



## UvA-DARE (Digital Academic Repository)

### Global capital strategies and trade union responses: towards transnational collective bargaining?

Keune, M.; Schmidt, V.

**Publication date**

2009

**Document Version**

Final published version

**Published in**

International Journal of Labour Research

[Link to publication](#)

**Citation for published version (APA):**

Keune, M., & Schmidt, V. (2009). Global capital strategies and trade union responses: towards transnational collective bargaining? *International Journal of Labour Research*, 1(2), 9-26. [http://www.ilo.org/wcmsp5/groups/public/---ed\\_dialogue/---actrav/documents/publication/wcms\\_122375.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/publication/wcms_122375.pdf)

**General rights**

It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

**Disclaimer/Complaints regulations**

If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: <https://uba.uva.nl/en/contact>, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.

# Global capital strategies and trade union responses

*Towards transnational  
collective bargaining?*

## **Maarten Keune**

Professor, Amsterdam Institute for Advanced Labour Studies (AIAS)  
and Hugo Sinzheimer Institute (HIS), University of Amsterdam

## **Verena Schmidt**

Research Officer, ILO–ACTRAV

## Introduction

More than ever, the present global financial and economic crisis draws attention to the kind of globalization the world has experienced since the 1980s and its social implications. The effects of globalization on growth and employment creation are disputed, with pessimists pointing to the increasing poverty in many parts of the world or to the loss of manufacturing jobs in industrialized countries; and optimists emphasizing the expansion of world production, wealth, income and employment that can be shared, reducing the challenge of globalization to a distributive problem (see Løken et al., 2008 for a summary of arguments and evidence). It is less disputed, however, that today's globalization, and in particular the promotion of the freedom of capital and the institutionalization of a global "free" market, has a number of negative social consequences. These include growing inequalities and insecurities, the loss of democratic control over the economy, and the growing power of capital at the expense of labour.

It is often labour that first suffers the consequences of globalization and of the strategies capital deploys within the global economy. Labour is affected by rising job insecurity and labour market instability, pressure on wages and working conditions and rising precariousness, informalization of employment relations or limits on collective representation. All these developments are aggravated in the present economic and financial crisis. Trade unions have experienced difficulties in dealing with these issues at a transnational level and are often pushed onto the defence. At the same time, unions have experimented with a variety of strategies to strengthen their position towards capital and to soften the impact of globalization. In particular, efforts have been made to develop innovative forms of transnational cooperation and collective bargaining to counter global capital strategies and to regain the initiative.

This issue of the *International Journal of Labour Research* presents a collection of papers that analyse in detail the character of global capital strategies and their impact, as well as trade union responses to these strategies, in particular responses related to the development of transnational forms of collective bargaining. In this introductory article we provide an overview of these issues. The structure of the article is as follows. In section 2 we discuss global capital strategies related to the production of goods and services and to the financialization of the economy. In section 3 we focus on the impact of such strategies on democracy and on labour capital relations. Section 4 presents a number of trade union responses to global capital strategies and discusses in particular union attempts to develop transnational collective bargaining and the obstacles they encounter in doing so. Section 5 presents conclusions.

## Globalization and global capital strategies

Globalization is understood here as the “... integration of intellectual concepts, trade finance, property and labour across state borders and continents” (Løken et al., 2008). It manifests itself, among others, in the global hegemony of neoliberal and monetarist ideas; the institutionalization of free trade and the free movement of capital through global and regional agreements (WTO, MERCOSUR, ASEAN, NAFTA, EU Single Market, etc.); the increase of global trade and foreign direct investment (FDI) and the ever-growing importance of multinational enterprises; the growing weight of stock exchanges and globally operating investment funds; and increasing migration flows. The advancement of globalization in recent years can be illustrated with a few numbers: trade as a percentage of global GDP increased from some 36 per cent in the mid-1980s to 45 per cent in 2005, while net inward flows of FDI as a percentage of global GDP grew from some 0.5 per cent in 1985 to 2.8 per cent in 2006 (ILO, 2008a, pp. 4–5, figures 3 and 4).

