



International
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Executive Summary

Shaping global industrial relations: The impact of international framework agreements

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Despite the world's recent food, energy and financial crises, globalization continues to develop in the absence of a state-sanctioned international framework to regulate any adverse social and environmental impacts. To bridge this gap, numerous voluntary practices have emerged since the 1980s, often in response to protests from local actors regarding violations of human rights.

One such response has been international framework agreements (IFAs). IFAs between multinational enterprises (MNEs) and Global Union federations (GUFs) are instruments for regulating labour conditions and employment relations within MNEs and throughout their global value chains. They often do so by direct reference to ILO Conventions and Recommendations. However, concerns remain that IFAs, promising as they are, may not translate into actual improvements in working conditions. This new book gauges the validity of such concerns, examining IFAs' effectiveness, particularly in promoting freedom of association and collective bargaining.

The empirical evidence presented in *Shaping global industrial relations*, derived from case studies drawing on field research, suggests that IFAs do indeed have the capacity to improve fundamental rights at work such as freedom of association and the rights to organize and bargain collectively. While direct links between IFAs and improved working conditions are not always evident, IFAs clearly serve as a basis for further initiatives in the area of cross-border union organizing, which is the cornerstone of global social dialogue and agreements. As such, they establish recognition of social partnership across national borders, which is a key step forward in the internationalization of industrial relations. IFAs are the instruments closest to the traditional understanding of industrial relations – in the sense of negotiation, consultation or simple exchange of information between employers and workers on issues of common interest – as well as to accepted notions of collective bargaining, dispute prevention and resolution, and respect for labour law.

The advantages of IFAs are quite clear for both unions and management. For unions, coordination across borders and between the local and global levels is central to IFAs, not only for negotiation purposes but also for their effective implementation. Ideally, such union coordination can lead to more democratic industrial relations and hence to the improvement of working conditions across global value chains. From management's perspective, IFAs can help raise levels of trust in labour–management relations and boost a company's credibility vis-à-vis shareholders and other investors. However, coordination poses a challenge to adopting and implementing IFAs. There is an apparent conviction among managers of foreign operations that they should operate autonomously – that is, without interference from headquarters – and in turn MNE headquarters rarely involve these managers in the negotiation of IFAs.

Overview of the volume

This book features contributions from some of the top international experts in the field, from the ILO, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and the European Trade Union Institute (ETUI) as well as major research universities in Europe and North America. It is divided into three parts. The first provides a snapshot of observed processes and outcomes of international agreements between company headquarters and the global and European trade unions. The chapters here are based on content analysis and the perceptions of the signatory parties as to impacts and motivations, notably in the areas of social dialogue and industrial relations. The book's second part looks at the nitty-gritty of impact assessment through case studies of selected IFAs and countries, focusing on three sectors – automotive, textiles, and food and agriculture, thus covering both producer-driven and buyer-driven industries – in the Americas, Asia and Europe. The third part explores initiatives complementary to IFAs which may have an impact going forward. These include a critical analysis of trade union strategies for coordinating transnational action and a chapter on an ILO International Finance Corporation (IFC) project, Better Factories Cambodia, an example of an effort to establish an improved industrial relations environment in buyer-driven industries where IFAs are less widespread.

Key findings and observations

- *Effective implementation of IFAs and European framework agreements requires institutional adaptation and fine-tuning.* Negotiation procedures by European and global unions need standardization to grant greater legitimacy to negotiated agreements. The creation of a legal and institutional framework, or alternatively the establishment of clear rules by the signatory parties, would assist with implementation at the cross-border level, and would help bring together international, European and national/local industrial relations actors.
- *There is room for the development of new IFAs, including outside the European Union and the United States.* As this volume shows, IFAs are gaining a foothold in other parts of the world, for instance in Brazil, the Russian Federation and South Africa. Broader

implementation of IFAs is possible if global union strategies focus on enterprises which have good labour relations records in their home countries, if enterprises are engaged in the process of business expansion and if managers are convinced of the value of IFAs in risk management.

- *IFAs can be an important tool for strengthening trade unions' capacity as well as cross-border cooperation.* Two key factors for effective implementation of IFAs on the ground are (a) support for cross-border union cooperation and exchange and (b) the inclusion of clauses in future IFAs that would allow for supplementary agreements to be negotiated nationally by the relevant parties. Building local union capacity is also a precondition for extending cross-border agreements beyond first-tier workers in global supply chains to second-tier (regional subsidiaries and joint ventures), third-tier (local subcontractors) and fourth-tier workers (informal workers).

- *The content of IFAs could be expanded so as to address practical questions such as anticipation and management of industrial change.* For IFAs to transcend voluntary corporate social responsibility and achieve strengthened social dialogue and social accountability, their content may need to go beyond core labour standards. As an industrial relations exercise, IFAs can address a range of issues within the remit of traditional collective bargaining, for instance medical coverage and pension security. New or updated IFAs could go still further, addressing questions such as how to restructure a global value chain in a socially responsible manner.

- *The Global Unions and MNE management may wish to build capacity in terms of follow-up to IFAs.* The unions will have to rise to the challenge of developing their internal capacity to implement IFAs and to ensure cross-border coordination. Merging unions into more encompassing and powerful structures is one way to achieve this. On the company side, more active involvement in the design and negotiation of IFAs by managers of foreign operations and important customers such as retail stores is key to better implementation of IFAs.

Policy implications

IFAs are legitimate tools in so far as they are the outcome of voluntary negotiations between representative organizations. However, there is a need to strengthen the delivery of these instruments. For this to happen, appropriate action is needed from actors and institutions involved in cross-border social dialogue and agreements and this presupposes adequate will on both sides of the table. The role of international public institutions that support MNEs and GUFs in implementing and monitoring IFAs may be crucial. The EU and international organizations such as the ILO might, if requested, provide a framework for the effective monitoring of agreements as well as remediation in case of breach, provided that such action enjoys the support of the various stakeholders and does not negatively impact on the intention of businesses or GUFs to sign additional agreements.

When the signed IFAs reach a critical mass, questions of coherence between different IFAs and of the need to harmonize their contents and implementation across global industries will naturally emerge. This may lead to a possible expansion of IFAs from the enterprise to the cross-border sectoral level. Such expansion could be guided by the lessons drawn from the only fully-fledged global collective agreement negotiated to date, namely the agreement in the maritime sector between the International Maritime Employers' Committee and the International Transport Workers' Federation. While it may take time to define a possible contribution for the ILO in this area, just as it may take time to realize the organization of employers into global sectoral federations, it is becoming increasingly clear that due to a frequent reference of IFAs to ILO instruments, the ILO is likely to be called upon to play a more active and visible role in the future.

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