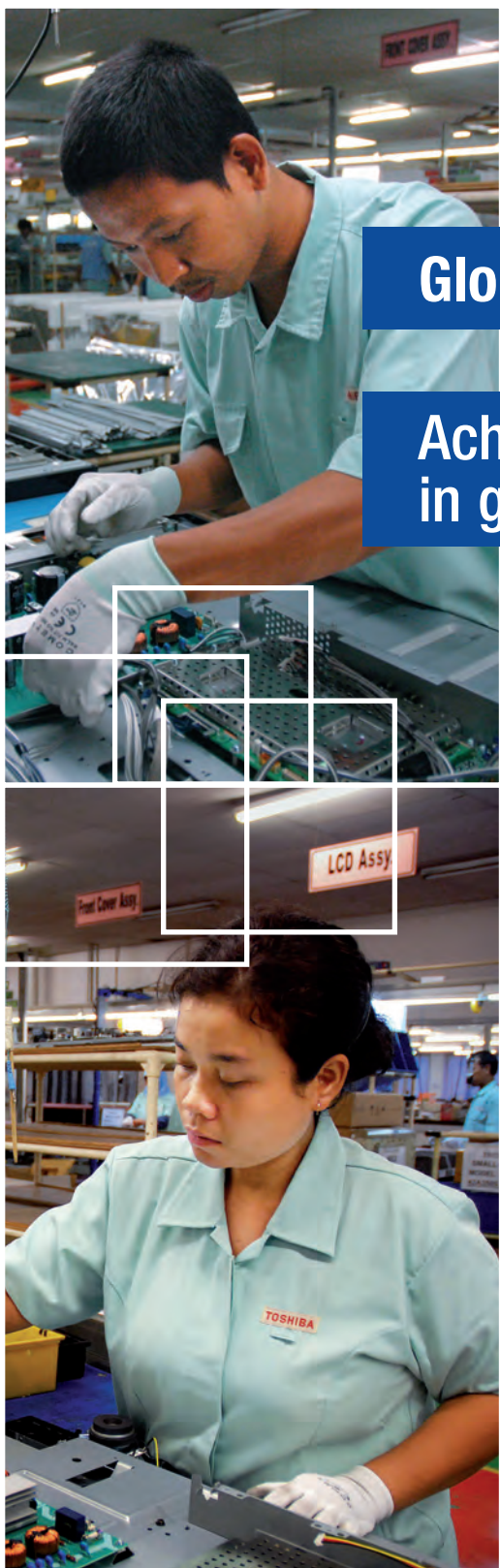




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A vertical strip of images on the left side of the page. The top image shows a male worker in a light blue shirt and white gloves working on a circuit board. Below this is a collage of smaller images showing various electronic components and assembly steps. The bottom image shows a female worker in a light blue shirt with a 'TOSHIBA' logo, working on a circuit board. In the background of the bottom image, there are signs that read 'Front Cover Assy' and 'LCD Assy'.

Global framework agreements

Achieving decent work in global supply chains

Background paper

Felix Hadwiger

ACTRAV
ILO Bureau
for Workers'
Activities

Global framework agreements

Achieving decent work in global supply chains

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Acronyms and abbreviations

BWI	Building and Wood Workers' International
CSR	corporate social responsibility
EPZ	export processing zone
EUROFOUND	European Foundation for the Improvement of Living and Working Conditions
GFA	global framework agreement
GP	Guiding Principle (United Nations)
GRI	Global Reporting Initiative
GSC	global supply chain
GUF	global union federation
IUF	International Union of Food Workers
ILO	International Labour Organization/Office
ITUC	International Trade Union Confederation
IFJ	International Federation of Journalists
MNE	multinational enterprise
MNE Declaration	ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
OSH	occupational safety and health
SME	small and medium-sized enterprise
UNCTAD	United Nations Conference on Trade and Development
UNGP	UN Guiding Principles on Business and Human Rights
UNI	Union Network International
WWC	World Works Council
WESO	World Employment Social Outlook (ILO report series)

Executive summary

One of the key characteristics of the modern global economy is the increasing fragmentation of production. This has led to a growing importance of global supply chains (GSCs), which affects the global and regional structure of employment, working conditions and workers' rights. Multinational enterprises (MNEs) attempt through a plethora of corporate social responsibility (CSR) initiatives to fend off public criticism about working conditions at suppliers and subcontractors. However, management-driven CSR programmes lack the comprehensive involvement of workers and are not designed to develop sustainable labour relation systems. On the contrary, global framework agreements (GFAs) – concluded between MNEs and global union federations (GUFs) – are based on a new dimension in labour relations: in GFAs, companies consent to respect workers' rights and to promote decent work globally within their subsidiaries and along their global supply chain. For trade unions the conclusion of GFAs is based on negotiations and is intrinsically linked to forging solidarity links and facilitating unionization as well as linkages between trade union networks. This report conducts a content analysis of the 54 most recent GFAs and an evaluation of 29 case studies on the implementation of GFAs to identify effective good-practice examples of GFAs promoting decent work in global supply chains by developing labour relations on a global scale.

Apart from the constant growth in the number of GFAs since the beginning of this century, there is a qualitative evolution: increasingly GFAs build on international instruments and principles such as ILO Conventions, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) as well as other international instruments such as the OECD Guidelines for Multinational Enterprises. Moreover, a content analysis of the 54 most recent GFAs and a comparison with prior agreements makes two trends visible: (1) an increasing number of GFAs – about 80 per cent – include a reference to the global supply chain, and (2) an increasing number of MNEs – about 30 per cent – treat the respect of provisions in GFAs as a criterion for establishing and continuing business relations with suppliers and subcontractors. These two trends indicate a growing need for more effective social regulation in global supply chains, as well as the added value GFAs and sound labour relations might have in this field. To monitor the implementation of the agreement, recent GFAs usually establish continuous consultation meetings and some form of global review of the agreement including site visits to subsidiaries and suppliers; in some GFAs MNEs agree to disclose information on their global supply chain and to support small and medium-sized suppliers in the application of ILO standards; moreover, the standards in GFAs are sometimes integrated into the procurement practices of the MNE. These are just some of the examples of good practice in GFAs to promote freedom of association and collective bargaining at suppliers and subcontractors of MNEs. Nevertheless, only a few general trends have emerged so far with regard to these examples.

In addition to the content analysis of GFAs, the implications of the UN Guiding Principles on Business and Human Rights (UNGP) are critically analysed and discussed in this background paper. Unlike GFAs, the UNGP do not intend to develop strong labour relations to regulate GSCs. However, in some instances the responsibilities of MNEs, under the UNGP, go beyond their commitments in GFAs. The UNGP can therefore provide arguments to further strengthen the wording of GFAs with regard to their scope of application along GSCs.

A review of 29 case studies on the implementation of GFAs reveals their overall limited impact on suppliers and subcontractors in recent years. The monitoring of agreements can be particularly challenging in factories and other locations of suppliers and subcontractors which are not unionized. But the impact of GFAs on working conditions in global supply chains is different. The case studies contain several examples of good practice in bringing suppliers, subcontractors and subsidiaries under the GFA umbrella. GFAs have been successfully invoked by trade unions to achieve the rehiring of sacked union members at suppliers and subcontractors. Following the reinstatements, the membership of local unions has often increased drastically. GFAs have been successfully used at supplying companies to build up strong international solidarity and organizing campaigns which have led to examples of successful unionization. Moreover, GFAs have been successfully used several times at MNE subsidiaries to facilitate unionization and improve industrial relations. Those good-practice examples provide evidence for the significant role that GFAs and GUFs can potentially play to ensure workers' rights along the global supply chains of MNEs.

A comparison between older and more recent agreements shows that both the content and the implementation of GFAs have evolved over the last 15 years. This results from GUFs having reviewed their strategy; they have demanded a second generation of GFAs that involve stronger implementation, monitoring, and dispute resolution procedures and that facilitate unionization rather than simply consent to it. Beyond 2015, for the next generation of GFAs, it is important to further improve the quality of the agreements. The agreements will have to be based on crossborder labour relations and involve local unions on the ground. They should promote collective bargaining at the local or national level and develop crossborder recruitment and organizing campaigns by using union networks in MNEs. Looking to the future, the involvement of local actors throughout the GFA process needs to be strengthened, from initiation through negotiations to implementation. GFAs work best when they are integrated in local labour relations. To better implement them, the involvement of local actors could go beyond local trade unions and involve the management from local subsidiaries or even a co-signing of the agreement by important suppliers and subcontractors of the MNE. All this could help to develop social dialogue at the global level which is embedded in local realities.

Based on the findings of this report, it is suggested that the ILO takes the initiative by revising the MNE Declaration to provide guidance to workers and firms on how to maximize the positive economic and social impacts of global supply chain operations in GFAs. Recent GFAs are becoming increasingly technical and complex. This evolution implies that while reputational effects may constitute a sufficient basis for ensuring fundamental labour rights, the same is not true for more complex and technical matters. There is a need on the side of GUFs and MNEs to strengthen the conflict resolution mechanisms in GFAs and to develop new ways of social dialogue at the global level. The intention to go beyond voluntary commitments is suggested by the increasing number of agreements that make a reference to mediation or arbitration procedures.¹ This report envisions a revised MNE Declaration that is able to capture the complexity of GSCs and that offers a new framework for strengthening crossborder labour relations via mechanisms for mediation or arbitration. A revised MNE Declaration could via a voluntary commitment of the parties be embedded in future GFAs. In cases in which the bargaining partners cannot find a common solution they could use the MNE Declaration as a framework for conflict resolution and would accordingly resort to the ILO for assistance.

¹ The wish to include the ILO in their conflict resolution mechanisms is prominently indicated in the GFAs signed by Inditex and Aker ASA, which make an explicit reference to the ILO as a source of expert advice and as a suitable venue in which to resolve problems arising out of the agreements.

Introduction

In the last few decades the world economy has been transformed. Trade liberalization and the dynamics of international investment have benefited the rise of the “supply chain model”. The fragmentation of production is a means of lowering production costs and increasing productivity, competitiveness and thus profitability. The growing importance of global supply chains (GSCs) which are controlled by large multinational enterprises (MNEs) poses several challenges to workers’ rights. To begin with, MNE-controlled GSCs can undercut the power of labour to bargain over wages and working conditions. Pressure on costs from global buyers can have the result that GSC-related employment is insecure and involves poor working conditions. While GSCs can create and destroy jobs when parts of production are shifted across countries, they also affect different aspects of the quality of jobs, such as wages or the nature of work contracts, working time, occupational safety and health, and gender.²

In recent years the “traditional regime” of labour regulation based on compliance by governments has been reshaped by moving towards an emerging “global labour governance regime” (Hassel, 2008). Complementary to States, MNEs and organized labour are faced in this regime with the challenge of addressing the issue of decent work in GSCs. There is a myriad of different private initiatives such as management-driven codes of conduct, the Global Reporting Initiative (GRI), and the Sullivan Principles or the Caux Principles of Business. Many of these initiatives have failed to produce sustainable improvements for working conditions and workers’ rights; they have often been a fig leaf hiding that profits trumped social concerns (Schömann et al., 2008; Locke, 2009). Unilateral CSR programmes lack a comprehensive involvement of workers and do not build on established labour relations. To more effectively realize the potential of MNEs to address the issue of decent work in their supply chains, the 104th International Labour Conference in 2015 decided that the International Labour Office should conduct research on good practices for the procurement of goods and services by large enterprises in supply chains (ILO, 2015b, Point 20 (e)).

Global framework agreements (GFAs) are just such an example of good practice that builds on sound labour relations to regulate GSCs. The added value of GFAs compared to other initiatives is that they are the outcome of direct negotiations between the representatives of management and workers in an MNE. From a trade union perspective, GFAs should lead to more democratic industrial relations, and hence to improved working conditions along global supply chains. They have the potential to build union networks, promote freedom of association and collective bargaining, and help to organize workers in MNE subsidiaries and suppliers. A key element for the success of GFAs is the requirement that lead firms influence their subcontractors and suppliers. This paper therefore intends to answer the two-fold question: what references to GSCs are included in the text of GFAs; and how do GFAs impact on GSCs in practice? To answer this question the paper begins with a content analysis of the 54 most recent GFAs (signed from 2009 to May 2015) to evaluate their formal scope of application to suppliers, subcontractors and MNE subsidiaries. Moreover, it analyses the development of references over time. To answer the second part of the question, 29 case studies are evaluated to analyse how the implementation process of GFAs along the supply chain is working in practice. The results will help to identify effective good-practice examples in GFAs to promote the ILO Decent Work Agenda and more specifically its Decent Work Framework for Measuring Decent Work in GSCs.

² See for example studies produced by the international research network Capturing the Gains: Economic and Social Upgrading in Production Networks. Available at: <http://www.capturingthegains.org/publications/workingpapers/>.

The remainder of this paper proceeds as follows: The first chapter gives an account of the growing importance of jobs related to GSCs and emphasizes the related challenges for the ILO's Decent Work Agenda. Chapter 2 defines GFAs and presents an overview of their evolution. Chapter 3, the core of this report, presents a content analysis of all GFAs in the research sample (2009–May 2015). Chapter 4 analyses whether the UN Guiding Principles on Business and Human Rights can provide arguments for strengthening the wording of GFAs with regard to their scope of application along supply chains. Chapter 5 evaluates case studies on the implementation of GFAs, putting the question on their practical impact on supply chains at the centre of the analysis. Chapter 6 provides evidence, through a content analysis, of the evolution of GFAs during the last 15 years and concludes by presenting recommendations for a next generation of agreements. The final chapter discusses the potential role of the ILO in supporting the implementation of GFAs along supply chains, as well as a revision of the MNE Declaration.

1. The increasing importance of global supply chains: A decent work perspective

The importance of global supply chains has increased drastically over the last decades. The production process for many goods and services has become global and GSCs account for a high proportion of overall worldwide trade (UNCTAD, 2013a). As a result, an increasing share of global employment is related to GSCs. The World Employment Social Outlook (WESO) report published by the ILO in 2015 estimates in a sample of 40 countries that one in five jobs can be linked to GSCs (ILO, 2015b). Most of the overall increase in the last two decades has been driven by the creation of GSC-related jobs in emerging economies. Since 2010, the total number of jobs related to the supply chain has stagnated, but overall the phenomenon of GSC-related jobs has gained momentum in the last decades and has influenced economic structures and working conditions around the world.

Underlying reasons for the growing importance of GSCs include technological development, trade liberalization and an increasing financialization, which drive the business strategies of MNEs. Investors' demands for profits lead to rigorous reductions in costs and improved efficiency. In general, GSCs hold the potential to contribute to productivity gains and improved wages as well as decent working conditions; for example, the ILO's WESO report (2015b, p. 131) finds a positive impact of GSCs on productivity but not on wages; there are also difficulties in improving working conditions. Working conditions and workers' rights in global supply chains do not always keep pace with the growth of exports and employment. To account for this, the ILO's Decent Work Agenda seeks to combine the objectives of full and productive employment and decent work at all levels and is constituted by four interdependent pillars: employment, standards and rights at work, social protection, and social dialogue, as stated in the ILO Declaration on Social Justice for a Fair Globalization (2008). The ILO's Decent Work Agenda is universally endorsed by the international community and can serve as a tool to identify decent work gaps and deficits in GSCs, including the respect of fundamental workers' rights, and health and safety standards throughout the entire supply chain. Therefore, this framework serves in this report as a basis for evaluating working conditions in GSCs, identifying gaps and setting out initiatives to bridge them.

This report understands a GSC as a network created amongst companies in different countries in order to design, produce, handle or distribute a specific product or service. The GSCs of MNEs include independent suppliers and subcontractors, as well as company-owned subsidiaries in different parts of the world. A characteristic feature of many supply chains is a stark power asymmetry between the lead firm and its subsidiaries, suppliers and subcontractors. This is particularly true in supply chains with a captive or even hierarchical governance structure, which are characterized by a group of small suppliers that are dependent on one or a few MNEs in their resource and market access. This power asymmetry gives MNEs the ability to influence the business practices of its suppliers and sub-contractors.

Challenges for workers. GSCs can pose several challenges to the existence of trade unions and workers' rights. While MNEs operate globally, trade unions are in most of their actions confined to local and national boundaries. Moreover, in many countries workers' rights are not respected and core ILO Conventions, in particular the Freedom of Association and Protection of the Right to Organise

Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), are not ratified or are simply not applied. The Global Rights Index of the International Trade Union Confederation (ITUC, 2015) rates countries based on their degree of respect for workers' rights, demonstrating substantial and reoccurring violations of workers' rights in many countries.³ This emphasizes the challenges that can arise when such countries are included in the global supply chains of MNEs.

