit for it because agreements are so local. Signing IFAs was a way to put the GUF on the map – a way to show that they are doing something.”

Another union representative highlighted the symbolic importance of who signs the IFA, when explaining why this question was so important.

“The most important aspect [of IFAs] is that the global union level becomes recognised [by the companies] as a negotiation partner. We have a problem internationally that companies, even if they recognise

unions at the national and enterprise level, not necessarily recognise the global level unions. This is one of the weaker parts in the entire international [industrial relations] system. Therefore, we believe that if we can reach these agreements then we have received recognition of the role of the Global Union Federations as a negotiation partner.”

At the same time, the enterprise level union representatives perceived that the signing of an IFA was more important than it necessarily being signed by the global union federation. While recognising the downside of an agreement that was not signed by the GUF, they perceived that the value of signing an agreement was greater than the loss of it not having a GUF signing it.

“The GUF claimed to have the right to sign the agreement, because without their signature the document would not be worth anything. We had to try to explain to them that if we do not find a solution there will no agreement at all, and this is not our ambition and cannot be the GUF’s ambition either. The alternative was to have no agreement at all. It was that bad. We would then have had to move forward ourselves without the GUF.”

Similarly, some GUF representatives valued the symbolic importance of a EuroCorp agreement so greatly that they were prepared to deviate somewhat from their initial position as signatories of international framework agreements.

“I fought really hard to convince people in the union movement that despite this not being a good agreement it was still a start and that we needed to break the ice in EuroCorp’s headquarter country. I thought that the agreement would provide us with a small, small opening to further expand our work in this country.”

The issue of who should sign the IFA was made even more complicated with EuroCorp management being unwilling to sign an agreement with the GUF. One manager explained:

“We did not want to sign an agreement with an international union. It is not that type of agreement. I mean regardless, it was never a possibility. But I know that they raised this question. It was what they wanted. To this I responded: never. Our agreements are for our employees and this [the IFA] specifies a way to act to our employees. This was not a cunning strategy to avoid any legal responsibility, but rather an emotional decision. Why should we make an agreement with a GUF? Implicitly: the GUF does not really have anything to do with what we do. If they [the GUF] feel that they have this, they can use their available channels. However, we are not going to encourage the GUF to step in to our operations with opinions regarding how we work. They can of course use their legal channels the way they want, but we are not going to sign anything with them. /.../ Our questions are our questions. And our [enterprise level] union is a part of EuroCorp.”

The enterprise level union was well aware of this corporate position. As one union representative put it:

“We faced a dilemma as enterprise union representatives. We really wanted this agreement and EuroCorp refused to enter into an agreement signed by the GUF.”

This corporate position regarding signing agreements with GUFs is not unique for EuroCorp. For example, several union representatives claimed that companies are sceptic of signing agreements with GUFs. As one representative explained:

“I think that the reason they [the corporations] do not want to sign agreements is that they by signing agreements recognise Global Union Federations as an international negotiation partner and legitimize a union organization at the global level. There have even been instances when industry organizations have almost forbidden their company members to sign these agreements.”

This apparent deadlock was innovatively solved when the enterprise and global level unions identified the possibility for the enterprise level union to sign the agreement as representatives of the EuroCorp workers and as representative of the GUF. Since the EuroCorp enterprise level union is, at least indirectly, a part of the GUF, it could be seen as representing both the enterprise and global level. From the enterprise level union and EuroCorp perspectives this was an acceptable solution, since it meant that the agreement would be between EuroCorp and its enterprise level union. From the global union federation perspective this was not an optimal, but acceptable, solution.

“We were very sceptic and unsure of whether to support the agreement or not, but we understand that the agreement is important. We would really have liked to see a different kind of agreement /.../ That we allowed the enterprise level union to sign as a representative of the GUF was due to the fact that we had reached a point where we did not want to ruin our relations with EuroCorp that has an exemplary history regarding workers’ rights.”

