



International
Labour
Office
Geneva



Social Dialogue and Economic Performance

What matters for business - A review

Damian Grimshaw
Aristea Koukiadaki
Isabel Tavora

CONDITIONS OF WORK AND EMPLOYMENT SERIES No. 89

INWORK

***Social Dialogue and Economic Performance:
What Matters for Business - A review***

Damian Grimshaw

Aristea Koukiadaki

Isabel Tavora

Work and Equalities Institute, University of Manchester, UK

Copyright © International Labour Organization 2017

First published 2017

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit www.ifrro.org to find the reproduction rights organization in your country.

ISSN: 2226-8944 ; 2226-8952 (web pdf).

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Information on ILO publications and digital products can be found at: www.ilo.org/publns.

Printed in Switzerland

Table of contents

Acknowledgements	ii
1. <i>Introduction</i>	1
PART ONE: DEFINITIONS AND ANALYTICAL FRAMEWORK	5
2. <i>The Character and Intrinsic Properties of Social Dialogue</i>	5
2.1. Defining social dialogue	5
2.2. The intrinsic properties of effective social dialogue	8
3. <i>Can Social Dialogue Support Business Growth? An Analytical Framework</i>	9
3.1. The costs and benefits of social dialogue for business	10
3.2. Tracing the implications for four features of business growth	13
PART TWO: REVIEWING THE EVIDENCE	18
4. <i>Firm-level Social Dialogue</i>	18
4.1. Social dialogue and business performance	18
4.2. Social dialogue and workplace conflict	23
4.3. Social dialogue, redistribution and business legitimacy	26
5. <i>Sector and national level social dialogue</i>	27
5.1. The consequences for economic stability and social cohesion	28
5.2. The effects on economic performance	31
5.3. Social dialogue in Europe during the recent economic crisis	34
6. <i>Inter-Firm Contracting and Social Dialogue</i>	38
6.1. What are the key enablers of effective social dialogue in supply chains?	38
6.2. Business benefits of social dialogue in inter-firm contracting	40
PART THREE: CONCLUSION	55
7. <i>Conclusion: Identifying Positive Enabling Conditions</i>	55
7.1. Summary of Empirical Evidence	55
7.2. What are the positive enabling conditions?	56
References	59
Conditions of Work and Employment Series	69

Acknowledgements

This working paper has been produced with support from the Government of Sweden within the framework of the Global Deal for Decent Work and Inclusive Growth.

The paper benefited from input and comments received by the ILO (the Bureau for Workers' Activities, the Bureau for Employers' Activities, the Governance and Tripartism Department, the Enterprises Department and the Conditions of Work and Equality Department), the Government of Sweden, the OECD and a number of companies who generously shared their views and experiences in interviews.



1. Introduction

The long-standing debate on the role of social dialogue in business growth has been renewed following the economic crisis of 2008. For some in the business and policy community, social dialogue has the potential to serve as a productive input into business. This position is exemplified by the UN's 2030 Agenda for Sustainable Development and its Sustainable Development Goals, where social dialogue is presented as a critical element for achieving decent work,¹ the European Union's *New Start for Social Dialogue*, which reinforces social dialogue as a pillar of Europe's social market economy and the *Global Deal*, a multi-stakeholder partnership that seeks to enhance social dialogue around the world. For others, however, the positive case remains unconvincing. Social dialogue is associated with a number of potential business problems including protracted decision-making (e.g. on hiring, firing and modernizing work organisation), reduced profits caused by additional costs (to wage and non-wage costs), greater risk of legal challenges, damage to business reputation and brand, and wasted resources as a result of industrial relations disputes. A negative outlook may reflect specific local experiences or perceived challenges at sector or country level. Alternatively, it may be a direct result of the immaturity or apparent dysfunctionality of social dialogue structures and processes, especially in some developing countries where structures for workers' representation have limited resources and weak statutory support.

The aim of this report is to investigate the research evidence supporting these views about social dialogue's contribution to business growth. The report was commissioned as part of a programme of activities that feed into 'the Global Deal', a multi-stakeholder endeavor initiated by the Swedish Government with the objective of promoting decent work, greater equality and inclusive growth around the world.² The Global Deal is an input to the United Nations' sustainable development goals. Its core objective is 'to encourage governments, business, unions and other organisations to make commitments to enhance social dialogue' and is guided by the notion that social dialogue is the best instrument to sustain long-term benefits for workers, business and society. The present report provides a state-of-the-art review of academic research as well as a snapshot of real-world views of members of the international business community drawing on original interview data with Global Deal signatory parties and other stakeholders.³ In light of the scope of the review, the analysis points in the conclusion to areas where further research is needed, including the role of social dialogue in developing economies and its outcomes for SMEs and for supply chains.

Three key insights inform the structure and argument of this report.

The first is that because a country's economy functions at multiple levels, the report is structured into separate sections to highlight distinctive issues and evidence at the level of the enterprise, sector and national levels. In order to extend knowledge and issues for debate, the report also includes an additional dimension, that of inter-firm contracting (also known as domestic and global supply chains) since this represents an important form of business organisation. The second is that the practice of 'social dialogue' and perceptions of 'the business case' are varied. Therefore, while we draw on universally recognized definitions where appropriate (e.g. the ILO definition that social dialogue involves 'workers, employers and governments in decision-making on employment and workplace issues', see section 2) – this report recognizes that both notions are multi-dimensional constructs. This means, for example, that while premised on principles elaborated in a number of international labour standards, social dialogue may involve union or non-union elected representatives (where no union exists), substantive or non-substantive content in collective agreements, and statutory support or its absence for worker participation in business decision-making. It may involve simple dialogue and an exchange of information to improve the decision making of one of the parties, or joint decision-making. Similarly, the business case is likely to vary in its emphasis on performance, cost, profitability and competitiveness over the short and long-term, between manufacturing and service sectors, small and large-

¹ For goal 8 but also for goals, 1, 5, 10 and 16.

² See <http://www.theglobaldeal.com/>

³ While the report was commissioned as a part of the work within the Global Deal initiative ("Business Case for Global Deal"), the views expressed here represent those of the authors solely.

sized firms, client and supplier organisations, and among developed and developing countries. International organizations such as the ILO and OECD have outlined policy frameworks that set out the features of an enabling environment for sustainable business development (see Box 1). In an effort to disentangle some of the complexity, and in response to the Sustainable Development Goals (specifically Goal 8 – Promote inclusive and sustainable economic growth, employment and decent work for all) and new debates on the role of business in supporting inclusive growth (ILO 2010; Ostry et al. 2014; OECD 2014; Samans et al. 2015), this report introduces a binary distinction between a business case for conventional growth and a business case for inclusive growth.

The third key insight is that both the business case and social dialogue do not operate or function in a social and political vacuum. Rather, business and social partners require specific institutional props and government support for their effective functioning. The report therefore examines both the positive and negative evidence for business-promoting social dialogue, and the specific conditions and circumstances that create a situation where social dialogue generates, on balance, either costs or benefits for business. The final section of this report concludes with a summary of those conditions that can potentially enable a positive relationship between social dialogue and business development.

On the basis of a review of theoretical as well as primary and secondary empirical research, the report presents several important findings. Overall, it finds that effective social dialogue can produce net positive outcomes for businesses. Despite the possibility of social dialogue generating additional costs, risks and other problems (such as impeding management autonomy) for business, the research consensus is that social dialogue is positively associated with a range of positive outcomes for businesses. At firm, sectoral and national levels, social dialogue has the potential to stabilise industrial relations and support productivity growth, combined with contributing to both the preservation of firm-specific knowledge and organisational capital (through, for instance, skill development and employee retention) and sustainable business responses, ensuring economic stability. At the level of inter-firm contracting, this report finds that social dialogue can contribute to productivity growth via the stabilisation of contractual relations, coordinated skill development, a reduction of the risk of industrial relations disputes and improvement in brand reputation.

In the industrialised economies of the global north, where much of the research has been undertaken, the studies suggest social dialogue has contributed over a number of years to economic stability, prosperity and the long-run success of businesses via inputs to growth and competitiveness. In low- and middle-income countries, social dialogue is now playing a key role in supporting the transition to democratic, more equitable and sustainable political and economic systems. While social dialogue can make a positive contribution to businesses at various stages of development, it does not mean that social dialogue is a simple process. This report highlights several ‘enabling conditions’ for effective social dialogue. These include: strong, independent workers’ and employers’ organizations with the technical capacity and the access to relevant information to participate in social dialogue; political will and a commitment to engage in social dialogue on the part of all the parties; respect for the fundamental rights of freedom of association and collective bargaining; and appropriate institutional support.

Box 1. Sustainable Enterprises – Policy Frameworks

Promoting Sustainable Enterprises, International Labour Organization

Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, June 2007

The tripartite constituency of governments, employers' and workers' organizations at the International Labour Organization adopted a policy framework in 2007 for the promotion of sustainable enterprises. It focuses on the factors that constitute an enabling environment for sustainable business growth that respects human dignity, environmental sustainability and decent work. These include, among others, good governance, an enabling legal and regulatory environment and social dialogue. Social dialogue based on freedom of association and the right to collective bargaining, including through institutional and regulatory frameworks, is considered essential for achieving effective, equitable and mutually beneficial outcomes for governments, employers, workers and wider society.

Tripartite Declaration of Principles concerning Multinational Enterprises, International Labour Organization (MNE Declaration)

The ILO MNE Declaration provides comprehensive social policy guidelines that encourage the positive contribution of MNEs to socio-economic progress and decent work; and minimize or resolve the potential negative effects of business operations. The Declaration directly addresses (multinational and domestic) enterprises, as well as governments, and employers' and workers' organizations on the thematic areas of employment, training, conditions of work and life, industrial relations, and general policies.

Social dialogue lies at the heart of the MNE Declaration, and is acknowledged as the key means to achieve its objectives. To prevent or mitigate potential adverse human rights impacts (and as an implicit corollary, risks of reputational damage) stemming from business operations, MNEs are encouraged to engage in meaningful consultation with potentially affected groups, other relevant stakeholders, and social partners as a general policy. Seeking to foster a 'win-win' relationship between MNEs and national actors in host countries, the MNE Declaration also encourages parties to engage in national tripartite-plus social dialogue to better align business operations with national development priorities, particularly on employment and vocational training.

The 'Industrial Relations' chapter of the MNE Declaration provides comprehensive guidance on to enterprises to respect and give effect to fundamental rights on freedom of association and the right to organize, collective bargaining, workplace consultation, access to remedy and examination of grievances, and settlement of industrial disputes.

Promoting responsive business conduct, the OECD Guidelines for Multinational Enterprises

The OECD Guidelines recognise that social dialogue is a pillar of responsible business conduct (RBC). Not only are the principles of freedom of association and collective bargaining at the core of the employment and industrial relations Chapter of the Guidelines (Chapter V), the Guidelines' general principles also encourage enterprises to engage in and support social dialogue on responsible supply chain management.

To help companies meet these expectations, the OECD has developed - through a multi-stakeholder process involving governments, business, trade unions, civil society and relevant experts - detailed guidance to identify and respond appropriately to supply chain due diligence risks in in the minerals, extractives, agriculture, garment & footwear and financial sectors. These guidance have been instrumental in defining what supply chain due diligence on freedom of association and collective bargaining means in practice and when and how stakeholders should be included in the due diligence process.

Social dialogue is also at the heart of the unique non-judicial grievance mechanism of the Guidelines - the National Contact Point (NCP) mechanism. One of the key roles of the NCP, which are set up by all adhering governments - 48 to date -, is to provide good offices to address and resolve issues arising from implementation of the Guidelines. Since 2000, over 400 cases have been received by NCPs concerning issues that have arisen in over 100 countries. Issues surrounding social dialogue have been subject of the majority of cases brought (54% of all cases to date concern employment and industrial relations). Social dialogue has also been crucial to resolve cases, 25% of all cases have been filed by trade unions and meaningful results have been achieved in these cases (2016 Annual report on the OECD Guidelines for Multinational Enterprises, June 2017).

PART ONE: DEFINITIONS AND ANALYTICAL FRAMEWORK

2. The Character and Intrinsic Properties of Social Dialogue

Social dialogue constitutes an important pillar in the socio-economic development of countries across the world. Reflecting country specificities, there is no universally agreed model of social dialogue. Instead, the specific mechanisms of social dialogue that are used (consultation, information exchange, bargaining and negotiation) and the role they play very much depends on the particular national labour relations context. For the purposes of this report, we adopt the ILO definition, which takes into account the wide range of processes and practices found in different countries.

“Social dialogue and tripartism constitute the ILO’s governance paradigm for promoting social justice, fair and peaceful workplace relations and decent work. Social dialogue is a means to achieve social and economic progress. The process of social dialogue in itself embodies the basic democratic principle that people affected by decisions should have a voice in the decision-making process. Social dialogue has many forms and collective bargaining is at its heart. Consultations, exchanges of information and other forms of dialogue between social partners and with governments are also important.

Social Dialogue is based on respect for freedom of association and the effective recognition of the right to collective bargaining. These founding principles of the ILO, as stated in the ILO Constitution and its Declaration of Philadelphia are applicable to all Members, as set out in the ILO Declaration on Fundamental Principles and Rights at Work. These rights cover all workers in all sectors, with all types of employment relationships, including in the public sector, the informal economy, the rural economy, export processing zones, micro, small and medium-sized enterprises (MSMEs), and domestic and migrant workers.”⁴

In accordance with the above definition, this section defines social dialogue on the basis of the actors involved, the mechanisms used, and its universal underlying principles. It then identifies the intrinsic properties of *effective* social dialogue in order to underpin the argument developed in section 3 that social dialogue has important structural and procedural properties that can enable or hinder particular features of business growth. The different levels of operation of social dialogue are addressed in subsequent dedicated sections of the report.

2.1. Defining social dialogue

Who are the social dialogue actors?

In terms of actors, social dialogue may be tripartite or bipartite, and may also involve, as appropriate a range of other actors (box 2.1). However, it is at its core a process involving representatives of workers, employers and governments. Tripartite social dialogue involves the participation of the state and most commonly deals with policy issues and aims to achieve consensus and ensure policy coherence on social and economic issues, which impact on employment and the labour market. Tripartite social dialogue is often used to negotiate formal ‘social pacts’ or ‘general agreements’, typically covering a broad multi-issue agenda that enable trade-offs between the different

⁴ ILO 2013). In the Declaration of Philadelphia, adopted in 1994, it states that the ILO has ‘the solemn obligation . . . to . . . further . . . programmes which will achieve . . . the effective recognition of the right of collective bargaining, the cooperation of management and labour in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures’ (para III).

interests of the participants (Avdagic et al. 2005; Fajertag and Pochet 2000). Hybrid forms have emerged in recent years, such as the ‘tripartite-plus’, which includes civil society organisations (ILO 2013: 12).⁵ Social dialogue can also be bipartite, that is between representatives of workers and employers and/or their representatives, or between the state and one of these parties.

Box 2.1. The main actors of social dialogue

Employers and their organisations: Employers have a crucial function in social dialogue, participating either directly or indirectly, via their organisations, in social dialogue processes. Significant changes have taken place regarding the role of individual employers but also their organisations as a result of technological changes and greater economic integration. Increasing organisational fragmentation and pressures to improve competitiveness and productivity on the side of employers have also meant changes to employers’ organisations, including revisiting traditional service mix and expanding their mandates to include trade and economic issues.

Workers’ organisations: Trade unions play an important role in negotiations with employers and/or their associations leading to widely accepted collective agreements. They also play a role both in tripartite dialogue with the state and other forms of concerted action. Similar to the case of employers’ organisations, workers’ organisations have embarked on ‘trade union renewal’ strategies and/or mergers to maintain and strengthen their legitimacy.

Labour administrations: Promoting social dialogue is a core responsibility of ministries of labour. ILO Conventions and Recommendations (e.g. Labour Administration Convention, 1978 (No. 150) provide detailed rules and guidelines on how governments should proceed in regulating areas most often associated with labour relations (e.g. freedom of association) and how to develop social dialogue in key policy areas (such as employment). It is also notable that state authorities are not only stakeholders in tripartite social dialogue but also responsible for the legal framework, institutional structures and labour market policies.

Source: ILO (2013), Council of Europe (2016).

What mechanisms are used?

Social dialogue refers to a collective rather than an individual process. Three main mechanisms are relevant: information exchange, consultation, negotiation and dispute resolution.⁶ Exchange of information is the most basic process of social dialogue and is an important condition for more substantive social dialogue. Consultation is a means by which social partners not only share information, but also engage in dialogue about issues raised, decision-making remains the prerogative of those that initiated the consultation process.

⁵ In the recent decades, we have seen an increasing use of civil society organisations being involved in dialogue processes. In the context of the MNE Declaration, ‘tripartite plus’ means involving “government, representative organisations of employers and workers and MNEs. The “plus” can also involve the representatives of the “Home country government” of MNEs as part of the home-host country dialogue mechanism in the MNE Declaration (see annex II of the MNE Declaration on the description of the functions of tripartite-appointed national focal points, taking guidance form C. 144). It is important to note that employers’ and workers’ organisations are distinct from other civil society groups in that they represent clearly identifiable actors of the real economy and draw their legitimacy from the members they represent (ILO 2013: 12).

⁶ All forms of social dialogue can be informal and ad hoc, or formal and institutionalised. However, in reality social dialogue often involves a combination of the two (ILO 2013); see for example the Working paper by the Governance and Tripartism Department and the Enterprises Department, April 2017 “Multinational enterprises and inclusive development: harnessing national social dialogue institutions to address the governance gap”.

Collective bargaining and policy concertation are the two dominant types of negotiation. Collective bargaining consists of negotiations between an employer, a group of employers or employers' representatives, and workers' representatives to determine the issues related to wages and conditions of employment, and employment relations. Policy concertation is a tripartite process that also involves governments. The concept of codetermination, institutionalised in much of Europe, is also relevant here: it refers to two distinct levels and forms of employee participation: co-determination at establishment level, most commonly by works councils, and co-determination above establishment level, on the supervisory board of companies (Gospel et al. 2014). It is a process characterised by joint decision-making.

What are the universal underlying principles?

Despite the diversity of actors, mechanisms, and functions, social dialogue is characterized by certain underlying principles that apply across all implementation contexts and that amount to a unifying approach. The ILO identifies core conditions that are necessary for *effective social dialogue* (Ghellab 2016; Rodgers 2013). These include the following:

- respect for the fundamental rights of freedom of association and collective bargaining (democratic foundations);
- political will and commitment to engage in social dialogue by all parties;
- strong, independent workers' and employers' organisations (legitimacy of social partners);
- technical capacity, knowledge and competences, and access to relevant information; and
- appropriate legal and institutional support for participative standards, rules of engagement (formal/informal) (see Box 2.2).

Box 2.2. International labour standards and social dialogue

Certain international labour standards are particularly important to social dialogue as they lay down the core principles and elements to guide the implementation of these:

- [Freedom of Association and Protection of the Right to Organise Convention, 1948 \(No. 87\)](#)
- [Right to Organise and Collective Bargaining Convention, 1949 \(No. 98\)](#)
- [Tripartite Consultation \(International Labour Standards\) Convention, 1976 \(No. 144\)](#)
- [Labour Relations \(Public Service\) Convention, 1978 \(No. 151\)](#)
- [Collective Bargaining Convention, 1981 \(No. 154\)](#)
- [Workers' Representatives Convention, 1971 \(No. 135\)](#)
- [Co-operation at the Level of the Undertaking Recommendation, 1952 \(No. 94\)](#)

According to the [ILO's Declaration on Fundamental Principles and Rights at Work](#), all ILO Members have an obligation to respect, promote and realise the principles of freedom of association and effective recognition of the right to collective bargaining embodied in the first two Conventions above, independent of ratification status.

Against this context, it is possible to identify certain challenges for effective social dialogue. On the part of the actors, the following issues may be problematic: state-dominated social dialogue or undue state intervention in voluntary processes (such as collective bargaining); legal restrictions on the exercise of the freedom of association and

collective bargaining rights; weakness and excessive fragmentation of the social partners (including a proliferation of competing unions); lack of respect of agreements; a culture of confrontational labour-management relations; narrow membership base, leading in particular to weak representation of interests of groups that face particular disadvantage in the labour market (e.g. youth, women, migrant workers, own-account workers, informal economy workers etc.); practical challenges faced by non-standard workers in exercising collective rights (e.g. part-time workers, dependent self-employed workers, and home-based workers face greater challenges in organizing despite existence of legal rights).

Challenges may also exist at the institutional level, including: lack of supportive structure for social dialogue with appropriate resources (e.g. premises, staff and budget); lack of stability and sustainability of operation of dialogue (e.g. in times of economic crisis); lack of enforcement and monitoring mechanisms of decisions/agreements; weak integration of tripartite institutions into national policy-making and governance; lack of commitment on the part of technical ministries towards tripartite social dialogue (Ghellab 2016).

2.2. The intrinsic properties of effective social dialogue

Given the core conditions for effective social dialogue described above, there are four specific attributes that underpin its potential significance for business growth, as well as wider externalities for society. In situations where social dialogue is not effective - whether at country, sector, or firm level, as well as inter-firm contracting – such intrinsic properties are less likely to prevail and (as we argue in subsequent sections) and the positive advantages of social dialogue for business growth may not be realised.

First, effective social dialogue establishes formal (and often informal) processes that lessen the capital-labour power imbalance in the labour market and enable parties to build consensus that can smooth business decision-making and prevent disputes and resolve them through accepted dispute resolution mechanisms. By establishing a space for collective association, the organisations and mechanisms of social dialogue are able to establish ‘power resources’ for both employers and workers via the strength residing in membership power and institutional power (Traxler et al. 2001). It can also address a power imbalance that may exist between the state and the social partners. For example, it can help ensure that employers’ organizations have their voice heard in policy debates and labour reforms, thus ensuring an enabling environment for the development of small and medium businesses.⁷ Governments also play an important role in providing the necessary statutory provisions for participative standards (Sengenberger 1994). In this manner, social dialogue establishes an important risk mitigation function, managing conflict and strengthening the prospects for industrial relations peace, and thereby contributes to sustaining stable business operations.

Second, social dialogue promotes collective learning which can help address and resolve collective action problems. This may be, for instance, through sharing of information that addresses issues of information asymmetry that may exist at organisational level (Stiglitz 2000). Social dialogue is a governance mechanism with three features, namely relational (the open-ended nature of the social dialogue), experimental (through the role of benchmarking and audit) and pragmatist (where actors engage in ‘double-loop’ learning in which they question what has been learned and then improve the learning process). Social dialogue can also promote collective learning across systems (e.g. corporate governance or inter-firm contracting), thereby helping to diffuse best practice production techniques for example and storing knowledge and expertise about effective responses to external shocks (Deakin and Koukiadaki 2010).⁸

⁷ See for example, Research Note by the ILO Bureau for Employers’ Activities, September 2015, A four-country review of labour reform processes and accompanying social and policy dialogue.

⁸ Such learning is consistent with Sen’s approach of regulation by mobilising social and civil actors for the definition of common norms of quality, employment and social security at the relevant levels (see, also, Salais and Villeneuve 2005).

A third intrinsic property of effective social dialogue is its two-pronged versatile and adaptive character. Its versatility means that while it is a process that takes place between employers', workers' and/or government representatives, it can involve novel networks of collaboration, for example with diverse government agencies, civil society organisations, regional and local government bodies, and training bodies. Such efforts at continuously mobilizing interest groups and creating new spaces for the interaction of diverse ideas and viewpoints are a hallmark of paths towards more inclusive development (see section 3) and ensure concerns of diverse groups are represented.⁹ For this property to be realized, unions and employers are required to act outside of their standard frames of reference and to support versatile ions by finding ways to hear demands from organisations outside the usual bi-partite or tri-partite structures (Turner 2007). This property of adaptability may also involve unions and employers adopting alternative mechanisms for regulation, involving also civil society organisations and opening up policy spaces going beyond the traditional scope of labour-management and socio-economic policy (ILO 2013: 20).

The fourth feature is that social dialogue embodies the potential for social actors to build long-term trusting relations. Through the *routinized processes* of effective social dialogue, parties identify interests in common and in conflict and devise actions and strategies in line with agreed rules (formal and informal). Agreed rules and principles of dialogue facilitate the negotiation of trade-offs and compromises and, in situations where parties abide by the agreements, enhance the degree of cooperation between parties. Going beyond restraining opportunism, social dialogue can then encourage cooperation by fostering the expectation of reciprocity between employers and workers and sustaining goodwill cooperation (Marsden, 2016). It is feasible to argue that strong trusting relations and a cooperative environment at work are valuable attributes in and of themselves. Moreover, as we show in section 3, they are important enablers of innovation, productivity growth and business success. The converse is also true. Where a country or industry suffers from distrust and inadequate cooperation between employers, trade unions and government, this is not only has the potential to result in recurrent labour disputes it is also likely to hamper business success.

Overall, therefore, any analysis of the business implications of social dialogue must be sensitive to its varied forms and functions in economy and society. Differences in the composition and resources available to social dialogue actors, especially employers and trade unions, and the development and sustaining of core principles, impact on the effective functioning of social dialogue. The next section builds on these insights and considers the potential direct effects of social dialogue on business growth.

3. Can Social Dialogue Support Business Growth? An Analytical Framework

Research on the pros and cons of social dialogue from the point of view of business interests is difficult to interpret because much depends on the type of business strategy, specific market conditions and institutional context. On the one hand, there is now a great deal of policy attention on the question of how to adopt more inclusive approaches towards business growth, especially how to encourage business to adopt inclusive hiring strategies and address inequalities, including by sharing productivity gains among workers or enterprises operating in a specific value chain. On the other hand, however, business interests in much of the world still need to focus on how to stay afloat in strongly cost competitive product markets, often in circumstances where small changes to labour costs can impact heavily on the risk of losing market share and even business closure.

⁹ Examples of novel alliances include efforts to reduce vulnerable work in France, campaigns for living wages in the UK and the United States, and mobilization of new coalitions in many countries to improve working conditions for migrant workers (e.g. Kornig et al. 2016; Erickson et al. 2002; Turner and Cornfield 2007).

Interpreting the role of social dialogue is therefore complicated by having to interpret what particular dimensions of 'the business case' might be enabled or hindered. If the business case hinges primarily on reducing labour costs then social dialogue may improve trust and help managers to negotiate stability in staffing and in industrial relations. Under alternative conditions, however, social dialogue may generate resistance to wage reductions and either result in business needing to identify alternative areas of cost rationalisation or result in penalties on business in the form of industrial relations unrest where wage reductions are unilaterally introduced. Where business success requires long-term investment to drive product innovation then social dialogue may be critical to deliver productive partnerships on skills development, job security, shared investment and staff progression. Trade unions, working at firm or industry levels may be proactive in identifying and or implementing technological change and associated needs for new forms of work organisation and skill investment. At the same time, poor resourcing of unions combined with poor coordination among employers (leading to what section 2 labelled 'ineffective' social dialogue) may restrain the potential benefits of social dialogue for business and hold back the adoption of innovative practices.

The overall picture is therefore complex. Differences in business strategy, including by size and age of firm, sector of economic activity and level of economic development also matter enormously in identifying net gains and losses. As a tool to navigate this complexity, this section develops an analytical framework of business growth to illustrate the varied potential costs and benefits of social dialogue. The framework includes, but is not limited to, the micro-economic effects of social dialogue and extends to consider both the efficiency and equity aspects of business growth.¹⁰ This is followed by closer inspection of the implications of social dialogue for four key dimensions of business growth.

3.1. The costs and benefits of social dialogue for business

Because the dimensions of business growth are varied and complex, it is necessary to devise a stylised framework that can assess the potential costs and benefits of social dialogue under differing business circumstances. Table 3.1 presents business growth as primarily 'conventional' or 'inclusive':

- *Conventional business growth* is characterised by a focus on cost reduction, short-term profit maximisation and scalable market activity;
- *Inclusive business growth* is characterised by a focus on innovation (product and process), human development (regarding welfare, wage and skill) and distributed gains from business growth.

Under both types, social dialogue may involve potential costs and benefits. *This stylised division serves as a heuristic guide only and is not meant to represent actual business cases.* The reality is complex, involving multiple combinations of strategies and business conditions (e.g. Appelbaum and Batt 1994; Berger 2005; Dossani 2005).