Globalization as a political project has a decisively economic character. It largely consists of national and international political and economic actors conspiring to reduce the barriers to trade, capital movement and financial markets through the reform of legislation and the conclusion of international agreements. The social dimension is largely excluded: according to its major proponents, globalization through free trade and capital movement is the best way of achieving social progress.<sup>1</sup> Attempts to make labour and social issues part and parcel of international trade agreements and regional processes of economic integration have largely failed.

Within this globalizing economy, capital has followed a number of strategies to make optimal use of the opportunities it provides, which we can roughly divide into strategies related to the production of goods and services and those related to the financialization<sup>2</sup> of the economy.

### Production of goods and services

Where production of goods and services is concerned, production chains are constantly subject to restructuring and are increasingly organized across borders. Rhode (in this issue) argues that three basic types of such cross-border organization have emerged, namely outsourcing, offshoring and parallel production.

1. This includes the European Union, often supposed to represent a more social version of integration, where regional economic integration is very advanced while social integration is minimal in comparison (Scharpf, 2002).

2. Financialization refers to the deregulation of financial markets and the growing size of the financial market and will be further discussed in a later section of this chapter.

Outsourcing concerns the reduction of processing depth by outsourcing to supplier and subcontractors. Individual process steps are increasingly handled by subcontractors both at home and abroad and production is becoming based on networks of enterprises. For example, Cremers (in this issue) analyses this trend in detail for the construction industry, showing that the sector is increasingly dominated by fragmented production chains headed by large multinational construction firms that engage large numbers of smaller firms as well as individuals to perform particular tasks within the chains. Miller (in this issue) also shows that in the apparel industry production is largely organized along buyer-driven and fragmented supply chains involving a myriad of complex multi-tiered contracting and subcontracting relationships. In both industries the enterprises involved in such production chains range from multinationals to small enterprises and individuals operating in the informal sector.

Offshoring refers to companies building up production capacity abroad. Offshoring may be aimed at a wide variety of goals, ranging from accessing new markets or (human) resources, to reducing (wage) costs and increasing flexibility through the exploitation of differences in local cost structures, regulations and industrial relations practices.

Furthermore, there is a tendency towards a parallel production model, referring to the situation in which the same product of a multinational is produced in different countries but for the same market. This can increasingly be observed in, for example, the automobile industry.

Outsourcing, offshoring and parallel production have a number of common effects. One is that production chains are becoming more complex, fragmented and geographically dispersed, and involve an ever-wider range of actors operating in different countries, continents or regulatory regimes. Secondly, company strategies have become internationalized and the faith of production sites and workers has become increasingly dependent on decisions in faraway headquarters. Thirdly, countries, workers and production sites of multinationals are increasingly involved in benchmarking exercises comparing costs and productivity and competing with each other for investment.

## Financialization

The present global crisis has in particular put a spotlight on capital strategies related to the financialization of the global economy. Financialization is an umbrella term covering a number of different trends (e.g. Watt, 2008; Blum and Rossman in this issue; Hoffmann, 2006). They include the deregulation of financial markets, the growing size of the financial sector and the explosive growth of financial flows (growing considerable faster than trade or FDI), the increase in inter-bank loans, the growing role of institutional investors, private equity and hedge funds, the increased tradability of mortgages and other loans, the widespread use of stock options and other incentive payments to

senior managers, etc. The current crisis was triggered by the deflation of the US housing bubble and later the equity bubble that had built up as part of the financialization trend (Watt, 2008). This was followed by the collapse of major banks, the fall of share prices and increasingly also by enterprise bankruptcies and unemployment. The fundamental causes of this crisis are, however, not limited to the financialization of the economy and also include factors such as the building up of large current account deficits in many countries, most notably the US, economic mismanagement by governments and central banks, and the lack of public control over economic processes (Walt, 2008).