#### **Issues II - IV: Content, suppliers and control structures**

While negotiating who should sign the agreement was a key issue where the tension within the union movement was illustrated, this tension was also present in other issues. For example, the EuroCorp enterprise level union and the Global Union Federation also had diverging opinions on the level of detail in the agreement. As one enterprise level union representative explained:

”Representatives from the GUF argued that all details should be regulated in the agreement. Everything that is not regulated is a restriction, while we saw it the other way. The agreement should include as little detail as possible to give us as many degrees of freedom as possible. Their ideas were built on the notion that you [the company and the union] can not trust each other so everything should be regulated. Our ideas are built on the notion that you should trust each other. If there are some problems you have to sit down in a working group and solve it. I said that I would not approach the company representatives with such a detailed agreement that they proposed.”

A similar recognition of the differences in perspective regarding the level of detail in the agreement between the enterprise and global level is provided by global union representatives:

“We do not think that the EuroCorpo agreement is a good agreement. It is good in principle, but to be a real agreement it should be more extensive and detailed regarding certain areas such as suppliers and have explicit references to all ILO conventions. This is why we were somewhat unsure of whether to sign this agreement or not. We would never have signed a similar agreement with any other company, but we know that EuroCorp has a history of not signing detailed agreements and I trust them.”

Hence, there was a tension within the union movement – not necessarily regarding the content of the agreement – but regarding the level of detail of the actual written agreement. In similarity to the outcome regarding who signed the agreement, the outcome in this issue was much in favour of the enterprise level union’s preferences with the EuroCorp agreement being fairly short and not extensively detailed.

The third tension was regarding how strict the agreement should be in terms of suppliers’ operations. The GUF representatives opted for strict inclusion of the suppliers in the agreement. However, EuroCorp representatives were reluctant to including strict regulations regarding the applicability of the agreement at suppliers’ operations. The EuroCorp enterprise level union occupied a middle position as one enterprise level representative explained:

“I fully understand their [EuroCorp’s] position. To have control over the largest suppliers is reasonable, because they buy so much and should then make demands. And they [EuroCorp] were not against that. But this was not the demand from the GUF. Here every supplier and sub-supplier should be included and it should be possible for the GUF to monitor the working conditions at these suppliers. Of course EuroCorp claims that: we are doing a good thing here, trying to sign and abide by these rules and then someone would be able to enter through the back door throwing more dirt at us than any other company because we are in the front-line. We will be one of the first companies with such an agreement. So there was a fear from the corporate counterpart. We [the enterprise level union] were telling the GUF to tone down these supplier demands because it is not going to happen. It was one of the biggest issues in the negotiations.”

The outcome of this negotiation was (in similarity to who sign and level of detail issues) an agreement close to the position of the enterprise level union and EuroCorp. As one GUF representative phrases it:

“The problem is all the suppliers that EuroCorp is dependent on. We have not been able to include them in our work and therefore we have not been able to pressure them /.../ If you look at other agreements, they are really tough regarding suppliers. The issue with suppliers really has to be much stronger regulated than in EuroCorp’s agreement.”

Finally, there was also a tension in how the implementation of the agreement was to be controlled. EuroCorp representatives strongly felt that they and the enterprise level union were to be responsible for the implementation of the agreement.

“The GUF representatives involved in the discussions had the opinion that there should be a working group with union representatives [including GUF representatives] that should monitor compliance globally. We basically said that this is never going to happen. Anyone from the enterprise level union knows that they are allowed to go anywhere they want. EuroCorp have and will open all possible doors for you. They can look at whatever they want when ever, but we are not going to create some sort of task force that attempts to expose non-compliances. This is not they way we want to run EuroCorp. The GUF representatives still perceived that it had to be an external working group. This is the only way to provide trustworthy monitoring, and then it was simply to explain that if this is your absolute demand we will not reach an agreement. Then we do not even have to discuss IFAs any more, since it is we that decide how we run EuroCorp. We have nothing to hide, but we are not going to change our corporate culture into a culture of ambushing.”

This strong sense of implementation ownership residing within EuroCorp was to a great extent (although in a more moderate version) shared by the enterprise level union.

”We [the enterprise level union] felt that it was appropriate to use the already established structures within the EuroCorp group and expand these committees with issues related to the agreement. Both the company and we do continuous monitoring of the agreement mainly separately but we can also do it together. Our big advantage is that we already have established structures and an established global forum in our World Works Council.”

Eventually, the chosen control structured was mainly based on existing EuroCorp structures, i.e. in line with the corporate and enterprise level union preferred option. In these existing structures, the GUF is partly included (mainly in the World Works Council) so the GUF is still a part of the advisory group for the monitoring of the agreement but the GUF plays a more limited role than it had opted for in the negotiations.