GSCs have various effects on the conditions in labour markets. Studies produced by the research network Capturing the Gains have identified a range of impacts on the quality of jobs with regard to: freedom of association, collective bargaining, working time, safety and health, the direct employment relationship/precarious work, and gender. Case studies by the research network show that employment in GSCs can involve insecure incomes and job prospects for workers as well as highly variable working hours and unsafe working conditions. For subcontractors at the end of the supply chain, gender discrimination can be an instrument of labour flexibilization. Case studies identified freedom of association, collective bargaining and advocacy by trade unions as principal drivers for improving working conditions.⁴ Moreover, the studies stress the importance of analysing differences between industry sectors to better understand the dynamics of supply chain relationships and how these have an impact on workers' rights.

Challenges for multinational enterprises. While there are clear economic benefits of GSC participation for MNEs, there are also costs. These can include additional transaction costs related to managing supply chains remotely, notably with respect to the search for reliable suppliers, or contracting arrangements, or logistics, or monitoring and controlling (Hobbs, 1996). There is the risk that small disruptions in the supply chain may have major impacts on the whole production process of an MNE.⁵

Some recent evidence shows that, as a result of the global economic crisis, previously outsourced or offshored activities were brought back to the country of origin of the lead MNE – a so-called “in-sourcing” or “re-shoring” of production (Constantinescu, Mattoo and Ruta, 2015). However, the fragmentation of production remains when MNEs only bring back activities to the country of origin without reintegrating them into the company. These trends might hint at an increased perception of risks related to GSCs during the economic crisis (Blome and Schoenherr, 2011). Consequently, it is often not only in workers' interest to regulate global supply chains, but MNEs too might be in favour of stronger regulations and monitoring measures throughout GSCs. GFAs represent examples of good practice in which MNEs voluntarily engage in labour relations and opt for a stronger regulation of their supply chain.

³ The ten worst countries in the world for workers are: Belarus, China, Colombia, Egypt, Guatemala, Pakistan, Qatar, Saudi Arabia, Swaziland and United Arab Emirates (ITUC, 2015, p. 23).

⁴ See for example Evers, Amoding and Krishnan (2014) who analyse the working conditions in the Ugandan flowers and cuttings industries. They argue that the principal drivers of improved working conditions have been collective bargaining and advocacy by Ugandan trade unions and non-governmental organizations.

⁵ Just-in-time production processes make MNEs vulnerable and can open the opportunity to trade unions to successfully launch campaigns and bargain with MNEs on a more equal footing.

1.1 The role of MNEs in addressing decent work in global supply chains

MNEs can engage in GSCs in different ways. First, they can directly engage by purchasing an existing supplier or by setting up their own production facilities in another country (“offshoring”). Second, MNEs can enter into a contractual relationship with an independent supplier or contractor outside the home country that performs a particular task by order of the MNE. Third, MNEs can be engaged in GSCs indirectly, when purchasing a production input from a domestic supplier that in turn receives parts of its input from abroad. With an ever larger number of direct and indirect supply relationships between companies, GSCs have become increasingly complex. Large MNEs are often the lead firm that controls and coordinates GSC networks of independent suppliers. In many instances MNEs are assumed to be able to exert considerable influence on their suppliers and subcontractors. They can have different motives for engaging in the regulation of their global supply chains. In the section above it was argued that MNEs can have an interest in increasing the reliability of their supply chains to reduce transaction costs and avoid disruptions in the production process. Moreover, for many MNEs there is a reputational risk connected with working conditions along their supply chain.

The absence of a comprehensive international framework to regulate the excesses of globalization provides a permissive environment for wrongful acts by companies and individuals without adequate sanctioning. Since the 1980s many MNEs have adopted corporate codes of conduct as a response to reputational risks. These risks are particularly relevant for an MNE when the name of a brand adds a large value-added to the final product. Purely private initiatives such as unilateral corporate codes of conduct are accompanied by other initiatives that have the backing of international organizations. A plethora of largely voluntary forms of regulation have emerged since the 1980s, including the Global Compact of the United Nations, the OECD Guidelines for Multinational Enterprises, and the International Organization for Standardization’s ISO-26000. In contrast to the “traditional regime” of labour regulations these initiatives address the new responsibilities of firms (Hassel, 2008). The emergence of public and private–public initiatives illustrates that some companies perceive it to be in their interest to have certain labour and environmental standards. Underlying reasons for this might include that financial investors increasingly make their investment decisions conditional on a company’s compliance with social, environmental, and ethical standards, and that some consumers demand credible commitments that production processes are fair and environmentally friendly.

However, to ensure that economic benefits translate into benefits for workers too, the commitments of companies should go beyond simple compliance. Management-driven programmes lack a comprehensive involvement of workers and do not build on established labour relations. Important mechanisms to translate economic benefits into better working conditions along global supply chains are freedom of association, collective bargaining and advocacy by trade unions. Unlike a large number of voluntary initiatives, GFAs are the outcome of direct negotiations between the management and workers in an MNE. For the first time, MNEs recognize global trade union organizations in GFAs as a global actor, a major breakthrough compared to previous eras where MNEs refused to even informal interactions with unions at the global level.

1.2 The role of export processing zones in global supply chains

This section highlights an often neglected and particularly challenging phenomenon in the internationalization of production: export processing zones (EPZs). EPZs are an important showcase for various decent work deficits and labour violations related to GSCs. The United Nations Industrial Development Organization (UNIDO) defines an export processing zone as a “relatively small, geographically separated area within a country, the purpose of which is to attract export-oriented industries by offering them highly favourable investment and trade conditions as compared to the rest of the country” (quoted in ILO, 2014, p. 1). Many of the special incentives granted to companies in EPZs relate to economic incentives such as customs-free, tax-exemption and streamlined administrative services. In addition, some countries grant exemptions from national labour laws and regulations, including the rights to organize and to strike (ibid. pp. 4, 29). These are clear violations of ILO Conventions and the MNE Declaration.⁶ In Sri Lanka, a recent development is the introduction of an EPZ status linked to the company and not to a specific area. Consequently, the whole country becomes an EPZ for these companies. EPZs have been set up in approximately 130 countries for the processing of imported materials that are then re-exported to other countries. Conservative ILO estimates put the number of workers employed in EPZs at about 66 million with a high concentration in Asia (ibid. p. 3).

EPZs form crucial parts of GSCs. The ILO argues that the growth of GSCs in emerging and developing economies has been boosted by EPZs (ILO, 2015b). The overwhelming majority of workers in EPZs produce export goods for GSCs, so that any discussion of GSCs must include EPZs. Many countries that operate EPZs mainly specialize in apparel and textile production (ILO, 2014). However, being at the lower end of a GSC poses several challenges (UNCTAD, 2015b). The typical EPZ worker is female, young, migrant and poor, with no trade union experience and no knowledge of their rights. This combination can turn into an exposure to all kinds of exploitation (ILO, 2014). Furthermore, many workers in EPZs are hired on short-term contracts and the use of contract labour is widespread. This results in a very high turnover of workers. Against this background, and also considering the legal limitations in EPZs, the capacity of unions to exercise their right to freedom of association and collective bargaining in the zones is dramatically limited. Prospectively, GFAs can be a way of obliging MNEs to influence suppliers in EPZs to grant the rights of freedom of association and collective bargaining and improve working conditions. GFAs have the potential to lead to more democratic labour relations in EPZs and increase unionization.

⁶ For example, point no. 46 of the MNE Declaration stipulates: “Where governments of host countries offer special incentives to attract foreign direct investment, these incentives should not include any limitations on workers’ freedom of association or the right to organize and bargain collectively.”

2. Global framework agreements: An overview

Global framework agreements (GFAs) have developed over the last two decades in response to economic globalization. They exhibit a growing need of organized labour and some multinational companies for additional governance structures that build on labour relations. These agreements are negotiated between the management of a company and workers' representatives. GFAs specify the responsibility of a multinational company to follow particular standards with regard to fundamental labour and social rights, working conditions, industrial relations, health and safety conditions, training, and environmental protection provisions in more than one country and often worldwide (Telljohann et al., 2009). Recently such agreements have been signed by the MNEs Total from France, Thyssen-Krupp from Germany and Gamesa from Spain. From a trade union perspective, GFAs help to create links between workers in different countries and are used to build up transnational union networks in MNEs. For example, the companies Danone, Daimler, VW and Enel are signatories to a GFA and have a World Works Council (WWC) at the same time.⁷

This report analyses the content and the formal scope of application of GFAs signed during the time period 2009 to May 2015. The research for the report was exclusively desk-based; it includes a text analysis of GFAs and uses information publicly reported by the 54 companies in the research sample. Of these companies, 43 were headquartered in Europe, two each in Brazil, Indonesia, Japan and South Africa, while Malaysia, Russian Federation and the United States are each the headquarter country to one company in the sample. With regard to trade union participation, about 50 per cent of the GFAs analysed were concluded by IndustriALL and 26 per cent by UNI Global Union; the remainder of the agreements were signed by the Building and Wood Workers' International (BWI) and the International Union of Food Workers (IUF). Some of the agreements were signed by more than one global union federation. A listing of all agreements in the research sample is included in the Annex. These 54 GFAs are a full sample of all agreements that were concluded or renewed in the period investigated. In total, the 54 MNEs are the direct employers for approximately 4.8 million workers. In addition, the business practices of these MNEs have a direct impact on a large number of workers employed in companies along their global supply chains.

This chapter continues with a definition of GFAs and gives an overview of the prevalence of these agreements made between 2000 and May 2015. It includes a content analysis of all GFAs in the research sample and compares the content and characteristics of these with GFAs negotiated before 2009, to illustrate the evolution of GFAs over time. The last section of this chapter includes a world map indicating the geographical origin of the companies that are signatories to a GFA.

7 GFAs are sometimes used to establish a WWC in the MNE. See for example the GFA signed by Enel in 2013.

2.1 Global framework agreements: Some definitions

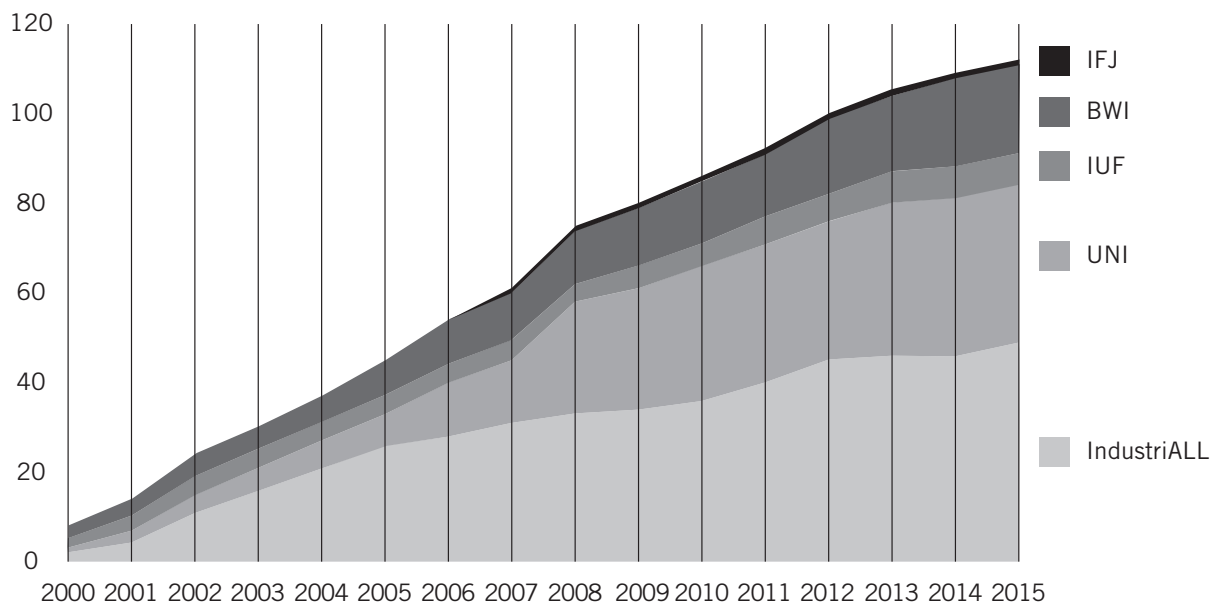
GFAs come in a dizzying array of forms and so far no unified definition has been agreed upon. In an online interview, the ILO defined a GFA as “an instrument negotiated between a multinational enterprise and a Global Union Federation (GUF) in order to establish an ongoing relationship between the parties and ensure that the company respects the same standards in all the countries where it operates” (ILO, 2007). Thomas (2010) defines GFAs as an “attempt to present an alternative process by constructing regulatory arrangements that involve both companies and unions, and that provide a framework for establishing working conditions in supply chains that are based on international labour standards developed through the ILO.” On the workers’ side the GUF IndustriALL has signed a considerable number of GFAs in the manufacturing sector and gives on its website the following definition, which puts strong emphasis on the global supply chain of the MNE: “Global framework agreements are negotiated between IndustriALL and multinational companies to protect the rights and working conditions of people at all stages of a multinational company’s global supply chain, including people working for suppliers and contractors” (IndustriALL, 2015).

These definitions show that there is some consensus and that it is possible to outline the features shared by most of the agreements, namely: that a GFA should be global in scope and include a reference to the supply chain, involve GUFs as signatories and explicitly include references and recognition of the rights reflected by the ILO in its fundamental Conventions at a minimum. These ILO Conventions are:

- Forced Labour Convention, 1930 (No. 29)
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Equal Remuneration Convention, 1951 (No. 100)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)

2.2 Continuous growth of global framework agreements

At the time of writing (June 2015), 112 companies were identified that are signatories to a GFA. In the building and wood sector, the global trade union federation Building and Wood Workers’ International (BWI) has signed 20 GFAs; IndustriALL Global Union has signed 49 agreements; in the service sector, UNI Global Union (UNI) has signed 35 agreements; the International Union of Food Workers (IUF) has signed a total of seven agreements; and the International Federation of Journalists (IFJ) has signed one GFA. Some agreements are co-signed by two GUFs. For example, the agreement with the French company Lafarge was signed by the BWI and ICEM (now IndustriALL); the agreement with Enel was signed by IndustriALL and Public Services International (PSI); and the agreement with GDF SUEZ was signed by BWI and IndustriALL. Figure 1 illustrates the growing importance of GFAs in the last fifteen years and shows furthermore the spread of GFAs apportioned by GUFs.

Figure 1. Development of GFAs, apportioned by global union federations (GUFs)

Source: Graph created by the author (number in sample = 112). As discussed above, no common definition has yet emerged on the mandatory features of GFAs. Therefore, this evaluation uses public information on concluded GFAs provided by IndustriALL (<http://www.industrialunion.org/issues/confronting-global-capital/global-framework-agreements>); UNI Global Union (<http://www.uniglobalunion.org/de/node/35014>); and BWI (<http://www.bwint.org/default.asp?Issue=Multinationals&Language=EN>). The IUF provides a list with concluded GFAs on its website. Even though a few agreements in this sample do not fulfil all criteria set forth in the definitions, they are treated as GFAs if the signatory GUF refers to them as a GFA. In its list of GFAs UNI also includes agreements that have special characteristics that differentiate them from the bulk of GFAs and they are therefore not counted here. These are agreements signed with postal unions, namely, with the Universal Postal Union (UPU), ABU, APPU, EuroMED Postal, and PAPU. Moreover, agreements are excluded that were only signed by regional sections of UNI and/or are only of regional scope. These are the agreements with Allianz, Barclay's South Africa, Nordea, PALSCON, FELABAN, Banco do Brasil, ITAÚ-UNIBANCO, Skandia, and Kimberley Clark (signed by UNI/K-C Network). The sample has been amended to the best of the author's knowledge with further agreements clearly identifiable as a GFA signed by the IUF and other GUFs.

2.3 Content of global framework agreements: Evolution over time

One of the main features of GFAs is that these instruments replicate or are based on other pre-existing international instruments and principles which have to be honoured. While references to international regulatory frameworks are very common, more specific obligations can also be created by GFAs. These obligations are often tailored to the particular challenges a company faces. These can be environmental issues for companies in the oil and gas industry, or training programmes for employees in companies with many hazardous workplaces.⁸ All agreements should contain a reference to core labour standards and the majority of the agreements contain further provisions on trade union rights, wages and overtime, training, health and safety, and the environment (Telljohann et al., 2009). Moreover, many agreements contain clauses on the application to the global supply chain of the MNE and how the implementation of the agreement will be monitored. The references to GSCs will be analysed in more detail throughout this report.

