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**Organization and Regulation of Employment Relations in
Transnational Production and Supply Networks.
Ensuring Core Labor Standards through International Framework Agreements?**

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Introduction: Globalization and the world of work

One of the most obvious and far-reaching impacts of globalization is on the world of work. Millions of people are affected directly and indirectly at their workplace, in their training institutions or on the job market by dynamic restructuring processes across national borders often far removed from their immediate surroundings. "For people in their everyday lives, there is perhaps no sphere of social life so consistently bombarded with globalist accounts as that of production and work." (Amoore 2002: 1) This economic globalization has not, however, been flanked by global social measures; indeed, a lowering of social protection standards in the name of competitiveness, flexibility and the elimination of old economy instruments of decommodification has been far more commonplace. As firms grow and reorient their business strategies toward global market demands, governments compete to provide them with optimal conditions for investments and profitability. Indeed, despite the increasing internationalization of labor markets, setting standards for wages and working conditions is still dealt with within national boundaries, primarily as a workplace issue marked by employer discretionary or unilateral action, but also, where organized and institutionalized, dependent on a mixture of state regulations and negotiated contracts between national employer and employee representatives.

In this context, trade unions have generally been on the defensive in the challenge to parry liberalization and deregulation processes. Where once strong, their recognition as regulatory actors is eroding; where weak, stemming the tide of commodification has been considerably more difficult. Beyond the national level, their capacity to negotiate binding regulations has been minimal. Cross-border cooperation among often extremely heterogeneous national union organizations is still more a programmatic goal than reality, although such activities are an important force in addressing the often glaring deficits in employment standards generated by cross-border business activity and extending existing labor standards beyond national borders. For its part, international trade union organizations have not been able to mount a comprehensive effort to gain global recognition for labor standards, and the official institutional representative of such norms, the International Labour Office (ILO), has been unable to achieve equal status with such powerful institutions as the WTO, the IMF and the World Bank (Scherer and Smid 2000).

While trade unions have often been pigeon-holed as being "historically superseded" (Castells 1997: 360) and have not drawn much public support for their efforts, increasing globalization

of production and labor market competition on the one hand and the inhuman exploitation of labor in many countries around the globe on the other have fostered the growth of global information and campaign networks and a culture of international concern for the recognition of universal human rights. In this context, support for the closing of the „responsibility gap“ in regard to the condition of labor in the global economy (Braun 2001: 258) is a key factor. Pressured by human rights interest groups and campaigns, whose efficacy is significantly enhanced by mass media and the Internet, corporations have signed on to collective guidelines and compacts as well as to the use of voluntary codes of conduct as a pivotal element of a strategy for corporate social responsibility (CSR). Such platforms, while by no means representing a move toward an encompassing re-regulation of employment, have – as an unintended consequence – opened paths for securing labor standards on a more comprehensive basis.

This paper argues that the setting of labor standards and the regulation of employment relations with the goal of guaranteeing decent working conditions should be integral elements of a system of global governance¹. Although directed at governments, ILO core labor standards are widely recognized by private actors as agenda-setters for both unilateral action and negotiated agreements. While voluntary commitment and good will are recognizable advantages for promoting involvement and creating an atmosphere of reliability and trust, a contractual basis of agreement is essential for global governance to advance and secure a better and more comprehensive distribution of wealth and well being.

One possible instrument toward creating such a contractual basis across national borders throughout global production and supply networks is the International Framework Agreement (IFA). Over the past decade, IFAs have become a recognized basis of agreement between Global Union Federations (GUF) and – predominantly European-based – Transnational Corporations (TNC) for setting labor standards and promoting social dialogue. The question is whether IFAs are developing into an instrument for defining a new arena of "social enclosure" (Max Weber) in terms of multi-level governance. In this context we will address two main questions regarding IFAs:

¹ As defined by the UN Commission on Global Governance, governance is "the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest. There is no single model or form of global governance, nor is there a single structure or set of structures. It is a broad, dynamic, complex process of interactive decision-making that is constantly evolving and responding to changing circumstances." (Commission on Global Governance, 1995: 1)

- First of all, what motivates TNCs to negotiate and conclude IFAs? What is the strategic goal they attach to such an agreement? In this context we will be not only concerned with issues and perspectives of management, but will also look at the union negotiating partner (or partners) as a relevant factor for strategic decision-making within the TNC. For example, were national unions or company employee representatives involved in the negotiation process?
- A second question to be addressed is in regard to the implementation of IFAs throughout global production and supply networks. What conditions may contribute to the negotiation of local contracts embodying the provisions of the IFA? How do IFAs impact with the bargaining agenda at the various levels of the production chain both within the TNC and at its suppliers?

Empirical research is sorely lacking on both issues although a more thorough understanding is crucial for managing IFAs effectively and spreading their use in the regulation of labor standards.

Following a general overview of IFAs as an instrument for the regulation of employment relations in TNCs and their supply networks we will present insights from a case study which highlights the issues addressed in our two research questions. In the final section of the paper we will draw some preliminary conclusions based on the literature and the case study which will formulate elements of a proposed research agenda.