In sum, there were numerous issues in which the enterprise level union and the GUF did not have the same opinion regarding the content, form, monitoring and so on of the EuroCorp IFA. In all of the main issues, the outcome was an IFA closely linked to the enterprise level union’s preferences. Hence, the enterprise level union had substantial influence over the IFA signing process in this particular case.

## **The formation of roles within the union movement**

### **The role of national unions**

The conducted study shows that the construction of IFAs can be a multi-level union process with enterprise level, national level and global level unions participating. In

itself, this illustrates the unclarity of what actor within the union movement that should drive the development of transnational industrial relations on the enterprise level. Interestingly, the involvement of the national union in the process was due to the fact that the EuroCorp wanted to avoid negotiations at the initial stages of the process. Hence, since neither the company nor the enterprise and global level unions considered the national union as a bargaining partner in the formation of transnational industrial relations systems, the national union was able to participate in the process and influence the code of conduct and IFA content. In this respect, this study adds to the more general argument that the national level of union organizing is losing bargaining influence by showing how increased union focus on developing transnational industrial relations systems at least implicitly implies a move of bargaining influence from the national union level to either the enterprise or global level (e.g. Katz, 1993; Bean, 1994; Jeong, 2001; Gregory and Nilsson, 2004).

However, while developing IFAs symbolize a move of formal bargaining from a national level to a transnational level, the conducted study also shows that this does not necessarily mean that national level unions are becoming obsolete. Rather, it simultaneously opens up for a new national union role in the form of being a consulting partner as compared to a more traditional negotiation partner. In terms of influencing the actual content of IFAs, such a consulting role could be as central as the actual bargaining role. Hence, even though the traditional *national* tripartite system that so far has dominated industrial relations in Western countries is being complemented with a *transnational* system (e.g., Dunlop, 1958; Emery and Thorsrud, 1969; Hedlund and Otterbeck, 1977; Bamber and Lansbury, 1998), the influential actors within the national systems seem to still retain influence in the emergent transnational system.

### **The role of Global Union Federations**

Since national unions are not considered to be a legitimate bargaining partner in the signing of IFAs, the question still remains: what actor in the union movement is allowed to assume the bargaining role in IFAs? As shown in the case description, this was an important and complicated question in the negotiations of EuroCorp's IFAs. Much of this is likely due to the relatively newness and legal unclarity of IFAs. Sobczak (2007: 479) concludes that given "the lack of a legal framework in the field of transnational collective bargaining, no power has been explicitly conferred by labour law to any actor to negotiate such agreements. Consequently, those who want to adopt IFAs act in an unclear context and have to invent new solutions." Hence, there is no given answer to the question of who should assume the bargaining role.

When Sobczak (2007) reviewed how actors have responded to this uncertainty, he found that there are three different actors that have signed IFAs: i) global union federations, ii) national unions (mainly from country where the company has its headquarter), and iii) European Works Councils. Of these actors, Sobczak (2007: 480-481) noted that all "existing IFAs have been signed by a global union federation, but some have been co-signed with other workers' representatives, either by the European Works Council, by national unions or by both." Hence, Sobczak (2007) clearly argues that GUFs are the key bargaining actor, although other actors could be involved as well. This argument is supported by other authors that claim that it is a minimum requirement for a document to be considered an IFA that a GUF has signed it (Hammer, 2005; Riisgaard, 2005). For example, Hammer (2005:524) notes that "a key

innovation of IFAs lies in the recognition of GUFs as negotiation and bargaining partners by MNCs.”

This attempt by GUFs to assume the role as bargaining partner is also clearly evident in the EuroCorp case. During the process, the GUF representatives attempted to influence the EuroCorp IFA content to include a role for the GUF as a signatory of the IFA and as well as a role in the monitoring of the implementation of the agreement. However, the EuroCorp corporate representatives were reluctant to provide the GUF with such an extensive role. Especially the demand for the GUF to sign the IFA was rejected by the corporate representatives based on the argument that GUFs are not recognized as a bargaining partner in EuroCorp’s home market, i.e. only enterprise and national level unions are recognized as bargaining partners in this country. This deadlock between the GUF, the enterprise level union and the company risked jeopardizing the signing of a EuroCorp IFA or at least risked making the enterprise level union signing an agreement without GUF involvement.