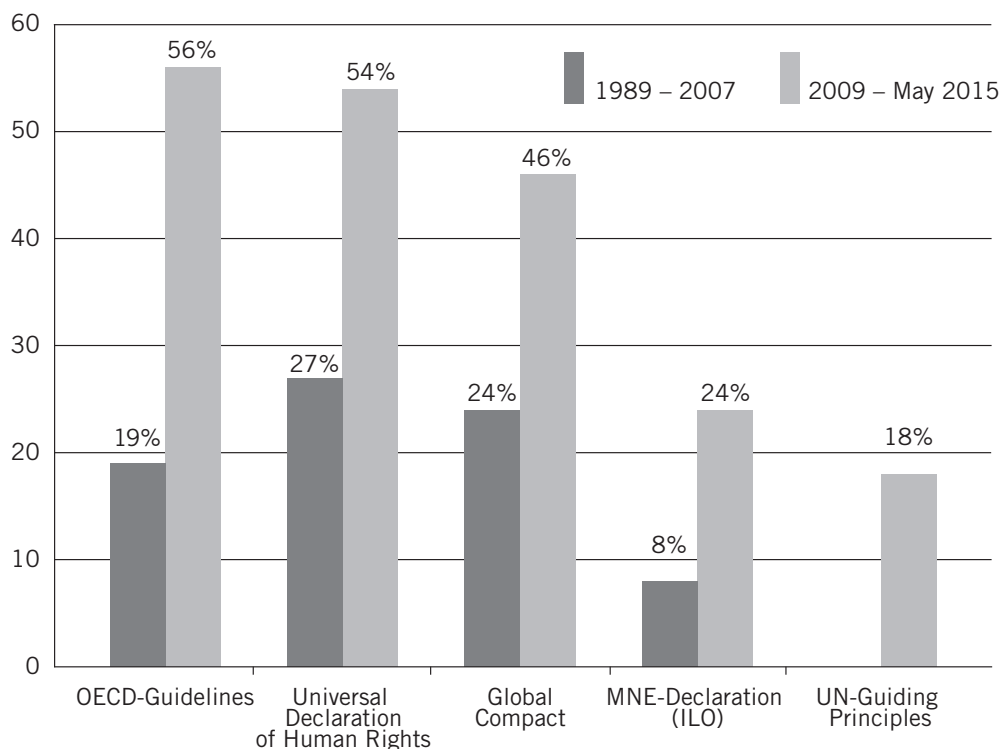
⁸ See for example the GFAs signed by Telenor ASA, a company in the oil and gas industry, and Inditex, one of the world's largest fashion retailers.

2.3.1 References to international instruments and principles

Apart from a quite constant growth in the number of new GFAs since the beginning of this century, there is a qualitative evolution with regard to the inclusion of international instruments and principles. GFAs generally include provisions primarily in relation to ILO standards by explicitly mentioning either the “core ILO Conventions” or the ILO Declaration on the Fundamental Principles and Rights at Work, 1998. Moreover, a considerable number of agreements make reference to the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) (1977, updated in 2000 and 2006). Additionally, many GFAs include other international instruments within the UN system. Most notably are the UN Universal Declaration of Human Rights (1948), the Global Compact (2000), and the UN Guiding Principles on Business and Human Rights (2011).⁹ Less frequent are references to the Rio Declaration on Sustainable Development, the UN Declaration on the Elimination of All Forms of Discrimination against Women as well as the UN Convention on the Rights of the Child. Moreover, many GFAs include instruments adopted by other international organizations, most prominently the OECD Guidelines for Multinational Enterprises (1976, updated in 2011).

A comparison of GFAs negotiated between 2009 and May 2015 with previously concluded GFAs makes a clear trend observable: towards a more comprehensive inclusion of pre-existing international instruments and principles (see figure 2). For example, an increasing number of GFAs include a reference to the ILO’s MNE Declaration. While only 8 per cent of the agreements signed up to 2007 included a reference to the Declaration, this number rose to 23 per cent of all GFAs concluded during the period 2009–May 2015. For other international instruments the number of references doubled. This trend stresses the importance of seeking formal recognition by MNEs of fundamental international labour and human rights standards.

⁹ The various international instruments and principles are sometimes interconnected. For example, the Global Compact builds among others on the UN’s Universal Declaration of Human Rights. However, only explicit references in the text of GFAs to international instruments and principles were considered for the evaluation of GFAs (2009–15).

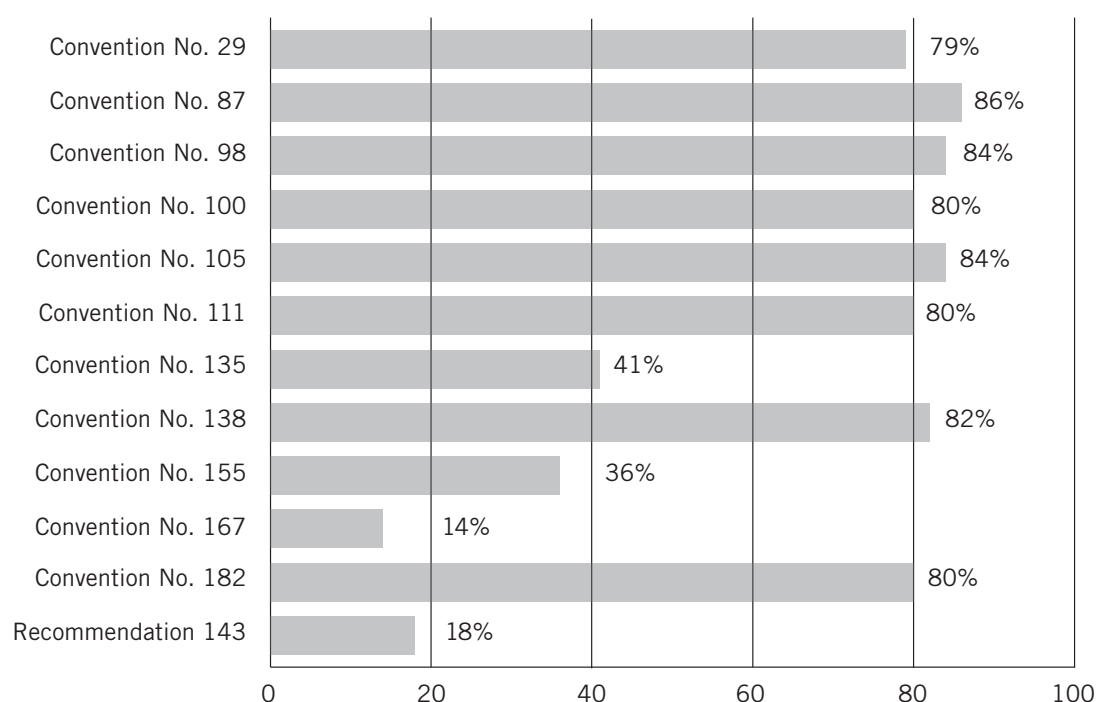
Figure 2. References in GFAs to international instruments and principles*

Note: *The UN Guiding Principles on Business and Human Rights were enacted in June 2011. Therefore, the share of GFAs relating to the UNGP takes only into account agreements concluded after this date (39).

Sources: Author's calculations based on an evaluation of GFAs negotiated from 1994 to 2007 (number in sample = 62) compiled by Nikolaus Hammer in Papadakis (2008), pp. 267 ff.; author's evaluation of GFAs negotiated from 2009 to May 2015 (number in sample = 54).

2.3.2 References to ILO Conventions and Recommendations

The large majority of GFAs include explicit references to ILO Conventions and jurisprudence and recognition of the rights reflected in them (figure 3). However, this commitment varies considerably among GFAs. Some agreements make only vague references to the ILO standards which the MNE should honour. Other agreements provide for more clarity when addressing the same issue by stating explicitly the principles or the provisions enshrined in the ILO Conventions. The following overview evaluates all GFAs in the research sample. It considers only explicit references to ILO Conventions, those where the Convention number is specified. A clear indication of ILO Conventions helps to avoid difficulties if the need arises to clarify the exact scope of provisions and allows the parties to draw on relevant ILO definitions and jurisprudence.

Figure 3. References in GFAs to ILO Conventions and Recommendations

Source: Author's evaluation of GFAs negotiated between 2009 and May 2015 (number in sample=54).

The evaluation shows that most GFAs make an explicit reference to the ILO's fundamental Conventions – Nos. 29, 87, 98, 100, 105, 111, 138 and 182, those listed in section 2.1 above. In addition, there are frequent references to two other Conventions and one Recommendation; these are the Workers' Representatives Convention, 1971 (No. 135) and its accompanying Recommendation (No. 143) and the Occupational Safety and Health Convention, 1981 (No. 155). Many GFAs negotiated by BWI also make reference to the Safety and Health in Construction Convention, 1988 (No. 167).¹⁰

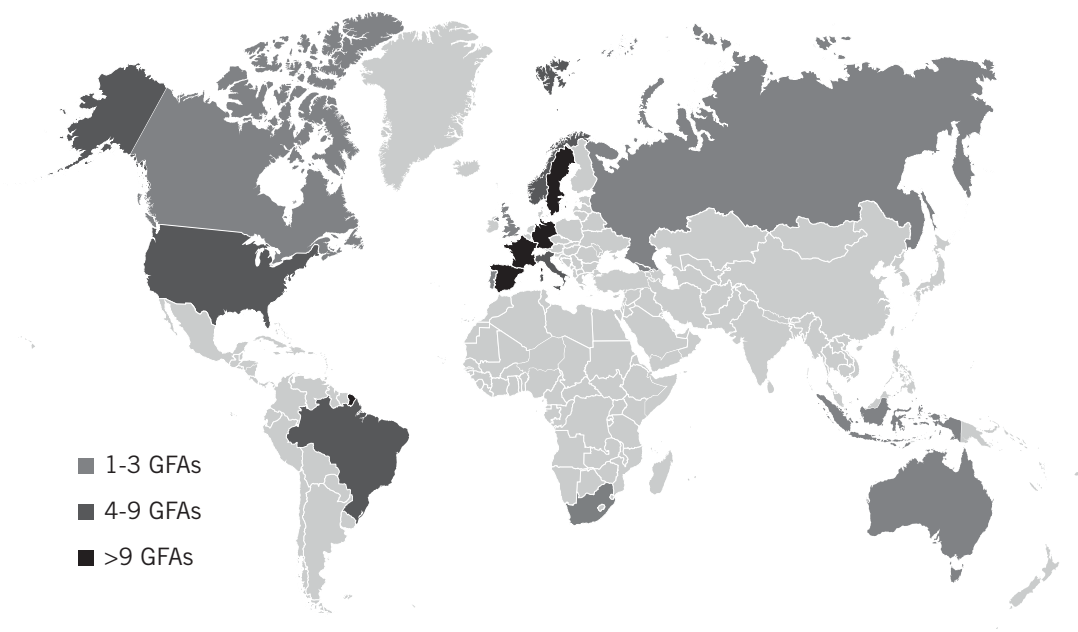
2.4 Multinational enterprises: A European focus

For the employer, GFAs are usually signed by the company's CEO or head of human resources, sometimes together with managers of the group's subsidiaries (International Training Centre of the ILO, 2010). For the workers, GFAs are usually signed by the President or General Secretary of a GUF, sometimes together with other workers' representatives. In total, 112 companies from 23 different countries were identified as being signatories to a GFA. The majority of the agreements were signed by companies headquartered in Europe and particularly by companies from France, Germany, Spain

¹⁰ In addition, the following ILO Conventions and Recommendations are referred to in single GFAs: Hours of Work (Industry) Convention, 1919 (No. 1); Forty-Hour Week Convention, 1935 (No. 47); Labour Clauses (Public Contracts) Convention, 1949 (No. 94); Protection of Wages Convention, 1949 (No. 95); Social Security (Minimum Standards) Convention, 1952 (No. 102); Minimum Wage Fixing Convention, 1970 (No. 131); Workers with Family Responsibilities Convention, 1988 (No. 156); Termination of Employment Convention, 1982 (No. 158); Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159); Private Employment Agencies Convention, 1997 (No. 181); Reduction of Hours of Work Recommendation, 1962 (No. 116); Employment Relationship Recommendation, 2006 (No. 198).

and the Scandinavian countries. German companies signed 29 of the 112 GFAs identified; France is home to 15 companies with a GFA, 12 companies are from Spain and 10 companies in the sample are headquartered in Sweden. This suggests that the domestic base is central for explaining the emergence of GFAs. Here, the headquarter country is used as a proxy for the quality and type of prior labour relations in the MNE. A long tradition of industrial relations is one of the factors that seem to strongly favour the conclusion of GFAs. Another objective factor is the size of the company. GFAs are often signed by very large companies; 25 MNEs in the research sample of 54 employ more than 50,000 workers, and out of these companies 15 employ more than 100,000 workers. The world map in figure 4 indicates the geographical origin of companies that have signed a GFA.

Figure 4. Number of GFAs, by location of headquarters



Source: Created by the author (number in sample = 112).

3. Global framework agreements: Major features addressing global supply chains

This chapter is the core of this report. It analyses which formulations in GFAs can be considered examples of good practice in achieving decent work in GSCs. The analysis builds on the previously outlined statement that MNEs have the potential to influence working conditions and to promote decent work throughout their entire supply chain. However, two crucial questions are whether MNEs always do have the will to promote decent working conditions in their GSCs, and whether they are always able to monitor whether workers' rights are upheld locally. GFAs provide a potential response to both questions. The agreements are the result of negotiations with organized labour and oblige the MNE to promote decent working conditions in their global supply chains. At the same time the agreements establish a continuous relationship between MNEs and trade unions that helps to detect violations of workers' rights along the chain. Continuous labour relations are paramount to ensure an effective and sustainable improvement of workers' rights and to achieve decent working conditions in GSCs.

This chapter analyses the scope of application of GFAs in the research sample. The first section discusses the scope of application to independent suppliers and contractors of the MNE, and the following one the scope of application of GFAs in the MNE. The last section reviews joint activities between GUFs and MNEs to ensure the implementation of the GFA along the global supply chain.

3.1 Scope of application to global supply chains

GFAs can be examples of good practice in many ways. First, however, to evaluate their potential impact it is essential to analyse the scope of application with regard to the global supply chain of the MNE. An evaluation of all GFAs in the research sample shows that about 80 per cent of the agreements make reference to the global supply chain of the MNE. There are however a number of different concepts regarding the extension to the supply chain. The content of clauses relating to the GFA's application to suppliers and subcontractors varies considerably among the different texts. This variety complicates a quantitative evaluation of the agreements; sometimes simplifications have been necessary to summarize all different characteristics under the chosen categories. To facilitate an evaluation of the different agreements this report distinguishes between four groups of references: (1) no reference to the supply chain; (2) informs and encourages suppliers and subcontractors; (3) potential termination of the contractual relationship; and (4) reference to the entire global supply chain. The following subsections give more information on the four groups as well as practical examples on how references to GSCs are commonly framed in GFAs.

3.1.1 No reference to the supply chain

Working conditions at supplier companies are not necessarily addressed in GFAs. In this group, the text of the GFA contains no reference to the working conditions at suppliers and subcontractors of the MNE. It was found that 20 per cent of the agreements in the research sample fall into this category.

3.1.2 GFA informs and encourages suppliers and subcontractors

The largest group of GFAs – 46 per cent – include an obligation for the MNE to inform its suppliers and subcontractors of the related parts of the GFA and to encourage adherence. The GFAs negotiated with the companies Pfeleiderer and Eurosport oblige the companies only to inform their suppliers and subcontractors about the GFA. In all other agreements this obligation is combined with the duty of the MNE to encourage suppliers and subcontractors to adhere to the standards set out in the GFA. Unlike in the previous case, this type of provision demands that the MNE not only informs its business partners about the GFA but also exercises some power and takes effective measures in order to ensure that they respect the agreement. However, in many situations it will be difficult to verify whether the MNE has exercised its “influence” or all possibilities to “promote” the application of the GFA by the suppliers or subcontractors. In other words, it remains unclear what concrete actions are required from the MNE to demonstrate that it has effectively encouraged its suppliers and subcontractors to comply with the GFA. Box 1 gives examples of how these references to the global supply chain are commonly framed in GFAs.

Box 1 GFA informs and encourages suppliers and subcontractors

Norske Skog-IndustriALL: “Norske Skog will **notify** its subcontractors and suppliers of this Agreement and **encourage** compliance with the standards set out in paragraph 2 below.”

ThyssenKrupp-IndustriALL: “ThyssenKrupp **ensures** that its suppliers shall be **informed** in a suitable manner about these fundamental principles. ThyssenKrupp **encourages its suppliers to consider** these principles in their own corporate policy.”

Lukoil-IndustriALL: “Lukoil advises its contractors, license holders and major suppliers of the existence of this agreement and encourages them to abide by the requirements and principles outlined herein.”

3.1.3 Potential termination of the contractual relationship

About a third of the agreements in the research sample use a stronger wording; they treat respect of provisions in GFAs as a criterion for establishing and continuing business relations with suppliers and subcontractors. A continuing violation of standards set out in the GFA is seen, in the last instance, as a reason to terminate business relations. Contractual termination, however, constitutes the last resort in all such GFAs, to be deployed only after cooperative enforcement has been tried without success.