The process of financialization has led to an increasing dependence of companies on shareholder capital and to the reversal of the traditional relationship between financial and productive capital (Hoffmann, 2006; Rhode in this issue). Shareholder value and short-term returns on investment, instead of longer-term profitability and growth of companies, have moved to the centre of investment strategies. Also, instead of defining returns as a function of profits, today shareholders make *ex ante* claims on the minimum rate of return from companies. As a result companies are more and more forced to concentrate on short-term goals and pursue cost reductions and continuous restructuring to serve the profit expectations of shareholders or the expected rise in corporate resale value in the case of private equity funds (Hoffmann, 2006; also Blum and Rossman in this issue).

Financialization obviously puts strong pressures on wages and working conditions. Also, they lead to reducing stability in workplaces, companies and indeed the global economy as such. Again today's crisis is a major manifestation of this instability.

### Consequences for democracy and labour–capital relations

The global capital strategies outlined above have had serious consequences for societies, workers and trade unions. Here we want to discuss briefly two of these consequences: the problems this phenomenon causes from the perspective of democratic control; and the changes it causes in labour-capital relations.

#### Democracy

At the level of society, where workers are citizens and unions collective societal actors, the globalizing of capital strategies presents a problem of democratic control. Today's societies have increasingly become dependent on private capital to provide them with jobs and income, and this dependency is greater in the poorer countries. At the same time, while societies are organized on a national basis, capital has a global outlook and moves with increased

ease across borders to the location most favourable to its global strategies.<sup>3</sup> To a certain extent, governments hide behind the mantra of the invisible hands of global capital and pretend to be powerless vis-à-vis capital. This has repercussions related to democracy, some of which we will briefly expose here (for a more detailed discussion, see Crouch in this issue).

One repercussion is that the “faith” of nation states is, to an important extent, in the hands of capital, and its investment strategies operate so as to condition, directly or indirectly, the sovereignty of the State and the design of public policy. Indeed, it has become commonplace for governments to design and justify public policy based on the “inescapable” need to appeal to potential inward investors, and it has become equally commonplace for foreign investors to condition investments upon public incentives. One of the results of this has been regime competition, i.e. a competition in which countries and regions compete to best fulfil the needs and requirements of investors in general and for specific investment projects in particular.

What is more, Crouch (in this issue) argues that large corporations, instead of being subjected to the authority of national polities, are part of the modern polity as locations of political power and authority themselves; however, they constitute a non-democratic part of the modern polity in that they are not formally answerable to a public.

Also, processes of democratization in many Southern countries in recent decades have, at the instigation of international organizations such as the IMF or World Bank, gone hand in hand with a liberalization of the economy and extensive acquisition of property and extraction of resources by international capital. But, as suggested by Makoa (2001) in a paper on globalization in eastern and southern Africa, one can wonder what the value of this kind of democracy is if it does not give poor people control over their country’s resources and over the processes that sustain or threaten their livelihoods.

### Labour–capital relations

Globalization has affected the relations between labour and capital, and in particular the character and sustainability of collective bargaining in a number of ways. Firstly, while capital, and especially the multinational company, is a global actor following a global strategy, labour, if at all, is largely organized on a national basis. This discrepancy is also mirrored in that between the organization of production, increasingly fragmented and organized across

---

3. Mobility is of course not absolute. Moving existing operations abroad is not necessarily easy, as firms have sunk costs in their existing locations, i.e. investments in installations, distribution, supplier networks, social relations, etc. (Crouch in this issue). Also, the most advantageous location is not necessarily the one with the lowest costs or the weakest regulations and industrial relations systems, as the attractiveness of the high-wage, high-tax, high union-density Nordic countries for capital shows (*ibid.*)

borders, and collective bargaining processes, taking place, if at all, within national borders at the level of company or sector. Although there are a number of international trade union organizations, in which national confederations or sectoral unions join forces (see below), they have few resources compared to capital and only in a very limited number of cases are they collective bargaining actors. As a result, trade unions or other workers' representatives have little or no control over or influence on issues addressed at the international level and international decision-making is largely monopolized by company management (van der Meer et al., 2004).

Fragmentation of production also means that company bargaining may become less relevant. The wages and working conditions of workers in a sub-contracted firm may well depend more on the decisions and demands of the firm dominating a particular supply chain than on management itself. Moreover, diffuse ownership can sometimes obscure the proper bargaining counterpart for trade unions.