One way to understand why GUFs consider it so important to be the recognized bargaining partner in IFAs is that IFAs provide GUFs with an opportunity to revitalize its role in the union movement. Several authors argue that GUFs historically have been under-funded, with limited resources and capacity (e.g., Garver et al., 2007; Lerner, 2007). The stated reason for this is both that national unions retain extensive political power in GUFs and/or that national unions do not channel sufficient resources and support to GUFs to support global activities and carry out a global union strategy (e.g., Garver et al., 2007; Lerner, 2007). As Fairbrother and Hammer (2005:405) put it, GUFs have historically been “small and relatively remote international union secretariats with limited capacity to mobilize and speak on behalf of local members. However, with the changing architecture of international capital and nation states, these union bodies have started to renew themselves.” In their attempt to renew themselves and increase their influence, one of GUFs key activities is the signing of IFAs (e.g., Fairbrother and Hammer, 2005; Royle, 2005; Andersen, 2006; Turnbull, 2006; Waddington, 2006; Bergene, 2007; Doellgast and Greer, 2007). Hence, the recognition as the legitimate bargaining partner embedded in the possibility to be the signatory of an IFA is of central symbolic importance to GUFs. It shows that GUFs are key actors in the emerging transnational industrial relations systems.

One argument supporting GUFs strive to be the bargaining partner of IFAs is that GUFs as responsible at a sector level for representing workers in all companies in the world while an enterprise level union only can legitimately represent workers in that enterprise (Sobczak, 2007). With most IFAs (including EuroCorp’s) encompassing paragraphs either encouraging or demanding that the company’s suppliers adhere to the IFA principles, a GUF could argue to represent these supplier workers as well. However, having GUFs as bargaining partners also creates problems, since “the signature of an IFA by a global union federation creates a problem of asymmetry between the two actors involved in the process. Whereas the workers’ representatives are organized at the sector level, their partner is an individual company and not the employers’ association at the sector level” (Sobczak, 2007: 482). Hence, IFAs locate bargaining at the enterprise level and serves as a vehicle for GUFs to enter into bargaining at this level (cf. Fairbrother and Hammer, 2005). In this way, GUFs emerge as an alternative bargaining partner at the enterprise level along side enterprise level

unions. This would allow a more active GUF involvement in negotiations and disputes with corporate managers than what GUFs previously have had (cf. Wills, 2002).

In sum, there are arguments and empirical data indicating that GUFs attempt to become the union bargaining partner in IFA processes, that GUFs often have succeeded in this attempt and that their ability to represent workers throughout the supply chain is advantageous for legitimizing such a bargaining role. However, there are also arguments against GUFs assuming the role of the bargaining partner mainly in the form of GUFs not being recognized in certain countries as a bargaining partner and that it creates an asymmetric relationship with sector level GUFs signing IFAs with individual companies. The conducted study also shows that GUFs are not always signatories of the IFAs (at least not in any other than symbolic way) and that companies in some cases are reluctant to including GUFs in the signing and monitoring processes.

### **The role of enterprise level unions**

The alternative to locating IFA bargaining at the global union level is to locate it at the enterprise union level. This was also the main outcome in the studied EuroCorp case. Such a decentralization of industrial relations to the enterprise level in *transnational* industrial relations systems follows the current decentralization trend in *national* industrial relations systems. Numerous authors have showed that there has been a decentralization of industrial relations and bargaining on the national level from national to regional, industrial and enterprise levels (e.g. Katz, 1993; Bean, 1994; Jeong, 2001; Gregory and Nilsson, 2004). For example, recent studies show that most of EU's member states were characterised by a decentralisation of their bargaining systems (Beori et al, 2001; Ferner and Hyman, 1998). Similarly, Bamber and Lansbury (1998) reviewed industrial relations trends in ten industrial countries and showed that the enterprise level has become a more important locus of dialogue and bargaining. Evidence of the decentralization development has also been found in a US setting (e.g., Deutsch, 1994; Appelbaum and Batt, 1994), in Sweden (Nilsson, 1999; Hammarström et al, 2004), Ireland (von Prondzynski, 1998), and Italy and Spain (Elvander, 2002). Although this is a general trend, Traxler (1995) argues that this trend does not develop the same way all over the globe with some countries not undergoing change, some undergoing "disorganized decentralization", some undergoing partial decentralization and some becoming more centralized. Traxler's (1995) categorization of countries decentralization process has since then been challenged by numerous other authors' findings and arguments (e.g. Walsh, 1995; Iversen, 1996). For the purpose of this chapter, we need not dwell into the details of current trends in *national* industrial relations systems. Here, it is enough to simply note that bargaining and influence is becoming more and more decentralized in most national systems.