Social dialogue poses a raft of potential costs and benefits for conventional business growth. Acting as a potential constraint on managerial prerogative, it may reduce the capacity of employers, acting individually or collectively, to reduce labour costs. This argument is reflected in policy documents published in the aftermath of the 2008 financial crisis arguing that centralised collective bargaining prevents downward wage flexibility and therefore a) exacerbates employment losses during an economic downturn and b) hinders the long-term adjustment capacity of economies to rebuild comparative advantage in trade around a lower level of production costs (e.g. ECB 2015; OECD 2017a). Moreover, because social dialogue may in certain circumstances slow down cost-competitive, market adjustment processes it can impose negative effects on aggregate job growth and unemployment.¹¹

¹⁰ In this respect, the report is different from the recent policy focus by the OECD on inclusive growth, which mainly concentrates on macro-economic growth, with implications for public policy.

¹¹ This viewpoint was crystallised in the OECD's (1994) *Jobs Study*.

Table 3.1. Social dialogue with two models of business growth: Some potential costs and benefits

	Conventional business growth	Inclusive business growth
Potential costs of social dialogue	<ul style="list-style-type: none"> • Restricts capacity to reduce wage and non-wage costs • Restricts hire and fire decisions • Slows market adjustment decisions (e.g. acquisitions, outsourcing, mergers, downsizing) 	<ul style="list-style-type: none"> • Consensual decision-making slows market adjustment decisions • Protects insiders at expense of labour market outsiders (in segmented labour markets), raising wage costs
Potential benefits of social dialogue	<ul style="list-style-type: none"> • Raises productivity via more cost effective utilisation of labour (e.g. working-time adjustments) • Consensual valuation of labour improves recruitment & retention success • Trusting relations reduce risks of industrial relations conflict & establish stability for investment • Monitoring of legal compliance reduces risks to brand/reputation • Better information flows 	<ul style="list-style-type: none"> • Mutual long-term commitments to skill investment and retention of skills • Stable environment for innovation and product/process development planning • Promotes inclusive transitions from unprotected to protected forms of employment • Strengthened worker participation & effective voice • Promotes worker entitlements to social protection and wages that support decent standard of living

Social dialogue can also bring several potential benefits to a business, whose primary focus is short-term maximization of profit. First, it can contribute ideas and initiatives towards raising productivity both by identifying areas of underused capacity (capital and labour) in the firm and establishing trusting relations between management and staff to ensure a smooth transition to higher-productivity pathways (see for example the review of studies in Rodgers 2003). Second, social dialogue can have an extremely valuable anti-cyclical effect by smoothing business cycles, thereby establishing a more stable platform for strategic business decisions in cost competitive markets. As we show below there are many positive examples in Europe of social dialogue redistributing work in the aftermath of the financial crisis, thereby enhancing the capacity of markets to minimize the macro-level adverse impact on employment and stabilize production levels (Vaughan-Whitehead 2011). Third, social dialogue can reduce business costs by improving information flows. It reduces what economists refer to as an asymmetry of information between managers and workers, or between policy makers, workers' and employers' organizations. Apart from improving the quality of decision making, it can also enhance the credibility of decisions thus easing their implementation. Social dialogue can also deliver participative standards at an industry level and facilitate industrial upgrading - on pay, qualifications, working hours and health and safety for example. Fourth, by incorporating the interests of workers into business decision-making (as well as possibly reflecting those of local communities), social dialogue can act to mitigate against the risks of non-compliant management actions, thus protecting the firm against damage to its brand and reputation and mitigating against risks of non-compliance by suppliers in global supply chains.¹² In the same

¹² The MNE Declaration is instructive in this regard. Paragraph 10(e) places freedom of association, collective bargaining, industrial relations and social dialogue at the centre of due diligence processes to mitigate any potential human rights risks in MNEs or their business partners. Paragraph 65 also provides that MNEs should use their leverage to encourage their business partners to provide effective access to remedy in cases of human rights abuses, and places this principle within the framework of industrial relations.

manner, social dialogue may help to constrain those business practices that seek to maximize short-term shareholder returns without due regard for the opportunity costs.¹³

Social dialogue also poses multiple potential costs and benefits for inclusive business growth. A well-known concern is that social dialogue slows down processes of business decision-making. This critique has often been levelled for example at Germany's consensual social dialogue structures for managing changes in apprenticeship training provision. Furthermore, social dialogue is sometimes seen as protecting insiders (e.g. union members on standard full-time contracts) at the expense of outsiders (e.g. workers on insecure freelance or irregular hours contracts). Under specific conditions, by imposing an arbitrary division among core and periphery workers this form of social dialogue is argued to be bad for business because it has the knock-on effect of raising wages above the market clearing level and increasing unemployment, albeit this is far from being confirmed, especially when taking into account long-term firm performance.¹⁴

Nevertheless, social dialogue also offers many potential benefits under the inclusive business growth model. It can provide an important institutional structure and set of processes for establishing mutuality of business and labour interests towards skill investment (especially to balance investments in general and firm-specific skills) and thereby underpin innovation in product and process development. As it is associated with lower turnover, this can lead to the retention of accumulated skills. It can also strengthen social cohesion with benefits for firm performance and the economy more widely, by extending protections to workers in non-standard employment forms, promoting transitions from less protected to more protected jobs and reducing use of precarious forms of work (Grimshaw et al. 2016a; Rubery 2015).

More broadly, historical analyses demonstrate that social dialogue has underpinned business growth at the aggregate level in many countries by promoting basic freedoms at work (contributing to human development) and extending rights at work to all workers (encouraging economic equality and social cohesion). Where social dialogue can establish stronger provisions of security in employment, equality of treatment and access to decent employment, as well as social protections outside of paid employment, it can be said to contribute to social integration, poverty reduction and personal fulfilment (Rodgers 2003). These are not only signals of human development, but also the hallmarks of what this section defines as inclusive business success. This non-conventional form is an expression of the emerging consensus that inequality and poverty far from a trade-off with business success in fact may undermine sustainable growth and that redistributive policies and practices via social dialogue can be a spur for business success (e.g. Ostry et al. (2014); OECD 2014; Samans et al. 2015). It is also at the core of the ILO's policy framework on promoting sustainable enterprises:

Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably in order to achieve sustainable innovation, enhanced productivity and other development needs of the enterprise, the benefits of which will be shared equitably within the enterprise and the wider society. This calls for new forms of cooperation between government, business, workers and society to ensure that the quality of present and future life and employment is maximized, while safeguarding the sustainability of the planet. Tripartism, including social dialogue and collective bargaining, is a vital element in this regard. (ILO, Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, para. 6, June 2007)

This approach to sustainability is consistent with the 'shared value' approach (Porter and Kramer 2011), which recognises the positive effects that a "living wage", safety, wellness and training have on business performance in the context of supply chains as well. A large part of the strategic value of sustainability in both domestic and global

¹³ A major current concern for example is with the massive volume of spending by US corporations on stock buy-backs, more than a trillion dollars in 2014, which has diminished the capacity of businesses to invest in research and development and other productive investments (see Lazonick 2014).

¹⁴ The classic economics reference is Lindbeck and Snower (1986). The basic model has been updated and repeated in development studies literature, as well as in economics and political sciences research.

supply chains, as evolved in the recent years, emanates from the need to engage in regular dialogue with different interest groups, including those representing employers' and workers' interests. Against this context, the report expands the focus of the business case for social dialogue to include inter-firm contracting. The business case for social dialogue encompasses both short-term returns (captured by the conventional growth model, see above) and medium and longer-term gains (most associated with the inclusive growth model).

The effective functioning of inter-firm contracting requires an institutional and organisational framework, which is capable of generating trust, aligning risks and returns, and minimizing negative spill-overs. In this context, labour plays a role both as a source of risk and uncertainty but also as a means of coping with challenges arising out of such networks (Sydow and Frenkel 2013). As a source of risk, the absence of effective social dialogue may have adverse effects on on-time production, quality, operational costs and the reputation of the buyer and supplier firms involved in a supply chain. As a means of coping, effective social dialogue would appear to be essential for the smooth functioning of inter-firm systems, where risk and uncertainty surrounding labour issues can neither be eliminated nor managed by simply switching suppliers of goods or services in a market-like fashion (Sydow and Frenkel 2013). Benefits may accrue at company level (suppliers and buyer firms), and at the macroeconomic and societal levels through the contribution of social dialogue to economic and social upgrading.¹⁵

3.2. Tracing the implications for four features of business growth

Table 3.2 lists four inter-related dimensions of business growth and traces the potential implications of social dialogue regarding the two models identified above. The four business goals take on more or less significance depending on a variety of factors and conditions, including the state of the economy, the type of market competition and the leadership ethos. These four broad goals, further developed to reflect the operation of social dialogue at different levels, are the core focus of attention in the review of empirical evidence in sections 4-6.

A first business goal, **innovation and product development**, is high up the agenda for many businesses around the world as key to improving competitiveness. Innovation success depends on the technological and organizational capabilities of firms (including 'organisational learning') and the support firms receive from the wider network of private and public sector institutions at industry, country and international levels (Miozzo and Walsh 2006). Building on studies from the 1980s (e.g. Daniel 1987; Hyman and Streeck 1988), recent years have witnessed a revival of concern to trace the role of social dialogue in facilitating productive types of firm capabilities and learning. There are three key potential points of productive input.

Social dialogue can forge the basis for collective learning (see above). Therefore, it is an especially valuable ingredient in the development of what innovation scholars call the 'advanced learning organisation'. Such organisations have unique bundles of productive capabilities that require strong employee engagement in decision-making in organizational change. Of course, many businesses in cost-focused product markets may have fewer incentives to adapt their production processes and are therefore less able or willing to view such benefits as enabling new capabilities. One might also question the extent to which a sophisticated human resource management policy in innovative firms may seek to achieve equivalent processes to effective social dialogue. While there may be good anecdotal evidence, international survey evidence seems to suggest that effective social dialogue is a more stable and successful ingredient for continuous innovation. A highly cited Danish survey of firms, for example, shows a

¹⁵ The concept of upgrading focuses on the bottom-up strategies used by countries, regions and local firms to maintain or improve their positions and outcomes in the global economy. Barrientos et al (2011) and others have highlighted the non-linear and sometimes opposing relationship between economic and social up/downgrading. See also ILO (2016).

significant positive inter-relationship between strong levels of employee participation and the frequency of product development (Nielsen and Lundvall 2003).¹⁶

Social dialogue can also help smooth out any adverse consequences of technical change and new product development for work organisation via conflict resolution procedures. By mitigating the potential risks to skill-mix, working hours, staffing levels and pay bonuses, for example, it can exert a positive influence on the probability of success and sustainability of a firm's innovation activities (see country studies in Ozaki 1992). Moreover, for firms more closely aligned with an inclusive business growth model, it can encourage innovation that avoids excessive emphasis on cost-reducing technical change for the benefit of a narrow group of stakeholders and instead incentivize investment in human resources via skill development and the distribution of rents along supply chains, thus reinforcing the potential for economic and social upgrading. While trade unions may oppose the price to be paid for innovation in certain situations (such as, for example, platform technology companies' insistence that workers ought to be treated as self-employed), research has long suggested they are strongly in favour of the principle of innovation (see review of studies in Martin 1994).

The potential for collective voice is a further useful input for businesses seeking to innovate. Recent research shows that 'lean' models of work organisation, which grant workers limited autonomy, enforce strict quantitative performance rules and make high use of temporary employment, impair employee motivation and productivity levels and increase the risk that firms become stuck in low value-added business markets (Holm and Lorenz 2015; Zhou et al. 2011). Such research details the motives, processes, content and outcomes of innovation and the critical ways social dialogue functions as an enabling factor for sustainable business development and can underpin strong firm performance.

Skill investment is the second business goal featured in table 3.2 and arguably fundamental to both business models. It is not only social dialogue at firm level that can have positive effects on skill investment. Businesses may also see benefits from national level social dialogue, as the latter may contribute to national policies and programs on vocational training that would be aligned to existing skills gaps and shortages. Besides, businesses are also best placed to identify emerging skills needs in local workforces, and are more likely to invest in skills development if involved in policy formulation processes. This promotes dynamic and demand-driven skills policies that are aligned with business needs. In the case of MNEs, the availability of adequately skilled local workers has particular direct cost-benefit. Many studies have indeed identified social dialogue as a critical business input, although it may be that employers who are more conscious about investment in training are also open to cooperate with unions, so the causality may run both ways. In countries around the world, training outcomes in companies and establishments with functioning social dialogue (including union presence) tend to be better than those in non-union environments. However, it is not simply union presence in an establishment that induces employers to invest in training. It also requires the willingness of managers to engage constructively with union representatives and give unions an active role in training decisions, whether at company or industry levels (see international review in Heyes and Rainbird 2011).

As with business decisions concerning innovation, there is ample scope for disagreement and conflict over the nature of training – including questions about who pays, what training content, who is trained and whether or not it guarantees higher pay. Some studies argue unions and employers need to move away from an adversarial approach to a 'productivist' or 'integrative' approach to bargaining over training (Heyes and Stuart 1998). Others emphasise the benefits of bargaining over training content since it generates a more sustainable mix of firm-specific skills (typically preferred by individual employers) and general skills (preferred by unions), which provides workers with a balance of internal and external job mobility options and employers with access to pools of 'redundant capacities' to

¹⁶ In their conclusion, Nielsen and Lundvall (2003: 31) state, *'The analysis shows that while direct participation is more frequent than indirect participation in connection with organizational change in the firms the more cooperation instruments applied in the firm, the higher the chance of highly developed learning organization. Especially the firms that have moved far toward the model of a learning organization do involve trade unions and shop stewards in organizational change.'*

draw on as future products and technologies change (Rubery and Grimshaw 2003). A great deal depends on the qualitative nature of social dialogue since this has a considerable influence on the degree of trusting and cooperative relations between managers and workers. Where social dialogue is either absent or ineffective, the evidence suggests this militates against wider adoption of a high-skill business strategy.

Table 3.2. Implications of social dialogue for four dimensions of business growth

Features of business growth:	Relevant intrinsic properties of SD	Potential costs & benefits for: <i>a) Conventional business growth</i>	<i>b) Inclusive business growth</i>
i. Innovation & product development	<ul style="list-style-type: none"> • Collective learning • Conflict resolution • Worker voice 	Limited utility given low emphasis on innovation for business competitiveness; short-run costs due to slower decision-making and union resistance to labour cost-reducing innovations; some benefit where worker input to product development enables rapid access to new markets or conflict resolution smooths impact of radical change	Can underpin conditions for 'advanced learning organisation'; incentivizes sustainable innovation (shared gains); matches innovative strategy with inclusive HR approach for long-term success
ii. Skill investment	<ul style="list-style-type: none"> • Multi-level coordination • Solves collective action problems • Trusting relations 	Constrains management prerogative to develop narrow firm-specific skills; opportunities to share training costs (with other businesses and workers); improves worker prospects and staff retention although risks of poaching	Shared training costs; continuous updating of skill profiles; valued mix of general and firm-specific skills; promotes demand-driven national/sectoral skills programs; reduces skills mismatch in local workforces; worker mobility enabled by standardized skill routes
iii. Productivity growth	<ul style="list-style-type: none"> • Multi-level coordination • Formal & informal processes • Versatility & adaptability • Trusting relations 	Constrains ability to take costs out of business production as route to productivity growth (especially multi-level SD); promotes entry barriers to low-cost/informal sector competitors; widens ambit of productivity-improving measures to periphery workforce	Inter-firm coordination takes wages out of competition and incentivizes quality-led productivity growth; trust widens scope for productivity improvements and ensures business policy is effective and sustainable; multi-level social dialogue joins up industry strategies on skills, innovation and productivity
iv. Fair distribution of economic rent	<ul style="list-style-type: none"> • Versatility & adaptability • Worker voice • Conflict resolution 	Limited utility given low emphasis on shared gains for business competitiveness; some value where SD links equality gains with brand management but only viable in short-run	Underpins long-term inclusive model by establishing shared worker-management commitment to business goals; positive externalities when established at country/sector levels include lower executive pay costs, increased opportunities for productive investment (technology, training), pluralist modes of market entry.

A third business goal is **productivity growth**. While productivity growth encompasses innovation and product development as well as skill development, it is considered here in a perspective that includes a broader range of issues. As we consider in detail in sections 4-6, the empirical evidence for the productivity effects of social dialogue is mixed at both country and firm levels. Again, the issue here is that the question of whether social dialogue is good or not for business growth is contingent. A review of productivity studies demonstrates that the intrinsic properties of effective social dialogue interact with varied institutional and organizational conditions to generate differing effects on productivity growth. For example, country-level and firm-level studies reviewed in sections 4 and 5 point to several important contingent factors including the degree of autonomy of trade unions, their narrow or general representativeness of workforce skills, workplace presence of single or multiple unions, ability to negotiate wages at industry level, and overall union bargaining strength. Other wider institutional factors include the presence of multi-level articulation of collective bargaining and interaction effects between social dialogue and statutory support for worker rights.

The fourth business goal, **fair distribution of economic rent**, is perhaps the least conventional in the sense that it has not traditionally been considered to be a core dimension of business growth. However, leading business texts taught in business schools today¹⁷ (as well as annual reports of leading corporations) systematically include dedicated chapters on the role of corporate social responsibility, ethics, fairness and partnerships with labour (e.g. Peng 2017) (see box 3.1). While businesses may distribute performance gains fairly to their workforce without the influence of trade unions (and there are good examples especially in non-union cooperative workplaces), social dialogue presents a potentially more robust institutional and organizational mechanism.

Building on the definitional and analytical issues in this and the preceding section, the following sections undertake a state-of-the-art review of empirical evidence on the impact of social dialogue on business growth. Each section draws on secondary data, original interview data, and company documents and specifies where possible the varied costs and benefits of social dialogue for the dual models of conventional and inclusive business growth. Primary data collection took place during March – May 2017. Face-to-face interviews as well as skype interviews took place with a range of stakeholders involved in the Global Deal Initiative and other interested parties.¹⁸ Interviews covered a set of issues, including the establishment and operation of social dialogue mechanisms, the impact of social dialogue on organizational outcomes, potential challenges arising out of the operation of social dialogue and the factors enabling/hindering the role of social dialogue in promoting business growth. The evidence from the interviews and the secondary data is structured according to the specific level of social dialogue – enterprise, sector/country, and inter-firm contracting levels. Consideration of the organizational and institutional conditions supportive of a positive relationship between effective social dialogue and business growth is presented in section 7.

¹⁷ Concept of “Creating Shared Value” introduced by Michael Porter and Mark Kramer (see 2011).

¹⁸ Partners to the Global Deal that were interviewed for the report included the Swedish Government (Ministry of Labour), H&M, IF Metall, IndustriALL Global Union, UN Global Compact, LO-Sweden, TCO, Scania and Swedfund. Other organisations interviewed for the project were the Swedish Association of Industrial Employers, Inditex, Tchibo and a supplier. Finally, a range of ILO officials stationed in Bangladesh, Cambodia, Chile, Ethiopia and Myanmar were also interviewed. We would like also to thank Frank Hoffer and Bimal Arora for useful suggestions.

Box 3.1. Societal costs arising from the skewed distribution of economic rent

The empirical evidence suggests that laws supporting employee representation (covering both collective bargaining and employee information and consultation) produce more egalitarian labour market outcomes in the developing world, similar to more longstanding evidence for developed countries (Deakin et al. 2013a; 2013b). Where trade unions are engaged in political decisions about social policy, they are better able to resist welfare state retrenchments and promote income distribution, thereby indirectly offsetting rent-seeking activities via tax and transfer spending (Bradley et al. 2003). Other social dialogue processes, such as socio-economic councils, play a crucial role in balancing concerns about employment and economic viability of enterprises with redistribution concerns to combat inequality. At the micro level, developments in the gig economy suggest that social dialogue (involving union-employer engagement, policy dialogue and information exchange) is gradually clarifying the legal status of drivers in the taxi, courier and food delivery industries and ensuring a more balanced distribution of income (via legal access to minimum wage and pension rights for example). And in domestic and global value chains, social dialogue both among workers and their employers and between firms connected through business relationships as part of a production process (in the supply chain) can promote a more just distribution of the gains from networked production (Riisgaard and Hammer 2011).

There are good reasons for contemporary anxieties about the concentration of wealth in the hands of a narrow corporate elite. There is concern in both developed and developing countries that a failure of businesses to distribute the gains from wealth may be undermining the economic foundations for prosperity, especially by constraining necessary investments in technology and education. Where the distribution of rent is skewed towards a narrow corporate elite, for example, it risks opportunistic leveraging of economic and political power so as to erect barriers to market entry, suppress the pluralist functioning of markets, block technological innovations and restrict access to education.

Labour market theory suggests that inter-firm competition in the context of a financialised economic system generates strong incentives, for example in global and domestic supply chains, for powerful hub firms to extract short-term returns based on control over rents. Such conditions can hinder the take-up of new technology and high-performance management practices along the supply chain, generating 'destructive markets' that undermine cooperation among firms in the co-production of goods and services and severely restrict the capacity for countries and firms at 'the wrong end' of the supply chain to develop productive capacities.

Macroeconomic theory suggests that when power balances are left uncorrected, the concentration of rents from economic activity generate cumulative problems associated with the concentration of wealth and falling contributions to productive investment.

The wider risks for countries of imbalances in the sharing the gains of productivity growth and wealth are evident in the rise of populist political leaders who exploit the insecurities of workers dislocated from processes of economic and social progress by promising a trickle down of wealth via reductions in corporate tax and protectionist trade measures.

Source: Grimshaw and Rubery (2005), Kaplinsky (2000), Piketty (2013).

PART TWO: REVIEWING THE EVIDENCE

4. Firm-level Social Dialogue

This section aims to review the empirical evidence for the costs and benefits of social dialogue at firm level for business growth, distinguishing where appropriate between conventional and inclusive business growth models. It starts with a review of evidence of the links between union presence and business performance. It includes findings from recent studies that have focused on the nature and effectiveness of social dialogue, and considers the business case for other social dialogue structures in the form of works councils and board representation. The section then assesses the extent to which intrinsic properties of social dialogue can facilitate the management of workplace conflict and the implications for business and for employment. It ends with an analysis of the role of social dialogue in shaping the distribution of rewards from business success.

4.1. Social dialogue and business performance

The classic, large-scale study of unionism in the United States by Freeman and Medoff (1984) concluded that union workplace representation, on balance, impacted positively on organisational performance: it reduced levels of voluntary worker turnover, increased tenure, increased firm efficiency and raised productivity. Union presence did not necessarily raise profitability, especially in firms concentrated in sectors where profits were abnormally high. However, the mere presence of unions in the workplace is not indicative of the nature or quality of social dialogue. In this respect, in the US, employer hostility towards unions and the difficulty exercising legal rights in support of workplace representation are likely to limit the prospects for effective social dialogue. Conversely, constructive social dialogue between unions and management may improve productivity by more than it reduces profits (Baron and Kreps 1999). Moreover, as we discuss below, the overall impact of workplace representation and social dialogue on a firm's profitability needs to be critically assessed against its potential socio-economic impact. Lower profits also involve a redistribution of income and Freeman and Medoff's study revealed that unions also contributed to reduce wage inequality. In their interpretation of results, they argued the evidence suggested that overall *'unionism on net probably raises social efficiency, and if it lowers it does so by minuscule amounts except in rare circumstances'* (Freeman and Medoff 1984 : 247).

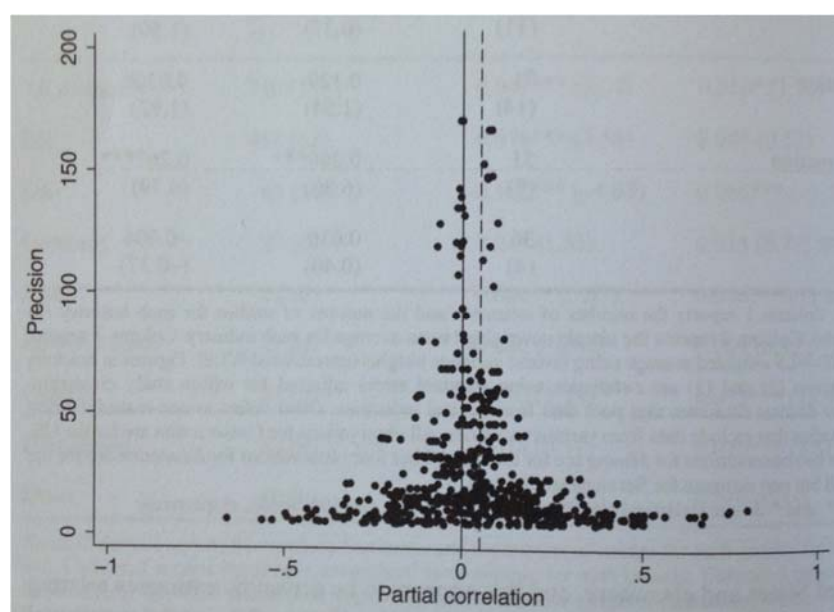
Despite being more than 30 years old, the study by Freeman and Medoff is significant because it is one of the largest and most systematic empirical endeavours ever made to ascertain the business impact of trade unions. Subsequent attempts (mostly but not solely based on liberal market economies of the Anglo-Saxon world) to examine the impact of union workplace representation on different indicators of business performance provide further support for the role of unions in reducing voluntary quits, but have presented mostly inconsistent results in relation to other performance indicators (e.g. Mishel and Voos 1992; Fernie and Metcalf 1995; Addison and Belfield 2001; Addison 2005, Machin and Stewart 1996; Aidt and Tzannatos 2002; Bryson et al. 2005; Tzannatos, 2008). Studies of union workplace effects in developing countries are scarcer but present similarly inconsistent results. Examples include a study of six Latin-American countries which, drawing on data from the World Bank Enterprise Survey, investigated the impact of union presence on firm productivity in the manufacturing sector and found these to be positive in Chile, Mexico, Panama, and Uruguay but neutral in Bolivia and negative in Argentina (Rios-Avila, 2014). In addition, a study of coffee production in Guatemala finds a negative association between union presence and productivity (Urizar and Lée, 2003).

In their state-of-the-art international review of unions' effects on firm productivity and profitability Tzannatos and Aidt (2006) found the evidence highly mixed and variable over time with mostly negative associations found in the 1970s and 1980s but much less so in recent studies. What seems to have been consistent over time and across countries

is that the association between unions and firm performance, both in terms of profitability and productivity tends to be more positive in firms with good labour-management relations and that face higher levels of product-market competition and, on the other hand, these associations tend to be more negative in relation to firms with multiple unions that compete between them and bargain separately – although the latter negative effect tended to disappear when trade unions coordinated bargaining (op. cit.).

The most recent meta-analysis, conducted by Doucouliagos et al. (2017) and covering 111 studies on union and productivity levels (international, although most from the US and UK), found that overall, unions have a small but positive effect on productivity. With the exception of the UK the findings *'reject the neoclassical economics view that unions are invariably harmful to productivity'* (Doucouliagos et al. 2017: 70).¹⁹ Figure 4.1 takes the average estimates from the 111 studies and plots the partial correlation measure of the union-productivity effect; it shows a bimodal distribution, at zero and positive scores. The union-productivity associations were found to be practically negligible in the US (where it was positive only in some industries such as education and construction) and also in Germany, Italy and France, negative in the UK and positive in Canada, Japan and several developing countries.

Figure 4.1. *Funnel plot of correlation between unions and productivity*



Note: solid and dashed vertical lines denote zero and the unweighted average correlation (0.05), respectively.

Source: copied from Doucouliagos et al. (2017: figure 3.2).

The range of findings points to the complex and often country-specific effects of diverse forms and characteristics of social dialogue.²⁰ A summary of selected empirical results (including reference to the associated studies) is as follows:

- Where unions are autonomous, organized at industry level and non-parochial (i.e. not focused on defending job territories or craft interests) then they are more likely to have positive productivity effects (Metcalf 2003);
- The presence of multiple unions at establishment level may be adversely associated with productivity levels (for Australia see Crockett et al. 1992 and for the UK see Pencavel 2004);

¹⁹ For one account of how unions can be harmful to a firm's productivity see Pitts and Kamery (2002).

²⁰ There is also an interesting discussion about the most appropriate statistical techniques and definitions of variables to estimate productivity effects of union presence and forms of social dialogue, which we do not review here. For information, see Vernon and Rogers (2013).