Secondly, the ever more short-term outlook of capital, its focus on shareholder value and its demand for high minimum returns, undermine stability, long-term growth of companies, and secure employment, all of which remain key interests for workers and trade unions. The latter are however seriously affected by the tendency of finance capital to flow towards short-term profit opportunities. Hence, the contradiction of interests between labour and capital are further sharpened, but labour can exercise very little influence on the international flow of finance capital.

Thirdly, capital has always had more scope than labour to pursue its interests by choosing exit options, and this "mobility differential" has strongly increased in the last two decades (Hoffmann, 2006). These increased exit options of capital mean that it can constantly put pressure on labour by using the threat of relocation (Keune, 2008).

These three factors strengthen the power position of capital towards labour and make it more difficult for trade unions successfully to represent the interests of their members through traditional collective bargaining processes and structures. What is more, by using the threat of relocation, restructuring or disinvestment, capital increasingly pushes labour onto the defence and into concession bargaining, i.e. into accepting lower wages and worse working conditions in exchange for promises of job security (Hoffmann, 2006). In the final analysis, then, globalization leads to increasing wage competition between workers in different countries and locations, a competition that capital can exploit to reduce its wage costs.

One of the clearest expressions of this mounting negotiation power of capital is the structural gap between wage growth and economic growth in many countries around the world, leading to a continuous decline of the wage share, i.e. the share of GDP that goes to wages. This decline represents a shift of income from labour to capital or from wages to profits. Lack of data makes it difficult to analyse the wage share around the world. In the EU, the wage



share fell from 59.5 per cent to 56.9 per cent between 1995 and 2007 (Keune, 2008; see also Janssen in this issue). ILO estimates suggest, however, that in some three-quarters of the developing countries the wage share is also on the decline (ILO, 2008a).

## Trade union responses and transnational collective bargaining

### A transnationalizing union movement

Capital has developed a range of global strategies which has strengthened its position towards workers, unions and nation states. However, in principle, globalization also provides new opportunities for workers and unions to organize and act transnationally and create a fairer world order (Hardt and Negri, 2001). What is more, from its inception, the labour movement has had a strong discourse of international solidarity and international cooperation. Indeed, many attempts are made to do so and unions have established a variety of transnational modes of cooperation.

This concerns first of all the international trade unions acting at the global level or regional level. Globally, there is first of all the International Trade Union Confederation (ITUC), as well as a series of international sectoral unions or Global Union Federations (GUFs) like the UNI Global Union, the International Metalworkers Federation (IMF) or the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF). Also the Workers' group of the ILO can be seen as a global union forum. At the regional level, national confederations cooperate in organizations like the Organization of African Trade Union Unity (OATUU), the Coordinadora de Centrales Sindicales del Cono Sur (CCSCC) at the level of the MERCOSUR, or the European Trade Union Confederation (ETUC). And also at the regional level sectorally organized European Industry Federations (EIFs) abound.

Beyond these structures uniting national (confederal or sectoral) unions, two largely national unions agreed in July 2008 to create the first transatlantic union. UNITE, the largest union in the United Kingdom and United Steelworkers, the largest private sector union in the United States and Canada signed an agreement with a view to creating the first transnational union which is to be called Workers Uniting. The union was specifically created to deal with the challenges of globalization and to deal with casualization of employment and reductions in pay and conditions of workers. The intention of the signatory parties is to develop Workers Uniting into a fully functional and registered trade union in the United Kingdom, United States, Ireland and Canada.<sup>4</sup>

---

4. Information from the web site, at [www.workersuniting.org](http://www.workersuniting.org) (accessed 30 Jan. 2009).

Also, more and more transnational cooperation between unions takes place at the level of multinationals and supply chains, as workers from different establishments increasingly consider that their fates are intertwined and that they are often played out against each other by their employers (Miller, Marginson in this issue). Such cooperation takes place through various types of company networks, some more formally institutionalized and others more informal, consisting of unions, shop stewards and/or works councils in different production sites of a multinational company, i.e. headquarters and its subsidiaries, and possibly also including some of its suppliers (Croucher and Cotton, 2008). One important element of this cooperation is to create solidarity, to avoid downward pressure on wages and working conditions and to preclude location competition against another. Company networks take quite different forms, with differing levels of involvement of works councils, headquarters and non-headquarters unions, and international (global or regional) unions (*ibid.*). Examples of such networks include the Caspian Energy Project, which was set up by the Global Union Federation in the Energy Sector International Federation of Chemical, Energy, Mine and General Workers Union (ICEM); the Nestlé company network set up by the IUF; and the Daimler Network set up by IG Metall and German Works Councils.