IFAs in the context of globalized employment relations:

What we know, what we do not know

Although the first IFA was negotiated at the end of the 1980s, their recognition as an instrument for regulating employment relations in TNCs and their supply networks did not come into significant use until after 2000. In the mid-1990s, international labor organizations campaigned strongly for the inclusion of social clauses in WTO trade agreements (Scherrer et al. 1998), an initiative which was not only controversial within organized labor, but was ultimately crowded off the WTO agenda in the wake of the 9/11 terrorist attacks in 2001. At the same time, the ILO had reaffirmed its role in defining "decent work" (ILO 1998), establishing the baseline of the debate over working conditions and human rights with its emphasis on Core Labor Standards (CLS) which include the freedom of association and the

right to collective bargaining, the prohibition of forced labor, the abolition of child labor, and the elimination of discrimination in the employment relationship (Arrigo and Casale 2005: 9).

In addition to the impact of the social clause debate in the WTO on developments in the ILO, numerous consumer campaigns and NGO actions which targeted brand name TNCs, blaming them for inhuman working conditions in developing countries (Klein 1999 and others), generated widespread media interest in the topic. In the context of a developing discourse over corporate social responsibility, corporate management responded with their own voluntary and unilateral Codes of Conduct and a variety of cooperative monitoring initiatives (e.g. Fichter and Sydow 2002; Müller and Rüb 2005). Beyond being designed to stem the negative publicity and its impact on shareholder value, their record as an instrument to foster decent labor standards, in cheap labor countries in particular, has been continually challenged by activist NGOs and trade unions on the basis of reported violations at the workplace (e.g. Wick 2003; Haan and Oldenziel 2005).. In particular, trade unions (along with NGOs) have criticized the unilateral and voluntary character as well as the monitoring deficits of such codes.

Behind the emergence of IFAs: Interests – Motivations – Goals

Alternatively, organized labor has backed the use of more binding accords negotiated and signed by international labor organizations or company employee representatives. The Global Union Federations as the international representatives of sectoral unions have promoted the use of company agreements, i.e. IFAs – negotiated between TNC headquarters management and the responsible GUF to monitor working conditions at the workplace – oftentimes including those at suppliers. Employee representatives in several European-based TNC, building on their experiences and status in conjunction with European Works Councils, have also signed accords involving them in the implementation and monitoring of labor standards.

The first IFA dates back to 1988 (signed between the IUF and BSN Group, currently known as Danone) and was a result of several years of social dialogue on industrial relations between unions and company management (Spooner 2003). It was finally introduced in Danone's

effort to make their “ethical” behavior transparent and credible and (Oswald 2005). As of May 2007, 53 IFAs² covering some four million employees have been negotiated and signed.

The question as to why IFAs have been agreed upon between unions and this selection of corporations is still an open one on which more empirical research is needed. Bourque (2005) has presented an explanation using a collaborative paradigm perspective: in the 1990s, the International Confederation of Free Trade Unions (ICFTU) and the International Trade Secretariats, as the GUFs were called at the time, embarked on an intensified course of cooperation in the area of corporate social responsibility which resulted in the rapid increase in IFA signings (see Table 1 in appendix). Indeed, because IFAs certify the recognition of GUFs and other trade union bodies, they are defended by unionists as a sign of functional social dialogue and social partner relationships on the international level (Ryder 2003), a necessary prerequisite for creating a legal framework on labor standards (Justice 2003) and giving impetus to the goal of international industrial relations (Hammer 2005).

The fact that the first agreement was signed in France and that the overwhelming majority of all further IFAs cover TNCs headquartered in Europe is an indication of the importance of the institutional framework of employment relations in the European Union. In particular, the issuance of the EU Directive on European Works Councils in 1994 provided an important impetus for extending employee representation beyond national borders. Today, close to 800 European companies, most of which are TNCs with at least 10,000 employees (ETUC 2006), have such bodies. The concentration of IFAs in European TNCs suggests that this institutional setting has laid the groundwork for the signing of such global accords (Rudikoff 2005). Indeed, this even holds for the IFAs signed prior to the mid-1990s, as many of them have been revised to conform to the minimum requirements stipulated by the EU Directive.³

Still, it is noteworthy that no UK-based TNC has signed an IFA even though some of them have European Works Councils. Outside of the EU, no Japanese or Korean TNC has an IFA, and the only US-based TNC is Chiquita, whose agreement does not cover its domestic operations in the US. Despite the lack of evidence concerning the reasons why so few IFAs have been signed outside of Europe,⁴ there are clear indications that unions outside of Europe have been reluctant – and even unwilling (Franz 2002) – to use this tool. This can be

² The calculation of IFAs is based on the numbers declared by GUFs. Although some of these agreements do not meet all the criteria which Hammer (2005) uses to define an agreement as an IFA, they are still included in our listing.

³ Dalban-Moreynas, P., correspondence from September 5, 2006.