-
- Germany's dual system of social dialogue enables works councils to engage in productivity-enhancing activities in companies where unions negotiate wages outside the company at sector level (Hübler and Jirjahn 2003);
 - When the indicator used is productivity growth rather than overall levels (as in figure 4.1), in countries characterized by enterprise-level forms of social dialogue (e.g. Canada, the United States and Japan), the evidence suggests union presence and strength has a neutral effect, while in countries with industry-level structures the effect of union strength is positive and statistically significant (Booth 1995; Vernon and Rogers 2013).

Other studies shed further light on the contextual issues. Fakhfakh et al. (2011) finds that the mere presence of unions is an insufficient condition for bringing about improved productivity; what is required is their substantive participation in the decision making process. Based on two large workplace surveys in France and the UK, the findings reveal that workplaces undergoing organisational change which are unionised and involve worker representatives in the change management achieve higher productivity improvements than both non-unionised workplaces and unionised workplaces that do not allow work representatives to participate in the management process (op. cit.). Research in China also indicates that in firms where unions were present, associations with turnover rates, intra-firm inequality, productivity and workplace conflict were only favourable in firms with collective agreements (Lee and Liu 2011).

Similarly, Pohler and Luchak (2015) demonstrate that what is crucial for enabling improved organisational performance is labour-management relations rather than union presence per se. They propose that an employee-focused business approach, focusing on investments in the workforce, skills development, opportunities for participation and cooperation is more likely to elicit a positive union response than a strategy to cut labour costs, which would be likely to induce a negative trade union response. This matters because a positive union response would contribute to improve organisational performance whereas a negative union response might have the opposite effect. Here, the significance for the dual models of conventional and inclusive business growth may be an important mediating factor in shaping net effects on firm performance. Drawing on a national survey of Canadian organisations over six years, Pohler and Luchak show that higher levels of union density reduced employee turnover, irrespective of management strategy, but that under an employee-focused management approach union density was also positively associated with profitability and dispute resolution and negatively associated with workplace conflict.

Of course, the stylised dualist models of business growth neglects the influence of external business circumstances in shaping the scope of a firm's inclusive, pro-employee stance. Nevertheless, a Eurofound (2016) study supports the idea that comprehensive and high-trust social dialogue can underpin win-win outcomes even in the most adverse economic circumstances (box 4.1). Based on a qualitative study of 20 European companies, the study suggests that the type of social dialogue is associated with company performance. Perhaps unsurprisingly, moderate social dialogue predicated on high-trust relations tends to be associated with improved company performance whereas social dialogue characterised by a high degree of adversarialism is associated with worse performance. The Eurofound study also investigated how social dialogue was used to address workplace challenges, particularly during the economic crisis, and what were the outcomes of the measures introduced for companies and employees. It found that companies with trusting and comprehensive social dialogue were the most likely to achieve win-win outcomes. These companies tended to introduce change through fostering strategies and integrative social dialogue. It provides a number of favourable examples of companies that were able to introduce crisis responses through social dialogue under extremely difficult economic circumstances and achieved positive outcomes both in terms of company performance and employee outcomes.

Box 4.1 Social dialogue enables win-win outcomes in food and drinks firm in Greece

At a large food and drinks company in Greece, social dialogue played a significant role in supporting it to address significant challenges arising from the extremely severe economic crisis, particularly in terms of demand and market share.

Employees at the company were strongly involved and influential in the fast-changing company strategic response, including submitting proposals on pricing policy and joint development of a marketing strategy focusing on the 'Greekness' of the product. Social dialogue contributed to achieving responses to challenges that were not only acceptable but beneficial for both parties. This was facilitated by an integrative approach to social dialogue which considered both the different and common interests of the parties by fostering strategies to facilitate a culture of cooperation and trust.

From the employee perspective, social dialogue facilitated the securing of jobs and avoided layoffs. Social dialogue also contributed to worker well-being through strengthened direct and indirect participation mechanisms and health and safety programmes. Employee surveys indicated that the subsidiary enjoyed a better climate and higher measures of team spirit and job satisfaction than in the parent company. Monetary and non-monetary rewards were maintained. From the company perspective, as reported by both management and employee representatives, the company increased market share and maintained low levels of staff turnover.

Source: Eurofound (2016).

Works councils and the business case

The term 'works councils' refers to an institutionalised, representative body, which represents the interests of all employees of a company to its management (Rogers and Streeck 1995: 6). As such, it does not include cases of individual, direct participation or employee codetermination on supervisory boards, nor does it cover non-mandatory, voluntary bodies that are established on the initiative of management and can be dissolved at the will of management (Nienhüser 2014). Works councils have been particularly prominent in continental Europe and can be classified in different ways, depending on the extent of their legal rights (i.e. ranging from information and consultation to codetermination), their structure (in terms of single or dual channel representation) and relationship with other mechanisms of worker representation, mostly trade unions. In Germany, works councils have been traditionally viewed '*as an exemplary voice institution by (one of) the framers of the collective voice model (see Freeman and Lazear 1995), not only because of their informational and governance functions but also because of the legal limits placed on their authority*' (Addison 2016: 32).²¹

While works councils have been traditionally associated with notions of economic and industrial democracy, their role in improving organisational efficiency whilst filling the representational gap arising from the decline of trade union membership has gained importance in recent years. Table 4.1 summarises key findings on the quantitative effects of works councils. There is significant empirical evidence confirming the positive business effects of works councils at different organisational levels and with respect to different issues. A key issue to consider here is that of complementarities between voice institutions. A recent study of German works councils suggests that sectoral bargaining in conjunction with works councils - the dual system - offers a favourable milieu for innovative activity (Addison 2016). Another issue is in respect of the interplay with the business cycle: both works councils and employee board-level representation (see below) may be associated with lower company value in good times but may also provide a buffer against a loss of value in bad times (Kleinknecht, 2015).

²¹ The law provides for specific rights of information, consultation and codetermination and forbids works councils to negotiate over wages and to call strikes so that both issues remain the exclusive right of unions. However, this is coupled with the operation of sectoral bargaining as well as the close cooperation between unions and works councils in practice.

Table 4.1. Selected empirical evidence of works councils' impact on business growth

Dimensions of business growth	Empirical evidence
General business growth	<ul style="list-style-type: none"> • Positive effects of works councils in Germany (Jirjahn 2010, Mueller 2015)
Value creation, productivity, profits & innovation	<ul style="list-style-type: none"> • Sharply higher labour productivity (Frick & Möller, 2003) • Higher productivity (Looise et al. 2010) (note the importance of contextual factors such as collective bargaining and profit sharing)
Labour costs (wage levels)	<ul style="list-style-type: none"> • Higher wage costs (Addison et al. 2010) • Wage practices more aligned with the preferences of the workforce (Jirjahn 2010)
Human resource investment	<ul style="list-style-type: none"> • Lower labour turnover (Frick 1996) • Companies with works councils more likely to have family-friendly policies (Heywood and Jirjahn 2009) and company-financed training (Zwick 2005)
Broader social and economic context	<ul style="list-style-type: none"> • Contribution to social peace (Rogers and Streeck 1994) • Compliance with regulations which would otherwise have to be assumed by the state or other institutions • Positive complementarity with other industrial relations institutions (Müller-Jentsch 2008) • Positive effect of works councils on employment growth (Jirjahn 2010)

Source: adapted from Nienhüser (2014).

Board-level employee representation and the business case

Employee representation at board level as a mechanism to link corporate governance and industrial relations has been promoted particularly within continental European systems (e.g. Germany and Sweden; see box 4.2). In many cases, it has an explicit social dimension, introducing equal participation of shareholders and employees in joint corporate decision-making and complementing the economic legitimacy of executive management with a social one. Codetermination is hence concerned with both the furtherance of democratic decision-making processes at the firm level and the equality of capital and labour (Page 2009).

Box 4.2. Board-level employee representation in Europe

The presence of employee representatives in the board-level structures of a company is an indirect, or representational, form of participation. It involves the expression of employees' collective interest through the intermediary of representatives and differs from direct participation in a number of ways:

- a. it focuses on the workforce as a whole rather than individual employees or workgroups;
- b. its fundamental aim is the achievement of democratic input into company decision-making rather than fostering employee motivation and commitment;
- c. it is in general regulated by legislation or collective agreements, rather than being a unilateral management initiative.

Board-level representation also differs from other types of indirect participation such as works councils in that it attempts to provide employee input into overall company strategic decision-making rather than focusing on information and consultation on day-to-day operational matters at the workplace. The content, meaning and impact of board-level representation differ with the degree of employee representation. In most cases in western Europe, employee representatives are in the minority, and board-level participation is associated with the obtaining of information and understanding and the expression and exchange of opinions, views and arguments about an enterprise's strategy and direction. In a few cases, however, when employee representatives are equal in number to those of shareholders or other parties, issues of control, veto and real influence over company strategy - sometimes known as 'co-determination' - come into play.

Source: Eurofound (various pages of internet site).

It is sometimes anticipated that worker representation at board level has negative effects for business growth because it moves firms away from their optimal board design (Gorton and Schmid 2004). However, empirical studies find mixed results and, more importantly, positive effects in respect of a number of issues, albeit with varying relevance for conventional and inclusive models of business growth (table 4.2). Worker voice at board level can help boards to prioritise the long-term success of the company in decision-making, which in some cases may be also consistent with shareholder interests. By incorporating workers' interests in corporate decision-making, improvements can also be made in respect of working conditions, positively impacting (under favourable circumstances) on levels of productivity. Strategic and operational decision-making processes can sometimes be improved through the in-depth knowledge that workers bring in terms of how the company operates, whilst their working experience in the company is likely to complement and reinforce the development of relationships with other stakeholders such as customers and suppliers. Greater inclusivity is confirmed in the study by Hörisch (2012) which reports a negative association between codetermination and income inequality in OECD countries.

Table 4.2. Selected evidence of the impact of board-level employee representation on business growth

Studies	Business growth effects
Fauver and Fuerst (2006); Gorton and Schmid (2004)	Firm-value effect of 50% worker representation on the board is insignificant Equal representation on the supervisory board (rather than one-third) reduces the market-to-book ratio
Dybala and Kraft (2016)	Employee representation beneficial in supporting a policy that aims at securing the long-term survival of their firm
Edwards et al. (2009)	Improved flows of information between workers and boards, contributing to monitoring managerial performance and knowledge

4.2. Social dialogue and workplace conflict

Social dialogue can play an important role in the management of workplace conflict due in part to the open-ended nature of the employment relationship experienced in most contemporary organisations. Understanding the employment relationship beyond its purely economic and contractual forms enables us to capture its power undertones and their implications. While the power balance formally favours the employer in its capacity to command in relation to the worker who is under the obligation to obey, the open-ended nature of the employment contract (Fox 1974) means that a significant part of the work process is at the discretion of the worker. While employment contracts specify wages and tasks as well as the obligations of the parties, the extent of cooperation and the level of worker effort are largely unspecified. This has consequences both for the management of workplace conflict and for the dilemmas faced by managers when considering how to ensure workers' active collaboration in executing the organisation's goals; social dialogue has a role to play in both cases.

Two contrasting 'ideologies of management' frame business approaches towards the role of social dialogue (Fox 1974:271). A unitarist view of the employment relationship denies its basic antagonistic nature and emphasizes instead the shared interests and cooperation between workers and management. Conflict is thus seen as dysfunctional and as the result of communication problems or external influences, such as trade unions. Unions are to be resisted because they threaten harmonious workplace relations. Unitarist-type managers deploy family and team metaphors to reinforce the view that workers and managers share the same goals and this grants legitimacy to managerial prerogative and renders unions unnecessary (Fox 1974). In contrast, a pluralist ideology recognizes conflicting interests as inherent to the employment relationship and therefore the main concern of managers holding this view is to ensure that conflict is managed effectively so as to minimise disruption (Wilton 2011). Establishing

structures for social dialogue is therefore important to enable worker voice and platforms of understanding with workers who hold divergent but legitimate interests, goals and concerns in relation to management. A case study of a garment factory with social dialogue in Myanmar represents an interesting example of a pluralist management approach in a country still held back by a generally unitarist approach (box 4.3).

Unitarist-type businesses might argue that social dialogue at firm level is costly and unlikely to ensure benefits of industrial relations peace in the short-run. The risk, however, is that depriving workers their collective voice is not only unfair but may also elicit other, less organised and harder to manage forms of workplace conflict, such as absenteeism, fiddles, sabotage or voluntary quits. Workers may react in this way in order to redress deleterious working conditions, or unjust organisational procedures, or to alter the terms of the wage-effort bargain in their favour (Williams and Adam-Smith 2006). Thus, where formal, legitimate and effective enterprise-level voice is not in place, the inability for workers to raise issues with management may result in a working environment that is unsafe or excessively stressful. This situation could in turn result in ill health and worker absenteeism, with prolonged adverse impacts on business performance.

Box 4.3. Social dialogue helps to channel conflict in Myanmar garment factory

Myanmar has a new, fast-expanding garment industry that supplies global brands such as H&M and Gap and employs more than 300,000 workers. With a daily minimum wage of 3600 kyats (2.7 USD, which would correspond in a 22 days month to a monthly minimum wage of around 60 USD) and average monthly wages in the sector of around 114,600 kyats (85 USD), Myanmar enjoys a cost advantage in relation to neighbouring countries such as Cambodia and Vietnam (Huynh, 2016). As the economy in Myanmar expands and opens up to trade, workers are understandably demanding improvements in wages and living conditions while factories face cost pressures from global buyers and competition from companies in neighbouring countries.

The immaturity of industrial relations and lack of a culture of social dialogue between the parties are among the key factors explaining recent tensions in the garment industry in Myanmar. The lack of experience of freedom of association of both foreign owners and local managers as well as the authoritarian stance often taken by the latter further contribute to workplace disputes, whilst in many cases managers also complain of an excessive militancy on the part of labour activists. Conflict resolution is further hindered by language and cultural barriers between workers and managers as a result of foreign ownership of a large number of garment factories who do not necessarily belong to the sectoral employers' organization. In this context, the global buyers such as H&M, global unions such as IndustriALL and several NGOs are promoting the development of social dialogue in the garment industry in Myanmar by investing in training programmes, raising awareness of fundamental principles and rights at work and supporting social dialogue. There is evidence that nascent social dialogue structures and processes are helping to resolve workplace conflict. Nevertheless, the sustainability of this will depend on the strengthening of national institutions for social dialogue, including workers' and employers' organizations.

In February 2017, a strike was called in a large Hong Kong-owned garment factory, a supplier of fashion retailer H&M. Workers were dissatisfied with the piece-rate pay system and the seniority bonus, and a group of leaders seeking to form a union were allegedly challenged in collecting the necessary signatures and were eventually dismissed. Three days of negotiations ensued, with worker-side represented by the Industrial Workers' Federation of Myanmar (affiliated to the Confederation of Trade Unions of Myanmar, and IndustriALL) with support from IndustriALL, and factory ownership brought in from Hong Kong, with H&M following the process closely. Through the negotiations, the unions' seventeen demands were reduced to two and a new hourly rate pay system and improved seniority bonuses were agreed. A previous conflict in October 2015 which involved a 10 day strike over a number of issues including union recognition and the dismissal of union representatives had previously been successfully resolved through social dialogue, which led to union recognition and the reinstatement of the dismissed workers.

According to the factory owner, collective bargaining tends to be defensive, taking place mainly when disputes arise but, recognising the need to manage and respond to the plurality of interests and pressures facing the different parties, he plans to establish regular meetings which may lead to improved relations and trust. Within the factory there is another formal voice mechanism in place in the form of a Workers Coordination Committee (WCC), composed of two worker representatives and two management representatives. The WCC meets every two weeks, or more frequently if special issues arise. This helps anticipate production problems and prevent disputes but the extent to which it feeds into the formal collective bargaining process is not very clear. Nevertheless, in the perspective of the owner, social dialogue has contributed to resolve disputes and to reduce conflict in recent months to levels far lower than in other garment factories in Myanmar. The factory has been indicated as an example of successful social dialogue by interviewees from the ILO officials and the H&M global code of conduct (COC) coordinator.

The event took place very soon after the Global Framework Agreement (GFA) was signed, and key elements of the GFA such as the National Monitoring Committee were not yet in place. Nevertheless, the parties sought to address the situation. While cautious not to replace the national industrial relations actors, both parties encouraged dialogue at the factory level, and H&M made sure to clearly outline expectations in respect of freedom of association as part of its business relationships. While not intervening during the dispute, the ILO supported the process through awareness-raising briefings for factory managers.

The actions taken by both IndustriALL Global Union and H&M reflected the serious commitment of the two sides to supporting the development of sound, responsible industrial relations in H&M's supply chain. Today, with the National Monitoring Committee established and fully operational, numerous cases which would have normally led to fractious and drawn-out industrial action, have been resolved through the structured dialogue of the NMC.

Source: Interview notes with the factory owner, ILO officials and H&M global COC coordinator and <http://www.industrialunion.org/agreement-with-hm-proves-instrumental-in-resolving-conflicts>

Many studies, especially in the UK and the United States, have sought to trace the business case of non-union forms of employee involvement in the context of weak statutory support for collective representation. In a general context of the open-ended employment contract, managers face challenges in managing worker performance. They can opt for direct supervision and technological control (e.g. controlling the pace of work via the assembly line or IT surveillance), but such strategies risk worker alienation and resentment. Alternatively, managers can establish formal and informal systems of employee involvement, participation and engagement, with or without unions. Research suggests worker voice enhances the wellbeing of employees and has the potential to harness employee commitment and improve business performance – since engaged workers are more likely to understand what the business is trying to do and how to contribute to it (Marchington and Wilkinson 2012). Voice mechanisms also enable better decisions and incentivise workers to share knowledge that managers often lack, thereby improving work processes, quality of product/service delivery, as well as contributing to new ideas and solutions (Sako 1998; Appelbaum et al. 2000). The resulting form of employee involvement is shaped by ‘hard’ and ‘soft’ regulatory forces, with the likely result in many countries of a mix of representative and non-union forms of management engagement with employees. While many managers may prefer informal employee involvement, the evidence suggests this form is less good at sustaining long-term positive employment relations. Nevertheless, it generates better results for the organisation than a strictly unitarist management approach (see review by Marchington and Dundon 2017).

4.3. Social dialogue, redistribution and business legitimacy

A further important justification for social dialogue at enterprise level is its role as a mechanism for redistribution of the gains from business success and for ensuring the ongoing legitimacy of the business in the eyes of its employees and the wider public. Whether ascribing to the conventional or inclusive business growth model (section 3), a view advanced in the business literature is that of workers as stakeholders of public and private sector organizations. As such they ought to be involved in decision-making (Boxall and Purcell 2011). This view also underpins national and supranational regulations that guarantee worker representation and consultation rights, premised on freedom of association.

Social dialogue mostly relates to formal representative forms of voice, but there is a rich body of HRM research investigating the beneficial effects of combined representative and direct forms of voice for both companies and employees. For example there is some evidence that strongly embedded and combined voice mechanisms (direct and indirect) are associated with better measures of job satisfaction, employee commitment, and improved business performance (Cox et al. 2006; Purcell and Georgiades 2007; Sako 1998). UK-based studies are especially illuminating. Kessler and Purcell (1996) found that joint working parties between managers and worker representatives dealing with specific workplace issues led to increased trust and managers considered that the organisation had benefited significantly from these arrangements. However, Upchurch et al.’s (2006) case study of a financial company reveals the weakness of non-union representation and consultation bodies that lack independence and power resources to provide effective voice and influence to employees, thereby also potentially compromising the achievement of some of the goals underlying its implementation (which were to harness employee commitment and productivity).

While voice may be perceived as an important end in itself, it is also shown to be a significant means for achieving fairness in the workplace, the promotion of transparent employment arrangements, monitoring and enforcement of rights, and fair treatment (Rubery 2015). These results shed light on the inconsistencies of research attempts to determine associations between union presence and short-term output or cost-based measures of business performance, particularly profits. For example, research tends to support a positive association between union representation and productivity in China, but does not consistently support their association with profit levels. This is because union presence increases employer compliance with legal standards and improves worker benefits, both of

which tend to reduce company profit levels (Lee and Liu 2011). This also mirrors the observations of Freeman and Medoff (1984) that unions increased productivity but not necessarily short-term profitability, largely because they redistributed performance gains to reduce inequality. Over the long-term, an inclusive business growth model might be better equipped than the conventional growth model to accommodate social justice considerations and thereby enjoy a stable investment trajectory (in technologies, new products/services, or modern work organisation) (OECD 2017a).

5. Sector and national level social dialogue

Social dialogue at sector and national levels requires organised employers and trade union organisations and, in the case of tripartite social dialogue, representatives of the government. It often involves bargaining over wages and other working conditions and results in collective agreements regulating these matters. Moreover, at national level it can address broader issues (including social policy for example), resulting in tripartite or bipartite agreements, or social pacts. It must be noted that national and sector-level social dialogue is most prevalent in western continental Europe and therefore much of the research evidence in this section relates to this particular region of the world.²²

Like the evidence for enterprise-level social dialogue, this section considers both costs and benefits of sector and national level social dialogue. On the one hand, it can provide a useful means for effective consultation between governments and social partners in policy-making. Having the buy-in of employers and unions can increase the social legitimacy for employment and social policy reforms and thereby minimise resistance to difficult reforms. Multi-employer collective bargaining can also limit wage competition premised on non-compliance with workers' rights, while providing opportunities to tailor regulations to industry-specific requirements (Visser 2016). By setting common pay and working conditions for a particular sector, effective sectoral collective bargaining can reduce the potential for competitive race-to-the-bottom deterioration of pay and labour standards, avoiding the risks of unsafe workplaces, excessively long hours, low pay and insecurity (Keune 2015). Also, by preventing firms from competing on the basis of low labour costs, a 'beneficial constraint' of collective bargaining (Streeck 1997) is that it induces investments in human resource development and a competitive business strategy focused on quality and innovation. A further side effect of locating wage bargaining outside the firm (at industry or branch level) is reduced workplace conflict, thereby enhancing management-worker cooperation and encouraging a focus on improving work organisation and productivity in a context of social peace and stability (Keune 2015).

On the other hand, however, the view that multi-employer bargaining is damaging for labour market performance and business competitiveness has gained prominence in recent decades, particularly in the context of the effects of the recent economic crisis in Europe (Van Gyes and Schulten 2015; see also research note by Lamarche (2015) for a similar argument applied to developing countries, particularly Argentina). In this perspective, sector and national-level collective bargaining may damage business competitiveness by raising wages to a level that, if passed to the costs of goods produced, would affect cost-competitiveness in international markets. These effects are said to be particularly strong when bargaining takes place at the sector level because the impact of wage increases would be large enough to affect the whole economy, but not sufficiently encompassing for unions to consider the effects on employment (as these could be 'externalised' to other sectors, see section 5.2). In addition, multi-employer bargaining systems may create excessive 'rigidities' and reduced flexibility at firm level to adjust work organisation and wages and to react to economic shocks and sudden changes in demand.

While comparative analyses of different bargaining systems in Europe have long suggested that their precise association with business performance depends on the specific economic and institutional setting, there is growing evidence that the key to ensuring effective, business-enabling collective bargaining resides in improving the

²² Where available and relevant, examples of other countries, particularly developing countries, are also presented.

coordination between actors, units and levels of bargaining. This section reviews the relevant evidence (secondary data and original case studies) with respect to the business impact of multi-employer bargaining and, more generally, social dialogue. It addresses three key business effects of social dialogue organised at sector and national levels:

- i. economic stability and social cohesion;
- ii. economic performance; and
- iii. effective business responses (and economic adjustments) to the economic crisis.

5.1. The consequences for economic stability and social cohesion

Centralised forms of social dialogue can contribute to economic stability (relevant for both models of business growth) and social cohesion (mostly relevant for inclusive business growth) in a variety of ways. Jointly regulated vocational training is a core feature of corporatist arrangements in which the state delegates responsibility to social partners in order to avoid market failure and to promote adequate investment in skills development required for economic growth. Though in most countries, even in continental Europe, continuous vocational training remains underdeveloped as a bargaining topic, its importance has grown in the last 20 years and there is evidence that sectoral and cross-sectoral collective bargaining has contributed to generalise continuous vocational training and reduce inequalities in access –for example, in relation to workers in smaller companies and in non-standard forms of employment (particularly part-timers and temporary workers). Heyes and Rainbird (2011) review several positive European examples:

- In 2007, a proposal of Dutch Christian Trade Union Federation to the Dutch House of Representatives led to the improvement of the training of workers in non-standard contracts;
- In 2007/8, a sectoral social pact in Belgium extended training opportunities to temporary agency workers, with the costs to be shared by the training fund of the sector employing the workers and that of the temporary agency work sector;
- In Portugal a national agreement on training was achieved in 2001 to address the low skills base of the country, establishing that 10% of the workforces of a firm should receive training at any given time;
- In Denmark, a private sector framework agreement in 1993 established the entitlement of workers to two weeks of education leave per year.
- A collective agreement in the Italian chemical and pharmaceutical industry in 2006 provided workers with three day per years in continuous training which are funded through the annualisation of working hours, with the company and the workers contributing with one and a half day each.

Of relevance for the inclusive business growth model, there is a great deal of consistent evidence demonstrating that coordinated, multi-employer collective bargaining promotes greater economic equality by limiting wage dispersion and reducing skill/education-based and gender-based pay differences (Dell’Aringa and Pagani 2007; Aidt and Tzannatos 2002, 2008; Blau and Khan 1995). Centralised systems of social dialogue, such as national and sectoral-based collective bargaining systems enable higher levels of coverage, which has been shown to be associated with lower wage inequality (Visser 2015; Hayter 2011; Hayter, 2015). In turn, the erosion of labour market institutions that support centralised arrangements and enable high bargaining coverage has been associated with falling wage share in recent decades (OECD 2012) and with growing income inequality (Jaumotte and Buitron 2015). In addition, the growth of a low wage segment of employment has been attributed to the erosion of collective bargaining institutions in countries such as Germany and the Netherlands; conversely in Sweden, where collective bargaining has remained centralised with a compressed wage structure and where skills upgrading has been promoted, the growth of low wage employment has been prevented (Vaughan-Whitehead 2017).

The socio-economic benefits of centralised social dialogue arrangements extend beyond social equity. Social dialogue has also been important in devising industry policy responses to increase international integration and global competition. In Italy it has been credited at the regional level for forms of micro-concertation (involving cooperation between local unions, networks of small firms and local municipal authorities) that enabled business restructuring and the development of 'flexible specialisation'. Actors at regional-sectoral tiers of industrial relations '*sought mutually beneficial solutions, made pragmatic concessions to each other's needs and made widespread use of bargaining to achieve their ends*' (Regalia and Regini 1998: 467). Likewise, the German model of diversified quality production traditionally relied heavily on its structures of sectoral social dialogue: high trust relations between employers and unions at the sectoral level and between workers and managers within firms, and on cooperation of social partners in developing the high skills needed to meet present and future needs (Rubery and Grimshaw 2003).

National and coordinated systems of social dialogue can also be an important force for social and economic stability. In economic terms, collective bargaining offers opportunities for responsible wage setting that helps reducing uncertainty about future costs and price growth and is compatible with low unemployment (Visser 2016). While national tripartite agreements have a long tradition in northern Europe, national social pacts emerged in other European countries from the late 1980s and 1990s in response to pressures of increased global competition and the European Monetary Union (EMU), particularly targets with respect to inflation, public debt and public deficits (Hancké and Rhodes 2005). Visser and Rhodes (2011: 62) define social pacts as '*publicly announced formal policy contracts between the government and social partners over income, labour market, or welfare policies that identify policy issues and targets, the means to achieve them, and the tasks and responsibilities of the signatories*'. These pacts took a variety of forms, were more or less institutionalised, and although were mostly designed to guide wage developments, several focused on wider and non-wage issues and policy areas (Visser and Rhodes 2011). Rather than a diffusion of social corporatism arrangements typical of Scandinavian countries, however, these arrangements lacked the institutional features that enabled corporatism to genuinely integrate equity and efficiency (Teague and Donaghey 2015). As a result, these second-generation social pacts have been described as 'competitive corporatism' (Rhodes 1998) because they focused mostly on national economic and competitive priorities and the social agenda has been less central. Lacking the institutional anchors of long-standing trust between encompassing labour market actors and social democratic governments, they proved more fragile and/or contingent.

