

Impact of transnational company agreements on social dialogue and industrial relations¹

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Introduction

In the last two decades, cross-border industrial relations have undergone a steady but most interesting evolution. The constant increase of transnational company agreements (TCAs) in a “no man’s land” legal landscape shows the motivation of labour and management relations to tackle the social consequences of globalization, in most cases with a view to anticipate and participate in changes in sectors of industry, such as the chemical, metal, services, wood, food, tourism and textile sectors. TCAs are defined as the outcome of negotiations between individual multinational enterprises (MNEs) and trade unions at global and European level. They aim to promote a number of International Labour Organization (ILO) principles on labour relations and conditions of work, such as the freedom of association and collective bargaining, thus organizing a common labour relations framework across the worldwide operations of MNEs.

Although TCAs are a recent feature of cross-border social dialogue, many scholars and practitioners have shown much interest in the development of what has been seen as an emerging form of social dialogue at global level and is now viewed as a hybrid form of collective bargaining at international level (Ales et al., 2006). A previous study (Schömann et al. 2008) clarified the differences between international framework agreements (IFAs: agreements signed between MNEs and global/European and/or national trade unions), and codes of conduct (unilateral initiatives of MNEs management on CSR related issues). It emphasized the partnership-based approach of both management and trade unions to negotiating and signing IFAs in order to deal with the challenges of industrial relations and labour conditions in the context of globalization.

In negotiating and signing TCAs, both management and labour are creating a corporate environment and culture to support both the active involvement of employees and the promotion of dialogue-based social relations, thus formalizing the participation of trade unions in MNE operations worldwide. TCAs also refer to the use of existing employees’ representation bodies, or establish their own supranational workers’ representation bodies as permanent social dialogue structures, to ensure dissemination and monitoring of the agreement. The collective ownership of the agreement in most cases fosters effective implementation while allowing for alternative dispute settlement procedures in MNE operations down to their subsidiaries, to plant level and in some cases even down to supplier level.

However, little analysis has been done on the impact of TCAs and their effectiveness in promoting social dialogue and sound industrial relations in MNE operations around the world. Indeed, little evidence has been presented on the contribution of TCAs in promoting freedom of association, workers’ organization and collective bargaining, especially in countries with a poor record of respecting workers’ rights. One reason for the lack of data is probably the recent development of TCAs and the long period needed in general for their negotiation and signing (approximately one to

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three years), and for the dissemination and organization of the structures for implementation and monitoring (approximately two to three years) before any impact can be evaluated.

Additionally, little attention has been paid on how to monitor the impact of the agreements, and only few agreements contain “performance indicators”. Furthermore, economic changes may occur, such as mergers or even the recent economic crisis, which slow the whole process of implementing a TCA.

Many TCAs have been signed in MNEs with headquarters in the European Union (EU) and/or with a large range of activities taking place in the EU. The predominance of EU-based MNEs involved in negotiating TCAs has a significant influence on the whole process: local and European trade unions as well as European industry federations (EIFs) and/or European workers’ representation structures such as European works councils (EWCs) are the most active actors in negotiations. The scope and content of such agreements differ from IFAs in referring to more European values and European legal references while tackling Europe-driven issues such as life-long learning, non-discrimination and equality, restructuring. Furthermore, implementation and monitoring processes imply in most cases the involvement of Europe-based actors. Such evidence has led some scholars (including Telljohann et al. 2009; Béthoux, 2008) and the European Commission (Pichot, 2006) to distinguish between IFAs on the one hand and European framework agreements (EFAs) on the other hand.

Hence, little empirical research has been carried out on the impact of TCAs on cross-border industrial relations and on working conditions., The present paper will therefore focus on evaluating the monitoring and implementation of TCAs, while keeping in mind the distinction between IFAs and EFAs. Furthermore, the paper will explore more in details the role of trade unions and workers’ representation bodies, and the impact of TCA on social dialogue structures and processes . In the next section, it develops the methodological aspects of the research on impact assessment. In the subsequent sections it analyses the impact of TCAs on the following three areas: working conditions and respect of core labour standards; labour–management relations in MNEs; and industrial relations systems.