Many GFAs therefore foresee sanctions as a first step in case of violations of the GFA. However, in most of the GFAs it is not very clear which kind of sanctions will apply and whether sanctions are supposed to apply only in cases of a serious breach or in case of any breach. In some agreements it can be inferred from the wording that the sanctions will apply only for non-compliance with (fundamental) ILO standards, apparently leaving out of their scope violations with regard to principles embodied in other multilateral instruments or other general provisions included in the agreement. Other agreements do not explicitly mention the intention to end the contractual relationship, but the wording of the reference includes a binding intention that goes beyond informing and encouraging suppliers and subcontractors to adhere to standards in the GFA.

The fact that the termination of the contract with the supplier or subcontractor is mentioned as a possible sanction in case of non-adherence increases the credibility of GFAs. Such clauses are measures that have the potential to successfully guarantee that the agreement will benefit workers in supplier and subcontractor firms. However, this line of reasoning rests on the assumption that suppliers are willing to preserve the business relationship with the MNE. Moreover, it should be considered that with the termination of the contract the MNE potentially loses all possibility of influence over the supplier or subcontractor. Trade unions and the MNE should therefore take into account whether terminating the relationship with a supplier or subcontractor itself might have additional negative consequences for the workers employed in these companies. Box 2 gives examples of how these references are commonly framed in GFAs.

Box 2 Potential termination of the contractual relationship (1)

Aker-IndustriALL: “Non-compliance with these standards **will ultimately result in sanctions and potential termination of contractual relationship.**”

Svenska Cellulosa AB (SCA)-IndustriALL: “At the same time any proven violation of the principles contained in the Agreement that is **not remedied** despite warnings **will lead to termination of relations with the company concerned.**”

Lafarge-IndustriALL: “Any serious breach of the legislation concerning the health and safety of direct or indirect employees, the protection of environment or basic human rights, **which is not corrected after a warning, will result in the termination of relations with the concerned enterprise (...).**”

Antara-UNI: “(...) third companies wishing to be awarded outsourcing contracts, jobs, works or any other type of service by Antara, **will have to adhere to these principles.**”

There is variation among those clauses in GFAs which formally oblige the MNE to refrain from working with business partners that do not respect the standards in the GFA. The obligation to terminate the contract can be phrased as compulsory or is formulated as an objective to be reached. Examples where the obligation is formulated as an objective to be reached include Securitas, Renault, and Total, where the termination of business relationships with suppliers and subcontractors is qualified with the formulations “shall consider” or “may lead”. Box 3 gives examples how these references are commonly framed in GFAs.

Box 3 Potential termination of the contractual relationship (2)

Securitas-UNI: “Securitas **shall endeavour** to work with business partners who conduct their business in a way that is compatible with the terms of this agreement, and it **shall consider** not doing business with any partner that fails to comply with these standards.”

Renault-Group-IndustriALL: “The Renault Group undertakes to communicate this agreement to its suppliers and sub-contractors. It asks them to commit to applying the fundamental social rights stipulated in chapter 1 of this agreement within their own company. If necessary, corrective action plans may be set up with the Renault’s Group support. Once identified, any failure not corrected **may lead** to various measures, including Renault Group terminating its relationship with the company concerned.”

Total-IndustriALL: “The Group will make sure that the principles of this agreement are communicated and promoted among its contractors and suppliers. If the principles are not respected, the Group will take necessary action, which **may go** as far as terminating the contract.”

Furthermore, questions may arise on the practical applicability of these sanctions. For instance, on the one hand there could be a GFA that requires the termination of the business relationship if the supplier does not comply with an ILO fundamental principle; on the other hand, it is likely that the contract signed between the MNE and the supplier does not include any provisions in this regard within the grounds to terminate the contract. In fact, MNEs that have signed GFAs have two different sets of obligations: one with the GUF (and possibly other organizations) by virtue of the GFA, and another with its suppliers and subcontractors by virtue of commercial contracts. Some GFAs take this into consideration and restrict the obligation of the MNE to terminate the relationship with the supplier or subcontractor by stressing that the termination of the contract has to be in compliance with contractual obligations (box 4).

Box 4 Potential termination of the contractual relationship (3)

ENI-IndustriALL: “(...) any serious violations, also concerning health and safety of employees, regulations on protection of the environment or human rights, which are not eliminated, will lead to termination of the relationship with the company concerned **in compliance with contractual obligations.**”

Lafarge-IndustriALL: “Any serious breach of the legislation concerning the health and safety of direct or indirect employees, the protection of the environment or basic human rights, which is not corrected after a warning, will result in the termination of relations with the concerned enterprise, **subject to contractual obligations.**”

3.1.4 Reference to the entire global supply chain

The majority of GFAs make reference to the direct suppliers and subcontractors of the MNE. However, it can be essential not to limit the application of the GFA to the MNE's direct contractors, but to include the entire global supply chain, that is, to the suppliers and subcontractors of the direct suppliers and contractors of the MNE. Only a small fraction of GFAs address the entire supply chain. For example, the GFAs negotiated with the companies Enel, PSA Peugeot Citroen, Inditex and Total include an explicit reference going beyond the direct suppliers and subcontractors. Welz (2011) conducted an evaluation of GFAs concluded before 2008 and reports that the companies CSA-Czech Airlines, Royal BAM and Triumph International acknowledge comprehensive responsibility for their whole production chain.

The GFA signed between IndustriALL¹¹ and Inditex makes reference to the entire supply chain and is unique in the sense that it is devoted to the implementation of international labour standards throughout the GSC. The company commits itself to insisting upon observance of the provisions throughout its entire supply chain in all locations, whether managed by Inditex or its external manufacturers or suppliers. This obligation includes workplaces not represented by IndustriALL affiliates. External manufacturers and suppliers who subcontract work for Inditex are responsible for the sub-contractors' compliance with the provisions of the agreement.

Between the different GFAs that include a reference to the entire supply chain, there is, again, variation in the phrasing of the references. The obligation to insist on the application of provisions in the GFA throughout the entire supply chain can be framed as compulsory or an objective to be reached. For example, Enel commits to ensure full compliance in its relationship with contractors and suppliers, but beyond that only to *promote* the GFA in its entire supply chain. Box 5 gives examples of how references to the entire GSC can be framed in GFAs.

Box 5 Reference to the entire supply chain

Total-IndustriALL: "The Group expects its contractor companies and suppliers to: (...) **(m) make sure that their own contractors respect principles equivalent to the above.**"

PSA Peugeot Citroen-IndustriALL: "PSA Peugeot Citroen requests from its suppliers a **similar commitment in respect of their own suppliers and sub-contractors.**"

Enel-Group-IndustriALL: "Enel-Group **shall ensure** full compliance of applicable laws and international standards in its relationships with contractors and suppliers and will **promote** this agreement towards the entire supply chain."

Inditex-IndustriALL: "Inditex undertakes to apply and insist on enforcement of the International Labour Standards mentioned above **throughout its 'supply chain'** regarding all workers, whether they be directly employed by Inditex or by its external manufacturers or suppliers."

¹¹ The International Textile, Garment and Leather Workers' Federation (ITGLWF) had already signed a GFA with Inditex in 2007. In June 2012, affiliates of the ITGLWF joined the new global federation IndustriALL. For the origins and implementation of the Inditex GFA, see Miller, 2011.

3.2 Scope of application in MNEs

The majority of GFAs have been negotiated with companies headquartered in Europe, where public regulations and their enforcement mostly provide a baseline for the protection of workers' rights.¹² The section above discussed the application of GFAs to independent companies in the supply chain of MNEs. In addition, it is essential to emphasize that provisions in GFAs are most of the time applicable to the companies' subsidiaries in other parts of the world. Since GFAs are usually concluded by the company's CEO in the name of the MNE, they should include a clear definition as to which parts of the MNE it is supposed to apply. Based on the text of the agreements, a distinction can be made between three groups of references: (1) scope of application is not addressed; (2) application to subsidiaries where the MNE holds a controlling interest; and (3) group-wide scope of application. The following sections give more information on these groups as well as practical examples of how references to the scope of application within the MNE are commonly framed in GFAs.

3.2.1 Scope of application is not addressed

About 20 per cent of the GFAs in the research sample include no explicit references to the scope of application within the MNE. GFAs are concluded in the name of the MNE or the group of companies led by the MNE. However, when a clear definition of the MNE or group is missing disagreements about the scope of the agreement may arise, for example, whenever a subsidiary is not wholly owned by the MNE.

3.2.2 Application to subsidiaries where the MNE holds a controlling interest

A number of GFAs try to specify the boundaries of the group by clarifying that the agreement addresses subsidiaries only in cases where the MNE holds a certain degree of power over them. In most of the agreements the scope is limited to subsidiaries where the MNE holds a controlling interest. This is often paraphrased in broad terms, using wordings such as "direct control", "operational control", or "leading shareholder". Only in one GFA in the research sample is the scope of application limited to subsidiaries wholly owned by the MNE.¹³ A distinction according to the degree of power that the MNE can exercise in its different subsidiaries may be legitimate and has the advantage of not creating expectations that may not be satisfied subsequently. Box 6 gives examples of frequently used phrasings in GFAs.

¹² However, for documentation of regular violations of workers' rights in European countries, see ITUC, 2015.

¹³ Telenor-UNI: "Telenor will secure adherence to this agreement by its wholly owned subsidiaries within the Telenor group. Further, Telenor will promote adherence by all companies within the group."

Box 6 Scope of application in MNEs (1)

Loomis-IndustriALL: “This Global Agreement applies to companies, over which Loomis AB has direct control as an owner, i.e., **in which it has controlling interest.**”

Renault-IndustriALL: “This agreement (...) is applicable to the entire Renault Group, i.e. to any company in which Renault holds directly or indirectly, **over half of the share capital.**”

Aker-IndustriALL: “This agreement relates to all companies that are part of Aker, i.e. companies that have Aker ASA as the **leading shareholder.**”

In addition, some GFAs reiterate that the MNE pledges to exercise its best efforts to secure compliance with the agreement in subsidiaries outside their direct control (box 7).

Box 7 Scope of application in MNEs (2)

Svenska Cellulosa AB-IndustriALL: “This agreement covers all activities where SCA has direct control. Where SCA does not have direct control, **it will exercise its best efforts in order to secure compliance with the standards set out in this Agreement.**”

AngloGold-Ashanti-IndustriALL: “In instances where AngloGold does not have direct control or in the case of subsidiaries the company will **exercise its best efforts to secure compliance** with the standards and principles set out in this agreement (...).”

Total-IndustriALL: “Beyond that scope, in affiliates where it is present but does not control operations, the Group will make **ongoing efforts to promote the principles of this agreement.**”

3.2.3 Group-wide scope of application

Some GFAs state that the agreement shall be applicable to all subsidiaries in the group. While the language used is seemingly comprehensive, it remains unclear in these agreements how the boundaries of the group are defined. In the absence of a definition in the text, one may consider that the definition of the group is defined by the national law of the country in which the company is headquartered. However, the definition of “group” remains vague in most national legislation. Box 8 gives examples.

Box 8 Scope of application in MNEs (3)

ThyssenKrupp-IndustriALL: “The principles agreed in this framework agreement shall be **valid worldwide for all subsidiaries.**”

ZF Friedrichshafen-IndustriALL: “The provisions of this agreement define the ZF standards being applied **wherever the ZF Group operates.**”

MANN+HUMMEL-IndustriALL: “The goals and principles of implementation set out in this joint declaration **apply for the MANN+HUMMEL Group worldwide.**”

Questions may also arise with respect to subsidiaries that join or leave the group after the GFA has been signed. It seems reasonable to argue that as a general rule the GFA should apply to new companies joining the group. However, only few GFAs contain explicit provisions to cover the event that companies join or leave the group. Box 9 gives some examples.

Box 9 Scope of application in MNEs (4)

PSA Peugeot Citroen-IndustriALL: “This international framework agreement applies directly to (...) the **present and future subsidiaries** over which the Group exercises a dominant influence (...).”

EDF-IndustriALL: “In the event that a company no longer fulfils the criteria defined above, this Agreement shall then **cease immediately to be applicable.**”

Solvay-IndustriALL: “In the event of merger, acquisition or corporate restructuring of any kind leading to the creation of new entities controlled by Solvay (...) **these new entities shall automatically be deemed party to the global agreement** and subject to its provisions until such time as the agreement is renegotiated.”

3.3 Breadth of the scope of application

The sections above have discussed the scope of application to the GSC and within the MNE. Generally, all provisions in GFAs should apply to the subsidiaries and GSC of the MNE according to the defined scope of application. However, it is important to emphasize that the whole agreement is not always applicable to suppliers and subcontractors; sometimes it is agreed that only certain provisions in the GFA should apply to the GSC. The extent to which provisions in GFAs are applicable to suppliers, subcontractors and subsidiaries is called the “breadth of the scope of application” in this analysis.

As a general rule all provisions in GFAs are applicable to the MNE’s subsidiaries. The research sample does not include any examples in which the breadth of the scope of application is limited for

subsidiaries. This is different for legally independent companies in GSCs. It can be agreed in GFAs to make adherence to all standards a prerequisite for a business relationship. The GFA signed by Inditex with IndustriALL extends the scope of application of the terms of the agreement to all workers, whether directly employed by Inditex or suppliers (p. 3). However, many GFAs take a more selective line when treating only the health and safety provisions as a selection criterion for suppliers, or make compliance mandatory only with particular ILO Conventions. For example, the PSA Peugeot Citroen GFA with IndustriALL consents to communicate the provisions in the GFA to suppliers and subcontractors and to request that they apply the ILO Conventions mentioned in the agreement (p. 11). The GFA signed by Salini Impregilo with BWI requires subcontractors and suppliers to “recognize and meet the above mentioned criteria” (p. 4). However, it remains vague in the agreement which criteria are referred to. Such blurry expressions leave much leeway for discussion and conflict. The GFA signed by Dragados asks contractors, subcontractors and suppliers to meet ILO Conventions and comply with national legislations. The GFA signed by Solvay requires the company to consider not doing business with partners that seriously violate “employee health and safety legislation or basic human rights” (p. 9). In principle, the sanctions only apply in the case of violations of those clauses considered to be the most important. This may reflect the balance that MNEs have to strike between the definition of global principles and the autonomy of legally independent suppliers and subcontractors. Box 10 gives examples of the language used in GFAs.



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Box 10 Breadth of the scope of application

PSA Peugeot Citroen-IndustriALL: “PSA Peugeot Citroen undertakes to communicate this agreement to these companies and request that they **apply the previously mentioned ILO international Conventions.**”

EDF-IndustriALL: “Any serious failure, not remedied following notification, to comply with legal requirements or related issues of the **occupational health and safety, ethical behaviour towards customers and environmental protection**, shall result in the termination of our relations with the subcontracting company (...).”

Loomis-UNI: “Loomis shall endeavour to work with business partners who conduct their business in a way that is **compatible with the terms of this agreement** and it shall consider not doing business with any partner that fails to comply with these standards.”

3.4 Joint activities: Collaboration on monitoring, training programmes and global reviews

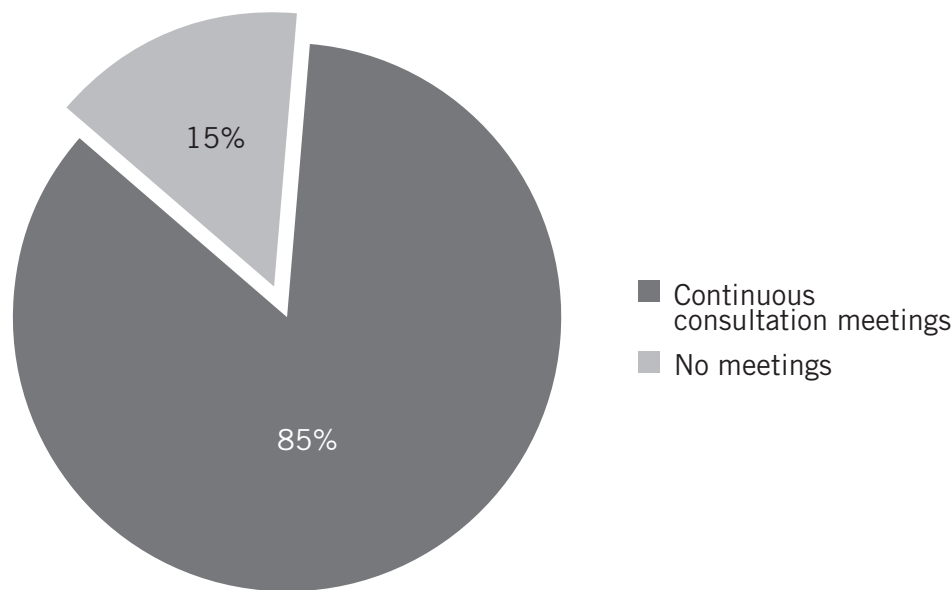
GFAs are still a recent phenomenon and come in many different forms. This general observation is particularly true for specific provisions in GFAs addressing relations with suppliers and subcontractors. There are several good-practice examples in GFAs, but with regard to specific issues related to GSCs only a few general trends have yet emerged. The most comprehensive trend is the establishment of continuous consultation meetings on the implementation of the GFA. In these meetings, issues

regarding workers’ rights at suppliers and subcontractors can be brought to the attention of the MNE management. Moreover, some GFAs stipulate that the MNE should assist small and medium-sized suppliers and subcontractors to meet ILO standards. Sometimes it is agreed to conduct site visits and joint audits in subsidiaries of the MNE as well as in the supplier and subcontractor companies. Few agreements stipulate the disclosure of companies in the GSC to facilitate monitoring by local trade unions, or oblige the MNE to include standards set out in the GFA in commercial contracts. The next subsections present the variety of specific provisions in GFAs addressing relations with suppliers and subcontractors, and give examples of good practice.