Nevertheless, even under these less institutionalised and less stable circumstances, there are several examples of social pacts which have been pivotal for addressing specific economic and social problems at critical points in time. Social pacts and tripartite agreements have produced a number of beneficial outcomes including: wage moderation, economic stability, a predictable business environment and/or have contributed to social peace. Selected examples include:

- Ireland, where the Programme for National Recovery established in 1987 was the result of a tripartite agreement signed between the social partners and the government to address the acute economic and social crisis of the period (Roche 2007). This agreement enabled the breaking up of the vicious cycle of a stagnated economy, rising taxes and exploding public debt through wage moderation (O'Donnell et al. 2011). This tripartite agreement marked the beginning of what came to be known as the Irish Social Partnership that lasted until 2008. This was a pivotal element contributing to the remarkable productivity-led economic growth in Ireland during the 1990s and to advancing the openness of the Irish economy, to a great extent through wage moderation (Teague and Donaghey 2015)
- Italy, where tripartite agreements in the 1970s addressed the high levels of unemployment and inflation. In a series of agreements, unions agreed to wage restraint and to moderate and militancy at the plant level in exchange for a greater role in policy making and commitments to job creation on the part of the government (Regini and Colombo 2011). However, the effectiveness of these early agreements was to some extent compromised by divisions between union confederations and the lack of coordination between peak level organisations and their workplace structures. Greater union unity, articulation and interdependences

between labour market actors enabled the signing and more effective implementation of tripartite agreements in the 1990s which provided important solutions that stabilized industrial relations (Regalia and Regini 1998). However, while macro-concertation in this period enabled social partners to gain institutional recognition to participate in major economic decisions, in exchange trade unions had to agree to prolonged wage restraint and unpopular reforms of pensions and flexible employment (Baccaro and Pugliano 2011). Despite tripartism having declined since then, important bilateral agreements between employers and union confederation have continued to ensure the coordination and responsiveness of the industrial relations and Italian manufacturing firms throughout the economic crisis (Colombo and Regalia 2014).

- Portugal, where the creation in 1984 of the ‘permanent council for social concertation’ has subsequently witnessed a series (albeit intermittent) of tripartite agreements, initially mostly on incomes policy but later on broader employment issues, collective bargaining and social policy (Campos Lima and Naumann 2011). Despite tripartite agreements having facilitated policy reform and reduced conflict, their effectiveness in regulating employment has been limited by the divisions of the labour movement and the fact that the largest union confederation, CGTP, often failed to sign tripartite agreements, thereby restricting workplace implementation. Despite these problems, the adoption of difficult structural reforms during the recent crisis was, unlike other countries in similar circumstances such as Greece and Romania, subject to extensive consultation with the social partners who, with the exception of CGTP, signed a tripartite agreement that paved the way to their implementation. This contributed to secure political stability and to prevent excessive social unrest during the adjustment programme (Tavora and Gonzalez 2014).

Social pacts and tripartism have been mostly a feature of labour relations in Western Europe, but not exclusively. A number of examples illustrate how social dialogue has played an important role also in other world regions, both in contributing to economic development and in responding to specific economic challenges:

- In Singapore, institutionalised tripartism has enabled social partners to participate in multiple policy decision-making spheres and has been a key factor enabling the country’s remarkable economic development in the last 50 years (Kuruville and Liu, 2009). Tripartism has taken place under the auspices of a very strong state that not only engendered the commitment of social partners, but also may have in some cases influenced the direction of decisions. Nevertheless, tripartism has been credited for shaping Singapore’s capacity to adapt to different economic circumstances and shocks as well as for achieving a balance between equity, security, efficiency and flexibility.
- In South Korea, tripartism has been less institutionalised and volatile but social pacts have also played a role at critical times in this country. In 1998, the signing of a national tripartite agreement was crucial for enabling the country’s rapid recovery from the Asian financial crisis through allowing a process of adjustment with minimal social unrest (Kuruville and Liu, 2009). More recently, a tripartite agreement was signed in 2015 to address current social and labour market challenges facing the country²³.
- In Chile, in response to the global economic crisis, a national tripartite agreement was concluded in 2009 leading to the enactment of a new law to promote the retention of workers within firms, to improve workers’ skills, to increase the protection and activation of the unemployed, to promote public investment in infrastructure and other measures to support SMEs as well as a programme of grants for women (Ghellab, 2009).

²³ Tripartite Agreement on Structural Reforms of the Labor Market, 15 September 2015, accessible online at http://www.aicesis.org/files/publications/1144/151001Tripartite_Agreement_on_Structural_Reforms_of_Labor_Market_Final_.pdf

- In South Africa, tripartite consultation between the government and the social partners led to the agreement in February 2009 of a 'Framework for South Africa's response to the international economic crisis'. This covered broad areas such as investment in public infrastructure, macroeconomic policy, industrial and trade policy, employment and social measures and the creation of decent jobs (op. cit.).

In addition, national social dialogue has proved valuable for promoting not only economic but also social and political stability, particularly in periods of political transition and social upheaval. When Portugal and Spain emerged from authoritarian regimes in the mid-1970s, social dialogue contributed to political stability and consolidating democracy as well as curbing mounting inflation through income policies in the 1980s (Martinez-Lucio 1998; Barreto 1998). In Argentina, strong labour market institutions and national social dialogue were also crucial in maintaining democracy and social stability when GDP fell dramatically during the 2001–2002 recession (Lamarche, 2015; Maletta, 2009). The potential of social dialogue to be a stabilising force has recently been highlighted by its role in supporting the democratic transition in Tunisia after the 2011 revolution (box 5.1).

Box 5.1. National social dialogue in Tunisia enables peaceful democratic transition

National social dialogue in Tunisia has proved a powerful tool to enable a peaceful democratic transition.

In January 2013, two years after a revolution that ended an authoritarian regime, the Government, the Tunisian General Labor Union (UGTT), the Tunisian Confederation of Industry, Trade, and Handicrafts (UTICA) signed a social contract, paving the way for improvements in labour legislation, employment policies, vocational training and education, social protection, balanced regional development and the institutionalization of social dialogue. The agreement marked a commitment by all social partners to achieve the goals of the revolution through social dialogue. In June 2015, the Cabinet approved the draft law for the National Council of Social Dialogue, designed to institutionalise tripartite social dialogue in accordance with provisions in the Social Contract. The new law N° 54/ 2017 of 24 July 2017 concerning the creation of the council of social dialogue was adopted by the Assembly of Representatives of the People (ARP).

In 2015, the Nobel Peace Prize was awarded to the Tunisian National Dialogue Quartet, composed of the UGTT, the UTICA, the Tunisian Human Rights League, and the Tunisian Order of Lawyers for helping to prevent a grave political and social crisis which could have escalated into a civil war in the aftermath of the 2011 revolution. In an extremely challenging environment of political and social instability, the quartet forged national dialogue with the different political forces and achieved an agreement on a roadmap that included compromises that led to the stabilisation of the political situation and the establishment of a democratic system. Social dialogue in this context played an important role beyond industrial relations in promoting political freedom and as a stabilising process.

Sources: ILO official, Tunisia (Interview notes); European Commission (2016); The Guardian newspaper 9 October 2015, <https://www.theguardian.com/world/2015/oct/09/tunisian-national-dialogue-quartet-wins-2015-nobel-peace-prize>

5.2. The effects on economic performance

The question of the economic performance of collective bargaining has been the subject of significant research debate and controversy, particularly whether centralised systems of collective bargaining, either organised at the national or sectoral level, were economically superior or inferior in relation to no bargaining or decentralised systems in which bargaining takes place solely at the company level. Much of the debate has focused on the extent to which collective bargaining systems can internalise economic negative externalities such as increases in inflation or unemployment due to increases in wages. From this lens, wage-setting systems better able to internalise those externalities would thus be the best performing.

At the macro level, it was common in the 1990s to suggest that most forms of social dialogue were inferior to free market competition due to damage caused by collective actors who were assumed to lobby for particularistic redistributive goals, holding back economic growth. In their famous model of a 'hump-shaped' relationship between degree of centralization of social dialogue and economic performance, Calmfors and Driffill (1988) suggested that only countries with either highly centralized or highly decentralized forms of social dialogue could maximize economic performance via wage and productivity gains. Under intermediate forms, such as sectoral bargaining, cartelization allows wage increases that lead to price increases without workers and firms in the industry being fully affected by the potential externalities in terms of inflation or unemployment; in other words, unions and employer organisations at this level will be strong enough to negotiate change but their representational domain is not sufficiently encompassing to consider the effects of their actions to the whole economy.

Alternative, contemporary viewpoints identify a more nuanced and, on balance, positive range of macro-level productivity effects from collective bargaining for four reasons. First, a more careful reading of Calmfors and Driffill's analyses, which accounts for the differential trade-ability of industries and the degree of monopoly competition, considerably modifies the stylized hump-shaped relationship (see Calmfors 1993: figure 1; Traxler et al. 2001).

Second, attention to the real world, institutional complexity in country, industry and company forms of collective bargaining shows that a combination of factors (especially concerning the possible informal coordination of social dialogue and the diverse articulations²⁴ between sector and company levels) further modify the relationship between type of social dialogue and productivity²⁵. For example, Soskice (1990) showed that a more precise reclassification of Japan and Switzerland according to degree of effective coordination of wage bargaining collapsed the evidence for a hump-shaped curve. Also, Traxler et al.'s (2001) influential study demonstrated that wage bargaining externalities could be internalized through synchronizing wage bargaining across jobs, activities and sectors (horizontal coordination), but that this also depended on the governability of bargaining (or vertical coordination) in the sense that lower levels comply with higher level agreements and members commit to a course of action decided by their sectoral and peak organisations (op. cit.). Their study revealed that the performance of collective bargaining systems was determined more by the vertical and horizontal coordination of system than the level at which it took place. The implication is that all types of collective bargaining, irrespective of whether they take place at the firm, sectoral or national level can be economically beneficial if they are supported by institutional frameworks that enable their effective governance and coordination. The review by Aidt and Tzannatos (2008) further supports the idea that coordination of bargaining contributes to better economic performance and employment flexibility and suggests that bargaining coordination is particularly important in mitigating adverse effects of economic shocks.

A third reason is that because the form of social dialogue is interlinked with country systems of worker rights (governing minimum wages, employment protection and welfare rights) and changing government macroeconomic policy, it is necessary to account for interaction effects in macro-level modelling. Again, such studies tend to support the positive productivity effects of social dialogue (Aidt and Tzannatos 2008; Buchele and Christiansen 1999; Storm and Naastepad 2009). Fourthly, because recent studies are more likely to test directly for the effects on productivity growth, they generate more reliable estimates (see illustrative study in box 5.2).

²⁴ Traxler et al.'s influential study showed that

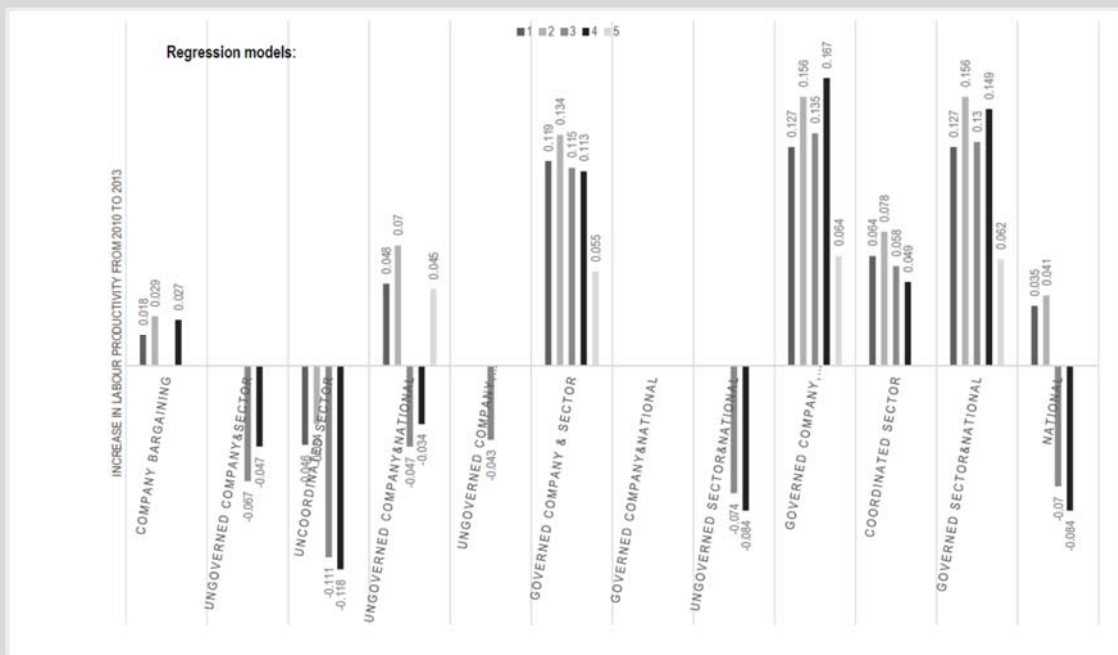
²⁵ For an extended critical analysis of the theoretical predictions of Calmfors and Driffill (1993) and the contributions of comparative industrial relations and the corporatist literature to this question, see Koukiadaki and Grimshaw (2016: 26-43).

Box 5.2. Testing for the macro-level productivity effects of social dialogue

Only a handful of studies include a direct measure of productivity growth in their list of dependent variables when testing for the macro-level effects of social dialogue. The argument for doing so is that this is a more robust measure of the effects of collective bargaining on economic performance given the difficulty of predicting the relationship between real wage growth and productivity growth over the long run. Figure 5.1 presents the key results from Braakmann and Brandl's (2016) innovative regression analysis using European company survey data. The key findings are as follows:

1. Company level social dialogue and coordinated-sector level dialogue both perform better than either absent or uncoordinated social dialogue; the results for national-level social dialogue are mixed. This is a key result since four in five companies in the European company survey reported one of these single-level forms of bargaining. It suggests that the textbook labour market model of individualized bargaining between worker and employer does not deliver strongest productivity growth, although the worst form is uncoordinated sector bargaining. So while the former finding does not conform with the simple Calmfors and Driffill model, the latter does.
2. The results demonstrate that policy recommendations need to pay more attention to the potentially superior effects of strongly articulated multi-level systems of social dialogue and, conversely, to the problems associated with ungoverned multi-level systems. Figure 5.1 makes clear that three types of 'governed' systems are highly effective and cover company-sector systems, sector-national systems and company-sector-national systems. The exception to the rule are governed company-national systems which reveal no significant difference with individualized wage bargaining. This suggests *the sector level is a necessary condition for delivering productivity gains*.
3. The findings apply to Europe and are unlikely to apply in a uniform fashion to other regions of the world, although future research is needed to confirm or refute this proposition.

Figure 5.1. *Reproduction of Braakmann and Brandl's test of productivity growth effects, 2010-13*



Note: all results in the figure are compared against companies with no collective bargaining.
 Source: adapted from Braakmann and Brandl (2016: table 2); authors' compilation.

In sum, there is growing evidence that coordinated collective bargaining can support economic growth and stability, by enabling productivity growth, wage moderation and pay equity. The particular institutional conditions are varied and clearly described by context-specific and path-dependent change (that is, embedded in the particular historical background in which industrial relations structures developed). Nevertheless, the bulk of contemporary evidence does demonstrate that the key factor to social dialogue and systems of bargaining that supports productivity growth and adaptability to varying economic conditions is its capacity for coordination and governability rather than, as previously thought, the level at which it takes place. In this respect, the OECD (2017) draws attention to the role of mediation and arbitration in resolving conflicts and overcoming impasses that prevent the reaching of agreements between the social partners. As such, conciliation processes and arbitration bodies are important elements strengthening the overall governability of bargaining systems. Within Europe, Norway's 'National Mediator' is designed to avoid conflicts before they can legally start and its Labour Court seeks to settle labour disputes, breaches of collective agreements and unlawful industrial action. Similarly in Greece, voluntary arbitration services were particularly important for resolving disputes before the 2008 crisis; during 1992-2008, one in four sectoral and occupational agreements and one in twenty company agreements were settled by arbitration decisions (Koukiadaki and Grimshaw 2016). Outside Europe, an example of well-functioning arbitration body is the Cambodia Arbitration Council (box 5.3).

Box 5.3. The Cambodian Arbitration Council

Cambodia has successfully introduced a functioning labour dispute resolution system (Van Noord et al. 2011). The Cambodian Arbitration Council is an independent tripartite body that hears collective labour disputes referred by the Ministry of Labour and Vocational Training and issues an award within 15 days. If the parties agree in writing and neither party rejects the decision within eight days the award becomes binding and enforceable. In the face of highly adversarial industrial relations where disputes are common, the judiciary has limited capacity to resolve conflicts due to a lack of labour law expertise and concerns over judicial neutrality. In contrast, the Arbitration Council is considered by employers, workers and unions to be efficient and neutral in its operations and it has become an integral part and driver of a maturing industrial relations system. Even though its power is limited by the requirement for parties to agree to be bound by its decisions as a condition for enforceability, cases that reach arbitration are usually resolved.

Sources: van Noord et al. (2011), Ward and Mouly (2016) and interview notes with a representative of the International Labour Office in southeast Asia.

5.3. Social dialogue in Europe during the recent economic crisis

The recent labour market reforms introduced in a number of European countries, especially in the South, in countries such as Greece, Italy, Portugal, Spain and Romania, were far-reaching (Guardiancich and Molina, 2017; Koukiadaki et al 2016). Arguably, their systems of bargaining had weaknesses that needed to be addressed. However, the measures that were actually implemented in most of these countries, rather than supporting the effective functioning of social dialogue, has been found to have severely restricted its operation at the sectoral and/or national levels (Marginson 2014; Koukiadaki and Grimshaw 2016; Papadakis and Ghellab 2014). As a consequence, not only have the post-crisis labour market reforms resulted in excessive social costs in the short-term but may also have contributed to hold back business growth over the long-term (see box 5.4).

Box 5.4. The impact of labour market reforms on collective bargaining in Greece, Italy, Portugal, Spain and Romania

Internal devaluation was presented as the key strategy for solving the problems of troubled member states and for restoring firm competitiveness during the crisis. As such, labour costs came to be seen as the main adjustment variable and the decentralization of collective bargaining as the main way to achieve wage flexibility at the firm level (Shulten and Müller 2013). In response to external pressures and (for those countries that requested financial assistance) in compliance with conditionality requirements of loan agreements with the EC institutions and the IMF, countries such as Greece, Spain, Portugal, Italy and Romania adopted measures to deregulate the labour market and transfer decision-making processes from the sector to the company level.

The specific changes included measures that restricted the reach, duration and operation of collective bargaining (e.g. limiting extensions in Portugal, Greece and Romania and time-limiting the validity of agreements in Portugal and Spain) and measures that more directly decentralised collective bargaining (e.g. according priority to the firm level in Spain and facilitating company agreements by non-union agents in Greece). Crucially, the reforms were introduced without tripartite social dialogue and indeed were opposed by the employers' organisations (in Greece and Romania) and trade unions. The measures severely restricted the operation of collective at the sectoral and national level and led to a decentralisation of bargaining in all the countries, though to varying degrees and even where the decline in coverage was limited (such as in Spain and, to a lower extent, in Portugal) the changes reduced the effectiveness of collective bargaining as blockages and suspended arrangements displaced decision making from the sector to company level and from joint regulation to unilateral management decision making.

The reforms allowed struggling firms to cope with the crisis and return to profitability, but this was achieved through drastic reductions in wage costs, through increased managerial prerogative to reduce wages (or avoid increasing them) and evidence as to the extent to which this enabled improved competitiveness is mixed. Moreover, as wage freezes and cuts lead to a reduction in household consumption, this can depress domestic demand more than it increases exports. However the social costs have undoubtedly been severe: overall real wages fell significantly in all the five countries and average nominal wages also fell in Greece (OECD 2014; Trif 2016). The weakening of social dialogue institutions was also associated with new workforce divisions and other unintended negative consequences, such as:

- in Greece manufacturing there were reports that newly admitted workers were excluded from benefits and received lower wages than the standards established by collective agreements for existing workers;
- in Portugal, the freezing of the minimum wage in the context of bargaining blockages resulted in many workers in the lowest paid manufacturing sectors where women are over-represented - such as textiles and some food subsectors, not receiving wage increases between 2011 and 2014;
- the changes particularly affected vulnerable, low skilled workers and those in low paid workers in the five countries; and
- there were signs in Greece and Romania that the changes led to growth of the grey market and undeclared payments that reduce the state's revenue from taxes and social security contributions.
- In light of the above discussion, the process of economic adjustment in these countries might have been better achieved through negotiated and articulated solutions at different levels. This would have required effective coordination and governance mechanisms that could enable flexible business adjustments without placing an excessive burden of the crisis on workers. The weakening rather than strengthening of the structures that support multi-employer bargaining and its coordination means that business adjustments will continue to be painful in future downturns and will not only contribute to social inequalities but may also limit long-term growth prospects in these countries.

Source: Marginson, 2014; Koukiadaki et al., 2016 ; Shulten and Müller, 2013.

Conversely, in a number of European countries where social dialogue was well coordinated and well supported by enabling institutions, social dialogue has been an important process for devising crisis responses capable of mitigating the effects of economic uncertainty caused by the crisis. These have been mostly implemented through negotiated responses through sectoral collective agreements. Glassner et al. (2011) discuss a number of measures, some of which were quite innovative, which allowed firms to retain skills and experienced workers until the (then uncertain in timing and strength) upturn in economic activity while containing costs and still maintaining cooperative employment relations with the workforce. For workers these negotiated crisis responses contributed to reduce the uncertainties created by (the risk of) unemployment and income loss (Glassner et al. 2011). Some of the most important measures, introduced via collective agreements mostly at the sectoral level, include:

- Short-time working schemes, which proved important in French, German and Swedish manufacturing (see Text Box below) and in Italian banking, retail and tourism. These schemes helped companies to reduce costs but at the same time they contributed to preserve employment and incomes, in some cases with opportunities for training during downtimes;
- Measures to prevent or mitigate job loss introduced in some sectors in France, Belgium, Germany and Italy, including an innovative 'employee leasing' scheme in French and Germany metalworking which allowed surplus employees to be 'loaned' to other companies with staff shortages.
- Support for redundant workers, which included initiatives to provide advice, retraining and outplacement, namely in Italian pharmaceutical industry. A 2010 agreement in Swedish manufacturing ensured that workers made redundant during the crisis had priority in rehiring in relation to temporary agency workers.
- Wage restraint was a feature of many sectoral agreements concluded during the crisis, especially in 2009 and 2010. In some countries wage restraint was exchanged for improved redundancy and pension benefits (e.g. Denmark).
- Greater flexibility in wage setting at the firm level through provisions agreed at the sectoral agreement which set procedural rules enabling adjustments at the firm level, namely in Germany with regard to the timing of sectorally-defined wage increases or allowing its suspension if economically necessary.
- Working time flexibility was an important feature of sectoral agreements in Italy and Slovenia during the crisis, which defined conditions for firm-level adjustments in working time enabling firms to deal with demand fluctuations during the crisis (Koukiadaki et al. 2016).

Marginson et al. (2014) have shown that companies' responses to crises achieve more balanced solutions when negotiated within an articulated framework involving sector or national level bargaining. This is because the asymmetry between the bargaining power of workers and employers is lower at the sector level and, when well-articulated with the company level, sectoral agreements can provide a procedural framework for firms' responses that avoid transferring a disproportionate share of adjustment costs to the workers. In countries such as Sweden (see box 5.5) with its well-coordinated and governed multi-level bargaining system, higher level agreements provide an effective framework for decentralised business responses; in response to the crisis actors were able to respond collectively and contain the negative impact of the crisis through negotiated decisions at different bargaining levels. Conversely, in those countries where multi-level bargaining arrangements lacked well defined articulation mechanisms and which were subject to a severe process of labour market reforms targeting collective bargaining institutions (see box 5.4 above), crisis responses became increasingly decentralized and, in a context of weakened unions, produced outcomes that were most unfavourable to workers and more contingent on local imbalances (Koukiadaki et al. 2016). The experience of the recent crisis illustrates the importance for coordinated social dialogue institutions for achieving beneficial and balanced solutions for both firms and workers and the social risks of weakening these institutions.

Box 5.5. Articulated social dialogue in Swedish manufacturing: the case of Scania

In Sweden, the 2008 financial crisis led to a reduction in demand and in just one year, production fell by 23% and approximately 75,000 industrial workers lost their jobs (Ibsen et al. 2011). While other European countries had regulatory frameworks that allowed companies to reduce working time in response to adverse economic circumstances (e.g. *Kurzarbeit* in Germany), in Sweden at the time there were no systems that would allow working time reductions as an alternative to job cuts. As it became clear that a change to the legal framework to enable these solutions was not on the government's agenda,²⁶ the social partners took the matter in their own hands. IF Metall and several employer federations signed a collective agreement at the national level that enabled flexible crisis responses. The 2009 agreement, named *Krisavtalet* (Crisis agreement), gave the social partners at local/company level the opportunity to agree a reduction of working hours and corresponding salary (up to a maximum reduction of 20% of a worker's earnings). With the duration of one year, it also encouraged social partners at the firm level to agree on education and training for skills development.

This agreement was important in enabling better solutions from a social, economic and business perspective. Firstly it contributed to containing job losses and the growth of unemployment and the personal, social and economic costs associated. Secondly, it allowed firms to retain workers and their skills avoiding the negative impact of redundancies on employee morale, commitment and trust as well as the costs of recruiting and training new workers after the crisis. These effects are well illustrated by the case of Scania, which was one of the first companies to use the new central agreement for crisis adjustments.

In 2008 when the crisis struck and Scania's orders declined dramatically, social dialogue facilitated an unorthodox solution, which, while difficult in the short term for both parties, was a better alternative than making staff redundant. Consistent with the central-level framework, the agreement established a four day week and as Scania had only production for 2.5 days, the remaining 1.5 days were used for training provided by managers and company experts on subjects such as health and safety, work environment and Scania's production systems. In this sense, social dialogue proved highly valuable for Scania during the crisis. Scania's long tradition of cooperation with the unions and the trust established through this cooperation over the years between the managers, unions and workers, facilitated reaching a solution that enabled Scania a swift return to the market when the economic situation improved without having to spend time and money in recruiting and training new workers. The company is now enjoying high levels of profitability. As highlighted in the company's annual report, Scania's net sales in 2016 rose 10% to a record level of nearly SEK 104 billion.

Thus, the case of Swedish manufacturing demonstrates how social dialogue through articulated industry and company collective bargaining can enable flexible solutions, including arrangements that allow sustainable reductions in pay and prevent job losses. It is estimated that the crisis agreements helped save between 12,000 and 15,000 manufacturing jobs (Kullander and Halling 2012). In addition, this case illustrates how agreed solutions can enable skill retention and preservation of business capabilities, thereby fostering speedy business recovery and long-term competitiveness. The case challenges outdated views of collective bargaining as potentially compromising the ability of firms to rebuild narrowly defined comparative advantage based on lower production costs.

Sources: IF Metall, Scania and Swedish Association of Industrial Employers (interview notes) and complementary literature sources cited in the text.

²⁶ A framework for subsidised short-working schemes was created in 2013 by the subsequent government (Ibsen, no date).

6. Inter-Firm Contracting and Social Dialogue

In line with the analytical framework in section 3, this section presents a review of the literature as well as empirical evidence²⁷ that highlights the role of social dialogue in business growth within domestic and global inter-firm contracting. The business case depends on a variety of issues, including sector, level of development, region of operation, stakeholder expectations, business strategy, organisational culture and past performance. In line with the definition of social dialogue in section 2, the section examines a range of processes, from exchange of information and consultation to dispute resolution mechanisms and International Framework Agreements (IFAs). The evidence for a business case is structured around four themes, adapting slightly the conceptual framing in section 3 to reflect the particularities of inter-firm contracting: improved productivity and service quality (without labour cost cutting); creating an enabling environment for business; improved risk management (especially health and safety); and promoting organisational stability and legitimacy. Crucially, the positive performance is contingent on a set of 'enabling conditions' and the section identifies those at the start of the analysis.

6.1. What are the key enablers of effective social dialogue in supply chains?

Whether organised within national borders or across countries, the efficient organisation of inter-firm networks can benefit from the operationalization of social dialogue. In light of the discussion above, effective social dialogue is contingent on several 'enabling conditions', as follows.