⁴ Only four agreements are signed with non-European TNCs – AngloGold, Lukoil, Chiquita and Fonterra.

detrimental to the legitimacy and acceptance of IFAs in those countries and questions the strategic direction and relevance of the international trade union movement.

Stevis and Boswell (2006) explain the emergence of IFAs as resulting from the inadequacies of global governance in regard to labor and employment relations and the growing importance which TNCs attach to corporate social responsibility. Why exactly TNC management in Europe has been more motivated to sign IFAs than its counterparts in other regions of the world, is still an open research question. The overwhelming majority of TNCs shows little interest in such agreements and the union recognition they entail. Some authors have pointed to the importance of corporate social responsibility or to factors such as the cost benefits of high road competition (Oswald 2005). But since CSR is endorsed by non-European based corporations as well, especially those with a "market for virtue" (Vogel 2006), its mere advocacy does not adequately explain a readiness to enter into a framework agreement with the unions. Moreover, a case may be made that there is a collective action problem in managing corporate social responsibility efforts, and TNCs may be unwilling to incur the extra costs which an IFA could entail unless they are assured that competitors will bear the same burdens (Detomasi 2006). Hiß (2006) argues that a "CSR myth" exists and as such, commitment to corporate social responsibility may foster visible reactions to pressures from civil society and government but does not necessarily result in its full institutionalization in the corporation's business practices. As the International Textile, Garment and Leather Workers Federation (ITGLWF) points out on its website,

"Whilst it can be said that some multinationals in Textile Clothing and Footwear now perceive corporate social responsibility as a routine management function, there is great variety in the way that they seek to embrace the implementation of ethical practice within their supply chains. The learning curve has been for some a steep one but 'csr' or corporate social responsibility, as it is known, has spawned a new industry of auditors, consultants and trainers and many companies including some of the brand leaders still dabble in more than one approach and more than one multi-stakeholder initiative." (ITGLWF 2007)

Other explanations point to the impact of national business cultures (ICEM 2005) or to the importance of such factors as "industrial peace", "the image of the enterprise as a global entity" or to an interest in polishing "a company's image vis-à-vis competitors" and to good publicity (IOE 2005). At the same time, IFAs can also be a useful tool of risk management, providing TNCs with more intelligence as regards of potential labor related problems in its economic activities and also in its supply chains or networks. Here IFAs function as alerting systems (IFBWW 2004) for identifying problems and violations before they became public.

When unions identified numerous violations of IKEA's code (Haan and Odenziel 2003), labor did not start public campaign immediately but first approached IKEA's management in order to find solutions to these violations (Christopherson and Lillie 2005). To some extent IFAs also contribute to the delivery of industrial peace throughout all parts of the organization, in particular when TNCs recognize that the responsible unions have the capacity to deliver on threats of production disruption and social unrest. This a point which Crouch (2006) has developed further in terms of the importance which leading firms attach to avoiding potential risks by recognizing and addressing long-term interests which foster a "reputation for trust" with customers, investors and employees. To what extent this approach is actually institutionalized, e.g. in an IFA, will depend heavily on the importance the firm attaches to the long-term perspective.

Finally, there is the argument in favor of IFAs which emphasizes the fact that workers treated fairly are more productive (Rüb 2004). A number of companies have also emphasized that after signing IFAs better working relationships with unions have developed (IOE 2005). But as the International Organization of Employers (IOE 2007) points out on its website,

“many companies that have signed IFAs principally see them as a vehicle for deepening dialogue, first and foremost, and not as an industrial relations exercise. The difficulty however is that International Trade Unions see them as the latter, which might explain the growing trend of including dispute resolution mechanisms in the text of IFAs.”

Our analysis of IFAs identified two groups of TNCs as signatories – those which had a history of good internal communication, a well-developed culture of employee relations and dialogue within formalized labor structures (the majority of the European TNCs) and those whose product brands are sensitive to public pressure. The companies of the first group are headquartered in countries with highly institutionalized systems of labor relations. In their business practices they have committed themselves to corporate social responsibility policies and the promotion of good relations with home country unions (e.g. Accor, Danone, Norske Skog, Volkswagen). For these TNCs, signing an IFA embodies the recognition and institutionalization of an existing CSR policy, which in many cases had previously been written into a voluntary code of conduct. The second group of companies includes those cases where despite the absence of institutionalized practices, union strength and the capacity for mobilization and campaigning (sometimes in cooperation with NGOs) have brought TNCs to sign IFAs (Chiquita, IKEA, Arcelor). Key motivational factors in this group are both the presence of strong unions and the need to present themselves as socially responsible in comparison to competitors.

The scope of IFAs

Basically, IFAs specify minimum social standards which are to be applied throughout the TNC. Most agreements also contain provisions which extend them to suppliers' employment practices. The minimum standards include not only core labor standards, but also other relevant issues such as health and safety, skills development, wages and working time. Most agreements – as a closer analysis of their contents show – include enforcement mechanisms; however, these are restricted to complaint procedures handled by joint review bodies. As the cases of Accor (Wills 2002), Chiquita (Riisgaard 2004), and IKEA (IFBWW 2004) show, IFAs can have an impact under conditions of consequential implementation and continuing monitoring.