3.4.1 Continuous consultation meetings

In anticipation of conflicts and to ensure the implementation of the agreement, 85 per cent of the agreements evaluated establish a specific continuous forum for dialogue between the management of the MNE and representatives of the GUFs. These international conflict resolution bodies can be appealed to when alleged breaches of the agreement are identified and cannot be resolved at the workplace or national level, or when suppliers or subcontractors do not adhere to the standards set out in GFAs. This body usually consists of several senior representatives of the bargaining partners. Different names are used for this forum: “reference group” (Dragados), “implementation group” (Codere) or “committee” (Inditex). The majority of these bodies meet once a year, but when a need for additional discussions arise ad hoc meetings can be convened. The agreements signed by Svenska Cellulosa AB (SCA) and Aker ASA stipulate that this body meets every second year. The GFAs signed by Securitas and Orange (formerly France Telecom) stipulate two meetings a year. Even when such a continuous forum is not established, the bargaining partners often agree to meet when extraordinary incidents occur.

Figure 5. Number of GFAs formalizing continuous consultation meetings



In a few GFAs it is explicitly agreed that the business relations and working conditions at suppliers and subcontractors will be a topic of discussion in the continuous consultation meetings. Box 11 gives examples of how references to the choice of topics to be discussed in the continuous consultation meetings can be framed in GFAs.

Box 11 Discussion of GSCs in continuous consultation meetings

Statoil-IndustriALL: “Statoil and IndustriALL will meet annually to (...) (g)enerate (a) corporate policy on employment occupational health, safety and environmental issues affecting within the company and, as appropriate, between the company and its **related companies including supplier and subcontractors.**”

LUKOIL-IndustriALL: “(...) such meetings may address the following topics: LUKOIL's general corporate health, safety and environment policy that covers personnel of LUKOIL Group organizations and, where appropriate, personnel of organizations related to LUKOIL, **including suppliers and subcontractors.**”

Inditex-IndustriALL: “IndustriALL Global Union and Inditex shall meet once a year to review **developments in the supply chain** and the implementation of the GFA.”

3.4.2 Joint monitoring and review of global framework agreements

In some GFAs it is agreed that the lead MNE should undertake additional monitoring measures to ensure compliance along the global supply chain. The most complex system of monitoring is laid out in the GFA signed by Inditex, a Spanish multinational clothing company. An additional protocol specifies enforcement of the agreement in Inditex's supply chain and stresses that local trade unions can play a pivotal role in monitoring the working conditions at suppliers. The protocol contains several references to the important role of local trade unions that “have a natural and quick access to Inditex's suppliers, on account of their proximity” (p. 2). In December 2013, the Belgium company Solvay signed a GFA with detailed provisions on requirements for an annual review of the agreement, where it was agreed that the review should be based on performance indicators. One of the indicators includes relations with suppliers and subcontractors and a review of compliance with the standards set forth in the GFA as well as any corrective measures required (p. 12). Other agreements include the obligation of the company to conduct periodical audits or reviews of the GFA. In the GFA signed by IndustriALL and ZF Friedrichshafen in 2011 the company consents to include the principles set out in the agreement into the criteria for regular audits.¹⁴ In other GFAs the bargaining partners agree to conduct site visits to subsidiaries of the MNE in different countries (box 12).

¹⁴ “The Group auditing shall also observe the compliance with these principles during their audits and add them to their auditing criteria” (p. 4).

Box 12 Site visits to subsidiaries

ThyssenKrupp-IndustriALL: “The representatives of the International Committee shall furthermore be free to **visit production sites** of a company or companies of the Group in a region or a country of their choosing each year (...).”

PSA Citroen-IndustriALL: “In each of the main countries (over 500 employees) local social observatories are set up, comprised of the human resource management and the trade union organization. These social observatories carry out **annual monitoring** of the international framework agreement’s application through a **joint document** drawn up by the signatories of this agreement.”

Umicore-IndustriALL: “As part of their monitoring competencies, the employee representatives of the monitoring committee can have every year a meeting with the employee representatives of one Umicore site (...). **During the monitoring visits, the compliance with the agreement is verified and reviewed.**”

The GFA signed with the German company Wilkhahn includes a provision on site visits at companies in the global supply chain. Ford conducts regular assessments of existing and prospective tier 1 suppliers and the results of these assessments are supposed to be part of the discussions in the continuous consultation meeting established by the GFA consisting of management and workers’ representatives (p. 3). But the vast majority of GFAs do not specifically address additional monitoring measures in the global supply chain or at MNE subsidiaries.

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Box 13 Joint audits at suppliers and subcontractors

Wilkhahn-BWI: “**An audit shall be carried out every three years at a Wilkhahn company, a licence partner or a supplier.** BWI may make it possible for the unions at the respective location to participate in the meetings of the monitoring committee.”

Ford-IndustriALL: “The company conducts assessments of selected existing and prospective Tier 1 suppliers in multiple countries. (...) Assessments consist of a detailed questionnaire, a document review, factory visits, and management and employee interviews, and are conducted with the assistance of external auditors. **Ford will review such assessments with the Network (GUF-management group)**, as requested, in connection with its regular meeting and will respond to issues raised.”

3.4.3 Supporting suppliers and subcontractors

A number of GFAs include commitments to carry out joint work and training programmes at MNE subsidiaries in different countries. Yet they only seldom include provisions on training programmes or customized guidance directly targeted at suppliers and subcontractors. Adherence to specific standards

set out in GFAs can be difficult for suppliers and subcontractors; the formulation of standards in GFAs can pose particular challenges for small and medium-sized companies (SMEs) in the global supply chain. There is a disproportionate incidence of occupational accidents and health problems in SMEs, and thus many GFAs stipulate strict observance of OSH standards for a continuous business relationship with suppliers and subcontractors. To support adherence, technical support, readily accessible assessment tools and in particular customized guidance can be crucial to overcome knowledge gaps and to enable SMEs and their workers to improve working conditions.

A few GFAs contain clauses on how to support a learning process in supplier companies to meet the standards set out in the agreement. These provisions can include collaborating on training programmes for the management and workers, or general support for small and medium-sized suppliers and subcontractors. These training provisions should be designed to progress the implementation of the GFA and to facilitate democratic labour relations at suppliers and subcontractors. Box 14 gives examples how references to training measures and support of SMEs can be framed in GFAs.

Box 14 Support for suppliers and subcontractors in the GSC

Inditex-IndustriALL: “Inditex and IndustriALL Global Union undertake jointly to **develop training policies and programmes on labour issues** designed to progress the implementation of the Agreement throughout the Inditex supply chain.”

PSA Peugeot Citroen-IndustriALL: “Any failing relating to the respect of human rights shall lead to corrective action plans after a warning from PSA Peugeot Citroen. (...) **A specific process will also be set up for small companies of suppliers and subcontractors, to enable them to gradually apply the previously stated ILO standards.**”

Renault-IndustriALL: “If necessary, **corrective action plans may be set up with the Renault Group's support.** Once identified, any failure not corrected may lead to various measures (...).”

Solvay-IndustriALL: “Solvay expect its suppliers and subcontractors to comply with the law and with statutory regulations, as well as basic human rights (...) Solvay will encourage them in this and **offer the benefit of its expertise in these areas whenever needed.**”

3.4.4 Disclosure of supplier information

For trade unions, the monitoring of GFAs in the global supply chains of MNEs is particularly challenging. Whether a company is producing goods or delivering services for a particular MNE is often not open to trade union scrutiny. To enable trade unions to monitor adherence to the standards of a GFA along the GSC, it is of crucial importance that information is provided by the MNE in the first instance about the companies in its global supply chain (IndustriALL, 2012). Such disclosures may include commercially sensitive information, and therefore an understanding of confidentiality about the disclosed information may be necessary. However, only seldom do GFAs contain clauses on such disclosure. Box gives examples of how such references are framed in a few GFAs.

Box 15 Disclosure of supplier information

Inditex-IndustriALL: “In order to realize IndustriALL Global Union **access to Inditex’s suppliers, as a means to reinforce the monitoring control system of the latter, it is hereby agreed that the Supplier information shall be provided to the governing body of IndustriALL Global Union.**”

Wilkhahn-BWI: “The following procedures serve as a means to monitor and comply with the agreement (...) Each company, **all suppliers and licence partners shall fill out a ‘questionnaire on disclosure of personal data of suppliers’** which covers all points of this agreement.”

3.4.5 Procurement practices:**Inclusion of GFA standards in commercial contracts**

Several States have adopted procurement practices that take into account working conditions in supplier companies. Through their rules of access to public procurement markets, States can influence the incentives for companies to follow particular labour standards. Schulten et al. (2012) give an overview of pay and social clause in European public procurement. For example, in Germany, the procurement practices of many federal states include elements of the ILO’s Decent Work Agenda. Similar to States, the procurement practices of MNEs could include elements of the Decent Work Framework or provisions agreed on in GFAs.

GFAs have the potential to serve as a good-practice example for procurement practices of MNEs. In many GFAs, MNEs accept the obligation to require from their suppliers and subcontractors adherence to particular standards. The different ways in which GFAs influence the procurement practices of MNEs have been analysed above. However, MNEs that have signed GFAs have two different sets of obligations: one with the GUF by virtue of the agreement, and another with its suppliers and subcontractors by virtue of commercial contracts. It can therefore be important to include the principles set out in the GFA in the MNE’s commercial contracts with suppliers and subcontractors. This ensures that the violation of the GFA’s standards constitutes a valid reason to terminate the contract with the supplier or subcontractor. Box 16 gives an example of how such an obligation can be framed.

Box 16 Inclusion in commercial contracts

Pfleiderer-IndustriALL: “Pfleiderer shall ensure implementation of the agreement at the different locations by taking suitable internal measures. These include specifically: (...) **inclusion in purchasing instructions and agreements with suppliers, wherever possible (...).**”

4. Global framework agreements: UN Guiding Principles on Business and Human Rights

GFAs are too often analysed in isolation. This ignores that several international regulatory frameworks can bear implications for the drafting and implementation of GFAs. The ITUC suggests using the UN Guiding Principles on Business and Human Rights (UNGP) “as the basis for broadening the scope of global framework agreements particularly with respect to suppliers and business partners” (ITUC, 2012, p. 17). The Guiding Principles were endorsed by the UN Human Rights Council in June 2011 and reiterate the responsibility of companies to respect human rights. Since the adoption of the UNGP, 18 per cent of the newly negotiated GFAs make a reference to them (author’s evaluation of all GFAs (39) signed since June 2011). The UNGP themselves refer to GFAs in Guiding Principle (GP) 30 as a way of ensuring effective grievance systems in MNEs, but unlike GFAs, the UNGP do not intend to develop strong labour relations to regulate GSCs. However, in some instances the responsibilities of MNEs under the UNGP go beyond their commitments in GFAs. The Guiding Principles can thus be a source of arguments to further strengthen the wording of GFAs with regard to their scope of application along GSCs. This chapter critically reflects and discusses implications of the UNGP for clauses in GFAs.¹⁵

4.1 The foundation: Labour relations

Promoting the ILO’s Decent Work Framework for Measuring Decent Work in GSCs is an ongoing challenge. Decent work deficits are prevalent in many countries in the world. The intention to promote the Decent Work Framework and to overcome governance gaps is explicitly pointed out in the preambles of several GFAs. Similarly, the UN Guiding Principles try to establish expectations for business behaviour worldwide with regard to human rights violations. However, there is an important difference between the two initiatives: while GFAs build on the dynamics of labour relations and the participation of workers in regulating business practices, the Guiding Principles primarily address the responsibilities of companies without taking the centrality of labour relations into consideration.

The starting point of this report is the promotion of labour relations on a global scale to regulate GSCs. To make this approach tangible, the GFA signed by Inditex, the world’s largest fashion retailer, is taken as an example. The Inditex GFA is designed to promote decent work across the group’s vast global supply chain and to ensure adherence to core labour standards. The text of the agreement (p. 3) explicitly acknowledges that freedom of association and the right to collective bargaining play a central role in a sustainable supply chain because they provide workers with the mechanisms to monitor and enforce their rights at work. These rights are needed to ensure that economic development translates into social development. Local trade unions with their natural and quick access to suppliers of MNEs have an important part to play in the regulation of GSCs and can help to achieve more democratic industrial relations worldwide. Therefore, integrating the language of the UNGP into

15 Only very few publications discuss connections between the UNGP and GFAs. Exceptions include Baker, 2011; and ITUC et al., 2012.

GFAs has to take into consideration the labour relations nature of the latter agreements. A regulation of GSCs should build on sound labour relations and include trade unions on the local and global level.

4.2 Implications of the UN Guiding Principles

The following sections analyse the responsibilities of MNEs under the UNGP when faced with human rights violations in their supply chain. It is proposed that the expectations for business behaviour set out in the UNGP can provide arguments for broadening the scope of application in GFAs to subsidiaries, suppliers and subcontractors.

4.2.1 Scope of application to suppliers and subcontractors

The minimum expectations for business behaviour set out in the UNGP are applicable to all companies, irrespective of their size and geographical location. According to the UNGP (see GP 12) the responsibility of companies to respect human rights refers at a minimum to the principles concerning fundamental rights in the ILO's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The Guiding Principles distinguish between companies (1) causing or (2) contributing to an adverse human rights impact through its own activities (GP 13 (a)), and companies that are (3) directly linked to adverse human rights impacts through business relationships linked to their own operations, products and services (GP 13 (b)). The required responses on the part of companies under the UNGP differ between these three scenarios.

The responses required from companies directly linked to human rights abuses by business relationships (GP 13 (b)) are particularly relevant with regard to GSCs. The UNGP define the term "business relationship" broadly and comprehensively; it refers not only to direct suppliers and subcontractors but includes entities in the supply chain beyond the first tier (OHCHR, 2012, p. 12). Under the UNGP a company has to seek to mitigate or prevent any adverse human rights impacts directly linked to its business relationships. If, for example, a supplier of a MNE subcontracts work to contractors that use forced labour, the MNE has to seek to prevent or mitigate the adverse impact (OHCHR, 2014). In this scenario, the MNE has not contributed or caused the adverse human rights impact but still has the responsibility to prevent or mitigate it. For as long as the abuse continues and the MNE remains in the business relationship, the company should be able to demonstrate ongoing efforts to mitigate the impact. If a MNE cannot prevent or mitigate the adverse human rights impact of suppliers, it should consider ending the relationship (OHCHR, 2014, commentary on GP 19).

Only a few GFAs establish the responsibility of MNEs for their entire supply chain. The responsibilities of MNEs under the UNGP with regard to human rights violations in their global supply chains therefore carry implications for clauses addressing suppliers and subcontractors in GFAs. At least for GFA provisions affirming the human rights responsibilities of the MNE, it should be reiterated in the agreement that these standards are applicable throughout the entire MNE supply chain. The human rights responsibilities of the MNE include the rights set out in the ILO's Declaration on Fundamental Principles and Rights at Work. The MNE always has the responsibility to address violations of core

labour standards in its entire supply chain. Whenever there is a business relationship that is linked to the operations of the MNE, the company has to exert its influence to try to end violations of human rights throughout its global supply chain. This duty to address the entire supply chain with regard to minimum labour standards should be better integrated into clauses in GFAs. Additionally, the duty of MNEs to end the contractual relation with suppliers that are unwilling to stop and remedy human rights violations could be incorporated into future GFAs. Considering the responsibilities of MNEs under the UNGP can provide arguments to further strengthen the scope of application of GFAs throughout the entire global supply chain.