Legal/institutional framework promoting actors' capacities: Global supply chains have made it more complex for employers' organizations to represent their members and respond to their expectations (ILO 2016: 24-25); inclusiveness may also be limited due to the lack of participation of buyer firms at the national level and the lack of participation of SMEs at the local level. On the other hand, workers' representatives may lack the leverage and organization needed to participate in dialogue, particularly when they are engaged in the supply chain as casual, temporary or home-based workers. Much existing research focuses on the role of the buyer firms and fails to consider the role that governments have in ensuring improvements in working conditions in a supply chain (see Box 6.1 on the case of supply chains in the garment industry in Bangladesh).²⁸ Against this context, the legal/institutional framework has a key role to play in addressing labour issues arising from inter-firm contracting and establishing the conditions for effective dialogue in and beyond the workplace (Deakin and Rogowski 2011; Kolben 2010).

Nature of contracting: The organisations involved in inter-firm networks may engage in one-off, arms-length transactions resembling a zero-sum game with minimal cooperation. Alternatively, long-term, relational arrangements characterised by trust, are developed with the intention of improving the value of the good or service involved in the supply chain. Relational contracting can provide the buyer firm with sufficient oversight of supplier activities and facilitate spill-overs, thereby potentially enhancing the capacity of suppliers to adopt 'high performance' HRM practices and 'high-road' industrial relations (Wright and Kaine 2015; Deakin and Koukiadaki 2010; Grimshaw et al 2010). Relational contracting arrangements established by buyer firms in advanced economies are more likely to support efforts to improve working conditions among their suppliers in emerging economies (Locke et al. 2013; see box 6.2 on the case of Tchibo). But the dispersion of socially responsible business practices in supply chains may be limited by the very nature of inter-firm contracting in supply chains (Millington 2009: 371).

²⁷ Empirical evidence comprised of interviews with a range of stakeholders involved in social dialogue in global supply chains, and particularly the textile sector, due to the significant developments in the recent years and the emerging research in this area (for details, see section 2).

²⁸ For an exception, see some recent examples in the literature which have begun to investigate public/private governance interactions – Amengual (2010); Locke et al. (2013); Piore and Schrank (2008); Gereffi and Lee (2016).

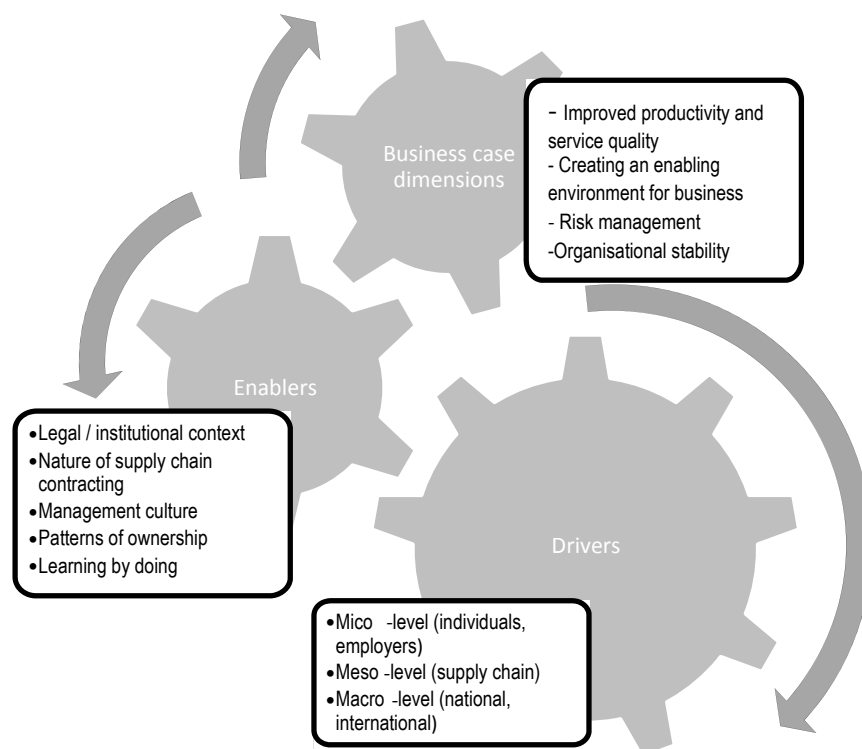
Management culture (including senior management commitment): Inter-organisational trust will be insufficient to generate high returns on relational investments, if the dynamics of employment relationships both within and between partner organizations are not also addressed. Differences in the cultures and goals of the organisations can potentially weaken workers' identification with and commitment to their employer, thus posing challenges for HR managers in both organisations (Grimshaw et al 2010). Relational arrangements between buyer firms and suppliers are not entirely sufficient to neutralise the potentially adverse consequences of supply chain fragmentation for the employment relationship. Non-compliance with legal requirements or unsafe working practices may arise from opportunistic behaviour by suppliers, pressures imposed by buyer firms, ineffective employment laws and regulations, or a combination of these (Wright and Kaine 2015: 490). Where social dialogue is seen as a mainstream issue, it becomes 'owned' by managers, rather than being the preserve of the personnel department (Dickens 1994: 8).

Patterns of ownership in inter-firm networks: Production, especially in the context of global production, is in some cases organized along buyer-driven and fragmented supply chains that involve a myriad of complex multi-tiered contracting and subcontracting relationships. Fragmentation of production also means that social dialogue at company level may become less relevant, as the wages and working conditions of workers may depend more on the decisions and demands of the buyer firm than on the supplier itself (Keune and Schmidt 2009: 15). This is particularly the case if the supplying enterprise only supplies to one company, less so if the supplying company has various buyers. However, in that case the buyers may come with different conditions for the supplier over and above national legal requirements. In these circumstances, inter-firm relations may be a key factor in determining whether the enabling conditions exist for social dialogue and sustainable business development. Recent research has illustrated the importance of end markets and ownership in shaping global and regional value chains as well as contributing to supplier sustainability and economic and social upgrading (Morris et al. 2016; Godfrey 2015).

Learning by doing: Certain buyer firms have started complementing their compliance-based approach with a commitment-oriented approach that is based on joint problem-solving, information exchange and the diffusion of best practices (see also Barrientos and Smith 2007). This confirms that organisations have the potential to learn through feedback from the consequences of their actions, rethink existing rules according to why things are being done and bring forth fundamentally new knowledge and insights or understanding, leading then to organisational development (Argyris and Schön 1996). Carter (2005) showed that while socially responsible supply management has no direct effect on the buying organization's costs, a significant indirect relationship exists through the mediated impact on organizational learning. Social dialogue can be seen both as a constitutive element but also as an outcome of this learning approach (IMPACTT 2011).

Figure 6.1 presents a simple representation of the interplay between the three main components (i.e. drivers, enablers and business case indicators) applicable to the business case for social dialogue in domestic and global supply chains.

Figure 6.1. Elements of the business case for social dialogue in domestic and global supply chains



6.2. Business benefits of social dialogue in inter-firm contracting

Improved productivity and service quality (without labour cost cutting)

A major objective of firms entering into inter-firm contracting, whether by outsourcing production activities or forging joint ventures or partnerships, is to raise levels of productivity. The problem is that in many cases, short-term productivity improvements are won mostly by cutting wages and other non-wage terms and conditions of employment. Theoretical predictions and some evidence in the literature suggest that the immediate consequences of social dialogue in the context of inter-firm contracting are that the employer's costs will rise. These adjustment costs can also give rise to a number of effects on, for example, structural change, productivity and growth. Similarly, at global level, the implementation of corporate social responsibility initiatives in supply chains (including compliance with participatory labour standards) is claimed to result in substantial costs or loss of competitiveness due to higher product prices (Pullman et al. 2009; Wu and Pagell 2011; Epstein and Yuthas 2012; Ross et al. 2012).

However, such views overlook the fact that social dialogue, encompassing mechanisms ranging from information sharing and consultation to collective bargaining and dispute resolution, can provide an effective platform for parties across the supply chain, ranging from buyers to suppliers and workers, to devise a medium-to-long term approach to raising productivity growth underpinned by raised procurement fees, high employee morale and commitment and improved production techniques (table 6.1 provides a summary of examples from selected studies involving domestic supply chains). An important sub-category of research evidence at domestic level concerns the role of social dialogue in establishing decent wage policies among supply chain subcontractors in the United States and the benefits for business (Brenner and Luce 2008; Reich et al. 2005). These studies, drawing on survey evidence from employers, demonstrate a direct linkage between raised wages and productivity improvements via improved employee morale,

lower turnover of workers quitting their jobs (possibly also out of fear of losing a higher paid job), and the lower costs of administering, hiring and training staff. Effective social dialogue, predominantly through information and consultation mechanisms and collective bargaining (see table 6.1), means higher pay can be negotiated in a way that does not have to be traded off with jobs because the demand curve has essentially shifted to reflect the changed wage-effort relationship. Typically, these adjustments occur in a two-stage process – an immediate rise in labour costs in the short-term, followed by savings from increased productivity in the medium term (usually once contracts for services are re-negotiated).

Table 6.1. Business benefits of social dialogue in domestic supply chains: selected examples

Study	Country	Supply chain	Social dialogue	Improved business indicators:
Bibby (2011)	Poland	IKEA – security companies	Unified negotiations with union, IKEA and 8 subcontractors	Formalized employment relations and stabilised contractual relations
Brenner and Luce (2008)	United States	Boston municipality contracts with 72 subcontractors (e.g. education services, childcare)	Promotes new “living wage” legislation	Work effort, employee morale, contract revenue, hiring standards
Deakin and Koukiadaki (2010)	United Kingdom	Heathrow airport terminal 5 construction project and all subcontractors	‘T5 Agreement’ established high quality industrial relations	Met budget target, no worker disputes, below average staff turnover and absenteeism, good training record
Druker and White (2013)	United Kingdom	London Olympic Park construction project and web of subcontractors	National union officers and local convenors negotiate ‘Memorandum of Agreement’	Improved risk management, reduced reputational damage and improved cost management
Grimshaw and Johnson (2017)	United Kingdom	Local municipality contracts with elderly care providers	Local municipality (client) agreement with trade union	Improved reputation of local municipality, reduced risk to service quality and user satisfaction, greater stability of contract volumes for subcontractors
Reich et al. (2005)	United States	San Francisco airport subcontracted workforce	Dual focus: Collective agreement & Quality Standards Program	Work effort, employee morale, staff turnover
Wright (2011)	United Kingdom	Retail supply chain with meat processing firms	Trade union campaign, bolstered by Ethical Trading body and research by major Equalities organization	Reputational competitive advantage, progressive business model with equal treatment for subcontracted workers

A further area of research focuses on inter-firm contracting in the context of public procurement. A mainstream law and economics approach to ‘strategic’ or ‘smart’ use of public procurement, incorporating participatory standards, is that it can create barriers to the operation of the market, diminish incentives for business participation, and reduce the overall effectiveness of this essential mechanism for the proper functioning of the public sector (see, among others, Sanchez-Graells, 2016). An alternative view, supported by empirical research, is that social dialogue extends

the conventional productivity measure since it is problematic when applied to many areas of the services economy, especially public services where quality is more meaningful than a measure of quantity per unit cost. Several studies demonstrate that social dialogue, including, for instance, agreements between clients and trade unions, can be an effective catalyst for measures to improve the terms of public procurement as a route to achieving improved quality of services delivery (e.g. in terms of user satisfaction) (Grimshaw and Johnson 2017; Jaehrling 2015; Ravenswood and Kaine 2015).

Large-scale infrastructure projects have been the target of innovative social dialogue in several countries. A particularly illuminating example comes from the construction of terminal 5 at Heathrow airport, where information and consultation mechanisms at site level complemented collective bargaining and dispute resolution at higher level (see box 6.1). The case identifies certain conditions for successful inter-firm contracting including: a) involvement of all relevant interest groups (contractor, suppliers and workers); b) mechanisms for information sharing (including information and consultation and bargaining); c) pooling of risks in order to cope with high level of uncertainty; d) sharing in residual gains (and losses) from joint production in order to foster collaborative behaviour and trust; and e) congruence between risks inherent in, and returns from, dialogue.

Box 6.1. Winning performance gains in the construction of terminal 5 at Heathrow airport, London

The construction of the Terminal 5 building ('T5') at London's Heathrow Airport was one of enormous complexity, because of the multiple sets of contractual relationships involved, and one of considerable financial and reputational risk for the client, the airport operator British Aviation Authority (BAA). BAA set out an industrial relations policy for work at the T5 site, which was incorporated in the T5 Agreement and made contractually binding on all parties including subcontractors. Among others, the relevant principles included the negotiation of local agreements no less favourable than existing national and sectoral agreements and the 'cascading' of agreed terms and conditions and employment quality standards to second-tier subcontractors and suppliers, together with arrangements for the monitoring of their performance and dispute resolution. Overall, the T5 project met a broad range of objectives, which included enhancing productivity, reduction of costs, and promoting a high quality of end project, while preserving above-industry average labour standards:

Performance results from the T5 Agreement

Indicators	Results
Budget	£4.3b (on budget)
Completion time	On programme
Peak number of operatives	2,284 (March 2006)
Working hours	9.6m hours worked with no lost time to disputes
Labour turnover (1st tier suppliers)	5.4% (industry average for the JIB: 15%)
Absenteeism	3.54% of hours worked (industry average: 4%) 2.2% sickness (authorized) 1.3% unauthorized
Training of apprentices/trainees	6.79% of the workforce (peak) 6.93% (during the designation period)
Qualifiers through adult trainees schemes	20
Training of supervisors	80% coverage

Source: Deakin and Koukiadaki (2010).

At global level, the connection between inter-firm contracting and social dialogue can be seen as uncertain and situational and at worst as a cost, impacting negatively on financial performance and ultimately business growth and competitiveness. Such assumptions have been particularly prevalent in respect of business growth in developing countries: the argument is that companies that engage in social and environmental initiatives will suffer additional unnecessary cost burden and competitive disadvantage, due to the absence of strong institutional infrastructure and lack of economic and social rationales to support the adoption of socially responsible business practices (Foo 2007). This may be also the case with firms that pursue traditional manufacturing-oriented strategies (low-cost) prioritising rapid volume change, fast delivery, low prices (Camilleri 2017): such firms are unlikely to manage labour issues in their supply chain as this would increase their costs (Park and Dickson, 2008). Further, the inclusion of social requirements as preconditions to the supply of products has been argued to decrease the small businesses' motivation to engage in corporate social responsibility, including on social issues, leading to loss of productivity (see, for instance, Baden et al. 2009).

Such views have been challenged in the recent decades by supply chain sustainability theorists (see, among others, Carter and Rogers, 2008; Mefford, 2011) and mainstream business scholars (e.g. Porter and Kramer 2011). The literature on supply chain sustainability suggests in a nutshell that the strategic, transparent integration and achievement of an organisation's social, environmental and economic goals in the systemic coordination of key inter-organisational business processes can improve the long-term economic performance of the individual company and its supply chain (Carter and Rogers 2008: 368). Emerging evidence suggests indeed a positive association between social dialogue in inter-firm contracting at global level and participatory mechanisms specifically. As outlined in table 6.2, participatory benefits linked to productivity growth range from financial performance advantages and reduction in profit loss (GTZ, 2010) to lower employee turnover (Jiang et al. 2007) and increase of business orders (Brown et al. 2016). From a strategic management approach, the incorporation of social issues, including participatory standards, in inter-firm contracting at global level may be more difficult to imitate, leading to a situation where the resources of the supply chain can be a source of competitive advantage (Mefford 2011) and be used in the context of a differentiation strategy, particularly if price and quality is equal to that of competitors (Hoejmose et al. 2014). Some of the findings also hold true in the case of developing countries, questioning thus the commonly held beliefs that corporate social and environmental initiatives are immaterial, or even detrimental, for business success in emerging economies (Thornton et al. 2013). Evidence from the ILO project on "Sustaining and Competitive and Responsible Enterprises" (SCORE) suggests that SMEs may also benefit: firms in China, Indonesia, Colombia and India, which participated in a training programme involving promoting worker-management dialogue, reported considerable cost savings, reduction in labour turnover and reduction in defects (ILO 2014; see also Locke and Romis 2007).

A number of interviewees we talked with for this report drew attention to the contribution of social dialogue to increasing organisational efficiency, employee motivation, production quality and ultimately competitive advantage. Buyer firms emphasised that, *'fair and safe working conditions are of benefit to all parties in the supply chain, but primarily to the supplier: lower turnover of employees, increased quality in both production and product and hence more pleased customers'*.²⁹ The role of social dialogue in improving organisational performance was also recognised by suppliers: *'Building up good industrial relations and good factory operation systems can help increase efficiency and stability in factories'*.³⁰

²⁹ ICA representative, interview notes.

³⁰ Myanmar supplier, interview notes.

Table 6.2. Business benefits of social dialogue in global supply chains: selected examples

Study	Supply chain	Social dialogue	Improved business indicators:
Better Work Programme (Brown et al. 2016)	Apparel workers in Haiti, Indonesia, Jordan, Nicaragua and Vietnam	Promotion of social dialogue (conditions for effectiveness: having women representatives and fair elections for worker representatives)	<ul style="list-style-type: none"> • Increased productivity and factory profitability • Achieved better business terms with buyers and saw increase in order sizes from buyers • Fewer compliance audits from main customer
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) (2010)	Tchibo global supply chain (coffee, hardware, apparel)	Training programme encouraging dialogue between managers and workers in production facilities	<ul style="list-style-type: none"> • Reduction of staff turnover • Increase in productivity • Reduction in profit loss
Distelhorst and Locke (2017)	Range of different sectors	Suppliers conforming with freedom of association/fundamental labour rights	<ul style="list-style-type: none"> • Retail importers reward exporters for complying with labour standards
Jiang et al. (2007)	Manufacturing (electrical, machinery, textiles, food and beverage etc.) in China	Participation opportunities at factory level	<ul style="list-style-type: none"> • Job dissatisfaction with participation leading to employee turnover
Mani et al. (2016)	Range of different sectors in India – focus on suppliers	Right to associate to any union/group	<ul style="list-style-type: none"> • Timely delivery, reduction in errors and fewer agitations • Hassle-free operational environment for the suppliers • Cooperation between suppliers and buyers • Production quality and timely meeting of buyers requirements
Thornton et al. (2013)	Manufacturing, retail and service supply firms in China, the United Arab Emirates and the USA	Suppliers that pay their employees a fair wage to live on	<ul style="list-style-type: none"> • Firms that consider social responsibility aspects during the supplier selection process enjoy financial performance advantages

The role of buyer firms proves is crucial in amplifying the positive effects of social dialogue in such cases: brands, which see the relationship with suppliers as a cooperative experience (instead of an arm's-length, more distrustful, 'compliance' relationship), witness improvements in both productivity and working conditions (Frenkel and Scott 2002). The nature of employee representation also plays a critical role. The literature identifies different types of mechanisms through which businesses can reap the benefits of participatory mechanisms, including, among others: a) the provision of information by unions at the supranational and national levels on impending or actual changes in global, regional and national institutional environments enabling management within the supply networks to better plan and adjust their strategies; b) unions at the local level may act to effectively monitor agreements on employee pay, conditions, productivity and well-being while promoting employee skill development to ensure that the workforce within the supply network is both protected and efficient (Sydow and Frenkel 2013). Empirical evidence from the ILO/IFC Better Work Programme provides evidence of the positive business outcomes arising out of the complementarity between consultative committees and trade union structures (see box 6.2).

*Box 6.2. Improving working conditions and promoting competitiveness in global supply chains:
The ILO/IFC Better Work Programme*

Better Work, a unique partnership programme of the International Labour Organization (ILO) and the International Finance Corporation (IFC), brings together government, employers, workers and international buyers to improve compliance with labour standards and competitiveness in global supply chains. The programme, which aims to make improvements in working conditions and workplace cooperation, combines independent enterprise-level assessments of labour standards compliance with advisory services for improvement activities and training services focused on target audiences and practical skills. All work is conducted through a so-called factory-led Performance Improvement Consultative Committee (PICC), consisting of both management and union representatives. This committee is responsible for prioritizing the improvement activities of the factory and for leading the progress.

PICCs vary in quality. From the perspective of Better Work, desirable qualities include the following:

1. The union is fairly represented in the PICC.
2. The proportion of PICC members that is female should be similar to the proportion of the workforce that is female.
3. Worker representatives on the PICC should be freely chosen from a set of candidates and there should be more than one choice.
4. The PICC should meet regularly and both workers and managers should be involved in chairing meetings.
5. The PICC should have the ability to meet without a Better Work advisor present.
6. PICC deliberations should be reported by meeting minutes and those minutes should be transmitted to the workers.
7. PICC members should be adequately trained to execute their responsibilities.
8. The outcome of deliberations should be considered in factory management decisions.

Empirical evidence suggests that the effect of the PICC, controlling for PICC quality, on manager perceptions is negative. Managers are significantly less likely to believe that the union or worker committee would be instrumental in resolving conflicts between workers and managers. Managers with unions or worker committees also report greater supervisor stress. However, remarkably, once the union joins the PICC, managers are more likely to see the union and worker committees as likely to be able to help resolve conflicts between workers and managers. When the union joins the PICC, workers are also more likely to seek help from the trade union representative. Other aspects of the composition of the PICC are also critical to PICC effectiveness.

Source: Brown et al. (2016).

Social dialogue in inter-firm contracting contributes to the economic value of the firm not only through productivity and efficiency improvements, but also through reducing labour turnover and retaining skilled labour. Suppliers' labour problems in developing countries have emerged as a key issue in global supply chains. Survey evidence from manufacturing in China, which has been facing labour shortages in recent years, suggests that poor HRM practices, including limited communications and opportunities for consultation and worker participation, are not accepted by workers in China that have left the inland countryside to work in factories along the coast, resulting in adverse consequences to global supply networks (Jiang et al. 2009). In our research interviews, several manager interviewees of buyer and supplier firms emphasised the role of social dialogue mechanisms, primarily workplace cooperation and IFAs, in demonstrating that their companies were responsible and attractive employers (see also Sydow and Frenkel 2013: 240). Evidence from the WE programme, established in the Tchibo supply chain, provides concrete evidence of the impact of dialogue on economic performance, including employee retention (box 6.3).

Box 6.3 The Tchibo and GIZ Worldwide Enhancement of Social Quality (WE) Programme

WE stands for Worldwide Enhancement of Social Quality. It is a capacity-building approach which aims at sustainably improving working conditions at production facilities in developing and emerging countries. The approach represents a clear paradigm shift away from a top-down imposition of standards towards a collaborative and co-creational manner of creating practical and implementable solutions. What makes WE special is that dialogue is the catalyst for change: dialogue between managers and workers in production facilities as well as dialogue between retailers, importers and suppliers.

An independent assessment of the programme provided a number of examples related to the impact of the project on economic performance:

- A factory in South China increased its productivity due to the WE programme approach and thus suffered less profit loss compared to other factories in its parent company group from the financial crisis (around 11%, compared to 20%, respectively). The factory was able to reduce staff turnover by 38%, product quality increased and the rejection rate decreased by 7%
- In North China, a factory increased productivity by 10 to 15% by introducing new production processes on the basis of recommendations offered by workers. The quality of products increased, the rejection rate decreased by 4% and staff turnover fell by 70%, making it easier for the factory to run uninterrupted production.
- A factory in Thailand increased its productivity by 15% as a result of better communication between workers and management. As a consequence work processes were optimised more efficiently and more effectively.

Source: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) (2010), and Tchibo interview.

Creating an enabling environment for business

The literature on sustainable supply chains has identified three barriers: 1) higher costs, 2) coordination effort and complexity and 3) insufficient or missing communication in the supply chain (Seuring and Muller 2008). The issue of costs particularly can be associated with the tendency, at both domestic and international inter-firm contracting, for polarized modes of production organisation with the balance of power and concentration of profits accruing to a small number of firms (see, among others, Hoejmose et al. 2013, Gulati and Sytch, 2007). Economists might argue that market competition acts over time to balance out such imbalances, especially where rent extraction damages the overall efficiencies of the supply chain (by restricting capacities for innovation, upskilling or product development say). However, the empirical evidence suggests unequally distributed, rent extracting supply chains can be durable (Miozzo and Ramirez 2003; Swart and Kinnie 2014; Miozzo and Grimshaw 2005).

Faced with these challenges, social dialogue offers the possibility to encourage a business model that balances opportunities for investment among network partners and provides an enabling environment for innovation, upskilling and business expansion. It is true that the formation and sustaining of social dialogue is complicated because unlike in a single organisation, effective social dialogue in a supply chain must span multiple organisations, as well as having its foundations within each organisation. This is even more in the case of global supply chains, in part due to the fragmented/geographically dispersed nature of contractual relations, lack of local societal/territorial embeddedness in national/local production locations, difference in national institutional frameworks and lack of an effective transnational framework to encourage such dialogue (ILO 2016). But the empirical evidence at both domestic and global levels highlights three inter-related measures developed via social dialogue that have the potential to balance the financial gains among parties to a domestic and global supply chain. The inter-related measures are that social dialogue i) encourages more transparent and stable contracting arrangements between

client and supplier organisations; ii) ensures a fairer level of contract fees from client to supplier; and iii) establishes novel arrangements for information, revenue and/or profit-sharing.

First at domestic level, while supply chain systems of production pose considerable challenges to traditional single-organisation models of organizing social dialogue, there is considerable evidence that both employers and trade unions have developed new networks and coalitions and adapted their approaches to seeking inclusive growth in business performance. The advantages of a versatile and adaptable approach is that social dialogue can give voice to otherwise marginalized workforce groups, benefit from their knowledge, adopt more effective targeted strategies of negotiation and shape positive actions through multiple mechanisms, including legislation and local policy reforms that are more inclusive in nature. Well-known illustrations involve the “living wage” movements in the United States and the UK (Erickson et al.’s 2002; Grimshaw 2004; Wills and Simms 2004); these show how new coalitions can respond effectively to supply chains and establish mechanisms for reducing the risk faced by people in vulnerable work.

Similarly, at global level, there is a growing realisation that decent work challenges in sector-specific supply chains (e.g. textiles) are not specific to one company but are systemic in nature resulting from failures in global supply chains and require actions to address governance gaps.³¹ Social dialogue can provide a common point for departure and orientation of such initiatives, enabling in turn the attainment of inter-firm sustainability.³² The benefits of social dialogue may accrue at two levels. At the vertical level (i.e. within a single supply chain), social dialogue may complement current efforts to adopt and develop relational or commitment-oriented approaches for dealing with labour-related risks and uncertainties. A number of buyer firms cooperate with their suppliers in order to lend support to the latter’s workforce for capacity building and skill upgrading, technological learning, and managerial enhancement (see, for instance, the Fair Labor Association’s (FLA) Sustainable Compliance Initiative, Social Accountability International’s certification process (SAI 8000) and the ILO’s Better Work program).

Our interviews confirmed that several buyer firms, such as Inditex, H&M and Tchibo, have begun to shift their strategies towards the more collaborative model, seeking to supplement monitoring with initiatives designed to support local management and workers in capacity building, through the development of collaborative practices at workplace level, the recognition of unions and the establishment of dispute resolution mechanisms.³³ Inditex, in particular, joined forces with trade unions, non-governmental organizations (NGOs), workers’ associations, governments, international clients and civilian members to participate with them in dialogue with its suppliers and manufacturers through clusters or dialogue platforms. Central to the clusters is worker participation in the supply chain; this is reflected in the Framework Agreement signed with IndustriALL Global Union in 2007 and renewed in 2014. A number of positive outcomes were identified by Inditex management, including: stable relationship with suppliers; cooperative relations between management and trade unions and economic sustainability and predictability.³⁴ As such, any extra costs incurred from social dialogue, which are seen by some as undermining the ‘bottom-line’ in global markets, are absorbed by increases in efficiency and productivity gains in supplier factories through retraining a skilled and motivated workforce (see section above on productivity and Lee 2016). Recent research on the relationship between trade and social institutions in the developing world suggests indeed that, contrary to the ‘race to the bottom’ hypothesis, importers exhibit a preference for doing business with exporters that comply with basic labour and standards; achieving compliance results in importers increasing annual order value by 4% on average (Distelhorst and Locke 2017).

At the horizontal level, recent work suggests that buyers may still act – whether intentionally or not – in ways which defer risk to suppliers, and put pressure on timing, working arrangements and supplier margins (IEH 2014). Such action may be operate in conjunction with governance gaps, particularly in cases of weak regulatory frameworks and

³¹ H&M, Tchibo, Inditex, IndustriALL Global interview notes. See also ILO, Conclusions concerning decent work in global supply chains, 2016.