Nevertheless, the scope of regulatory content and procedures in an IFA differs markedly from one IFA to the next, even among IFAs negotiated by a single GUF. Still, there is a basic trade union understanding common to all of their approaches which is well formulated in the first IFA of the IUF (2006a: 2):

“to provide space within the specific global company's operations for unions to organize freely and for workers to exercise their rights within the company free of any form of obstruction – particularly the right to form or join a union”.

The opening of "space for organizing", meaning the free and unrestricted exercise of freedom of association, is regarded as the most vital and important goal of IFAs for labor. Unions view IFAs as a means of stopping membership decline and enhancing union power to establish and regulate labor standards. This core issue is the foundation for Hammer's analytical distinction between "rights agreements" (those that aims at ensuring the right to freedom of association and collective bargaining) and "bargaining agreements"(which "contain detailed provisions about regular meetings, deal with a range of issues beyond core labor rights and are meant to be discussed, renegotiated or prolonged after certain intervals" (Hammer 2005: 519).

Another categorization was introduced by Nilsson (2002), whose six criteria for defining an agreement as an IFA are based on the pioneering and comprehensive IFA reached by the IUF and Danone:⁵ the global reach of the agreement, references to the ILO Conventions, extension to suppliers, a GUF as a signatory, trade union involvement in the implementation, and the

⁵ On the understanding of the Danone agreement as the most comprehensive see Hammer 2005, Gallin 1999, Torres and Gunnes 2003.

right to bring complaints. For our analysis of the presently 53 IFAs, we find the following categories, to which we have attached illustrative information, particularly useful and relevant:

- ILO Core Labor Standards:

The vast majority of IFAs include the four core labor standards and explicitly refer to the ILO Conventions upon which they are based.

- Inclusion of other ILO Standards:

Some 40 out of 53 IFAs refer to other ILO Conventions.

- Reference to other international agreements:

IFAs often contain reference to one or more of the following agreements: UN Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, ILO Declaration on Multinational Enterprises and Social Policy, ILO Code of Practice on Safety and Health, ILO HIV/AIDS codes of practice, European Union Directive on EWCs, and in some cases company specific, usually unilateral corporate social responsibility documents.

- Range of topics:

Many IFAs make explicit reference to occupational safety and health issues, fair and decent wages, education and training (including language training), environment and workplace restructuring. Almost a half of IFAs contain clauses related to working time, hours of work, overtime and time off. It is common for such topics to refer to the authority of national/international laws or national/industrial collective agreements, which in some countries equates to a low level of protection. Single agreements contain provisions on HIV/AIDS awareness, on social dialogue and communication between stakeholders, on physical abuse/threats or unusual punishment/penalties, on illegal payroll deductions, on sexual harassment, on the treatment of migrant and posted workers, or on transparency and information disclosure.

- Notification and publication of the IFA:

Many but not all IFAs make clear statements about notifying employees and suppliers of the agreement. In some cases, the language of the agreement is quite explicit, whereas in other cases, the language is more general. Some agreements envisage joint efforts or joint

responsibility to raise awareness of IFAs. The texts of the majority of IFAs are publicly accessible online and in different languages.

- Regulation of union involvement:

All IFAs include some form of trade union involvement, but in most cases, the IFA contains only very general language regarding the type and extent of involvement. In light of the fact that almost all IFAs are "top-down" agreements, there is little evidence of active involvement of local unions in the implementation process. Indeed, up to now, only one agreement, signed by UNI with the French power company EDF, includes union representatives from various countries and subsidiaries as well as two workers from non-unionized countries in Asia as signatories of the agreement.

- Duration of the agreement:

The majority of IFAs do not have an expiration date, but in many cases a review is envisaged after two or three year's time.

- Monitoring:

The majority of IFAs institutionalize monitoring procedures through the establishment of joint union-TNC committees.

- Dispute resolution:

Most IFAs include dispute resolution procedures involving the union signatories. Certain GUFs (BWI, IUF and ICEM) have guaranteed their role in the administration and dispute settlement by direct reference. Only ten of the agreements contain explicit clauses that commit management to neutrality in regard to union organizing campaigns or forbid them to hire replacement workers during disputes. The Skanska IFA includes the establishment of an arbitration board. None of the IFAs stipulates any kind of sanctions against the company in violation of the agreement. The most effective sanction in the case of violation by the signatory company of the principles stated in a framework agreement remains, in view of GUFs, the targeted corporate image resulting from "naming and shaming" campaigns organized by the international union movement.

- Compliance by suppliers and sub-contractors:

The provisions on suppliers' compliance included in the majority of IFAs differ in their obligatory dimension – ranging from a general commitment to inform suppliers to specific commitments by the signatory parties.

Implementation: Monitoring and dispute resolution within the TNC

As has been examined in reference to codes of conduct, implementation is a key issue (e.g. Gordon and Miyake 2000). Different institutional and legal frameworks, business cultures and attitudes, intraorganizational structures, the role of local management, subcontractors, and suppliers as well as issues of union involvement and resources all contribute to the complexity of ensuring effective implementation.