Hence, placing bargaining power at the enterprise level in an IFA *transnational* system would further the ongoing decentralization at the national level. It would also address the asymmetry problem associated with having sector level GUFs sign contracts with individual TNCs. The conducted study provides another important argument in favor of why enterprise level unions actually in practice are equipped with bargaining mandates: the trustful relationship between the corporate counterpart signing the agreement and the enterprise level union. At least in the EuroCorp case, this trustful relationship was key to an agreement being signed.

Hence, to understand why the outcome of the EuroCorp IFA process was that the bargaining mandate ended up at the enterprise level rather than the global level (as exemplified in who signed the agreement, the level of detail in the agreement, the strictness of supplier inclusion and the structure of the monitoring system), an understanding is needed of the EuroCorp corporate-union relation. This relationship has developed over a long period of time. As one corporate manager explained:

“We have since the 1980s – well really long before then – had a very fruitful collaboration between the management of EuroCorp and the enterprise union. I think that many can testify that this is the case.”

Indeed, most, if not all, interviewed EuroCorp managers highlighted the good corporate-union relation. This does not mean that there have not been conflicts between management and union representatives, only that these conflicts have been handled in such a way that a trustful relationship has developed between corporate managers and union leaders. Interviews with union representatives confirm this picture with, for example, one representative claiming that:

“I think that it is relatively unique even internationally to have the type of relationship that we have [with corporate management]. This relationship has been nurtured throughout the years. It is nothing that emerges from one year to another. Historically, we have had an understanding for each others differences and respected each other. The goal has always been the same, but we have been very aware of each others roles.”

Given the legal uncertainty of IFAs, the corporate-union relationship was – at least in the EuroCorp case – of utmost importance for the realization of an IFA. Even though the EuroCorp management recognized the importance ascribed to an IFA by its enterprise level union, some managers were still skeptical to actually signing an IFA in addition to having a unilateral code of conduct. Key to overcoming this internal skepticism was a recognition that the EuroCorp union would use the IFA in a responsible way, and as one manager said when reflecting on the legal nature of the signed agreement:

”I don’t know if it is legally binding. Well, I don’t think so. Maybe I am naïve if I say: does it matter? If EuroCorp formally codify something it should be followed and I cannot imaging a situation where we say that we do not care to follow such and such a document simply because it is not legally binding. I know that some managers were scared of exactly this type of questions, thinking that they [the enterprise level union] would use it against us. However, if you have lived with EuroCorp you understand that the EuroCorp union is not sitting and waiting for an opportunity to drive a dagger in your back because you agreed to something. It is not that kind of relationship that we have and we need to be careful so that we do not create such a relationship either. You have to put aside your suspicions regarding what they [the union] mean and why they do this.”

When asked to reflect upon the time after the signing of the IFA, the same manager noted that:

“We eventually signed it, and it has of course not been any problems with the agreement.”

In addition to the corporate conviction that the enterprise level union would use the IFA in a responsible way, another reason why the trustful corporate-union relation was so important was that the main driver for EuroCorp to sign an IFA was to foster its relations to the enterprise level union. While there is, and have been, extensive external pressure from investors, NGOs, media and other stakeholders for TNCs to adopt unilateral codes of conduct regulating responsibilities in terms of workers' rights (e.g., Frenkel, 2001; van Tulder and Kolk, 2001; Braun and Gearhart, 2004; Åhlström and Egels-Zandén, 2008), there is, and have been, little external pressure except from that of the union movement for adopting IFAs. Hence, while corporate adoption of codes of conduct could be described as an isomorphic process in which TNCs relatively passively due to institutional pressures embrace the general rationalized solution of codes of conduct (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Long and Driscoll, 2007), the adoption of IFAs is a more active strategic corporate choice with the effect of creating differences to other firms (since so few firms have signed IFAs) rather than similarity (as is the case of adoption of codes of conduct).