³² See, for instance, the agreement between H&M and the ILO.

³³ H&M, Inditex and Tchibo, interview notes.

³⁴ Interviews with Inditex management and Inditex Annual Report 2015.

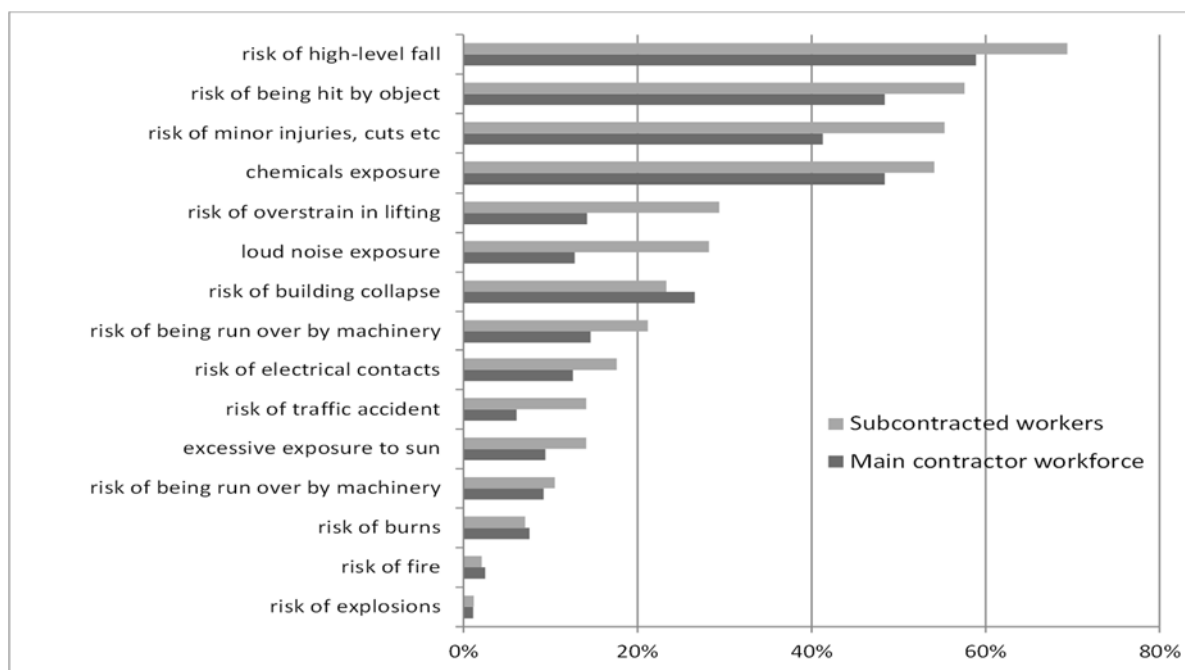
governance structures at the national level, to increase both organisational and policy uncertainty (Rao and Goldsby 2009). Social dialogue can contribute to the development of the so-called 'horizontal (cluster) governance', i.e. the locality-based coordination of the economic and social relations between cluster firms as well as institutions within and beyond the cluster (Gereffi and Lee 2016) and 'risk reflexivity' (Power 2007), which is essential for the effective organisation and management of global supply networks (see, for instance, the case of supplier clusters in Inditex). In this respect, sectoral bargaining is seen as one of the ways in which to create the conditions for sustainable business development and decent work, providing a guarantee on the part of suppliers to buyer firms conditional on enabling purchasing practices and pricing structures, thus contributing in turn to stable and sustainable social relations in production. In Europe, sectoral dialogue has played a key role in the development of effective skills, training and human capital investments in supply chains (EFFAT 2013). In the context of supply chains extending beyond Europe, the ACT initiative constitutes a recent example of creating the enabling conditions for business growth and decent work through changes in purchasing practices and social dialogue.³⁵

Improved risk management

The third clear business benefit associated with having effective social dialogue in inter-firm contracting concerns improved risk management, especially health and safety (see, among others, (Brown 1996; Brown et al. 2000). There are many empirical examples of companies and industry bodies that have acted with trade unions to address workplace accidents and injuries in response to worldwide evidence that fragmented production networks displace responsibility and accountability for safety - typically to the weakest organisations in the supply chain - with damaging consequences for their workforces but also for the companies, in terms of their reputation. Many sites of manufacturing and construction, for example, involve multiple employers, which can obscure the responsibility for safety issues, the clarity of hierarchical accountability, and the coordination between tasks. Workforce survey data for the Spanish economy demonstrate that workers in subcontractor firms are more exposed to physical risks in their job than workers employed by the main contractor firm (figure 6.2). Other international reviews compile multiple examples of the fatalities associated with subcontracting; Quinlan (2015) for example lists the AZF factory fire in France in 2001 (30 killed), the sinking of the Brazilian Petrobas oil rig (11 killed, 2001) and the Soma mining disaster in Turkey (311 killed, 2014).

³⁵ <https://actonlivingwages.com/>

Figure 6.2. Differential risk of main contractor workforce and subcontracted workers in Spain, 2009



Source: figure compiled from data presented in Muñoz de Bustillo and Pinto Hernández (2016: table 3).

There is a range of in-house practical measures that main contractors have actually used to reduce these risks. These include: restricting the layers of subcontractors on projects; working with a regular chain of subcontractors; and implementing a health and safety scheme for subcontractors (Manu et al. 2013). The evidence demonstrates that unions have worked effectively with employers in a range of industries to implement precisely these types of initiatives (see box 6.4).³⁶

³⁶ Social dialogue faces greater challenges in addressing health risks in situations where subcontractors are classified as self-employed as they are unlikely to enjoy collective representation. Whether providing cleaning or delivery services or working on a construction site, self-employed subcontractors, particularly in developing economies, may not be covered by labour law provisions and/or lack access to protection against sickness or accidents that impact upon their ability to work.

**Box 6.4. Socially sustainable sourcing in the German steel industry,
Spanish construction industry and Australian road transport**

Use of subcontracting in the manufacturing, construction and transport industries has become an increasingly contentious issue in many countries. This is because it appears to be linked to problems of health and safety, caused in particular by non-compliance with regulations by companies operating among the multiple and poorly integrated tiers of subcontractors. However, there are inspiring examples of positive change achieved via social dialogue at industry, region and company levels.

In Germany, unions and steel industry employers in the North Rhine-Westphalia region concluded an important collective agreement on subcontracting, following a successful campaign by the trade union, IG Metall (<http://www.fokus-wekvertraege.de>). The agreement requires the following actions:

- steel companies should first check if the activity can be undertaken in-house;
- subcontractors should wherever possible be bound by collective agreements;
- subcontractors should agree in writing their compliance with all statutory regulations;
- steel companies should monitor subcontractor compliance and allow subcontractor workers to lodge complaints

Moreover, the large steel companies go further, thanks to co-determination governance structures (i.e. employee representatives on the supervisory board). One case study showed that the steel company conducted regular surveys of workplace accidents among subcontractor companies (and found a reduction from 25% to 10% since implementing the agreement), extended the code of behavior for subcontractors, organized training courses (for staff at all levels) and additional resources for purchasing departments to properly vet potential subcontractors for evidence of 'unfair work'.

In Spain, the construction federation of unions initiated a national campaign in 1998 under the slogan '*Nos va la vida*' (We risk our life) to reduce accidents among subcontractors. Rather than traditional social dialogue, the union federation organized a popular protest and mass signatures (some 600,000) and presented a Popular Legislative Initiative to government. It was finally passed and introduced in April 2007. Four pillars of the agreement require:

- a limit of the supply chain to three tiers of subcontracting;
- a register of subcontractor firms and a record on every construction site of all subcontractor activities;
- information rights to employee representatives about subcontractor firms;
- contractor liability for subcontractor compliance with statutory rules

In Australia, unions and community groups played a 'pivotal role' in achieving new mandatory supply chain regulations in road transport. Rules compel contractors to take responsibility and enforce minimum standards on pay, health and safety for all subcontracted workers, including self employed. The rules include a specialist federal tribunal to address remuneration-related safety issues for truck drivers.

Source: Jaehrling et al. (2016); Muñoz de Bustillo and Pinto Hernández (2016); Quinlan (2015).

In global supply chains, the dynamics of inter-firm contracting, characterised by financial and time pressures, lack of coordination and limited scope for social dialogue, can create working environments that have adverse effects on occupational health and safety (for examples, see Weil 2009; Quinlan and Bohle 2008), leading in some cases to

disasters with significant reputational effects for the companies involved.³⁷ Research evidence confirms that these types of industrial accidents reflect power asymmetries in global supply chains. During periods of economic downturns, importing firms may ask their suppliers to reduce prices and may not consider the implications for labour standards in countries with weak governance (Lamming 2000; Gulati et al. 2010).

Social management capabilities may contribute to organisational performance in the supply chain and competitiveness (Klassen and Vereecke 2012). In this respect, the establishment and operation of social dialogue can constitute both a cause-oriented practice aimed at risk avoidance and an effect-oriented practice aimed at mitigating the effects of supply chain disruption (Wagner and Bode 2008). While higher transaction and cooperation costs may be involved in the short term (Acquier et al. 2017), experience with management practices developed in recent years suggests that social responsibility policies and particularly IFAs negotiated and signed by multinational companies and Global Union Federations (GUFs), affording mutual recognition and promote fundamental principles and rights at work (Fichter et al. 2011), can bring to light and mitigate operational risks that might disrupt supply lines, increase costs or depress revenues (for a discussion of various company case studies, see Papadakis 2011). The involvement of both management and labour means that IFAs are more effective than unilateral codes of conduct by companies, since they are based 'on a collaborative, problem-solving approach that may be uniquely placed to manage risk and uncertainty across global supply chains' (Sydow and Frenkel 2013: 237).

Empirical research emphasises also the importance of an enabling legal and regulatory environment and the role of participative standards in facilitating a culture of compliance. Developing countries with strong workers' rights protection, especially countries that protect the right to organize and to bargain collectively, do not experience and increase in injuries during periods of economic downturn in developed export markets (Lim and Prakash 2017). Consistent with the literature that emphasizes workers' mobilizing ability on labour standards enforcement (Amengual and Chirot 2016), the injury-increasing effect of economic downturns is much weaker when workers' collective labour rights are stronger. Our interviews with buyer firms, participating in the Accord on Fire and Building Safety in Bangladesh following the Rana Plaza collapse confirmed the positive effect of the agreement, which emphasises worker participation, on industry safety and brand reputation (see also box 6.5).³⁸

³⁷ Another recent high-profile case concerns migrant workers on the Qatar 2022 World Cup sites, see Amnesty International (2016).

³⁸ Tchibo, H&M and Inditex interview notes.

Box 6.5. The response to the Rana Plaza collapse

In response to the 2013 Rana Plaza collapse, the Accord on Fire and Building Safety in Bangladesh, a five-year agreement was signed in May 2013 between over 200 retailers and brands, the global unions IndustriALL and UNI Global Union and eight Bangladeshi trade unions. The Accord includes a binding and legally enforceable dispute resolution process, independent inspections, full declarations of suppliers used, training and participation of workers in health and safety and long-term sourcing arrangements. Four years after Rana Plaza, the Accord has made significant progress in advancing its goal of achieving a safety compliant and sustainable RMG industry in Bangladesh.

- Remediation is close to completion at more than 400 Accord factories which have completed more than 90% of the remediation.
- 61 factories have completed all remediation from initial inspections.
- Over 300 joint labour-management Safety Committees are being trained and equipped to monitor factory safety on a day-to-day basis.
- The independent and credible Accord safety complaints mechanism has resolved more than 90 safety complaints from workers and their representatives.

Source: Accord on Fire and Safety In Bangladesh (2017a).

Promoting legitimacy and stability

Breakdowns in corporate ethics in recent decades have posed significant challenges for firms participating in inter-firm contracting, especially in global supply chains. Besides the ethical considerations, consumer criticism of perceived externalities involving social and environmental issues can be extremely detrimental to labour productivity, corporate profitability and market share (see, among others, Lee and Kim 2009). There are various examples of conflicts that are directly linked to failures in industrial relations (e.g. the high profile two-week strike by 1,900 workers at the Honda Motors transmission plant in China, Martin 2010 and the protests in Ashulia, Bangladesh - see box 6.6). A common characteristic of such incidents is that they involve wildcat (non-procedural) strikes.

Box 6.6. The Ashulia wage protests

In mid-December, a strike in Ashulia, an industrial suburb of Bangladesh's capital, Dhaka, quickly snowballed into widespread unrest. Garment workers abandoned their factories to call for a "living wage" in response to ever-rising costs. Mass arrests and firings ensued. The minimum wage for a Bangladeshi garment worker is US\$68 a month, an amount last fixed in 2013. When they took to the streets in December, workers were demanding the minimum be increased to US\$191 a month. In December 2016, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) instructed owners to reopen factories and resume operations after a five-day break. However, upon their return, more than 1,600 workers were notified that they had been laid off due to their alleged involvement in the protests. Labour leaders and activists collectively demanded the reinstatement of all workers.

Source: Interview notes and Accord on Fire and Building Safety in Bangladesh (2017b).

Good relations between management and workers benefit all parties in supply chains. For buyer firms and their suppliers, in particular, social dialogue can contribute to the reduction of opportunistic behaviour and lower firm costs associated with compliance and reputation (Carter and Rogers 2008: 375). A raft of improvements regarding welfare, occupational health and safety, the elimination of child labour and forced labour, the promotion of equality, compliance with working time regulations and wage regulations, including overtime, may be promoted through social dialogue, creating and increasing in turn so-called 'brand equity' (Mefford 2011). A good example of this is the labour rights framework agreement on freedom of association, minimum labour standards and employment between Chiquita, COLSIBA and IUF. The implementation of the agreement, first concluded in 2001 covering Latin American banana operations, had a considerable impact on the company itself: '*Chiquita's standing and reputation greatly improved following the agreement, as the company moved an antagonistic to a more cooperative relationship with unions as well as to more corporate-responsible actions with respect to environmental issues. Coming from external stakeholders, this recognition significantly improved Chiquita's position in the banana industry*' (Welz 2011: 46). Multinational company survey evidence suggests that IFAs are a relatively inexpensive activity for companies. This is because the main costs (dissemination, training and monitoring) may be absorbed by existing corporate budget lines for corporate social practices (e.g. corporate responsibility reports) (ILO survey, cited in Papadakis 2011).

But social dialogue can be a tool to operationalize the existing social/developmental objectives of businesses, achieving not only compliance with labour standards but also serving a purpose that goes beyond compliance. In this context, the operation of higher-level forms of social dialogue can provide space for the resolution of industrial relations disputes, e.g. on wages, providing thus scope for greater cooperation at workplace level. The role of IFAs is again important here. The Inditex interviewee stressed: '*having an IFA has been positive for us in so many ways: it minimises the risk of breaches of our suppliers' code of conduct, reduces the risk of strikes and weakening of supply chains and providing sub-standards rates of pay for the employees*'.³⁹ Further, they can also help facilitate the transfer of technological know-how in response to repeated non-compliance, whether at the level of the individual firm or in inter-firm relations and contribute to the formalisation of workplace practices at the supplier level.

Another function of participatory mechanisms concerns monitoring: according to the joint Framtiden/Cividep study of Indian garment factories, 'workers are the best monitors of the labor standards of their workplaces. Empowering them should be a top priority' (Parakuni et al. 2015: 97). IFAs again have played a key role as an early warning system and mechanism of dispute resolution (on examples, see Welz 2011: 51 and the joint ILO/H&M project in Cambodia, see section above on productivity, as well as the recently concluded PSA-IndustriALL IFA).⁴⁰ However, IFAs should not be seen as substitutes for other forms of social dialogue at local level but rather as complements; some IFAs seek to do this by integrating local unions and existing industrial relations processes to implement terms and monitor compliance (see for instance, the Aker-IndustriALL IFA, the PSA Group-IndustriALL IFA and the H&M-IndustriALL IFA). Our interviews confirmed that the development of workplace cooperation and company-level social dialogue was increasingly recognised as a means to protect and enhance corporate reputation as well as attain organisational stability through the development of trust relations between management and employees. In the words of a manager in a supplier factory: '*Unions and management don't have to be a zero-sum game, there can be a win-win situation if social dialogue is functioning. . . . We love social dialogue, it is the way we can build trust between managers and workers*' (see also box 6.7).⁴¹

³⁹ Interview notes.

⁴⁰ ILO official, Cambodia, interview notes.

⁴¹ Jiale factory manager, interview notes.

Box 6.7 Wage negotiations in Ayka (Ethiopia)

Turkish Ayka textiles runs a fact

ory in Ethiopia, Ayka Addis, which predominantly supplies Tchibo, a large German retailer. Ethiopia at present does not have a system of minimum wages. Wage levels differ from US\$50 per month for entry-level workers to around US\$70-80 for more experienced workers.

Ayka is one of a handful of textile and leather factories that has a functional trade union. *'In the beginning it was difficult to establish the union. The management didn't want the workers to unite and speak with a common voice,'* said Mesfin Teshome, who leads Ayka's trade union. After a change in management at Ayka, and with support from Tchibo, a wage structure was introduced and a number of collective agreements have been concluded. The union played an important role in communicating the introduction of the wage structure and the associated changes in wages to the workforce, ensuring the legitimacy of these changes. As a result, labour unrest and turnover was reduced. The general manager and owners are now convinced of the value of trade union recognition and collective bargaining. Challenges remain in respect of securing improvements to product quality and productivity, necessitating broader skills and industrial upgrading.

Sources: Tchibo, interview notes; Foltyn (2014).

PART THREE: CONCLUSION

7. Conclusion: Identifying Positive Enabling Conditions

This report has examined the business case for social dialogue, as defined in section 2, interrogating empirical evidence on the costs and benefits. In doing this, the report set out an analytical framework for inclusive growth that whilst being attentive to the micro-economic effects of social dialogue emphasises the scope for combining equity and efficiency. Against a backdrop of unstable political regimes, governance gaps including the non-implementation of international labour standards at the national level, increasing competition in global markets, new forms of work and the persistence of informal employment around the world, there is an urgent need to reappraise the evidence of the business case for social dialogue. We conclude the report with an overview of the empirical evidence and a listing of those factors that are considered to provide the enabling conditions for social dialogue to contribute to sustainable business development (summarised in table 7.1).

7.1. Summary of Empirical Evidence

The evidence analysed in part two of this report was systemised across three levels of the productive economy, each representing key spheres of influence of social dialogue –namely, firm level, sector and national levels, and inter-firm contracting (or supply chain). The key summary findings are presented in table 7.1.

The comparative analysis in sections 4-6 identified several areas of costs, risks and problems of social dialogue for business. Whether conducted at firm, sector or inter-firm level, social dialogue may act as a constraint on independent management autonomy and thus potentially restrict speed of decision-making and alter the direction of business strategy. These risks are likely to be most pronounced for businesses under a conventional growth model (as defined in section 3) since pressure for short-term profitability is high and the strategic emphasis on participative and inclusive labour standards is low. Other problems are caused by an inability to include the interests of diverse groups of workers and firms, a particular problem for businesses engaged in inter-firm contracting.

The evidence confirms a range of potential benefits for business of effective social dialogue. Containment of industrial relations conflict is a crucial outcome associated with social dialogue at all levels investigated. At firm level, the evidence on balance is furthermore supportive of positive productivity effects, combined with effective human resource management (involving lower staff turnover and higher trust for example). At sector and national levels, the evidence (mostly concerning systems of collective bargaining) confirms the potential for business to benefit from productivity growth via jointly regulated skill investment programmes and, in certain circumstances, wage moderation. Section 5 also detailed successful examples of social dialogue as an effective means to negotiate sustainable business responses to the recent economic crisis, which aggregated up to a greater degree of country-level economic stability.

Analysis of the pros and cons of social dialogue in systems of inter-firm contracting is a relatively novel area of research, despite recent attention to corporate social responsibility in for example the functioning of global value chains. The critical review of evidence suggests on balance social dialogue in inter-firm contracting can raise productivity via stabilisation of contractual relations, coordinated skill development and reduced risk of industrial relations disputes. Further positive business effects are associated with reduced risk to a firm's brand caused by potentially damaging labour issues in the supply chain.

7.2. What are the positive enabling conditions?

Any review of economic cause and effect relationships must be sensitive to context. In the case of the causal relationship between social dialogue and business performance, this report has a) carefully distinguished the varieties of form and practice of social dialogue and b) identified a spectrum of business models varying from a conventional to an inclusive growth model. In addition, the review of evidence has, where relevant, identified those conditions that support or influence the specific effects of social dialogue, whether positive or negative for business. This section concludes the report with a summary of the positive enabling conditions in order to highlight opportunities for best practice business performance with social dialogue.

Table 7.1 lists the range of enabling conditions noted at each level of social dialogue. At firm level, the labour relations context is important since good relations between management and unions can underpin stable business decision-making. This relates also to the presence of supportive procedures and structures within a firm and across plants to facilitate worker participation. Fragmentation of union structures at firm level can be a complicating factor. In contrast, unified union voice is associated with a stronger business case. Of course, firm-level structures do not operate in a vacuum and a supportive legal and institutional framework (including for example effective dispute resolution procedures and institutions) provides a positive, enabling environment for the firm.

Table 7.1. The costs and benefits of social dialogue for business: a summary of the evidence

	Benefits	Costs, risks or problems	Enabling conditions
Firm level	Higher productivity Lower employee turnover Higher trust and worker commitment Potential for better decision making and long-term business growth and sustainability Management of workplace conflict and resolution of disputes	Profitability may be reduced due to wage markup Limits managerial prerogative	Good management-union relations Supportive legal and institutional environment including dispute resolution procedures and institutions. Supportive structures that enable effective worker participation Unity of union structures or coordination of bargaining priority between workplace unions. Under these conditions, SD can potentially increase productivity more than it decreases profits
Sector level	Enables tailoring regulations to industry requirement Can support the conditions for improved productivity through skills development and enabling industry policy Facilitates sharing of information and social and technological upgrading Reduction in industrial disputes Well-coordinated sectoral wage bargaining can contribute to inclusive and sustainable	Limits managerial prerogative No evidence available with regard to profitability	Supportive legal and institutional environment including dispute resolution procedures and institutions Mechanisms and processes for effective coordination of bargaining Coordination of agendas of trade unions and/or employers' organizations (for example, organizations representing SMEs and

	<p>economic growth and promote firms' productivity growth</p> <p>Reduces wage competition based on non-compliance</p> <p>Reduces risks of excessively low pay and unsafe working conditions</p> <p>Can help firms responding to crisis</p>		those representing exporters) when not unitary
National level	<p>Can support economic development by providing an enabling environment for sustainable business development</p> <p>Can help countries responding to external shocks and crisis</p> <p>Can support the implementation of reforms by generating consensual solutions and legitimacy of policies</p> <p>Can help stabilize industrial relations. Promotes social peace</p> <p>Supports economic and political stability</p> <p>Supports democratic transitions. Provides a source of coordination of coordination of bargaining.</p>	Limits managerial prerogative	<p>Mechanisms and processes for effective coordination of bargaining</p> <p>Coordination of agendas of trade unions and/or employers' organizations (for example, organizations representing SMEs and those representing exporters) when not unitary.</p>
Inter-firm contracting level	<p>Higher productivity through better employee morale and work effort</p> <p>Greater stability in contractual relations</p> <p>Achieving project and budget targets</p> <p>Minimising industrial disputes</p> <p>Skills development and upgrading (spillovers)</p> <p>Reduces risk and reputational damage</p> <p>Optimises supply chain management including social and production standards</p>	<p>Time delay in managerial decision-making</p> <p>Identifying legitimate representatives of interest groups</p> <p>Identifying mechanisms for balancing competing interests between different interest groups</p>	<p>Legal framework protecting freedom of association and the effective recognition of the right to collective bargaining</p> <p>Institutional mechanisms to deal with disputes</p> <p>Enabling conditions in supply chains, including purchasing practices of buyer firms</p> <p>Support for capacity building of management and trade union representatives</p> <p>Effective enforcement of labour standards</p>

At sector and national levels, international research demonstrates the difficulty of building and sustaining the necessary institutional architecture for social dialogue. What the recent empirical evidence also demonstrates (section 5) is that effective social dialogue at sector level requires clear mechanisms and processes for articulation between firm and sector levels to provide a suitable balance in negotiations between meso- and micro-level flexibility on the one hand and standardisation on the other. Many studies support the contention that it is not so much the level of bargaining that matters but effective coordination between and among levels, in mitigating the effects of adverse economic shocks and improving the capacity for business adaption to changes in market conditions.

The review of evidence concerning inter-firm contracting brings to light a relatively new field of research and is worthy of further detailed international investigation, especially given its relevance for sharing productivity and income gains along supply chains between developed and developing parts of the world. The challenge facing social partners is that complexities involved in inter-firm contracting may demand new encompassing forms of social dialogue processes and the formation of coalitions and networks of organizations. The risks are disproportionately high for businesses at the end of supply chains. Innovative processes of social dialogue can make a positive contribution, rebalancing the gains from advanced technologies and modern forms of work organisation. To date, there has been

limited attention to the role of social dialogue and the supportive regulatory frameworks in creating the enabling conditions for inclusive and sustainable business growth in supply chains at domestic and global levels.

The buyer firm has an important role to play in creating the enabling conditions in the context of inter-firm contracting for social dialogue. This includes the availability of resources for capacity building of local management and first tier suppliers. Effective social dialogue can assist in monitoring compliance with labour standards, thereby diminishing reputational risk in the context of supply chains. Inter-governmental frameworks can also support this by promoting respect for fundamental principles and right at work and the ratification of ILO fundamental conventions.

To conclude, this report has reviewed the empirical evidence concerning the business case for social dialogue, with attention to potential costs and benefits and details of the positive enabling conditions at multiple levels of the economy. To do this, the report took stock and considered the large literature on the business effects of social dialogue as well as the primary empirical data collected for the project and concluded that social dialogue produces net positive outcomes for business. Future work may consider more closely those areas identified as relatively under-researched. These include, primarily, the impact of social dialogue on low and middle-income countries, as well as on SMEs (in terms especially of workplace cooperation) and on global supply chains (especially outside the textile sector); future research might usefully examine in greater depth the linkages between different mechanisms and levels of social dialogue in these economic and organisational contexts. The proposed analytical framework on inclusive business growth identifies some of the constructs for a more detailed analysis, where empirical research might fruitfully evaluate hypotheses regarding the establishment and operation of effective social dialogue, its linkages to business growth and the factors that are necessary for social dialogue to produce the positive effects outlined in the report.

Against a renewed international commitment to achieve sustainable development through inclusive growth and decent work, this report contributes to an ongoing and urgent reappraisal of the business case for social dialogue. The Global Deal Initiative represents one opportunity to develop a more sustained effort to promote social dialogue and sound industrial relations in both developed and developing economies. To that end, strong commitments by governments to the principles of the initiative would be a necessary condition for progress. This should be coupled by renewed attempts by employers' organisations and workers' organisations to improve trust and pave the way for social dialogue to achieve win-win outcomes in line with an inclusive business growth model.