Since monitoring is a starting point for effective implementation it is argued to be the most important part of IFA related strategy of labor. Müller and Rüb (2005) distinguish three basic approaches: the integration of monitoring into company management procedures (with the possible involvement of external auditors like in our case study on IKEA), monitoring conducted exclusively through unions, and thirdly, a "wait-and-react" approach (DaimlerChrysler IFA). Beyond these three approaches, monitoring can also be effected through available representation structures such as European Works Councils. Although the issue of cooperation between the EWCs and unions remains controversial (ICEM 2005) within organized labor, research has turned up positive experiences (Wills 2002). In contrast, little is known regarding the inclusion of NGOs in the monitoring of IFAs and whether this approach could be regarded as a possible "winning combination" (Hall-Jones 2006).

From labor's viewpoint, union-conducted monitoring is the most effective means. For UNI, "the key to agreements [IFAs] is the feedback from workers and their national unions to us – supplemented by regular meetings at a global level".⁶ While the presence of a local union is perceived to be a pre-condition for effective implementation, at the same time it is also often seen as an intended result (Müller and Rüb 2005). The GUFs may persist in demanding that management recognizes the right to unionize, but without some semblance of local union activity, such demands become mere appeals (see Wills 2002). Equally, local unions need the GUF to pursue reported violations in the interest of effective implementation of IFAs.

For a system that monitors and verifies compliance to be complete, it must include a mechanism to handle complaints and ensure enforceability. This is a difficult legal issue due to the multi-national dimension of agreements. As there is no international legal framework on industrial relations, there are also no adequate international law enforcement agencies with

⁶ Howell, N., correspondence from March 20, 2006.

the appropriate jurisdiction. Some GUFs deal with the implementation of agreements on a weekly basis and prefer more informal discussions with responsible company managers.⁷ Such proceedings are often considered to be confidential and are not accessible publicly. There is also a belief in the unions that “not much noise” contributes to better working relationships between partners⁸. In general however, we would argue that the enforcement of IFAs is only realistically possible through the full involvement of company management channels, local union support and the activities of outside whistleblowers.

Implementation of the IFA in the supply network

In the view of increased outsourcing greater attention is given to the problem of suppliers' compliance with international labor standards. The use of a global commodity chains analysis (Gereffi et al. 2005) to help identify modes of governance (Fichter and Sydow 2002) can be of value in determining the kinds of labor issues pertinent to a particular supply network. Nevertheless, the impact of a particular mode of governance – market, network, or hierarchy – upon labor relations and working conditions is anything but clear.

Anyhow, in addition to the range of problems within the TNC denoted above several specific supplier and supplier network issues should be considered. First of all, there is the question of sanctions for non-compliance, i.e. the kind of sanctions to be applied and their implications. For example, termination of a contract can cause plant closure – with largely unwanted effects on local employment. Secondly, the complexity of the TNC-suppliers relationships and difficulties in identifying suppliers make monitoring and implementation extremely difficult and places a heavy resource burden on the process (Greven and Scherer 2002 on the example of toy industry). Thirdly, there is a problem of determining responsibility for insuring supplier compliance. For the TNC this may amount to a question of competitive advantage, while unions usually do not have the resource capacity to coordinate or monitor global supply networks. Moreover, suppliers are quite often small or medium enterprises with only limited or no union presence and no brand reputation to defend. National unions are often overtaxed and unable to adapt to the additional demands which such monitoring would entail.

In the following section we will present some initial findings from preliminary research, taking a closer look at many of these motivational issues and implementation problems in a

⁷ Blin, D., correspondence from August 17, 2006.

⁸ Howell, N., correspondence from March 20, 2006.

review of the IKEA international framework agreement in its supplier network. Although this review cannot address all of the issues, it does provide many insights into the complexity of the conflicts, strategies and approaches involved.

The IKEA IFA: Insights from a case study

IKEA is an international brand name for furniture and other household goods with an extremely high level of consumer recognition. Although its sales (81%) and purchases (67%) are concentrated in Europe, it directly employs over 100,000 people in 44 countries worldwide. Rooted in the Swedish neo-corporatist and social partnership environment, ownership and management promote corporate social responsibility based on a creed of cooperative, non-hierarchical employment relations and a “society of virtuous circles”, uniting economics, politics and ethics and promoting equality as a means for developing human productive capacities. IKEA believes in the co-existence of “good business and good company” (IKEA 2004) – better working conditions lead to more efficient production and better productivity, poor labor conditions and low standards are the result of poor management. Good working conditions and profitability are not contradictory goals, instead they are the basic elements of CSR.