In the EU, such company networks are institutionalized through European Works Councils (EWCs), which according to European Works Council Directive (1994) have to be set up in all companies with at least 1,000 employees within the European Union and at least 150 employees in at least two Member States, and which are largely financed by the employer. The EWCs have important information and consultation rights and in recent years have become increasingly involved in the negotiation of joint texts and framework agreements (see below).

World Works Councils (WWCs) have been set up in a few global multinational companies including Volkswagen, Daimler and Caterpillar. They work on issues such as minimum working conditions, particularly in the field of health and safety, and global investment programmes of companies which are relevant for job security in various production sites. Contrary to the EWCs, WWCs require substantial financial contributions from trade unions and are therefore difficult to maintain and often only meet infrequently.

Finally, unions increasingly establish new transnational alliances with non-union actors, in particular with the global justice movement, with which they often share objectives and political positions concerning globalization and its effects (della Porta, 2007). For trade unions, alliances with this movement represent opportunities to reach out to a new public, to act in innovative ways and to strengthen its mobilization capacity, in particular transnationally.

Transnational trade union cooperation concerns a wide variety of activities. Here is not the place to provide a comprehensive overview of these

activities but it is useful to mention some notable examples. One major focus has been the union struggle for the inclusion of core labour standards in international trade agreements.<sup>5</sup> As a result, although in only vague terms, the WTO has committed itself to “the observance of internationally recognized core labour standards” (WTO, 1996). In bilateral and regional agreements, reference to core labour standards is stronger and most North American and EU free trade agreements refer to or require core labour standards. For example, the 1999 United States–Cambodia trade agreement rewarded improvements in the enforcement of core labour standards with increased United States market access for Cambodian garment exports. Pressure from the Global Unions led also to the inclusion of core labour standards in the International Finance Corporation (IFC) Policy and Performance Standards on Social and Environmental Sustainability and in the World Bank’s Standard Bidding Document for Procurement in 2006. In the European Union, the ETUC has been arguing for more EU-level social and labour regulation to soften the social impact of the creation of the Single Market.

Transnational cooperation between unions and the global justice movement has also resulted in a number of campaigns on non-traditional issue related to, for example, the environment, fair trade or social standards. Another example of transnational trade union cooperation can be found in the field of industrial action and protest, including solidarity strikes, joint demonstrations of unions from different plants of single multinationals, the 2009 Euro-manifestations organized by the ETUC, etc. (e.g. Erne, 2008).

However, in contrast to the advancing transnationalization of trade union organization and cooperation, transnational collective bargaining is still in its infancy. Indeed, in spite of the growing interest of trade unions in developing transnational collective bargaining structures and processes, they are confronted with a number of obstacles which make such developments difficult. We will first outline these obstacles and then turn to discuss some examples of union strategies aimed at fostering transnational bargaining.

---

5. Core labour standards have a special importance for labour in that they form part of *ius cogens* of international law, i.e. they are part of non-negotiable absolute standards to be enforced as binding obligations undertaken by all States (Paech, 2003). They are defined in the ILO’s 1998 Declaration on Fundamental Principles and Rights at Work to cover four principles: freedom of association and the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. These four principles are covered in eight ILO Conventions (Conventions Nos 29, 87, 98, 100, 111, 105, 138 and 182) which apply to all 182 ILO member States regardless of whether they have ratified them. Notwithstanding their legal obligation to do so, a number of ILO member States have not implemented the core labour standards effectively and therefore unions seek ways to enforce implementation above and beyond the ILO’s supervisory bodies. One such means is through their inclusion in bilateral, regional or international trade agreements.