References

- Accord on Fire and Building Safety in Bangladesh (2017a) Accord Statement on the April 2013 Rana Plaza building collapse, 24 April 2017, available at: <http://bangladeshaccord.org/wp-content/uploads/170424-Accord-Statement-on-Rana-Plaza-4-Years.pdf>
- Accord on Fire and Building Safety in Bangladesh (2017b) Letter to PM Hasina on Response to Ashulia Wage Protests, 19 January 2017, available at: <http://bangladeshaccord.org/2017/01/letter-to-pm-hasina-on-response-to-ashulia-wage-protests/>
- Acquier, A., Valiorgue, B., Daudigeos, T. (2017) Sharing the shared value: A Transaction Cost Perspective on strategic CSR policies in global value chains, *Journal of Business Ethics*, 144: 139-152.
- Addison, J. (2005) The determinants of firm performance: Unions, works councils and employee involvement/high performance work practices. *Scottish Journal of Political Economy*, 52(3): 406-450.
- Addison, J. (2016) Collective Bargaining Systems and Macroeconomic and Microeconomic Flexibility: The Quest for Appropriate Institutional Forms in Advanced Economies, *IZA Journal of Labor Policy* 5:19, doi: 10.1186/s40173-016-0075-8
- Addison, J. and Belfield (2001) Updating the determinants of firm performance: Estimation using the 1998 UK Workplace Employee Relations Survey. *British Journal of Industrial Relations*, 39(3): 341-368.
- Addison, J. T., Teixeira, P. and Zwick, T. (2010) Works Councils and the Anatomy of Wages, *Industrial and Labor Relations Review*, 63: 250-274.
- Aidt, T. S. and Tzannatos, Z. (2002) Unions and Collective Bargaining Economic Effects in a Global Environment. Washington: The World Bank.
- Aidt, T. S. and Tzannatos, Z. (2008) 'Trade unions, collective bargaining and macroeconomic performance: a review', *Industrial Relations Journal*, 39(4): 258-95.
- Amengual, M. (2010) Complementary labor regulation: The uncoordinated combination of state and private regulators in the Dominican Republic, *World Development* 38(3): 405-414
- Amengual, M. and Chirot, L. (2016) Reinforcing the State: Transnational and State Labor Regulation in Indonesia, *IRL Review* 69(5): 1056-1080.
- Amnesty International (2016) *The Ugly Side of the Beautiful Game: Exploitation of Migrant Workers on a Qatar 2022 World Cup Site*, London: Amnesty International.
- Appelbaum, E. et al., (2000) *Manufacturing Advantage: Why High Performance Work Systems Pay Off*, Cornell University Press.
- Argyris, C. and Schön, D. A. (1996) *Organizational Learning II: Theory, Method and Practice*, Reading, MA: Addison-Wesley.
- Association of Chartered Certified Accountants (ACCA) (2014) *The Business Case for Diversity Management*, London: ACCA.
- Avdagic, S. Rhodes, M. Visser, J. (2005) The Emergence and Evolution of Social Pacts: A Provisional Framework for Comparative Analysis, Working Paper N-05-01 (EUROGOV). Available at: <http://www.connex-network.org/eurogov/pdf/egp-newgov-N-05-01.pdf>
- Bair, J. (2009) Global Commodity Chains: Genealogy and Review, in J. Bair (ed) *Frontiers of Commodity Chain Research*, Stanford, CA: Stanford University Press (pp. 1-14).
- Baccaro, L. and Pugliano, V. (2011) Employment Relations in Italy. In Bamber, G., Lansbury, R. and Wailes, N. (Eds.) *International and Comparative Industrial Relations*. London: Sage.
- Baden, D. A., Harwood, I. A. and Woodward, D.G. (2009) The effect of buyer pressure on suppliers in SMEs to demonstrate CSR practices: An added incentive or counter-productive? *European Management Journal*, 27(6): 429-441.
- Baron, J. and Kreps, D. (1998) *Strategic Human Resources*. New York: Wiley
- Barreto, J. (1998) Portugal: Industrial relations under democracy. In Ferner and Hyman, R. (eds) *Changing Industrial Relations in Europe*. Oxford: Blackwell.
- Barrientos, S. and Smith, S. (2007) Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems, *Third World Quarterly* 28(4): 713-729.
- Barrientos, S., Gereffi, G. and Rossi, A. (2011) Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World, *International Labour Review* 150 (3/4): 319-40.

- Bibby, A. (2011) 'Responsible contracting: an approach aimed at improving social and labour practices in the property services sector', ILO Sectoral Activities WP.282, Geneva: ILO.
- Blau, F. and Kahn, L. (1995) *The Gender Earnings Gap: Some International Evidence*, Francine D. Blau, Lawrence Kahn, in Freeman, R. and Katz, R. (eds) *Differences and Changes in Wage Structures*, Chicago: University of Chicago Press.
- Booth, A. (1995) *The Economics of the Trade Union*. Cambridge: Cambridge University Press
- Boxall P. and Purcell J. (2011) *Strategy and Human Resource Management*, Blackwell. Chapters 3-4.
- Braakmann, N. and Brandl, B. (2016) 'The efficacy of hybrid collective bargaining systems: an analysis of the Impact of collective bargaining on company performance in Europe', MPRA Paper 70025, Munich: University Library of Munich.
- Bradley, D., Huber, E., Moller, S., Nielsen, F. and Stephens, J. D. (2003) 'Distribution and redistribution in postindustrial democracies', *World Politics*, 55: 193-228.
- Brenner, M. and Luce, S. (2008) 'Living wage laws in practice', in Pollin et al. (eds.).
- Brown, K. (1996) Workplace Safety: A Call for Research, *Journal of Operations Management*, (14:1): 157-171.
- Brown, K., P. Willis and G. Prussia (2000) Predicting Safe Employee Behavior in the Steel Industry: Development and Test of a Sociotechnical Model, *Journal of Operations Management*, (18:4): 445-465.
- Brown, D., Dehejia, R., Rappaport, A., Voegeli, E., Davis, M., Roberston, R., Babbitt, L., Manzur, S., Makawi, T., Ichikawa, G. R., Hu, S., Jiang, S., Lin, X., Schupmann, C., Antolin, A., Kaufman, D., Agrawal, N., Rubin, N., Djaya, D., Zhu, L., Sleight, C., Rourke, E., Mittal, A. and Sharma, R. (2016) *The Impact of Better Work: A Joint Program of the International Labour Organization and the International Finance Corporation*, Labor Law: Tufts University.
- Bryson et al (2005) High involvement management practices, trade union representation and workplace performance in Britain. *Scottish Journal of Political Economy*, 52(3), 451-491.
- Buchele, R. and Christiansen, J. (1999) 'Labor relations and productivity growth in advanced capitalist economies', *Review of Radical Political Economics*, 31(1): 87-110
- Calmfors, L. (1993) 'Centralisation of Wage Bargaining and Macroeconomic Performance', *OECD Economics Department Working Papers*, No. 131, Paris: OECD
- Calmfors, L. and Driffill, J. (1988) 'Bargaining Structure, Corporatism and Macroeconomic Performance', *Economic Policy*, 3(6): 14-61
- Camilleri, M. A. (2017) *Corporate Sustainability, Social Responsibility and Environmental Management: An Introduction to Theory and Practice with Case Studies*, Cham: Springer.
- Campos Lima, M. and Naumann, R. (2011) Portugal: From Broad Strategic Pacts to Policy-Specific Agreements. In Avdagic, Rhodes, M. and Visser, J. (Eds.) *Social Pacts in Europe*. Oxford: Oxford University Press.
- Carter, C.R. (2005) Purchasing Social Responsibility and Firm Performance: The Key Mediating Roles of Organizational Learning and Supplier Performance, *International Journal of Physical Distribution and Logistics Management*, (35:3), 2005, pp. 177-194.
- Carter, C.R. and Rogers, D. (2008) A Framework of Sustainable Supply Chain Management: Moving toward New Theory, *International Journal of Physical Distribution and Logistics Management*, 38(5): 360-387.
- Colombo, S. and Regalia, I. (2014) Changing joint regulation and labour market policy in Italy during the crisis: On the edge of a paradigm shift? *European Journal of Industrial Relations* 22, (3): 295-309.
- Council of Europe (2016) 'Reinforcing social dialogue as an instrument for stability and decreasing social and economic inequalities', Parliamentary Assembly (Doc.14216).
- Cox, A, Zagelmeyer, S and Marchington, M (2006) 'Embedding employee involvement and participation', *Human Resource Management Journal*, 16(3), pp 250-67
- Crockett, G., Dawkins, P., Miller, P. and Mulvey, C. (1992) 'The impact of unions on workplace productivity in Australia'. *Australian Bulletin of Labour*, 18 (2): 119-41.
- Daniel, W. (1987) *Workplace Industrial Relations and Technical Change*, London: Frances Pinter and Policy Studies Institute.
- Deakin, S., Fenwick, C. and Sarkar, P. (2013a) Labour Law and Inclusive Development: The Economic Effects of Industrial Relations Laws in Middle-Income Countries, *CBR Working Paper* No. 447, December 2013.
- Deakin, S. and Koukiadaki, A. (2010) Reflexive Approaches to Corporate Governance: The Case of Heathrow Terminal 5, in n O. De Schutter and J. Lenoble (eds) *Reflexive Governance: Redefining the Public Interest in a Pluralistic World*, Oxford: Hart Publishing.

-
- Deakin, S, Malmberg, J. and Sarkar, P. (2013b) Do Labour Laws Increase Equality at the Expense of Higher Unemployment? The Experience of Six OECD Countries, 1970-2010. *CBR Working Paper*, 442.
- Deakin, S. and Rogowski, R. (2011) Reflexive Labour Law, Capabilities and the Future of Social Europe, *Warwick Legal Studies Research Paper Series* No. 2011-04, Coventry: University of Warwick.
- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) (2010) Final Report: Impact Assessment of the Public Private Partnership of GTZ and Tchibo – WE Project, Berlin: Deutsche Gesellschaft für Technische Zusammenarbeit.
- Dickens, L. (1997) The Business Case for Women's Equality: Is the Carrot Better than the Stick? *Employee Relations*, 16(8): 5 – 18.
- Distelhorst, G. and Locke, R. M., (2017) Does Compliance Pay? Firm-Level Trade and Social Institutions, Watson Institute for International and Public Affairs Research Paper No. 2017-37. Doellgast, V., Lillie, N. and Pulignano, V. (forthcoming) 'Introduction', in Doellgast et al. (eds.) *Reconstructing Solidarity: Labor Unions, Precarious Work and the Politics of Institutional Change in Europe*, Oxford: OUP.
- Doucouliaagos, H., Freeman, R. B. and Laroche, P. (2017) *The Economics of Trade Unions: A Study of a Research Field and Its Findings*, London: Routledge.
- Dyballa, K. and K. Kraft (2016) 'How do Labor Representatives Affect Incentive Orientation of Executive Compensation?'. IZA Discussion Paper No. 10153.
- ECB Economic Bulletin* (2015) Issue 8, Box 4 'Downward wage rigidity and the role of structural reforms in the euro area'.
- Edwards, J. S., Eggert, W., and A.J. Weichenrieder (2009) 'Corporate Governance and Pay for Performance: Evidence from Germany'. *Economics of Governance*, 10(1), 1-26.
- Erickson, C. L., Fisk, C. L., Milkman, R., Mitchell, D. J., & Wong, K. (2002) Justice for janitors in Los Angeles: Lessons from three rounds of negotiations. *British Journal of Industrial Relations*, 40(3), 543-567.
- Eurofound (2016) *Win-win arrangements: Innovative measures through social dialogue at company level*. Dublin: Eurofound.
- European Commission (2016) *Social Dialogue in Jordan, Tunisia and Morocco*. Brussels: European Commission.
- European Federation for Food Agriculture and Tourism (EFFAT) (2013) Ensuring Sustainable Employment and Competitiveness in the EU Food and Drink Industry: Meeting the Challenges of the Labour Market, A joint initiative of the Social Partners in the EU Food and Drink Industry, Final Report, available at <http://www.effat.org/sites/default/files/news/10599/final-report-ffat-fde-project-public-event-04-11-2013-en.pdf>
- Fajertag, G.; Pochet, P. (2000) *Social Pacts in Europe: New Dynamics*, Brussels: ETUI/OSE.
- Fakhfakh, F.; Perotin, V. and Robinson (2011) Workplace change and Productivity: Does employee voice make a difference? In Hayter, S. (ed.) (2011) *The Role of Collective Bargaining in the Global Economy*, Cheltenham: Edward Elgar and Geneva: ILO
- Fauver, L. and M.E. Fuerst (2006) 'Does Good Corporate Governance Include Employee Representation? Evidence from German Corporate Boards'. *Journal of Financial Economics*, 82(3): 673-710.
- Fernie, S. and Metcalf, D. (1995) Participation, contingent pay, representation and workplace performance: Evidence from Great Britain. *British Journal of Industrial Relations*, 33(3):0007-1080
- Fichter, M., Helfen, M., and Sydow, J. (2011) "Employment Relations in Global Production Networks—Initiating Transfer of Practices via Union Involvement." *Human Relations* 63 (4):599–624.
- Foltyn, S. (2014) Ethiopia: Booming business, underpaid workers, AlJazeera, 29 December 2014, available at <http://www.aljazeera.com/indepth/features/2014/12/ethiopia-booming-business-underpaid-workers-20141228732485264.html>
- Fox, A. (1974) *Beyond contract: Work, power and trust relations*. London: Faber & Faber.
- Foo, L. M. (2007) Stakeholder engagement in emerging economies: Considering the strategic benefits of stakeholder management in cross-cultural and geopolitical context, *Corporate Governance*, 7(4): 379–387
- Freeman, R. B. and Medoff J. L (1984) *What Do Unions Do?* New York: Basic Books.
- Frenkel, S. J. and Scott, D. (2002) Compliance, Collaboration and Codes of Labor Practice: The Adidas Connection, *California Management Review* 45(1): 29-49.
- Frick, B. (1996) Codetermination and Personnel Turnover: The German Experience, *Labour*, 10: 407-430.
- Frick, B. and Möller, I. (2003) Mandated Works Councils and Firm Performance: Labor Productivity and Personnel Turnover in German Establishments, *Schmollers Jahrbuch*, 123: 423-454.

- Gereffi, G. and Lee, J. (2016) Economic and Social Upgrading in Global Value Chains and Industrial Clusters: Why Governance Matters, *Journal of Business Ethics*, 133(1): 25-38.
- Ghellab, Y. (2016) The Role of Social Dialogue and Tripartism in the Current Development Context, Presentation, www.ituc-csi.org/IMG/pdf/presentation_youcef_ghellab_sd_and_sustainable_development_17-18_nov_brussels_1_.pdf
- Ghellab, Y. (2009) Recovering from the crisis through social dialogue, Dialogue in Brief No.1, Industrial and Employment Relations Department (Geneva, ILO)
- Glassner, V. Keune, M. and Marginson, P. (2011) Collective bargaining in a time of crisis: developments in the private sector in Europe, *Transfer: European Review of Labour and Research*, 17(3): 303-322.
- Godfrey, S. (2015) Global, Regional and Domestic Apparel Value Chains in Southern Africa: Social Upgrading for Some and Downgrading for Others, *Cambridge Journal of Regions, Economy and Society* 8(3): 491-504.
- Gorton, Gary, and Frank A. Schmid (2004) Capital, Labor, and the Firm: A study of German Codetermination, *Journal of the European Economic Association* 2, 863-905.
- Gospel, H., Pendleton, A. and Vitols, S., Eds. (2014) *Financialization, New Investment Funds, and Labour: an International Comparison*. Oxford: Oxford University Press.
- Grimshaw, D. (2004) 'British living wage and low wage campaigns', in D. Figart (ed.) *Living Wage Movements: Global Perspectives*, New York: Routledge.
- Grimshaw, D. and Johnson, M. (2017) 'Inequality at work in the UK: How perforated industrial relations worsen inequalities and hold back progress on equalities', in D. Vaughan-Whitehead (ed.) *Inequalities and the World of Work: What Role for Industrial Relations and Social Dialogue?*, Geneva: ILO.
- Grimshaw, D., Johnson, M., Rubery, J. and Keizer, A. (2016a) *Reducing Precarious Work: Protective Gaps and the Role of Social Dialogue in Europe*, Report for the European Commission (DG Employment, Social Affairs and Equal Opportunities).
- Grimshaw, D. and Rubery, J. (2005) 'Inter-capital relations and the network organisation: redefining the work and employment nexus', *Cambridge Journal of Economics*, 29(6): 1027-1051.
- Grimshaw, D., Rubery, J. and Marchington, M. (2010) Managing People across Hospital Networks in the UK: Multiple Employers and the Shaping of HRM, *Human Resource Management Journal* 20(4): 407-423.
- Gulati, R. and Sytch, M. (2007) Dependence asymmetry and joint dependence in interorganizational relationships: effects of embeddedness on a manufacturer's performance in procurement relationships, *Administrative Science Quarterly*, 52(1): 32-69.
- Gulati, R., Nohria, N., and Wohlgezogen, F. (2010) Roaring out of recession, *Harvard Business Review*, 88(3), 62-69.
- Hancké and Rhodes, M. (2005) EMU and Labor Market Institutions in Europe. *Work and Occupations*, 32 (2):196-228.
- Hayter, S. (ed.) (2011), *The Role of Collective Bargaining in the Global Economy*, Cheltenham: Edward Elgar and Geneva: ILO.
- Hayter, S. (2015) 'Unions and Collective Bargaining', in Berg, J. (ed.) *Labour Markets, Institutions and Inequality. Building Just Societies in the 21st Century*, Cheltenham: Edward Elgar and Geneva: ILO.
- Heyes and Rainbird (2011) 'Bargaining for training: Converging or diverging interests?', in Hayter S. (ed.) *The Role of Collective Bargaining in the Global Economy*, Cheltenham: Edward Elgar and Geneva: ILO.
- Heyes, J. and Stuart, M. (1998) 'Bargaining for skills: trade unions and training at the workplace', *British Journal of Industrial Relations*, 36(3): 459-467.
- Heywood, J. and Jirjahn (2009) Family friendly Practices and Worker Representation: German Evidence, *Industrial Relations*, 48: 121-145.
- Holm, J.R. and Lorenz, E. (2015) 'Has "discretionary learning" declined during the Lisbon agenda?', *Industrial and Corporate Change*, 24(6): 1179-1214.
- Hörisch, F. (2012) 'The Macro-economic Effect of Codetermination on Income Equality'. MZES WP No. 147.
- Hoejmoose, S. U., Grosvold, J., & Millington, A. (2013) Socially responsible supply chains: Power asymmetries and joint dependence. *Supply Chain Management: An International Journal*, 18(3), 277–291.
- Hübler, O. and Jirjahn, U. (2003) 'Works councils and collective bargaining in Germany: the impact on productivity and wages', *Scottish Journal of Political Economy* 50(4): 471-491.
- Huynh, P. (2016) Employment and wages in Myanmar's nascent garment sector. Asia-Pacific Garment and Footwear Sector Research Note, issue 6, November 2016. Geneva: International Labour Office.

-
- Hyman, R. and Streeck, W. (1988) *New Technology and Industrial Relations*, Oxford: Blackwell
- Ibsen, C. L., Andersen, S. K., Due, J. and Madsen, J. S. (2011) 'Bargaining in the Crisis - a Comparison of the 2010 Collective Bargaining Round in the Danish and Swedish Manufacturing Sectors', *Transfer*, 17, 323- 339.
- Ibsen, C.L. (no date). Short-time working in Sweden. European Trade Union Congress, ETUC. Available at https://collective.etuc.org/sites/default/files/EN%20Case%20study_Sweden_Metal%20sector.pdf
- IMPACTT. (2011). Finding the sweet spot: Smarter ethical trade that delivers more for all. London: IMPACTT.
- Inditex, (2015) Annual Report 2015, available at: <https://www.inditex.com/documents/10279/208409/Inditex+Annual+Report+2015+web.pdf/d3501c55-8e8f-4936-b8d8-0fc47a543c93>
- Initiative for Ethical Trading (IEH) (2014), Suppliers Speak Up: How Responsible Purchasing Practices Can Improve Working Conditions in Global Supply Chains, available at: etiskhandel.no/noop/file.php?id=11446
- International Labour Office (2016) *Decent Work in Global Supply Chains*, Geneva: International Labour Office.
- International Labour Office (2013) *Social Dialogue*, Report IV, Geneva: International Labour Office.
- International Labour Office (2010) *The role of employers' organizations in growth and sustainable enterprise promotion*, ACTEMP Working Paper No. 4.
- International Labour Organisation (2014) *Responsible Workplace Practices*, Small and Medium Enterprises Unit (SME), Geneva: International Labour Organisation.
- Jaehring, K. (2015) 'The state as a 'socially responsible customer'? Public procurement between market-making and market-embedding', *European Journal of Industrial Relations*, 21(2): 149-164.
- Jaehring, K., Weinkopf, C. and Wagner, I. (with G. Bosch and T. Kalina) (2016) *Reducing Precarious Work in Europe through Social Dialogue: the Case of Germany*, Report for the European Commission, Institute of Work, Skills and Training, University of Duisburg-Essen, <http://www.research.mbs.ac.uk/ewerc/Our-research/Current-projects/Reducing-Precarious-Work-in-Europe-through-Social>.
- Jaumotte, F. and Buitron, C. O. (2015) 'Inequality and labour market institutions', *IMF Staff Discussion Note 15/14*, Washington: IMF
- Jiang, B. Revenor C. Baker and Gregory V. Frazier (2009) An Analysis of Job Dissatisfaction and Turnover to Reduce Global Supply Chain Risk: Evidence from China, *Journal of Operations Management*, 27(2), 169-184
- Jirjahn, U. (2010) Works councils and employment growth in German establishments, *Cambridge Journal of Economics*, 34(3): 475-500.
- Kaplinsky, R. (2000) 'Globalisation and unequalisation: What can be learned from value chain analysis?', *Journal of Development Studies*, 37(2): 117-146.
- Kessler and Purcell (1996) The value of joint working parties. *Work, Employment and Society*, 10(4): 663-682.
- Keune, M. (2015) Less governance capacity and more inequality: the effects of the assault on collective bargaining in the EU. In Van Gyes, G. and Schulten, T. (eds) *Wage Bargaining under the New European Economic Governance*, Brussels: European Trade Union Institute.
- Keune, M. and Schmidt, V. (2009) Global Capital Strategies and Trade Union Responses: Towards Transnational Collective Bargaining? *International Journal for Labour Research*, 1: 9-26.
- Klassen, R. D. and Vereecke, A. (2012) Social issues in supply chains: Capabilities link responsibility, risk (opportunity), and performance, *International Journal of Production Economics*, 140: 103-115.
- Kleinknecht, R. H. (2015) Employee participation in corporate governance: Implications for company resilience, *European Journal of Industrial Relations*, 21(1): 57-72
- Kolben, K. (2010) Labour Regulation, Human Capacities and Industrial Citizenship, in Marshall, S. (ed.) *Promoting Decent Work: The Role of Labour Law*, report to DIALOGUE section (Geneva: ILO).
- Kornig, C., Louit-Martinod, N., Méhaut, P. (with V. Insarauto) (2016) *Reducing Precarious Work in Europe through Social Dialogue: the Case of France*, Report for the European Commission, CNRS, Aix Marseille University, <http://www.research.mbs.ac.uk/ewerc/Our-research/Current-projects/Reducing-Precarious-Work-in-Europe-through-Social>.
- Koukiadaki, A. and Grimshaw, D. (2016) Evaluating the effects of the structural labour market reforms on collective bargaining in Greece. Geneva: International Labour Office

- Koukiadaki, A. and Kokkinou, C. (2016) The Greek system of collective bargaining in (the) crisis. In Koukiadaki, A., Tavora, I., Martinez-Lucio, M. (Eds.).
- Koukiadaki, A., Tavora, I., Martinez-Lucio, M. (Eds.) (2016) Joint regulation and labour market policy in Europe during the crisis: A seven-country comparison. Brussels: The European Trade Union Institute.
- Kuruville, S., & Liu, M. (2009) Tripartism and economic reforms in Singapore and the Republic of Korea. In L. Fraile (Ed.), *Blunting neoliberalism: Tripartism and economic reforms in the developing world* (pp. 85-127). New York, NY: Palgrave Macmillan
- Lamarche, C. (2015) Collective bargaining in developing countries: Negotiating work rules at the firm level instead of the industry level could lead to productivity gains. *IZA World of Labor* 2015: 183 doi: 10.15185/izawol.183.
- Lamming, R. (2000) Japanese supply chain relationships in recession, *Long Range Planning* 33(6): 757-778.
- Lazonick, W. (2014) 'Profits without prosperity: stock buybacks manipulate the market and leave most Americans worse off', *Harvard Business Review*, September: 46-55.
- Lee, K. H. and Kim, J. W. (2009) Current status of CSR in the realm of supply management: The case of the Korean electronics industry, *Supply Chain Management: An International Journal*, 14(2): 138-148.
- Lee, C. and Liu, M. (2011) Collective bargaining in transition. Measuring the effects of collective voice in China. In Hayter, S. (ed.) (2011) *The Role of Collective Bargaining in the Global Economy*, Cheltenham: Edward Elgar and Geneva: ILO.
- Lee, J. (2016) Global Supply Chain Dynamics and Labour Governance: Implications for Social Upgrading, ILO Research Papers No. 14, Geneva: International Labour Office.
- Lim, S. J. and Prakash, A. (2017) 'Do economic problems at home undermine worker safety abroad?: a panel study, 1980-2009', *World Development*.
- Lindbeck, A. and Snower, D. J. (1986) 'Wage setting, unemployment, and insider-outsider relations', *The American Economic Review*, 76(2): 235-239.
- Locke, R. and Romis, M. (2007) Improving Work Conditions in a Global Supply Chain, *MIT Sloan Management Review*, 48(2): 54-62.
- Locke, R., Amengual, M. and Mangla, A. (2009) 'Virtue out of necessity? Compliance, commitment and the improvement of labor conditions in global supply chains', *Politics and Society*, 37(3): 319-351.
- Locke, R., Rissing, BA and Pal T. (2013) Complements or Substitutes? Private Codes, State Regulation and the Enforcement of Labour Standards in Global Supply Chains, *British Journal of Industrial Relations* 51(3): 519-552.
- Looise, J. K., Torke, N. and Wigboldus, J.E. (2010) Participation and Organisational Performance, in Garibaldi, F. and Telljohann, V. (eds) *The Ambivalent Character of Participation*, Frankfurt: Peter Lang.
- Machin, S. and Stewart, M. (1996) Trade unions and financial performance. *Oxford Economic Papers*, 48: 213-41.
- Maletta, H.E. (2009) ILO role in economic and financial crises: lessons from the 2002 Argentine crisis and its aftermath. ILO International Programme on Crisis Response and Reconstruction. Employment report no.4. Geneva: ILO
- Mani, V., Gunasekaran, A., Papadopoulos, T., Hazen, B. and Dubey, R. (2016) Supply Chain Social Sustainability for Developing Nations: Evidence from India, *Resources, Conservation and Recycling*, 111: 42-52.
- Manu, P., Ankrah, N., Proverbs, D. and Suresh, S. (2013) 'Mitigating the health and safety influence of subcontracting in construction: The approach of main contractors', *International Journal of Project Management*, 31(7): 1017-1026.
- Marchington, M. and Dundon, T. (2017, forthcoming). The challenges for fair voice in liberal market economies. In Grimshaw, D., Fagan, F., Hebson, G. and Tavora, I. (eds.) *Making work more equal: A new labour market segmentation approach*. Manchester: Manchester University Press.
- Marchington M. and Wilkinson A. (2012) *Human Resource Management at Work*. London: CIPD
- Marginson, P., Keune, M. and Bohle, D. (2014) Negotiating the effects of uncertainty? The governance capacity of collective bargaining under pressure. *Transfer: European Review of Labour and Research*, 20(1) 37-51
- Marsden, D. (2016) Norms of exchange and the socio-economics of labour markets, in Kaufman, B. (ed) *Labor Market Models*, Chicago: Stanford University Press.
- Martín, J. (2010) China: Honda workers' strike – the beginning of a new labour movement ? In Defence of Marxism, available at: <http://www.marxist.com/china-honda-workers-strike.htm>
- Martin, R. (1994) 'Innovation and industrial relations', in M. Dodgson and R. Rothwell (eds.) *The Handbook of Industrial Innovation*, Cheltenham: Edward Elgar.