This approach may explain why there is no IFA covering IKEA employees while since 1998 the company has committed itself through agreements signed with the unions to securing decent labor standards at its suppliers. IKEA has outsourced practically all of its production and production-related operations to some 1,300 suppliers in 53 (mostly low wage) countries (Haan and Oldenziel 2003; IKEA 2005). Supply network management is under the direction of Verticalnet (2002), which is developing an internet bidding platform to realize cost savings in the range of 20%. IKEAs reputation depends upon not only the quality of product and services it provides to its customers but also on what is known about the working conditions in its stores and with its suppliers. At the same time, IKEA believes that “good working conditions ... at our suppliers, are essential and a prerequisite of doing good business” (IKEA 2003). Therefore, the company claims to work closely with its suppliers while helping them to meet IKEA’s standards for production, sometimes also providing loans for investing in improvements (IKEA 2005).

In the late 1990s, media reports of bad working conditions at wood suppliers led IKEA and several Nordic unions to consider ways of dealing with the problem. The outcome was a

framework agreement signed in May 1998 with the International Federation of Building and Wood Workers (IFBWW), which now goes by the name Building and Woodworkers International (BWI). (Haan and Odenziel 2003) After more pressure from unions and consumer groups, IKEA announced a new voluntary code of conduct covering all of its suppliers in 2001. The code charges them to respect fundamental human and workers' rights and to treat their workers fair (IKEA 2002). Subsequently, the IFBWW-IKEA agreement for wood suppliers was revised in 2001 and references to this code were added. The Code "IKEA Way on Purchasing Home Furnishing Products, IWAY" is attached to the revised IFBWW-IKEA agreement together with two further company codes, one on the prevention of child labor and one enumerating IWAY Standards. The IFA and attached code stress IKEA's expectations of socially responsible production at its suppliers, including a list of explicit "musts" and "must nots". IKEA also introduced a worldwide model buyer contract based on its code for all suppliers.

The IKEA code of conduct is monitored by the company's internal auditing unit. Around seventy trained auditors make inspections at least every two years. In cases of violations, the auditors develop action plans jointly with suppliers (IKEA 2005). Each action plan is followed by numerous re-audits. IKEA also uses external auditing companies⁹ to verify its working methods and results and to conduct their own audits, usually in cases of priority problems (for example child labor) (Haan and Oldenziel 2003). Reported violations include overtime and compensation for overtime, contract agreements on dormitories for workers as well as violations of freedom of association. IKEA management attributes the violations in emerging economies to the local traditions and cultures and to generally lower industry standards. IKEA has used non-compliance with the code to terminate business relationships with a number of suppliers¹⁰. (IKEA 2004, 2005, 2006)

IFBWW/BWI's involvement in the implementation of the agreement and attached codes of conduct is limited to participation in a joint reference group. BWI represents the employees together with the Swedish Forest and Wood Workers' Union (Skogs- och Träfacket). Unlike many other IFAs, the unions have no monitoring rights. In the words of the BWI, it strives "to assist the development of IKEA standards and the management system of securing ILS [International Labor Standards] and to develop good industrial relations between the suppliers

⁹ The external audits are assigned to KPMG, PricewaterhouseCopers and Intertek Testing Service.

¹⁰ The violation of the code was the only reason of the termination of the contract with 10 suppliers and one of several reasons – with 39 suppliers in 2004, 8 and 24 respectively in 2005, and 6 and 21 suppliers respectively in 2006.

and the BWI affiliates” (IFBWW 2004). At the bi-annual meetings of the reference group IKEA presents a progress report on which the unions comment. The unions, in particular BWI, present complaints submitted by its affiliates on violations of the code. The majority of these complaints concern the two core Conventions 87 and 98 on the freedom of association and collective bargaining.

BWI is openly critical of what it regards as a lack of transparency in IKEA’s auditing systems. From the union’s point of view, very little information on implementation is provided making it unclear to what extent the standards are put into practice (Haan and Oldenziel 2003). As such, the union questions whether IKEA is actually improving the working conditions in its supply network, or whether the code of conduct is just a public relations tool. In some instances, IKEA has reacted to this criticism by including BWI affiliates into its audits in some countries (for example in Malaysia and India). But management still refuses to disclose its supplier information, “for legal and competitive reasons” (IFBWW 2004).

As for using the IFA as a tool for membership recruitment, the only available evidence on this so far comes from Poland where unions used the IFA to organize nine out of twelve wood supplier plants run by the IKEA subsidiary Swedwood (IFBWW 2004).

Implementation case at IKEA suppliers in Russia and Ukraine

Empirical research on the implementation of the IKEA IFA and its codes of conduct was conducted by one of the authors in Russia and in the Ukraine, including interviews with managers from IKEA headquarters and the local plants as well as with trade unions leaders at the regional and branch offices. The in-depth case analyses focused on the approaches of reformed unions from the socialist period to the application of the IKEA IFA at the Tikhvin wood processing plant in Russia and the STEM wood processing plant in the Ukraine.¹¹ Both factories are owned by Swedwood which is a major supplier of wood and furniture to IKEA.¹²

The Tikhvin plant is a Greenfield site, which produces furniture and other wood products for IKEA. Since it began operation in 2002, no union recruitment has taken place. While the head

¹¹ IKEA’s confidentiality policy regarding suppliers made finding possible cases difficult and limited the choices.