## Obstacles to transnational collective bargaining

Unions encounter many obstacles that hinder their capacity to engage in transnational collective bargaining. First and foremost, as the contributions of Upadhyaya and Ndungu in this issue illustrate, in many countries unions continue to encounter serious political, economic or legal barriers which limit trade union freedoms, the right to organize, and their capacity to engage in collective bargaining. For example, as Upadhyaya shows, despite the recent democratization of Nepal, unions still have to fight against feudal-type ownership systems in the country. Ndungu analyses how unions in South Africa struggle against laws, some of them dating back to the apartheid era, which put them in a disadvantaged position as compared to employers and limit their ability to organize strikes and pickets. Also, as shown by other articles herein, the increase of informal, casual and precarious work as well as the decline of union membership in many countries reduce unions' bargaining strength. Obviously, such obstacles do not only obstruct collective bargaining in the domestic context but also seriously limit these unions' potential engagement in transnational activities. The same argument counts for individual firms where workers can face serious constraints that impede them from engaging in bargaining (see Miller in this issue), as well as for countries with very low unionization rates or collective bargaining coverage.

Secondly, in spite of the abundance of international trade union organizations, workers and unions do not easily define their core interests and bargaining strategies in transnational terms. Nationally and locally defined interests and bargaining strategies clearly dominate and transnational bargaining is for most (national) unions a secondary (though not unimportant) option. As a result, the potential merits of transnational collective bargaining are often largely evaluated in terms of the extent to which it may contribute to achieving national or local objectives. Workers and unions are also not immune to such regime competition. Often they feel forced to engage in regime competition to save jobs or attract new investment for their company, sector or country. For example, in many countries and in many multinationals, trade unions have been engaged in competitive wage bargaining or have made concessions in terms of working conditions to avoid relocation to other countries or to attract investment from abroad (see Janssen in this issue).

A by-product of this predominantly national focus is that unions dedicate only limited resources to transnational activities, and transfer only limited resources and responsibilities to international trade union organizations. This seriously constrains the potential role the latter could play in promoting and strengthening transnational collective bargaining. Also, the national focus is further fostered by the wide variety of national industrial relations systems and bargaining structures and traditions, which are not easily made compatible with each other.

Thirdly, transnational collective bargaining is limited by the fact that there are no international legal frameworks to regulate such bargaining and make agreements enforceable by the signing parties.

Finally, employers are a major obstacle. They are generally reluctant to engage in transnational collective bargaining and do not encourage union initiatives in this direction. Also, they are even less interested than trade unions in delegating resources or responsibilities to international employers' organizations and, especially at the global sectoral level, only few counterparts to the global sectoral trade unions exist. In addition, where multinationals are concerned, unless they are required to do so by legislation, they are rarely ready to disclose information on their global investment strategies or to provide detailed information on wages and working conditions in their various plants and in supplier companies (Miller in this issue). This again undermines the capacity of trade unions to organize bargaining across borders.

### Towards transnational collective bargaining?

In spite of the above obstacles, however, transnational collective bargaining has been moving higher and higher on the trade union agenda. It is believed that such bargaining can reduce wage competition across borders and contribute to wage improvements and higher wage equality (cf. Hayter in this issue). Unions are engaged in a series of activities of a largely experimental nature that can be read as a move towards transnational bargaining structures and processes. Such activities rarely concern collective bargaining in the traditional sense and rarely result in formal, binding and enforceable transnational collective agreements that regulate core bargaining issues, especially wages. Rather, they concern new types of agreements and new forms of coordination, and may involve non-union actors as well. Several articles in this issue describe examples of such developments, some of which are presented below.