The question is then why companies – such as EuroCorp – take this additional step and adopt IFAs and not only codes of conduct? Previous research into IFAs has stressed the importance of obtaining improved legitimacy in the eyes of customers, NGOs and other external stakeholders as the key driver for TNCs to adopt IFAs (Riisgaard, 2005). Although certainly relevant in other IFA signing processes, a strive for improved legitimacy in the eyes of external stakeholders was not the key reason for EuroCorp to adopt its IFA. Instead, the main reason was to retain the perceived fruitful relationship with EuroCorp's enterprise level union. Throughout the development of the code of conduct and the IFA, EuroCorp's enterprise level union had consistently stressed the importance of an IFA. The EuroCorp managers also recognized that an IFA was an important issue for its enterprise union and that to retain the trustful and fruitful corporate-union relationship an IFA was one important element. Since the reason for signing the IFA was to foster the relation with the enterprise level union, EuroCorp was interested in supporting its enterprise union throughout the process rather than the global level union. Hence, the corporate driver for adopting IFAs seemed to affect where the locus of influence is shifted to within the union movement.

The above discussion has shown that integral to understanding why EuroCorp was prepared to take the extra step and adopt an IFA even though the legal status of an IFA was unclear and there were little external pressures (except from the union movement) to sign an IFA was the trustful relationship between the managers of EuroCorp and the EuroCorp union representatives. The flipside of trust being such an important element for the signing of the IFA is that this trust was from the corporate side mainly in its relation to its enterprise level union – not the global level union. As the case description illustrates, EuroCorp managers were uncertain and worried regarding how GUF representatives would act were they given an extensive role in the IFA process while they were confident that the enterprise level union (and the national level union) representatives would act in what the managers would describe as a responsible way.

Hence, a key reason why enterprise level unions – at least in the EuroCorp case – could gain more influence in IFA processes than global level unions is that they can draw on long term trustful relations with corporate management. More generally, the

results from the conducted study indicate that in companies with trustful corporate-enterprise level union relations and/or when corporate managers have distrustful relation to GUF representatives we could expect the locus of influence to be decentralised to the enterprise level. Logically, in companies with distrustful corporate-enterprise level union relations and/or with trustful corporate-GUF relations we could expect the opposite, i.e. that the locus of influence is centralised to the global union level. The results also indicate that if the corporate motive for signing an IFA is mainly to foster its relation with the enterprise level union, the local of influence could be expected to be decentralised to the enterprise level. Conversely, when the corporate motive for signing an IFA is mainly to improve external legitimacy (as the case presented in Riisgaard (2005) illustrates), we could expect the influence to be centralised to the global level.

## **Conclusion**

In the ongoing globalization of business, *transnational* industrial relations systems are emerging as complements to the traditional *national* systems. These transnational systems are mainly based on two tools: codes of conduct and international framework agreements (IFAs). This chapter has focused on the latter of these arguing that previous research into IFA has disregarded a central issue in IFAs: the tension between global, national and enterprise level unions. With industrial relations issues moving from a national to a transnational setting, the locus of influence in the union movement could either be *centralised* to global union federations or *decentralised* to enterprise level unions.

This chapter has shown that the answer to the centralization-decentralization question is far from straightforward. While most previous research has argued that IFAs mainly lead to centralization, the conducted study of EuroCorp shows that there are also cases of IFAs leading to decentralization. Central to understanding why the locus of influence was decentralised in this particular case was the already existing trustful relationship between EuroCorp and its enterprise level union (combined with a somewhat distrustful relationship between EuroCorp and the global level union). More generally, the findings from this study indicate that the locus of influence will be decentralised to the enterprise level union when: i) there is a trustful corporate-enterprise level union relation, ii) there is a distrustful corporate-global level union relation, and iii) the corporate driver for adopting an IFA is to foster its relations with its enterprise level union. On the other hand, the locus of influence will be centralized to the global level when: i) there is a distrustful corporate-enterprise level union relation, ii) there is a trustful corporate-global level union relation, and iii) the corporate driver for adopting an IFA is to improve its external legitimacy.

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