¹² Swedwood was originally formed by IKEA as a subsidiary in 1991 in order to safeguard itself from the loss of suppliers in Eastern Europe in late 80s.

of the responsible branch union, the Russian Timber and Related Industries Union, reported in 2006 that he expected a union local to be functional at the plant within two months, the responsible regional secretary of the St. Petersburg Province Trade Union Committee admitted that there had never been an attempt to organize the plant. In the Soviet era, unions were never faced with such a task; today, officials from that era are hard-pressed to adapt. In the eyes of the regional secretary, using the IFA to organize is difficult because such an instrument is “foreign” “due to a different industrial relations climate in Russia compared to the Western Europe”.¹³ Nevertheless, both union leaders responded positively to contacts initiated by Swedish and Finnish unions, attending joint seminars offered on IFAs.

The STEM factory in the Ukraine was privatized in the 1990s and became an IKEA supplier in 1996 (BWI 2005). After privatization, the union lost all of its members at the plant, as the new owners reduced the workforce and replaced the greater part of the remaining employees with new ones. Throughout the region, its membership dropped from some 50,000 in the 1980s (100% density) to 5,000 (25%) in 2005. At first, Mr. Illkov,¹⁴ the Head of the Zakarpatskyi Province Committee of the Forestry Trade Unions, approached the STEM local management at the plant, offering cooperation and to establish a social dialogue. This offer was rejected outright. Management claimed to have no mandate when Mr. Illkov made further attempts to negotiate issues of employment, referring the issue to higher levels of Swedwood management outside of the Ukraine. Mr. Illkov had never heard of the IKEA IFA or of its codes of conduct, and despite numerous attempts, was unable to obtain a copy in Russian from either Swedwood or BWI. Illkov claimed that there were numerous violations of Ukrainian labor laws at the plant. In addition, management had dismissed full-time employees, replacing them with temporary employees, twelve to fourteen hour shifts were common practice along with the refusal of overtime pay for night work. To be sure, wage rates compared favorably to other plants, but workers chose not to contact the union, fearing disciplinary repercussions or even dismissal. As such, Mr. Illkov was frustrated by not being able to get a copy of the IFA.

Other case studies on working conditions at IKEA suppliers have produced similar findings. Haan and Odenziel (2003) conducted empirical research in India, Bulgaria and Vietnam and found that the most frequent violations of the IKEA IFA and codes of conduct concern freedom of association and the right to collective bargaining. Some suppliers actively

¹³ The inflation rate as declared by the government lies at 8% in average, but the prices increased at 20-30%. The union has, however, to follow the official inflation growth rates in their bargaining over pay increases.

¹⁴ Interview with Illkov August 18, 2006.

prevented the forming or operation of workers organizations by terminating workers or by eliminating their jobs. In other cases, like Vietnam, trade unions existed only under close state supervision and control. Moreover, as in Russia and the Ukraine, employees were ill informed about their rights, and there was no evidence that the plants had been monitored by IKEA. Interestingly, these findings are indirectly confirmed by IKEA's own reports, which for the past three years have shown a drastically falling rate of compliance (from 65% to 37%) regarding freedom of association and collective bargaining (IKEA 2004, 2005, 2006)

Preliminary conclusions:

Limitations and weaknesses of IFAs, implications for implementation and future research

IFAs were introduced to overcome deficiencies in the national regulation of employment practices in cross-border production and supply networks, particularly in developing countries. Through IFAs, GUFs seek corporate acceptance of globally accepted standards (Stavis and Boswell 2006), usually addressed to governments (IOE 1999). IFAs go beyond voluntary CSR commitments such as codes of conduct by providing a contractual basis for TNCs and trade unions to define standards of employment and procedures for securing comprehensive coverage of them. Although IFAs are not a replacement for enforceable legal statutes backed by government sanctions, their delineation of the rights and responsibilities of the signatories can be a tool for combating global “anarchy” (Detomasi 2006) and, at the least, ensuring the implementation of core labor standards by TNCs.

Preliminary assessment of the existing IFAs has revealed a very incomplete level of implementation (IMF 2006) as well as a low level impact of the agreements in terms of securing labor rights and membership growth, both for lack of motivation by TNCs and reluctance on the part of local unions to drive hard use of agreements (IUF 2006). In addition, as shown in the IKEA case, organizational and inter-organizational barriers may make it difficult to implement them.

While the validity of our individual case studies for generalized conclusions on the motivation and implementation of the IKEA IFA is quite limited, they do illuminate basic issues

concerning the use of IFAs as tools for establishing labor standards and regulating employment conditions in TNCs and their supply networks:

- Management problems.

IKEA management and its monitoring team can only do spot checks. There is no management policy for a continuous controlling regarding labor standards nor do training programs to overcome the deficits exist. As such, social standards become irrelevant for local management in the face of tightening production deadlines and cost restrictions.