- Martínez-Lucio, M. (1998) Regulating employment and social fragmentation. In A. Ferner and R. Hyman (eds.) *Changing Industrial Relations in Europe*. Oxford: Blackwell.
- Mefford, R.N. (2011) The Economic Value of a Sustainable Supply Chain, *Business and Society Review*, 116(1): 109-143.
- Metcalfe, D. (2003) 'Unions and productivity, financial performance and investment: international evidence', in J. T. Addison and C. Schnabel (eds.) *International Handbook of Trade Unions*, Cheltenham: Edward Elgar.
- Millington, A. (2009) Responsibility in the Supply Chain, in A. Crane, A. McWilliams, D. Matten, J. Moon and D. S. Siegel (eds) *The Oxford Handbook of Corporate Social Responsibility*, Oxford: Oxford University Press.
- Miozzo, M. and Grimshaw, D. (2005) 'Modularity and innovation in knowledge intensive business services: IT outsourcing in Germany and the UK', *Research Policy*, 34 (9): 1419-39.
- Miozzo, M. and Walsh, V. (2006) *International Competitiveness and Technological Change*, Oxford: OUP.
- Mishel, L. and Voos, P. (1992). Unions and American Competitiveness. *Unions and Economic Competitiveness. Armonk, United States: ME Sharpe*.
- Molina, O. and Guardianchich, I. (2017) Comparative overview: National trajectories and good practices in social dialogue. In Guardianchich, I. and Molina, O. (eds) *Talking through the crisis: Social dialogue and industrial relations trends in selected EU Countries*, ILO, 2017,
- Morris, M., Plank, L. and Staritz, C. (2016) Regionalism, End Markets and Ownership Matter: Shifting Dynamics in the Apparel Export Industry in Sub Saharan Africa, *Environment and Planning A*, 48(7): 1244-1265.
- Mueller, S. (2015) Works Councils and Labour Productivity: Looking beyond the Mean. *British Journal of Industrial Relations*, 53: 308-325.
- Müller-Jentsch, W. (2008) Industrial Democracy: Historical Developments and Current Challenges, *Management Revue*, 19(4): 260-273.
- Muñoz-de-Bustillo Llorente, R. and Pinto Hernández, F. (2016) *Reducing Precarious Work in Europe through Social Dialogue: the Case of Spain*, Report for the European Commission, University of Salamanca available at <http://www.research.mbs.ac.uk/ewerc/Our-research/Current-projects/Reducing-Precarious-Work-in-Europe-through-Social>.
- Nielsen, P., & Lundvall, B. Å. (2003) *Innovation, learning organizations and industrial relations* (No. 03-07). DRUID, Copenhagen Business School, Department of Industrial Economics and Strategy/Aalborg University, Department of Business Studies.
- Nienhüser, W. (2014) Works Councils, in Wilkinson, A., Donaghey, J., Dundon, T. and Freemant, R. B. (2014) *Handbook of Research on Employee Voice*, Cheltenham: Edward Elgar.
- O'Donnell, R. Adshear, M. and Thomas, D. (2011) Ireland: Two Trajectories of Institutionalization In Avdagic, Rhodes, M. and Visser, J. (Eds.) *Ireland: Two Trajectories of Institutionalization* Oxford: OUP.
- OECD (2012) Labour Losing to Capital: What Explains the Declining Labour Share? *Employment Outlook*.
- OECD (2014) *All on Board: Making Inclusive Growth Happen*, Paris: OECD.
- OECD (2017a) *Employment Outlook*. OECD Publishing, Paris.
- OECD (2017b) 'Labour market reforms in Portugal 2011-2015: A preliminary assessment', Paris: OECD.
- Ostry, J. D., et al. (2014) 'Redistribution, inequality and growth,' *IMF Staff Discussion Note*, 14/02, <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>.
- Ozaki, M. (ed.) (1992) *Technological Change and Labour Relations*, Geneva: ILO.
- Page, R. (2009) *Co-determination in Germany – A Beginner's Guide*, Hans Boeckler Stiftung, Arbeitspapier 33.
- Papadakis, K. (2011) Introduction and Overview, in Papadakis, K. (ed) *Shaping Global Industrial Relations: The Impact of International Framework Agreements*, Palgrave: MacMillan.
- Papadakis, K. and Ghellab, Y. (2014) *The governance of policy reforms in southern Europe and Ireland: Social Dialogue actors and institutions in times of crisis*. Geneva: ILO.
- Parakuni, G., Ceresna, L., Raju, A., Ray, P. and Leffler, C. (2015) Mind the Gap: How the Global Brands Are not Doing Enough to Ensure a Dignified Life for Workers in the Garment and Electronics Industry in India, Rapport 2 (Oslo, Framtiden i våre hender/Cividep India).
- Park, H. and Dickson, M. A. (2008) Engaging in buyer-seller partnership for fair labor management: The role of a buyer firm's strategic emphasis, *Clothing and Textiles Research Journal*, 26(1): 41-56.

-
- Pencavel, J. (2004) 'The surprising retreat of union Britain', in R. Blundell, D. Card and R. Freeman (eds.) *Seeking a Premier Economy*, Chicago, IL: University of Chicago Press.
- Piketty, T. (2013) *Capital in the Twenty-First Century*, Éditions du Seuil, Harvard University Press.
- Piore, M. and Schrank, A. (2008) Toward managed flexibility: The revival of labour inspection in the Latin world, *International Labour Review*, 147(1): 1-23.
- Pitts, S. and Kamery, R. (2002) The effect of collective bargaining on productivity from 1947 to 1979, Allied Academies International Conference. Academy of Legal, Ethical and Regulatory Issues. Proceedings, 2002, Vol.6 (2), pp.66-71
- Pohler and Andrew Luchak (2015) Are unions good or bad for organizations? The moderating role of management response. *British Journal of Industrial Relations*, 53(3): 423-459
- Porter, M. and Kramer, R. (2011) Creating Shared Value, *Harvard Business Review*, January-February, 1-17.
- Pullman, M.E., Maloni, M.J. and Carter, C.R. (2009) Food for Thought: Social versus Environmental Sustainability Practices and Performance outcomes, *Journal of Supply Chain Management*, 45(4): 38-54.
- Purcell and Georgiades (2007) Why should employers bother with worker voice? In Freeman, R., Boxall, P. and Haynes, P. (eds.) *What workers say: employee voice in the Anglo-American world*. Ithaca NY: Cornell University Press.
- Quinlan, M. (2015) 'The effects of non-standard forms of employment on worker health and safety', *Conditions of Work and Employment Series*, No.67, Geneva: ILO.
- Quinlan, M., and P.Bohle (2008) "Under pressure, Out of control or Home alone?
- Ravenswood, K. and Kaine, S. (2015) 'The role of government in influencing labour conditions through the procurement of services: Some political challenges', *Journal of Industrial Relations*, 57(4): 544-562.
- Rao, S. and Goldsby, T. J. (2009) Supply chain risks: a review and typology, *The International Journal of Logistics Management*, 20(1): 97-123.
- Regalia, I. and Regini, M. (1998) Italy: The dual character of industrial relations. In Ferner, A. and Hyman, R. (Eds.) *Changing Industrial Relations in Europe*. Oxford: Blackwell.
- Regini, M. and Colombo, S. (2011) Italy: The rise and decline of social pacts. The evolution of social pacts. In Avdagic, Rhodes, M. and Visser, J. (Eds.) *Social Pacts in Europe*. Oxford: Oxford University Press.
- Reich, M., Hall, P. and Jacobs, K. (2005) 'Living wage policies at the San Francisco airport: Impacts on workers and businesses', *Industrial Relations: A Journal of Economy and Society*, 44(1): 106-138.
- Rhodes, M. (1998) 'Globalisation, Labour Markets and Welfare States: A Future of 'Competitive Corporatism'?', in: M. Rhodes and Y. Mény (eds.), *The Future of European Welfare: A New Social Contract?*. London: Macmillan, pp. 178-203.
- Riisgaard, L. and Hammer, N. (2011) 'Prospects for labour in global value chains: Labour standards in the cut flower and banana industries', *British Journal of Industrial Relations*, 49(1): 168-190.
- Rios-Avila, F. (2014) Unions and Economic Performance in Developing Countries: Case Studies from Latin America. Working Paper No. 787, January 2014. Levy Economics Institute of Bard College
- Roche, W. (2007) Social Partnership in Ireland and New Social Pacts, *Industrial Relations*, 46 (3): 395-425.
- Rodgers, G. (2003) 'Decent work as a development objective', in Burchell, B., Deakin, S., Michie, J. and Rubery, J. (eds.) *Systems of Production: Markets, Organisations and Performance*, London: Routledge.
- Rogers, J. and Streeck, W. (1995) The Study of Works Councils: Concepts and Problems, in Rogers, J. and Streeck, W. (eds) *Works Councils: Consultation, Representation and Cooperation in Industrial Relations*, Chicago: Chicago University Press.
- Rogers, J. and Streeck, W. (1994) Workplace Representation Overseas: The Works Council Story, in Freeman, R.B. (ed) *Working under Different Rules*, New York: Russell Sage Foundation.
- Ross, A., Parker, H. and Benavides, M. (2012) Sustainability and Supply Chain Infrastructure Development, *Management Decision*, 50(10): 1891-1910.
- Rubery, J. (2015) 'Re-regulating for inclusive labour markets', Geneva: ILO.
- Rubery, J. and Grimshaw, D. (2003) *The Organisation of Employment: an International Perspective*, London: Palgrave.
- Sako, M. (1998) The nature and impact of employee voice in the European car components industry. *Human Resource Management Journal*, 8(2), 6-13.
- Salais, R. and Villeneuve, R. (2004) Introduction: Europe and the Politics of Capabilities, in R. Salais, and R. Villeneuve, R. (eds) *Europe and the Politics of Capabilities*, Cambridge: Cambridge University Press.

- Samans, R., Blanke, J., Corrigan, G., Drzeniek, M. (2015) *The Inclusive Growth and Development Report 2015*, World Economic Forum.
- Sanchez-Graells, A. (2016) Truly Competitive Public Procurement as a Europe 2020 Lever: What Role for the Principle of Competition in Moderating Horizontal Policies?, *European Public Law* 22(2): 377–394.
- Schulten, T. and Müller, T. (2013) A new European interventionism? The impact of the new European economic governance on wages and collective bargaining, in: Natali, D. and Vanhercke, B. (eds.) *Social developments in the European Union 2012*, Brussels: ETUI/OSE, 181-213.
- Sengenberger, W. (1994) 'Protection – participation – promotion: the systemic nature and effects of labour standards', in Sengenberger, W. and Campbell, D. (eds), *Creating Economic Opportunities: The Role of Labour Standards in Industrial Restructuring* (Geneva: International Labour Organization), pp. 45–60.
- Seuring, S. and Muller, M. (2008) From a Literature Review to a Conceptual Framework for Sustainable Supply Chain Management, *Journal of Cleaner Production*, 16: 1699-1710.
- Swart, J. and Kinnie, N. (2014) 'Reconsidering boundaries: Human resource management in a networked world', *Human Resource Management*, 53(2): 291-310.
- Soskice, D. (1990) Wage Determination: The Changing Role of Institutions in Advanced Industrialised Countries, *Oxford Review of Economic Policy*, 6(4): 36-61.
- Storm, S. and Naastepad, C. W. (2009) 'Labor market regulation and productivity growth: evidence for twenty OECD countries (1984–2004)', *Industrial Relations: Journal of Economy and Society*, 48(4), 629-654.
- Streeck, W. (1997) Beneficial Constraints: On the Economic Limits of Rational Voluntarism, In J. R. Hollingsworth and R. Boyer (Eds.) *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge: Cambridge University Press.
- Sydow, J. and Frenkel, S. J. (2013) Labor, Risk, and Uncertainty in Global Supply Networks—Exploratory Insights. *Journal of Business Logistics*, 34: 236–247.
- Tavora, I. and Gonzalez, M. P. (2016) Labour market regulation and collective bargaining in Portugal during the crisis: Continuity and change. *European Journal of Industrial Relations* 22, 3, 251-265
- Teague, P. and Donaghey, J. (2015) The life and death of Irish social partnership: lessons for social pacts, *Business History*, 57 (3): 418-437
- Tavora, I. and Gonzalez, M. P. (2016) Labour market regulation and collective bargaining in Portugal during the crisis: Continuity and change. *European Journal of Industrial Relations* 22, 3, 251-265
- Thornton, L., Autry, C. Gligor, D. and Brik, A. (2013) Does Socially Responsible Supplier Selection Pay Off for Customer Firms? A Cross-Cultural Comparison, *Journal of Supply Chain Management*, 49(3): 66-89.
- Traxler (2003) *European Monetary Union and Collective Bargaining*. Working Paper N. 207 Barcelona: Institute of Political and Social Sciences (ICPS)
- Traxler, Franz. (1995) Farewell to labour market associations? Organized versus disorganized decentralization as a map for industrial relations. In *Organized Industrial Relations in Europe: What Future?*, ed. Franz Traxler, and Colin Crouch. Avebury: Aldershot.
- Traxler, F., Blaschke, S. and Kittel, B. (2001) *National Labour Relations in Internationalized Markets*, OUP.
- Trif, A. (2016) Social dialogue during the economic crisis: the survival of collective bargaining in the manufacturing sector in Romania. In Koukiadaki, A., Tavora, I., Martinez-Lucio, M. (Eds.).
- Turner, L. (2007) 'Introduction', in Turner, L. and Cornfield, D. B. (2007) *Labor in the New Urban Battlegrounds: Local solidarity in a global economy*, Ithaca: Cornell University Press.
- Turner, L. and Cornfield, D. B. (2007) *Labor in the New Urban Battlegrounds: Local solidarity in a global economy*, Ithaca: Cornell University Press.
- Tzannatos, Z. (2008) The impact of unions: What do economists say? In Berg, J. and Kucera, D. (2008). Geneva: ILO
- Tzannatos, Z. and Aidt, T. (2006) Unions and microeconomic performance: A look at what matters for economists (and employers). *International Labour Review*, 145(4): 257-278.
- Upchurch, M., Richardson, M. Tailby, S., Danford, A. and Stewart, P. (2006) Employee representation and partnership in the non-union sector, *Human Resource Management Journal*, 16 (4) 393–410
- Urizar, C. and Lée, S. (2003) The Effects of Unions on Productivity: Evidence from Large Coffee Producers in Guatemala. Research Network Working papers, R-473, Interamerican Development Bank.

-
- Van Guys, G. and Schulten, T. (2015) in Van Gyes, G. and Schulten, T. (eds) *Wage Bargaining under the new European Economic Governance*, Brussels: European Trade Union Institute.
- van Noord H, Hwang H and Bugeja K (2011) *Cambodia's Arbitration Council: Institution-building in a developing country. Report for the Industrial and Employment Relations Department, Working Paper No. 24. Geneva: ILO.*
- Vaughan-Whitehead, D. (ed.) (2011) *Work Inequalities in the Crisis: Evidence from Europe*, Cheltenham: Edward Elgar and Geneva: ILO
- Vaughan-Whitehead, D. (ed.) (2017) *Inequalities and the World of Work: what Role for Industrial Relations and Social Dialogue?*, Cheltenham: Edward Elgar and Geneva: ILO.
- Vernon, G. and Rogers, M. (2013) 'Where do unions add value? Predominant organizing principle, union strength and manufacturing productivity growth in the OECD', *British Journal of Industrial Relations*, 51(1): 1-27.
- Visser, J. (2016) What happened to collective bargaining during the great recession? *IZA Journal of Labor Policy*, 5, 9, 1-35.
- Visser, J., Hayter, S., and Gammarano, R. (2015) 'Trends in collective bargaining coverage: stability, erosion or decline?', *ILO: Labour Relations and Collective Bargaining Issues Brief*(1).
- Visser, J. and Rhodes, M. (2011) The evolution of social pacts. In Avdagic, Rhodes, M. and Visser, J. (Eds.) *Social Pacts in Europe*. Oxford: Oxford University Press.
- Wagner, S. M. and Bode, C. (2008) 'An empirical investigation of supply chain performance along several dimensions of risk', *Journal of Business Logistics*, 29: 307–325
- Ward, K. and Mouly, V. (2016) Employment relations and political transitions in Cambodia. *Journal of Industrial Relations*, 58(2): 258–272
- Weil, D. (2009) *The Fissured Workplace: Why Work Became so Bad for so Many and What Can be Done to Improve It*, Harvard: Harvard University Press.
- Welz, C. (2011) A Qualitative Analysis of International Framework Agreements: Implementation and Impact. In Papadakis, K. (ed) *Shaping Global Industrial Relations: The Impact of International Framework Agreements*.
- Williams, S. and Adam-Smith, D. (2006) *Contemporary employment relations*. Oxford: Oxford University Press.
- Wills, J., & Simms, M. (2004) Building reciprocal community unionism in the UK. *Capital & Class*, 28(1), 59-84.
- Wilton, N. (2013) *An Introduction to Human Resource Management*. London: Sage.
- Wright, C. F. (2011) *Beyond the Employment Relationship: Collective Bargaining and Supply Chain Coordination*, London: TUC.
- Wright, C. F. and Kaine, S. (2015) Supply chains, production networks and the employment relationship, *Journal of Industrial Relations*, 57(4): 483-501.
- Wu, Z. and Pagell, M. (2011) Balancing priorities: decision-making in sustainable supply chain management, *Journal of Operations Management*, 29(6): 577-590.
- Zhou, H., Dekker, R. and Kleinknecht, A. (2011) 'Flexible labor and innovation performance: evidence from longitudinal firm-level data', *Industrial and Corporate Change*, 20(3): 941-968.
- Zwick, T. (2005) Continuing Vocational Training Forms and Establishment Productivity in Germany, *German Economic Review*, 6: 155-184.

Conditions of Work and Employment Series

- No. 1 Quality of working life: A review on changes in work organization, conditions of employment and work-life arrangements (2003), by Howard Gospel
- No. 2 Sexual harassment at work: A review of preventive measures (2005), by Deirdre McCann
- No. 3 Statistics on working time arrangements based on time-use survey data (2003), by Andrew S. Harvey, Jonathan Gershuny, Kimberly Fisher & Ather Akbari
- No. 4 The definition, classification and measurement of working time arrangements (2003), by David Bell & Peter Elias
- No. 5 Reconciling work and family: Issues and policies in Japan (2003), by Masahiro Abe, Chizuka Hamamoto & Shigeto Tanaka
- No. 6 Reconciling work and family: Issues and policies in the Republic of Korea (2004), by Tae-Hong Kim & Hye-Kyung Kim
- No. 7 Domestic work, conditions of work and employment: A legal perspective (2003), by José Maria Ramirez-Machado
- No. 8 Reconciling work and family: Issues and policies in Brazil (2004), by Bila Sorj
- No. 9 Employment conditions in an ageing world: Meeting the working time challenge (2004), by Annie Jolivet & Sangheon Lee
- No. 10 Designing programmes to improve working and employment conditions in the informal economy: A literature review (2004), by Dr. Richard D. Rinehart
- No. 11 Working time in transition: The dual task of standardization and flexibilization in China (2005), by Xiangquan Zeng, Liang Lu & Sa'ad Umar Idris
- No. 12 Compressed working weeks (2006), by Philip Tucker
- No. 13 Étude sur les temps de travail et l'organisation du travail: Le cas du Sénégal. Analyse juridique et enquête auprès des entreprises (2006), by Alfred Inis Ndiaye
- No. 14 Reconciling work and family: Issues and policies in Thailand (2006), by Kyoko Kusakabe
- No. 15 Conditions of work and employment for older workers in industrialized countries: Understanding the issues (2006), by N.S. Ghosheh Jr., Sangheon Lee & Deirdre McCann
- No. 16 Wage fixing in the informal economy: Evidence from Brazil, India, Indonesia and South Africa (2006) by Catherine Saget
- No. 18 Reconciling work and family: Issues and policies in Trinidad and Tobago (2008), by Rhoda Reddock & Yvonne Bobb-Smith
- No. 19 Minding the gaps: Non-regular employment and labour market segmentation in the Republic of Korea (2007) by Byung-Hee Lee & Sangheon Lee
- No. 20 Age discrimination and older workers: Theory and legislation in comparative context (2008), by Naj Ghosheh
- No. 21 Labour market regulation: Motives, measures, effects (2009), by Giuseppe Bertola
- No. 22 Reconciling work and family: Issues and policies in China (2009), by Liu Bohong, Zhang Yongying & Li Yani
- No. 23 Domestic work and domestic workers in Ghana: An overview of the legal regime and practice (2009), by Dzodzi Tsikata
- No. 24 A comparison of public and private sector earnings in Jordan (2010), by Christopher Dougherty
- No. 25 The German work-sharing scheme: An instrument for the crisis (2010), by Andreas Crimmann, Frank Weissner & Lutz Bellmann

-
- No. 26 Extending the coverage of minimum wages in India: Simulations from household data (2010), by Patrick Belser & Uma Rani
- No. 27 The legal regulation of working time in domestic work (2010), by Deirdre Mc Cann & Jill Murray
- No. 28 What do we know about low-wage work and low-wage workers (2011), by Damian Grimshaw
- No. 29 Estimating a living wage: a methodological review (2011), by Richard Anker
- No. 30 Measuring the economic and social value of domestic work: conceptual and methodological framework (2011), by Debbie Budlender
- No. 31 Working Time, Health, and Safety: a Research Synthesis Paper (2012), by Philip Tucker & Simon Folkard
- No. 32 The influence of working time arrangements on work-life integration or 'balance': A review of the international evidence (2012), by Colette Fagan, Clare Lyonette, Mark Smith & Abril Saldaña-Tejeda
- No. 33 The Effects of Working Time on Productivity and Firm Performance: a research synthesis paper (2012), by Lonnie Golden
- No. 34 Estudio sobre trabajo doméstico en Uruguay (2012), by Karina Batthyány
- No. 35 Why have wage shares fallen? A panel analysis of the determinants of functional income distribution (2012), by Engelbert Stockhammer
- No. 36 Wage-led or Profit-led Supply: Wages, Productivity and Investment (2012), by Servaas Storm & C.W.M. Naastepad
- No. 37 Financialisation and the requirements and potentials for wage-led recovery – a review focussing on the G20 (2012), by Eckhard Hein & Matthias Mundt
- No. 38 Wage Protection Legislation in Africa (2012), by Naj Ghosheh
- No. 39 Income inequality as a cause of the Great Recession? A survey of current debates (2012), by Simon Sturm & Till van Treeck
- No. 40 Is aggregate demand wage-led or profit-led? National and global effects (2012), by Özlem Onaran & Giorgos Galanis
- No. 41 Wage-led growth: Concept, theories and policies (2012), by Marc Lavoie & Engelbert Stockhammer
- No. 42 The visible face of Women's invisible labour: domestic workers in Turkey (2013), by Seyhan Erdoğan & Gülay Toksöz
- No. 43 In search of good quality part-time employment (2014), by Colette Fagan, Helen Norman, Mark Smith & María C. González Menéndez
- No. 44 The use of working time-related crisis response measures during the Great Recession (2014), by Angelika Kümmerling & Steffen Lehndorff
- No. 45 Analysis of employment, real wage, and productivity trends in South Africa since 1994 (2014), by Martin Wittenberg
- No. 46 Poverty, inequality and employment in Chile (2014), by Sarah Gammage, Tomás Alburquerque & Gonzalo Durán
- No. 47 Deregulating labour markets: How robust is the analysis of recent IMF working papers? (2014), by Mariya Aleksynska
- No. 48 Growth with equity in Singapore: Challenges and prospects (2014), by Hui Weng Tat & Ruby Toh
- No. 49 Informality and employment quality in Argentina, Country case study on labour market segmentation (2014), by Fabio Bertranou, Luis Casanova, Maribel Jiménez & Mónica Jiménez
- No. 50 Comparing indicators of labour market regulations across databases: A post scriptum to the employing workers debate (2014), by Mariya Aleksynska & Sandrine Cazes

-
- No. 51 The largest drop in income inequality in the European Union during the Great Recession: Romania's puzzling case (2014), by Ciprian Domnisoru
- No. 52 Segmentation and informality in Vietnam: A survey of literature, Country case study on labour market segmentation (2014), by Jean-Pierre Cling, Mireille Razafindrakoto & François Roubaud
- No. 53 A chronology of employment protection legislation in some selected European countries (2014), by Mariya Aleksynska & Alexandra Schmidt
- No. 54 How tight is the link between wages and productivity? A survey of the literature (2014), by Johannes Van Biesebroeck
- No. 55 Job quality in segmented labour markets: The Israeli case, Country case study on labour market segmentation (2014), by Shoshana Neuman
- No. 56 The organization of working time and its effects in the health services sector: A comparative analysis of Brazil, South Africa, and the Republic of Korea (2014), by Jon Messenger & Patricia Vidal
- No. 57 The motherhood pay gap: A review of the issues, theory and international evidence (2015), by Damian Grimshaw & Jill Rubery
- No. 58 The long journey home: The contested exclusion and inclusion of domestic workers from Federal wage and hour protections in the United States (2015), by Harmony Goldberg
- No. 59 The (missing) link between wages and productivity in the Philippines: what role for collective bargaining and the new two-tier wage system? (2016), by Melisa R. Serrano
- No. 60 Negociación colectiva, salarios y productividad: el caso uruguayo (2015), by Graziela Mazzuchi, Juan Manuel Rodríguez y Eloísa González
- No. 61 Non-standard work and workers: Organizational implications (2015), by Elizabeth George & Prithviraj Chattopadhyay
- No. 62 What does the minimum wage do in developing countries? A review of studies and methodologies (2015), by Dale Belman & Paul Wolfson
- No. 63 The regulation of non-standard forms of employment in India, Indonesia and Viet Nam (2015), by Ingrid Landau, Petra Mahy & Richard Mitchell
- No. 64 The regulation of non-standard forms of employment in China, Japan and the Republic of Korea (2015), by Fang Lee Cooke & Ronald Brown
- No. 65 Re-regulating for inclusive labour markets (2015), by Jill Rubery
- No. 66 Minimum wage setting practices in domestic work: An inter-state analysis (2015), by Neetha N.
- No. 67 The effects of non-standard forms of employment on worker health and safety (2015), by Michael Quinlan
- No. 68 Structural change and non-standard forms of employment in India (2016), by Ravi Srivastava
- No. 69 Non-standard forms of employment in some Asian countries: A study of wages and working conditions of temporary workers (2016), by Huu-Chi Nguyen, Thanh Tam Nguyen-Huu & Thi-Thuy-Linh Le
- No. 70 Non-standard forms of employment in Uganda and Ghana (2016), by Christelle Dumas & Cédric Houdré
- No. 71 The rise of the "just-in-time workforce": On-demand work, crowdwork and labour protection in the "gig-economy" (2016), by Valerio De Stefano
- No. 72 The introduction of a minimum wage for domestic workers in South Africa (2016), by Debbie Budlender
- No. 73 Productivity, wages and union in Japan (2016), by Takao Kato
- No. 74 Income security in the on-demand economy: Findings and policy lessons from a survey of crowdworkers (2016), by Janine Berg
- No. 75 Non-Standard forms of employment in Latin America. Prevalence, characteristics and impacts on wages (2016), by Roxana Maurizio

-
- No. 76 Formas atípicas de empleo en América Latina: Incidencia, características e impactos en la determinación salarial (2016), by Roxana Maurizio
- No. 77 Firms' demand for temporary labour in developing countries: Necessity or strategy? (2016), by Mariya Aleksynska & Janine Berg
- No. 78 Remembering rest periods in law (2016), by Naj Ghosheh
- No. 79 Initial effects of Constitutional Amendment 72 on domestic work in Brazil (2016), by the Institute for Applied Economic Research (IPEA)
- No. 80 Coverage of employment protection legislation (EPL) (2016), by Mariya Aleksynska & Friederike Eberlein
- No. 81 Emplois atypiques et résultats sur le marché du travail au Cameroun, en République Démocratique du Congo et au Tchad (2016), by Benjamin Fomba Kamga, Vincent de Paul Mboutchouang & Gaston Brice Nkoumou Ngoa
- No. 82 Impacto de las reformas legislativas en el sector del empleo del hogar en España (2016), by Magdalena Diaz Gorfinkel
- No. 83 Redistributing value added towards labour in apparel supply chains: tackling low wages through purchasing practices (2016) by Doug Miller & Klaus Hohenegger
- No. 84 Resultados de las reformas jurídicas relativas a las trabajadoras y los trabajadores domésticos en Uruguay (2016), by Alma Espino González
- No. 85 Evaluating the effects of the structural labour market reforms on collective bargaining in Greece (2016), by Aristeia Koukiadaki & Damian Grimshaw
- No. 86 Purchasing practices and low wages in global supply chains Empirical cases from the garment industry (2016), by Mark Starmanns
- No. 87 Sectoral collective bargaining, productivity and competitiveness in South Africa's clothing value chain: manufacturers between a rock and a hard place (2017), by Shane Godfrey, Trenton Elsley & Michaele Taal
- No. 88 Mapping Employment Dismissal Law: A Leximetric Investigation of EPL Stringency and Regulatory Style (2017), by Benoit Pierre Freyens & J.H. Verkerke
- No. 89 Social dialogue and economic performance – What matters for business, a review (2017), by Damian Grimshaw, Aristeia Koukiadaki and Isabel Tavora
- No. 90 The International Labour Organization and the Living Wage: A Historical Perspective (2017), by Emmanuel Reynaud
- No. 91 Managing Social Risks of Non-Standard Employment in Europe (2017), by Günther Schmid & Johannes Wagner
- No. 92 Migrants and cities: Research on recruitment, employment, and working conditions of domestic workers in China (2017), by Liu Minghui