4.2.2 Scope of application in the MNE

Whenever an MNE holds the controlling interest, GP 13 (a) states that it has the responsibility to avoid all adverse human rights impacts. This responsibility is reflected in most GFAs. However, questions may arise whenever an MNE does not fully own a subsidiary or does not hold the controlling interest (GP 13 (b)). The UNGP define the term “business relationship” to explicitly include minority as well as majority shareholding positions in joint ventures (OHCHR, 2012, p. 5). The Office of the United Nations High Commissioner for Human Rights has clarified in a letter of interpretative guidance (OHCHR, 2013) that there is no indication that minority shareholdings outside the context of joint ventures would be excluded from the scope of GP 13 (b). It is stated that a company has the duty to seek to prevent or mitigate any adverse human rights impacts in all minority shareholdings. Moreover, in a situation in which an MNE lacks the influence to change the behaviour of the entity concerned, it should consider ending the business relationship or selling its shares (ibid.).

These responsibilities of MNEs under the UNGP have implications for clauses in GFAs concerning the scope of the agreement. At least the provisions in the agreement affirming the human rights responsibilities of the MNE should be applicable throughout the whole company group. This includes the rights of the ILO Declaration on Fundamental Principles and Rights at Work. A limitation to only wholly owned subsidiaries is not in line with the UNGP. Beyond that scope, in affiliates where the MNE is present but does not control operations, GFAs should include a clause that reiterates the obligation of the MNE to exert its influence in these companies and to consider ending the relationship if the MNE lacks influence to mitigate adverse human rights impacts.

4.2.3 Collaboration on joint activities in monitoring, training programmes and global reviews

As outlined above, if MNEs are directly linked to adverse human rights impacts through their business relationships (GP 13 (b)), they have the responsibility under the UNGP to exert their influence to mitigate the effects to the greatest extent possible (OHCHR, 2012). The UNGP use the term “leverage” to describe how far a MNE is able to influence companies in its global supply chain. This refers to the question of what a company can reasonably do to address an adverse human rights impact (OHCHR, 2014, p. 29). Leverage is considered to exist where an MNE has the ability to effect change in the wrongful behaviour of a supplier or subcontractor. Whenever an MNE has the leverage to prevent or

mitigate an adverse impact, it should exercise it. If it lacks leverage, it is supposed to increase it. The commentary on GP 19 advises companies to increase its leverage by “offering capacity-building measures (...)” (OHCHR, 2014, p. 21).

As discussed in Chapter 3, some GFAs include the obligation of the MNE to support a learning process in supplying companies to help them meet the standards set out in the agreement. These provisions can include collaborating on training programmes for management and workers concerned, or general support for small and medium-sized suppliers and subcontractors. GP 19 indicates that provisions in GFAs affirming the human rights responsibilities of the MNE should be accompanied by training programmes to ensure the implementation of the agreement along the global supply chain. The responsibility of MNEs to increase its leverage at suppliers and subcontractors and to involve relevant stakeholders – e.g. GUFs and local trade unions – should be better integrated into the texts of GFAs. This can in turn improve a company’s ability to identify and address decent work deficits in its global supply chain. The establishment of continuous consultation meetings and sound labour relations can help to identify human rights abuses at suppliers and subcontractors and to track the effectiveness of responses.¹⁶ As we have seen, in order to identify and monitor human rights risks most effectively, access to information about companies in the supply chain is crucial for trade unions, yet few GFAs contain provisions on an MNE’s disclosure of companies in its GSC. Strengthening the access to information can help to increase the leverage over suppliers and subcontractors and to identify violations of core labour standards in the supply chain. Moreover, GFAs and the promotion of labour relations can be a means in itself for MNEs to increase their leverage over suppliers and sub-contractors in their GSC.

¹⁶ Under GP 18 (b), companies should identify and gauge human rights risks. This assessment is supposed to involve meaningful consultations with affected stakeholders. GP 20 (b) asks companies to verify the effectiveness of their responses to human rights abuses. This verification process should draw on feedback from internal and external sources, including affected stakeholders.

5. Case studies on the impact of global framework agreements on global supply chains: A review

GFAs have inspired a number of publications in recent years and there is an emerging body of literature about them. The search for case studies on the implementation of GFAs involved a structured review of the existing literature. Key steps included a broad search for publications on GFAs in different databases; screening of these documents based on predefined inclusion and exclusion criteria; and an in-depth analysis of the relevant case studies, guided by the key research purpose of understanding how GFAs impact on GSCs. The screening for appropriate publications was conducted in June 2015. So-called “grey literature” (non-peer-reviewed sources such as reports, dissertations, conference literature, working papers and primary data sources) was included in the search because it makes up a sizable portion of publications on GFAs. Some case studies that had been identified as relevant could not be included in the evaluation because they were not accessible to the author. On the other hand, some case studies are included in several publications; in these instances they are evaluated only once in table 1. Due to the number of case studies on GFAs some publications may have inadvertently been omitted in the evaluation.

In total, 29 case studies were identified and evaluated. They analyse the implementation of GFAs in 21 explicitly named MNEs (SKF, Volkswagen, Securitas, G4S, Daimler, Bosch, Inditex, Lukoil, Anglo-Gold Ashanti, Takashimaya, Quebecor World, Carrefour, Leoni, Chiquita, EDF, PSA Peugeot Citroen, IKEA, Royal BAM, Faber-Castell, Lafarge and Telefónica). A number of studies anonymize the MNEs they analyse, documenting implementation in a MNE in general or with a specific regional focus. In the latter case they mainly analyse the implementation of the agreement in the subsidiaries of MNEs in a country or region.

Overall, the studies explicitly analyse the implementation of GFAs in 12 different countries and one region: Brazil, Bulgaria, Germany, India, Indonesia, Italy, Spain, South Africa, United Republic of Tanzania, Turkey, United Kingdom, United States, and Latin America. Many have their origin in larger research projects conducted for the ILO (Miller, 2011; Stevis, 2011; Papadakis, 2011; Riisgaard, 2004); EUROFOUND (Voss and Wilke, 2008; Sobczak and Havard, 2008; Schömann, 2008); the European Commission (Mihailova, Riberova and Dimitrova, 2015; Whittall et al.) and the German Hans-Böckler-Foundation (Fichter and Stevis, 2013; Fichter, Sayim and Agtas, 2013; Arruda et al., 2012).

5.1 Synoptic table of the case studies evaluated

Table 1 provides an overview of the 29 case studies evaluated and indicates among other things the MNE and the country or region in which the implementation of the agreement was analysed. The evaluation is limited to the identification of good-practice examples; it does not include overall assessments on the success of the implementation process of GFAs in particular MNEs. The review

focuses on the potential of GFAs to enable local trade unions to engage in industrial relations and organizing campaigns along the supply chains of MNEs. Unfortunately, it is notoriously difficult to obtain information about the implementation process at suppliers and subcontractors of MNEs, and the information available in the case studies on this specific question is rather scarce. Many of the studies focus on the implementation process of the GFA in the MNE and its subsidiaries. If a case study includes information about implementation in local subsidiaries, this is included in the table; conversely, whenever a study does not contain information on the implementation of the GFA along the GSC this is also indicated in the table. Such case studies are still listed, however, in order that the compilation may be as comprehensive as possible.

Table 1. Evaluation of 29 case studies >

Author	Company	Country focus	Year of publication	Impact on local subsidiaries	Impact on suppliers and subcontractors
Tatyana Mihailova/ Ekaterina Ribarova/Snejana Dimitrova	SKF (Sweden)	Bulgaria	2015	The GFA can help to solve conflicts and stipulates conflict resolution procedures in the Bulgarian subsidiaries of SKF, but has never been used until now because there was no necessity.	Not specified
Michael Whittall/ Miguel Lucio/ Stephen Mustchin/ Fernando Rocha/ Volker Telljohann	Volkswagen (Germany)	Germany, Italy, Spain, United Kingdom	2015	In Germany, the GFA is of symbolic value. In Italy, the agreement supported the development of more cooperative industrial relations. In national conflicts in subsidiaries the GFA can be an important reference point to ensure a change in management behaviour. There is a growing awareness of the GFA, but further training and awareness is needed. In Spain the GFA has stimulated and consolidated the dynamic of existing industrial relations.	Not specified
Michael Fichter/ Dimitris Stevis	9 anonymized MNEs	United States	2013	The study highlights that GFAs are often unknown among managers in MNE subsidiaries and also within the ranks of local trade unions. However, examples of good practices are given: some of the nine case studies reported that GFAs were successfully invoked in subsidiaries to facilitate unionization and improve industrial relations.	The study highlights that GFAs are often unknown among managers at local suppliers and also within the ranks of local trade unions. The agreements are seldom used to facilitate unionization at suppliers in the United States. MNEs do not necessarily fulfil their duty, stipulated in the GFA, to inform suppliers about the existence of the agreement. However, examples of good practice are reported: in one case study there was evidence that since the conclusion of the GFA the management is paying closer attention to problems associated with subcontracting. In another MNE, complaints brought to the attention of the monitoring group mostly involved working conditions at suppliers. In one supplying company the GFA was effectively used to facilitate unionization.
Michael Fichter / Kadire Zeynep Sayim/ Özge Berber Agtas	6 anonymized MNEs	Turkey	2013	Overall, GFAs had only limited impact on industrial relations in Turkey. The study highlights that GFAs are often unknown among managers in MNE subsidiaries and also within the ranks of local trade unions. In one subsidiary of a MNE the GFA helped to establish international ties and leveraged support for local unionization.	The GFA signed by a MNE was successfully used at a supplying company to build strong international solidarity, which led to one of the rare examples of successful unionization in Turkey. At another supplier the invocation of the GFA signed by a major client was not successful. However, the local trade union active at this supplier is developing new ways to make better use of the GFA in future.
César F. Rosado Marzan	Securitas, G4S, Volkswagen, Daimler	United States	2013	The case study reports the successful unionization of approximately 10,000 security guards in subsidiaries of G4S and Securitas in the United States, mainly in Chicago, supported by the GFA.	Not specified

Author	Company	Country focus	Year of publication	Impact on local subsidiaries	Impact on suppliers and subcontractors
BWI	Royal Bam	Tanzania, United Rep. of	2013	The GFA helped to carry out recruitment, negotiate for better terms of service and establish cordial relations. The Tanzanian union has now signed a collective agreement and was able to improve wages, occupational health and safety (including HIV and AIDS prevention measures) and ensure equality of treatment, particularly for women and migrant workers.	Not specified
BWI	Faber-Castell	India	2013	The audit agreed on in the GFA has proved a valuable mechanism for engaging in constructive dialogue. The outcome of the audit in Goa, India was that the management agreed to keep the Goa plant open and to meet the union demands concerning wages, annual increments and seniority grading, and to give preference to the employment of regular over contract workers.	In 2012, a social audit of the Faber-Castell plants in Brazil, Colombia, Costa Rica and Peru was conducted by the management, BWI and IG Metall, the German union. Brazil is the only country where there is a recognized union at the plant, so members of that union took part in the audits to discuss union recognition and collective bargaining. The audit also reviewed compliance issues in the supply chain, particularly in forestry.
BWI	Lafarge	Indonesia	2013	Not specified	Over the last two years, the GFA has been successfully used to support the demands of contract workers at the PT.SAI-Lafarge cement plant in Banda Aceh, Indonesia. In February 2012, PT.SAI-Lafarge agreed to set up a Joint Compliance Committee to monitor compliance of subcontractors and service providers with the labour and social standards laid down in the GFA. This has led to the recognition of the contract workers' union, payment of the legal minimum wage, written employment contracts, social insurance coverage and provision of safety equipment.
BWI	IKEA	United States	2013	Not specified	In July 2011, the elections for forming a trade union at a supplier were successfully conducted, with a vote of 76% in favour of the union. Following that, three out of six IKEA suppliers in the United States have recognized the union. The GFA and IKEA's concern for its public image as a socially responsible company helped to make the campaign a success.
Lilian Arruda/ Michael Fichter/ Markus Helfen/ Jörg Sydow	7 anonymized MNEs	Brazil	2012	The study highlights that GFAs are often unknown among managers in MNE subsidiaries and also within the ranks of local trade unions. However, examples of good practice are reported: at the Brazilian subsidiary of one MNE the GFA was effectively used in support of organizing campaigns and collective bargaining as well as to challenge labour rights violations.	The study highlights that GFAs are often unknown among managers at local suppliers, and also within the ranks of local trade unions. The agreements are seldom used to facilitate unionization at suppliers in Brazil. However, a few examples of good practice are reported: in one case study the GFA was successfully used at two supplying companies to achieve the rehiring of sacked union members and employees. This involved a solidarity strike at one of the subsidiaries of the MNE in Brazil.
Anton Wundrak	Volkswagen, Daimler, Bosch	India	2012	Very limited implementation and knowledge about the GFA at the subsidiaries in India.	Not specified

Doug Miller	Inditex (Spain)	No country focus	2011	Not specified	The GFA helped in facilitating the reinstatement of over 200 sacked trade unionists in Peru and Cambodia in supplying companies. Following the reinstatements the membership of local unions drastically increased. At one Cambodian supplier all employees were transferred from short-term to indeterminate contracts.
Dimitris Stevis	Daimler (Germany)	No country focus	2011	Overall, mechanisms for monitoring and verifying compliance in subsidiaries are in place. However, knowledge of the GFA is not communicated and disseminated by all subsidiaries.	Lately the company has been attending to the implementation of the GFA along the supply chain in a more proactive fashion. The company's Turkish and Brazilian management have provided training for local suppliers. In November 2010, the company integrated the Supplier Guideline into Daimler's purchasing conditions. Up to November 2010, 23 disputes have been brought to the attention of the central management. Most of them concerned the supply chain, particularly working conditions at suppliers in Turkey. Moreover, the complaints were mostly concerned with first-tier suppliers and a few second-tier suppliers. Most of the cases involved a direct violation of the right to unionize or the dismissal of workers' representatives. In Brazil, unions shut down machines at Daimler for two hours to force the company to exert pressure on a supplier to rehire a fired union representative.
Konstantinos Papadakis	Lukoil (Russia)	No country focus	2011	Not specified	Not specified
Konstantinos Papadakis	AngloGold Ashanti (South Africa)	No country focus	2011	Not specified	Not specified
Konstantinos Papadakis	Takashimaya (Japan)	No country focus	2011	Not specified	There was an expectation on the company's side that UNI could provide important information about labour issues in countries where the company wishes to expand, notably in China and South-East Asia.
Jamie McCallum	G4S (United Kingdom)	South Africa	2011	There was a positive effect of the GFA on local trade union organization campaigns in the subsidiaries of G4S (3,000 new members in Johannesburg and Durban 15 months after signing the agreement). The implementation of the GFA in South Africa often required recourse to London where G4S's home office was called upon by UNI to discipline its South African management.	Not specified
Marc-Antonin Hennebert	Quebecor World Inc. (Canada)	No country focus	2011	The process of negotiating the GFA led to improved unionization in subsidiaries in North and South America.	Quebecor is a supplier to Telefónica and IKEA, which have themselves signed a GFA. After an intervention by trade unions, those two companies encouraged Quebecor to respect fundamental workers' rights.

Author	Company	Country focus	Year of publication	Impact on local subsidiaries	Impact on suppliers and subcontractors
Tony Royle/ Luis Ortiz	Carrefour (France)	Spain	2009	Overall, there is no clear effect of the GFA on Spanish subsidiaries of Carrefour except for one positive example in which an official from UNJ successfully intervened in a works council election on the basis of the GFA.	Not specified
Niklas Egels-Zandén	1 anonymized MNE	No country focus	2009	Not specified	Not specified
Eckhard Voss	Leoni (Germany)	No country focus	2008	Integration of the principles set out in the GFA into the internal auditing process of Leoni's subsidiaries worldwide. No overt cases of non-compliance or violation of the GFA have been reported and discussed.	Leoni has started to integrate the GFA into its relationships with business partners and suppliers. A reference to the GFA is included in the general terms and conditions of business contracts.
Isabelle Schömann	Securitas (Sweden)	No country focus	2008	Since 2006, the implementation group had to deal with two cases for which no solution could be found at local or national level. These were cases concerning the clarification of the agreement's scope of application to subsidiaries of Securitas.	Not specified
Isabelle Schömann	Chiquita (United States)	Latin America	2008	It is reported that local trade unions had used the agreement to increase membership in the MNE's subsidiaries. Up to 5,000 members were recruited following the signing of the GFA in Colombia and Honduras.	It was reported that local unions had used the agreement to increase union membership as well as some suppliers. New owners of plantations formerly owned by Chiquita needed to agree to a union rights clause in any contract to assure that Chiquita purchases bananas from those farms in future.
André Sobczak/Christelle Havard	EDF (France)	No country focus	2008	Subsidiaries report on the implementation of the GFA and develop action plans to improve their performance. In some subsidiaries new structures of social dialogue have been developed. Social dialogue has improved in some countries, particularly in Poland.	The EDF Group sold several subsidiaries in Latin America. The buyers of these subsidiaries committed themselves to respecting the provisions in the GFA for the next three years.
André Sobczak/Christelle Havard	PSA Peugeot Citroën (France)	No country focus	2008	The local management has to define concrete actions to implement the GFA. The directors of all subsidiaries received a tool kit for their local managers and unions.	Suppliers and subcontractors have been informed about the GFA via the B-to-B website. In 2007, the purchasing department organized a meeting for all suppliers to inform them about the importance of the GFA. Less than one month after this event, 14 of the group's most important suppliers (representing a quarter of total purchasing of PSA Peugeot Citroën) made a commitment to respect the group's new standards. Trade unions informed the management of PSA Peugeot Citroën that a Turkish supplier did not respect the right of freedom of association. The group's management started an inquiry, but noticed that the supplier was not one of its direct suppliers.