- Union problems

GUF support and informational capacities are limited, reaching at best only to the national and sometimes to a regional level of the responsible branch union. As such, the GUF passes on its responsibilities and responsibilities as an IFA signatory to a separate organization, which has not been involved in establishing the IFA, but has jurisdiction over its implementation in the country in which it (and the TNC or its suppliers) operates. This inhibits the flow of information on the IFA to the workplace and the reporting of violations at the workplace to the GUF. Indeed, if a plant, which is formally subject to the terms of the IFA, has no union, or if the plant union is weak, there will also be no organized source of advocacy for implementation.

- Role of NGOs

NGOs have had a leading role as whistleblowers, publicizing violations of human rights and unacceptable working conditions within TNC supply networks. But there has also been tension between NGOs and local trade unions over the content and direction of such public campaigns. Whether it is in the interest of NGOs to be incorporated into a continuous monitoring system of an IFA, or whether it is even possible to do so in the interest of a “win-win” situation, is an open question which has hardly been addressed by TNCs, unions and NGOs.

- Activities of home country unions

Home country unions can play a crucial role in ensuring full-scale implementation. As initiators or catalysts for the drafting of IFAs and sometimes as co-signatories, home country unions have a responsibility to actively promote implementation. The bilateral seminars offered by the Swedish unions in the Tikvhin case study is an example of the kind of activity which could assist in overcoming the information deficit and strengthening the chain of involvement which is crucial to ensuring full-scale coverage.

Lastly, we would like to point out that discrepancies are evident in the expectations which the various actors have regarding IFAs. These differences can be found both in the existing IFAs and in approaches toward their future development. TNCs generally regard IFAs as a tool for deepening dialogue with employees IOE (2005) in order to ensure industrial peace, enhance the company's image, and to legitimize their CSR policies through the incorporation of employment issues. For its part, international labor organizations such as the GUFs view IFAs more in terms of their recognition by TNCs of the emergence of global industrial relations. If not addressed and overcome, such differences along with the lack of adequate implementation, i.e. due to resistance and non-involvement within the supply network may undermine the prospects for IFAs to become broadly accepted as tools to regulate labor relations across borders. Future research needs to develop our understanding of these issues and find answers to the questions they raise.

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Appendix

Table 1: Listing of International Framework Agreements by year and industry

	TNC	GUF	Year	Sector
1	Danone	IUF	1988	Food processing
2	Accor	IUF	1995	Hotel & tourism
3	Ikea	BWI	1998	Furniture & Housewares Retail
4	Statoil	ICEM	1998	Oil & Gas Refining
5	Faber-Castell	BWI	1999	Office & writing material
6	Freudenberg	ICEM	2000	Chemical
7	Hochtief	BWI	2000	Construction
8	Carrefour	UNI	2001	Retail
9	Chiquita	IUF	2001	Fresh & processed foods
10	OTE Telecom	UNI	2001	Telecommunication
11	Skanska	BWI	2001	Building-related services
12	Telefonica	UNI	2001	Telecommunication
13	Indesit/Merloni	IMF	2002	Metal
14	Endesa	ICEM	2002	Power
15	Ballast Nedam	BWI	2002	Construction
16	Fonterra	IUF	2002	Dairy
17	Volkswagen	IMF	2002	Auto
18	Norske Skog	ICEM	2002	Paper
19	AngloGold	ICEM	2002	Gold Mining
20	DaimlerCrysler	IMF	2002	Auto
21	ENI	ICEM	2002	Energy
22	Leoni	IMF	2003	Electrical & automotive
23	ISS	UNI	2003	Building cleaning & maintenance
24	GEA	IMF	2003	Engineering
25	SKF	IMF	2003	Ball bearing & seals
26	Rheinmetall	IMF	2003	Electronics, automotive & defence
27	H&M	UNI	2004	Cloths & Retail
28	Bosch	IMF	2004	Automotive & Eletronics
29	Prym	IMF	2004	Metal manufacturing
30	SCA	ICEM	2004	Paper
31	Lukoil	ICEM	2004	Oil & Energy
32	Renault	IMF	2004	Auto
33	Impregilo	BWI	2004	Construction
34	EDF	ICEM/PSI	2005	Energy
35	Rhodia	ICEM	2005	Chemicals
36	Veidekke	BWI	2005	Construction & Property Development
37	BMW	IMF	2005	Auto
38	EADS	IMF	2005	Aerospace & defense
39	Roehling	IMF	2005	Auto & supply
40	Schwan Stabilo	BWI	2005	Writing, drawing, painting materials, cosmetics
41	Lafarge	BWI/ICEM	2005	Construction materials
42	Arcelor	IMF	2005	Steel
43	Falck	UNI	2005	Security
44	UPU	UNI	2005	Postal services
45	Staedtler	BWI	2006	Writing and drafting instruments
46	PSA Peugeot Citroen	IMF	2006	Automotive
47	Royal Bam Group	BWI	2006	Construction
48	Portugal Telecom	UNI	2006	Telecommunication
49	Securitas	UNI	2006	Security
50	Euradius	UNI	2006	Graphics media
51	Nampack	UNI	2006	Packaging
52	France Telecom	UNI	2006	Telecommunication
53	Volker Wessels	BWI	2007	Construction