Peter Wilke	IKEA (Sweden)	No country focus	2008	The GFA had a positive impact on the unionization of subsidiaries, particularly in Poland.	In 2008, the monitoring group of the GFA made site visits to suppliers in China, Laos, Hungary, Malaysia, Poland, Romania and Slovakia. However, IKEA's code of conduct was in practice a more important instrument for suppliers and trade unions than the GFA, which is considered to be a more political statement.
Eckhard Voss/ Peter Wilke	Bosch (Germany)	No country focus	2008	Not specified	Through the supplier audit procedure which has been continuously developed over the past years, the agreement also had a direct impact on social regulation beyond the company. Relevant parts of the GFA were incorporated into the suppliers' guidelines and into supplier auditing checklists.
André Sobczak/ Isabelle Schömann/ Peter Wilke	Telefónica (Spain)	No country focus	2008	The agreement had a favourable impact on industrial relations at Telefónica and fostered respect for human rights in Telefónica's worldwide locations.	Not specified
Lone Riisgaard	Chiquita (United States)	Latin America	2004	There was only limited dissemination of the GFA, but an overall improvement of working conditions and union-employer relations in Chiquita-owned plants.	There was only limited dissemination of the GFA to suppliers and subcontractors. Overall, there was no improvement, or even a worsening, of working conditions in supplier plants since the signing of the agreement. One exception was the forming of a new union at a supplier. Trade unions made the suggestion to inscribe the agreement in all new supplier contracts to improve the impact of the GFA.

5.2 Synthesis of the case studies

This section summarizes general observations and experiences from the 29 case studies on how GFAs impact on the GSCs of MNEs. When assessing the results of it is important to keep in mind that the studies differ in their depth, for instance in the number of interviews conducted with trade union and management representatives. While some of the studies are rather short and build mostly on secondary sources, others report extensively on the experiences of local actors; for example, the studies by BWI are short reports of successful examples where a GFA was successfully invoked by trade unions to achieve better working conditions along GSCs.

Overall, these case studies document a limited impact of GFAs on suppliers and subcontractors. MNEs do not necessarily fulfil the duty stipulated in the GFA to inform suppliers about the existence of the agreement, and hence GFAs are often unknown. Their impact on global supply chains, however, is a different story: the case studies reveal several examples of good practice in bringing suppliers, subcontractors and subsidiaries under the GFA umbrella. For example, in Brazil, unions shut down machines at one MNE for two hours to force the company to exert pressure on a supplier to rehire fired union representatives (Arruda et al., 2012). In Turkey, a GFA was successfully used at a supplying company to build up strong international solidarity, and an organizing campaign led to one of the rare examples of successful unionization in this country (Fichter, Sayin and Agtas, 2013). The Inditex GFA helped in facilitating the reinstatement of over 200 trade union members who had been fired in Cambodia and Peru in supplying companies; following the reinstatements the membership of local unions often increased drastically (Miller, 2011). Other GFAs were incorporated into the supplier's guidelines and supplier auditing checklists (Voss and Wilke, 2008). To monitor the implementation process of GFAs, as a general rule MNEs' central management and GUFs meet regularly and exchange their views. Reportedly the complaints brought to the attention of the monitoring group at Daimler involved mostly working conditions at suppliers (Stavis, 2010).

All this can help to draw more attention to the working conditions at suppliers and subcontractors. It is reported for some MNEs that since the conclusion of the GFA the management is paying closer attention to problems associated with subcontracting (Fichter and Stevis, 2013). Consequently, one MNE provided training for local suppliers in Brazil and Turkey (Stavis, 2010). At PSA Peugeot Citroen the group's most important suppliers made a commitment to respect the new standards stipulated in the GFA (Sobczak and Havard, 2008). All these good-practice examples provide evidence for the significant role that GFAs and GUFs can potentially play to ensure workers' rights along the global supply chain of MNEs.

The implementation of GFAs in local subsidiaries is better documented than at suppliers and subcontractors. As previously stated, the case studies report that GFAs are not always communicated and disseminated to all subsidiaries and are thus often unknown among managers there and within the ranks of local trade unions (Fichter and Stevis, 2013; Arruda et al., 2012). Nevertheless, there are many documented examples of good practice and successful unionization at subsidiaries. GFAs were successfully invoked in several subsidiaries to facilitate unionization and improve industrial relations. In particular, case studies in the security industry stress the successful unionization of several thousand security guards in subsidiaries of G4S and Securitas in South Africa and the United States (Marzan, 2013; McCallum, 2011). Positive effects of GFAs on local trade union organization campaigns are also found in the subsidiaries of MNEs in other industry sectors. For example, the

IKEA GFA is reported to have had a positive impact on the unionization of subsidiaries; particularly in Poland (Wilke, 2008). At Chiquita, a case study reports the recruitment of up to 5,000 new members following the agreement's signing in Honduras and Colombia (Schömann, 2008). The implementation of GFAs in subsidiaries has often required recourse to the headquarters of the MNE to discipline its local management (McCallum, 2011). In cases where subsidiaries leave the group the GFA may cease to be applicable. Here, the EDF case study gives a good-practice example and reports that the buyers of subsidiaries committed to respecting the provisions in the GFA for a transition period of three years (Sobczak and Havard, 2008).

5.3 Lessons learned

This section analyses implications for the future wording and implementation of GFAs. First, lessons learned from the case studies are considered with regard to the wording of GFAs. Chapter 3 of this report has presented a content analysis of GFAs, identifying the need to use clear and comprehensive language. The case studies evaluated here support this claim and provide arguments for further strengthening of the wording in GFAs with regard to the application of the agreement to GSCs. In one case study it was reported that an MNE ceased an inquiry into workers' rights abuses when it realized that the company was not one of its direct suppliers. This example stresses the importance of not limiting the application of the GFA to the direct contractors of the MNE, but to include the entire global supply chain. Moreover, the case studies document conflicts over the scope of application to subsidiaries. The implementation group at Securitas had to deal with two cases concerning the clarification of the agreement's scope of application to subsidiaries. This emphasizes the importance of including in the GFA a clear definition of the group represented by the MNE. Moreover, conflicts may arise with respect to subsidiaries that leave the group after a GFA has been signed. When the French MNE EDF sold subsidiaries the buyers committed to respect the provisions in the GFA for the next three years, an example indicating that the inclusion in a GFA of provisions in the event of subsidiaries leaving the MNE could be considered.

The impact of a GFA on the GSC does not solely depend on formulations in the agreements, however, but crucially on the implementation process. The research project "Organization and Regulation of Employment Relations in Transnational Production and Supply Networks – Ensuring Core Labor Standards through International Framework Agreements?" led by Michael Fichter and Jörg Sydow since 2008 includes a number of case studies at local production sites and suppliers that include valuable good-practice examples of a successful implementation of the GFA in the supply chain and at local subsidiaries.¹⁷ However, according to the overall analysis, GFAs are still largely unknown among managers in MNE subsidiaries, local suppliers and local trade unions. Moreover, local actors who are aware of them seldom have much understanding of their role. Issues include wide gaps in local actors' involvement in negotiating GFAs; inadequate communication on the outcomes of these negotiations; subsequent lack of ownership; and little or no linkage between local unions and GUFs that sign the agreements.

¹⁷ Three of the studies examined in the present paper form part of the research project: Arruda et al. (2012); Fichter and Stevis (2013); and Fichter, Sayim and Agtas (2013).

Recommendations for implementing GFAs try to counteract the observed weaknesses. First of all, the GFA needs to be widely disseminated. A comprehensive understanding of the agreement by local actors is a necessary condition for further actions. Local ownership needs to be strengthened. The involvement of local actors throughout the GFA process, from its initiation through negotiations to implementation is crucial. Going beyond the involvement of local unions, this could also involve a co-signing of the agreement by important suppliers and subcontractors of the MNE.

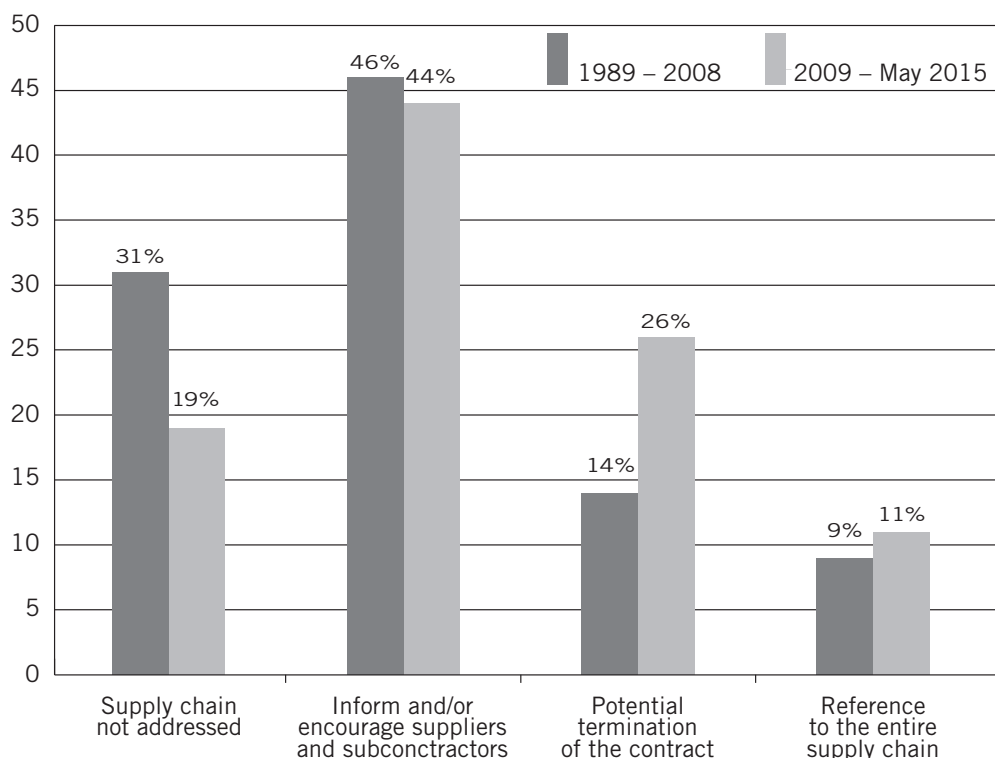
6. Evolution of global framework agreements: A way forward

GFAs have evolved over the last fifteen years. This results from GUFs having reviewed their strategy and having demanded a second generation of GFAs that involve stronger implementation, monitoring and dispute resolution procedures and that facilitate unionization rather than simply consent to it. (see for example International Metalworkers' Federation, 2006; UNI, 2007). Moreover, recent GFAs are becoming increasingly complex and detailed. This chapter lays emphasis on the evolution of references in GFAs to the supply chains of MNEs.

6.1 Evolution of global framework agreements

Chapter 2 compared GFAs signed between 2009 and May 2015 with agreements signed earlier. The comparison between these two groups shows that an increasing share of GFAs make explicit references to international frameworks such as the MNE Declaration, the OECD Guidelines and the UN Universal Declaration of Human Rights. At the same time, the ways in which GFAs address supply chains have evolved. Chapter 3 introduced four different ways in which GFAs address GSCs. Building on these four groups, this section compares references in GFAs to the global supply chain evolved over time. The results of the present author's evaluation of the 54 GFAs negotiated between 2009 and May 2015 are compared to the results in a report prepared by Telljohann et al. (2009) containing an evaluation of the 68 GFAs existing between 1989 and summer 2008. The same number of GFAs during that period is reported in Welz (2011).

The first clearly visible trend is that newer GFAs are more likely to address the application of the agreement to the supply chain. While Telljohann et al. (2009) reported that 31 per cent of GFAs did not mention suppliers and subcontractors at all, this number has fallen to 20 per cent in the evaluation of GFAs concluded or renewed between 2009 and May 2015. This trend indicates a growing need for more effective social regulation in global supply chains, as well as the added value GFAs and labour relations can have in this field. The second trend is that a larger part of the more recent GFAs treat the respect of their provisions as a criterion for establishing or continuing business relations with suppliers and subcontractors. These agreements mention some form of consequences in the case of continuous violations. The number of agreements that fall into this category has more than doubled, from 14 to 30 per cent in the more recent GFAs. Only a small fraction of GFAs explicitly address the entire supply chain.

Figure 6. Inclusion of suppliers and subcontractors in GFAs (percentages)

Source: Telljohann et al. (2009), p. 32, for 1989–2008; author's evaluation of GFAs negotiated between 2009 and 2015 (number = 54).

6.2 A way forward

For the next generation of GFAs beyond 2015 it is important to further improve the quality of the agreements and to monitor their implementation. The agreements should be based on cross-border labour relations and involve local unions on the ground. They should promote collective bargaining at the local or national level and develop cross-border recruitment and organizing campaigns by using union networks in MNEs.¹⁸ The suggestions for a way forward in this report focus on what can be learned from the content analysis and the evaluation of the case studies for the drafting and implementation of future agreements. Following this, recommendations for future research are briefly discussed.

The content analysis of the 54 most recent GFAs has shown that there is great variation in how an agreement makes reference to the GSC. Chapter 3 quotes several examples of texts taken from GFAs and identifies good-practice examples to promote freedom of association and collective bargaining at suppliers and subcontractors of MNEs. Generally, the bargaining partners should strive to:

- include a reference to the entire supply chain of the MNE;
- include the duty of the MNE to treat respect for provisions in the GFA as a determining criterion for establishing or continuing business relationships with suppliers and subcontractors;
- include a clear and comprehensive definition of the group of companies that is represented by the MNE;
- include the duty of the MNE to use its influence in minority shareholdings to promote respect for the provisions in the GFA and to consider selling its shares in case of continuous violations;
- phrase the obligations of the MNE with regard to the supply chain not as an objective to be reached but as compulsory; and
- include in the breadth of the scope of application to the supply chain all vital provisions of the GFA.

The text analyses in Chapter 3 also show that there are several examples of good practice for further collaboration between MNEs and trade unions, such as on local and global reviews and training programmes as well as measures to enable local trade unions to monitor the GFA at suppliers and subcontractors. Nevertheless, only a few general trends have emerged so far in GSCs with regard to these examples. To further strengthen the implementation of GFAs along the supply chain it will be important to strive for an inclusion of the following points:

- wide dissemination of the GFA to suppliers and subcontractors as well as local trade unions;
- joint training measures at suppliers and subcontractors on labour relations and in applying ILO standards;
- joint monitoring and reviews of the GFA as well as site visits by the implementation group at local suppliers and subcontractors to ensure the implementation of the agreement;
- disclosure of information with regard to the companies in the GSC of the MNE;
- integration of the GFA in the procurement practices of the MNE and in commercial contracts with suppliers and subcontractors;
- inclusion in the list of regular topics at the continuous consultation meetings of working conditions at suppliers and subcontractors; and
- the duty of the MNE to insist on the continued application of the GFA in subsidiaries which leave the group, at least for a transition period.

The evaluation of 29 case studies on the implementation of GFAs shows that it is crucial to strengthen local ownership. In the past, GFAs had overall only a limited impact on suppliers and sub-contractors because they were largely unknown among managers in MNE subsidiaries and local suppliers, and also within the ranks of local trade unions. Moreover, local actors who are aware of them seldom have much understanding of their role. Good-practice examples in the case studies provide evidence for the significant role that GFAs and GUFs can potentially play to ensure workers' rights along the global supply chain of MNEs and in bringing suppliers, subcontractors and subsidiaries under the GFA umbrella. However, looking to the future, the involvement of local actors throughout the GFA process needs to be strengthened from its initiation through negotiations to implementation. GFAs work best when they are integrated in local labour relations. To better implement them, the involvement of local actors could go beyond local trade unions and involve the management from local subsidiaries or even a co-signing of the agreement by important suppliers and subcontractors of the MNE.

Many case studies focus on the implementation process of the GFA in the MNE and its subsidiaries. Further research is needed that focuses on the local implementation of GFAs at suppliers and subcon-

tractors, with an emphasis on the potential of GFAs to enable local trade unions to engage in industrial relations and organize campaigns along the supply chains of MNEs. It will be important to analyse differences between industry sectors to better understand the dynamics of supply chain relationships and how these have an impact on workers' rights. Depending on the governance structure of the supply chain, MNEs will be better or worse equipped to influence suppliers and promote decent working conditions. The structure of the supply chain should therefore be taken into consideration when drafting references and procedures in GFAs to regulate the GSC. Moreover, an increasing number of agreements make reference to mediation or arbitration procedures, which indicates a need for GUFs and MNEs to strengthen the conflict resolution mechanisms in GFAs and to develop new ways for social dialogue to take place at the global level. Further research and recommendations are necessary to strengthen the dispute resolution mechanisms in GFAs in order to go beyond purely voluntary commitments and give the bargaining partners a framework to use when they cannot find a common solution. The last chapter of this report is dedicated to a discussion of how the ILO can support the bargaining partners in GFAs by developing a new framework for conflict resolution mechanisms.

7. Global framework agreements and the role of the ILO

In his 2013 annual report to the International Labour Conference, the ILO Director-General pointed out that “private actors are the drivers of the constantly shifting supply chains or production networks” which indicates that “there are additional opportunities for the ILO to promote decent work in their [MNEs’] operations” (ILO, 2013, p. 14). Among such opportunities are GFAs, of which the large majority make explicit reference to ILO standards, particularly those relating to fundamental rights. GFAs’ aim to promote fundamental labour rights and social dialogue is a goal in line with two strategic objectives of the ILO’s Decent Work Agenda. These agreements are an instrument to regulate supply chains through labour relations and have developed without any direct assistance from States or international organizations. Yet this global social dialogue is still only emerging and its continuing growth might well depend on the ability of state actors and international organizations to adequately support this private regulatory initiative. This report therefore puts forward suggestions on revising the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in order to create an optional framework for companies and workers’ representatives in their attempts to further develop global social dialogue. In addition to revising the MNE Declaration, the report suggests opportunities for the ILO to engage in creating an enabling environment for GFAs.

7.1 Revising the MNE Declaration

Adopted in 1977, the MNE Declaration has been amended twice, in 2000 and 2006. It provides principles related to employment, training, conditions of work and life and industrial relations, which all the parties involved (i.e. governments, employers’ and workers’ organizations and multinational enterprises) should observe on a voluntary basis. The MNE Declaration is the only international instrument so far designed to guide private initiatives, such as GFAs, codes of conduct, and industry-wide initiatives in the promotion of social dialogue, that has the full backing of workers, employers and governments. This tripartite origin makes it both highly credible and yet sensitive to the concerns of enterprises facing tough competition. This report has shown (Chapter 2) that an increasing number of GFAs include a reference to the MNE Declaration. While only 8 per cent of the agreements signed up to 2007 include such a reference, this number rose to 23 per cent of all GFAs concluded between 2009 and May 2015; this indicates a growing interest on the part of the bargaining partners in the Declaration and constitutes a further argument in favour of updating it. These references in GFAs to the MNE Declaration give the ILO the opportunity to support GFA bargaining partners.

A revised and updated MNE Declaration should be able to reflect the challenges that have affected production models and the development of GSCs in recent decades. This report envisions a revised MNE Declaration that offers an instrument to further strengthen global social dialogue. GUFs and MNEs could be inspired by the revised MNE Declaration in the design, delivery and evaluation of GFAs as well as in improving their effectiveness through new conflict resolution mechanisms.

The following subsections recommend possible revisions to the MNE Declaration.

7.1.1 Extend the application to supply chains

In its current version the MNE Declaration does not hold MNEs responsible for rights and safety in their global supply chains. However, the evidently growing importance of GSCs seems to make it almost a necessity to extend the application of the MNE Declaration to supply chains. Furthermore, an extension to supply chains seems to be in line with the interest of the social partners. Chapter 3 of this report has shown that an increasing number of GFAs make reference to the GSC of their MNEs and that these references are becoming increasingly binding in their wording. Respect for the provisions in a GFA increasingly serves as a criterion for the MNE in establishing or continuing business relations with suppliers and subcontractors. All this indicates a growing need for more effective social regulation in global supply chains. A revised MNE Declaration should reflect these needs as well as the changed economic environment in recent decades, and should provide guidance to workers and firms on how to maximize the positive economic and social impacts of global supply chain operations. The update of the MNE Declaration should therefore extend its application to supply chains. A first step could be achieved by incorporating into the Declaration the human rights due diligence provisions in line with the UN Guiding Principles. The UNGP establish a comprehensive responsibility for MNEs to prevent or mitigate violations of minimum labour standards rights throughout their entire GSC. This duty could be integrated into the MNE Declaration. However, it is important that any update should take into account the tripartite nature of the Declaration. A regulation of GSCs in the MNE Declaration should build on sound labour relations and include trade unions at the local and global levels.

7.1.2 Include a mediation procedure

GFAs may not always prove capable of accommodating the needs of the bargaining partners. A revised MNE Declaration should therefore provide an alternative avenue for dispute settlement. The voluntary nature of GFAs entails the risk that some companies misuse them, treating them as “window dressing”, which could jeopardize the credibility of all agreements. The Inditex and Total GFAs were signed in the presence of the ILO Director-General and the Chiquita GFA was signed by the ILO Director-General as a witness. ILO participation can give the agreements additional credibility and legitimacy. For MNEs who wish to signal their true commitment to minimum labour standards, the need might arise for certain forms of mediation or adjudication mechanisms when social dialogue fails to deliver an acceptable solution to both parties. Moreover (with a view to the future), the more recent GFAs are becoming increasingly technical and complex and seem to show a tendency towards a certain juridification. This evolution implies that while reputational effects may constitute a sufficient basis for ensuring fundamental labour rights, the same is no longer true for more complex and technical matters. The need therefore arises for the bargaining partners to strengthen conflict resolution mechanisms in GFAs and to develop new mechanisms for social dialogue at the global level. The intention to go beyond voluntary commitments is suggested by the increasing number of agreements that make a reference to mediation or arbitration procedures.

Unfortunately, alternative procedures facilitating avenues for mediation or arbitration in disputes are largely missing so far. In a revised MNE Declaration the ILO could provide an optional framework to GFA parties for conflict resolution, including mediation or arbitration services (for such a proposal see Drouin, 2008). The wish to include the ILO in their conflict resolution mechanisms is prominently indicated in the GFAs signed by Inditex and Aker ASA, which make explicit reference to the ILO for

the purpose of seeking expert advice and as a suitable venue for resolving problems arising from the agreements (see box 17). A revised MNE Declaration could include procedures on how the ILO could provide such mediation or arbitration services. In cases where the bargaining partners cannot find a common solution they would use the MNE Declaration as a framework for conflict resolution and would accordingly resort to the ILO for assistance. As to how the ILO can develop the capacity to assist the bargaining partners, this remains an open question. A possible solution could involve the ILO in training and certifying a pool of mediators or arbitrators to help to settle disputes and improve compliance with GFAs. In any case, if these uncertainties in conflict resolution in GFAs persist and the parties do not find the appropriate means to solve the problems that arise, it will be only a matter of time before they lose some of their value and credibility as instruments of social regulation.

Box 17 References in GFAs to mediation or arbitration

Aker ASA-IndustriALL: “In case of deadlock, **arbitration will be handled by the ILO or a neutral party** agreed upon by the management and the union side. After this process has been exhaust-ed failure to reach a consensus will mean a termination of the agreement.”

Inditex-IndustriALL: “Questions concerning the interpretation of the Agreement shall be resolved through consultation between Inditex and IndustriALL Global Union. Every effort will be made to find common agreement but where this is not possible Inditex and IndustriALL Global Union will, in appropriate circumstances, **seek the expert advice of the ILO.**”

Loomis AB-IndustriALL: “In the event that the parties are unable to resolve a dispute concerning the application of this Agreement after discussions at the Implementation Group meeting, the matter may be referred by mutual agreement, **to a neutral mediator**. The mediator shall be selected jointly by the parties.”

Sodexo-IUF: “In the event that the disagreement still persists after the efforts in Section 6.2 and 6.3 are exhausted, the matter may be referred by mutually agreed independent **mediator to facilitate negotiated resolution.**”

GDF SUEZ-IndustriALL: “If agreement is not possible, **the signatories may seek mediation** based on agreement on the selection of the mediator by the parties.”

Securitas-UNI: “In the event that the parties are unable to resolve a dispute concerning the application of this Agreement after discussions at the Implementation Group meeting, the matter may be referred by mutual agreement, to a **neutral mediator**. The mediator shall be selected jointly by the parties.”

G4S-UNI: “In the event that the parties are unable to resolve a dispute concerning the application of this agreement after discussion at the Review Meeting, by mutual agreement the matter may be referred to a **neutral arbiter to find a mediated solution.**”

Skanska-IndustriALL: “If agreement regarding interpretations and applications of this agreement cannot be reached in the application group, the issue will be referred to an **arbitration board comprising two members and an independent chairman**. Skanska AB and the IFBWW will each appoint one member, and the chairman will be appointed through mutual agreement. **Arbitration board rulings are binding for both parties**. The original Swedish version of this agreement will apply in all parts to all interpretations of the agreement.”

ISS-UNI: “In the event that the parties are unable to resolve a dispute arising out of this global agreement after discussion at the bi-annual meeting as set out in Section 6.3 above, the matter shall be referred to a mutually agreed independent mediator/arbitrator, who shall seek initially a mediated resolution. **In the event of failure to reach a mediated resolution the independent party shall propose an arbitrated resolution which shall be binding on both parties**. It shall be left for the independent mediator/arbitrator to decide, which party shall **pay the costs associated with such mediation or arbitration**.”

ABN AMRO Bank-UNI: “In the event that the parties are unable to resolve a dispute concerning the application of the present agreement after having discussed it at a meeting of the monitoring group, it may be submitted by mutual consent to a mediator. Parties shall choose the mediator jointly. **Neither party may refuse a request for mediation without just cause**. The specific problems of employees or local disputes concerning collective bargaining shall be handled and settled in accordance with local dispute settlement procedures. Recourse to a higher jurisdiction may **only be justified if the question or issue relates to a right or a standard established within the context of the present agreement**.”

7.1.3 Include recommendations on transnational collective bargaining and consultation

The voluntary nature of GFAs and the absence of a global legal framework make their implementation to a large extent dependent on the goodwill of MNEs. GUFs cannot resort to strikes to enforce their interest and the result is a significant imbalance of power between workers and MNEs at the global level. The section on industrial relations in the MNE Declaration contains no specific recommendations on transnational collective bargaining and consultation. It does however include the obligation of MNEs to provide workers’ representatives with “information to enable them to obtain a true and fair view of the performance of the entity or, where appropriate, of the enterprise as a whole” (para. 55). Adequately extending these rights in the MNE Declaration would surely encourage social dialogue and collective bargaining at the international level and contribute to redressing the imbalance of power between the parties in GFAs. The voluntary character of the Declaration could impact positively on the willingness of the ILO constituents to proceed with such amendments (Drouin, 2008).

7.2 Creating an enabling environment for global social dialogue

GFAs are themselves an example of good practice in regulating GSCs by building labour relations. In addition to revising the MNE Declaration, the ILO should therefore consider striving to create a wider enabling environment for GFAs. This could include encouraging member States to revise their public procurement practices and technical assistance, supporting capacity building needed by GUFs, MNEs and trade unions to monitor the agreements in different countries. The ILO's public-private partnerships (PPPs) could also be used to improve working conditions in GSCs and to strengthen global labour relations.

7.2.1 Global labour relations: The influence of government policy

The MNE Declaration provides principles which all parties involved can observe on a voluntary basis. A revised MNE Declaration could therefore increase the need of member States to adopt coherent national policies. The case studies evaluated in this report rarely pay close attention to the influence of government policies on the decision of MNEs to engage in global labour relations and to conclude GFAs. Stevis (2010) is an exception; in his report for the ILO he includes a few examples of how government policies can influence the incentives of companies to sign a GFA. Multinational companies are sometimes (partly) owned by States. In such cases States can exert a direct influence on a company's policy; and can moreover provide incentives to companies through regulatory frameworks. In France, social responsibility reporting policies may facilitate GFAs (Stevis, 2010). In May 2015, France's National Assembly passed a law on due diligence requirements, holding very large companies accountable for human rights violations in their supply chains (ECCJ, 2015). Such laws may increase the need on the side of MNEs to engage in labour relations on a global scale and to conclude GFAs in order to better regulate their supply chains. Moreover, States can influence the incentives for companies to sign GFAs that include rules on access to public procurement markets. States can create a competitive advantage for MNEs that pay a living wage and respect workers' rights in their supply chains. The ILO should encourage its member States to consider GFAs as indicators of good practice in their public procurement stipulations.

7.2.2 Technical assistance to support global labour relations

Workers and trade unions from suppliers and subcontractors covered by a GFA may face difficulties in making use of the rights provided for in the agreements. For a GUF and an MNE engaged in assessing compliance with international labour standards, not only within the company but also within its suppliers and contractors, considerable resources and technical skills are required. In small and medium-sized suppliers or subsidiaries, which are in many cases located in places different from the MNE headquarters, it will often be very difficult for local trade unions and workers to exert the rights agreed on in the GFA. As a result, the scope and value of the GFA for such workers may be significantly limited. Technical assistance offered by the ILO could support the capacity building needed by GUFs, MNEs and local trade unions to monitor and service the agreements.

Annex: Research sample, January 2009–May 2015

Company	Year	GUF	Industry
Thyssen Krupp	2015	IndustriALL	Conglomerate
Total	2015	IndustriALL	Oil and Gas
Gamesa	2015	IndustriALL	Renewable Energy
Telefónica S.A.	2014	UNI	Telecommunication/ Media
AEON	2014	UNI	Retail
Acconia	2014	BWI	Construction
Sacyr	2014	BWI	Construction
Inditex	2014	IndustriALL	Retail
Salino-Impregilo	2014	BWI	Construction
Dragados	2014	BWI	Construction
Svenska Cellulosa AB (SCA)	2013	IndustriALL	Pulp & Paper
Codere	2013	UNI	Gaming
Loomis	2013	UNI	Security Services
Solvay	2013	IndustriALL	Chemicals
Melia	2013	IUF	Hotel
Enel	2013	IndustriALL/ PSI	Electric Utility
Norske Skog	2013	IndustriALL	Pulp & Paper
Metro	2013	UNI	Retail
Telenor ASA	2013	UNI	Telecommunication/ Media
Renault	2013	IndustriALL	Manufacturing
Statoil ASA (formerly Statoil Hydro ASA)	2012	IndustriALL	Oil and Gas
Lafarge	2012	IndustriALL	Construction
Aker	2012	IndustriALL	Conglomerate
Eurosport	2012	UNI	Telecommunication/ Media
OHL	2012	BWI	Construction
Siemens	2012	IndustriALL	Conglomerate
Saab	2012	IndustriALL	Manufacturing
Ferrovial	2012	BWI	Construction
Ford	2012	IndustriALL	Manufacturing
MAN	2012	IndustriALL	Manufacturing
Securitas	2012	UNI	Security Services
Lukoil	2012	IndustriALL	Oil and Gas
FFC Contruccion	2012	BWI	Construction
Sodexo	2011	IUF	Hospitality
Umicore	2011	IndustriALL	Metals and Mining
Mizuno	2011	IndustriALL	Clothing
Petrobras	2011	IndustriALL	Oil and Gas
ZF Friedrichshafen	2011	IndustriALL	Manufacturing
Mann + Hummel	2011	IndustriALL	Manufacturing
GDF Suez	2010	BWI/ IndustriALL	Electric Utility
Norsk Hydro	2010	IndustriALL	Metals and Mining
Pfleiderer	2010	BWI	Building Materials
PSA Citroen	2010	IndustriALL	Manufacturing
AB Electrolux	2010	IndustriALL	Manufacturing
Telkom Indonesia	2010	UNI	Telecommunication/ Media
Antara	2010	UNI	Telecommunication/ Media
System Television Malaysia Berhad	2010	UNI	Telecommunication/ Media
Shoprite Checkers	2010	UNI	Retail
Wilkhahn	2009	BWI	Furniture
Anglo-Ashanti	2009	IndustriALL	Metals and Mining
Tel Telecomunicaciones	2009	UNI	Telecommunication/ Media
Elanders	2009	UNI	Pulp & Paper
EDF	2009	IndustriALL	Electric Utility
ENI	2009	IndustriALL	Oil and Gas

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