A major development in this respect is the rapidly increasing number of transnational agreements that are signed between unions at various levels, other types of employee representatives (mainly works councils), and multinational companies. At the global level, this concerns first of all the conclusion of International Framework Agreements (IFAs), that are negotiated between Global Union Federations (in exceptional cases together with EWCs), and multinational enterprises (Marginson in this issue; Schoemann et al., 2008). By February 2008, 83 IFAs had been signed, mainly after 2000.<sup>6</sup> Most of the IFAs are concluded with companies headquartered in Europe but they have

---

6. For a comprehensive list of IFAs, see [www.global-unions.org/spip.php?rubrique70](http://www.global-unions.org/spip.php?rubrique70) (accessed 31 Jan. 2009).

a global reach. They address core labour standards within these MNCs and frequently also in their supply chains. Many IFAs refer to further ILO instruments and address subjects such as health and safety, wages, training, the environment and corporate restructuring. IFAs are found mainly amongst MNCs that form part of producer-driven supply chains (in particular in construction, energy, food manufacturing and metalworking) and much less among MNCs controlling buyer-driven supply chains (Marginson in this issue).

The growing number of IFAs clearly points towards the interest of unions to conclude agreements to regulate workers' rights, working conditions and other issues at the level of multinationals and supply chains. However, controversies arise about the usefulness of IFAs in production sites of multinational enterprise in countries where there is no freedom of association or where there are only weak trade union structures. Questions also arise as to the effectiveness, monitoring and enforceability of IFAs. Moreover, companies have on some occasions used IFAs for PR campaigns and there is a danger that IFAs remain on the symbolic level. As a result, unions have become more cautious towards concluding IFAs. For example, the IUF, after signing its last agreement with Club Med in 2004, decided to first assess the impact of IFAs on the actual implementation of core labour standards and on organizing new members before committing to new agreements.

In the EU, more and more agreements are signed at the level of the more than 800 EWCs presently in existence. The EWCs were originally established for the purpose of information and consultation. More and more, however, they are being mobilized by either management or employee and trade union representatives, or both, to undertake transnational negotiations resulting in the conclusion of joint texts and framework agreements (Marginson in this issue). In this way, they stretch the use of the EWCs beyond their original intentions. Over 70 agreements were concluded with 40 MNCs by the end of 2007 and their number is on the rise. They are in a number of cases co-signed by national unions or European Industry Federations.

In terms of content, the EWC agreements often go beyond the IFAs and in this sense they come closer to collective agreements. Four themes are prominent: (i) basic labour rights and core labour standards (comparable to the IFAs); (ii) key principles for company employment and personnel policies; (iii) business restructuring and its effects; or (iv) specific aspects of company policy, of which the most common are health and safety and data protection, privacy and electronic communication (Marginson in this issue).

Another way to move closer to the core issues of traditional collective bargaining but at a transnational level is through transnational campaigns. Considering that presently there is hardly any scope to conclude IFAs or other types of transnational agreements, especially on wages, unions have been using transnational campaigns to promote wage bargaining and wage improvements in particular (groups of) countries, sectors or MNCs. Miller (in this issue) provides a series of examples of such campaigns conducted



by the International Textile Garment and Leather Workers Federation (ITGLWF), national unions and NGOs, concerning in particular the apparel industry. Such campaigns can have a variety of goals (*ibid.*). One is to facilitate bargaining through better access to key bargaining information such as labour costs, the share of labour costs in total costs, and company profitability. Another is to encourage unions to engage in national tripartite exercise to determine a living wage which can then be used in bargaining processes to demonstrate the extent to which wages paid actually allow for a decent living, an approach adopted by a number of national unions in Asia.

Related to this, pressure is put on multinational companies, supply chains, brands and retailers, to commit to the concept of a living wage and to include it in their company policies. However, given the difficulties of monitoring company policies and compliance along the supply chain, there seems to be a shift among brands and retailers to focus rather on the acknowledgement of the importance of freedom of association and collective bargaining as a way to establish a more robust system of local governance in the supply chain and to provide the means to facilitate improvements of pay and conditions in the industry. Nevertheless, while this is in line with the demands of the ITGLWF, its affiliated unions and NGOs, the question remains: Does organized labour in the apparel industry around the globe have the capacity to act upon such renewed opportunities (*ibid.*)?

In Europe, the ETUC and several of the European Industrial Federations have been working on providing a transnational dimension to collective bargaining in different ways. First, they have been setting guidelines for wage bargaining across Europe. In 2000, the ETUC approved a resolution on collective bargaining coordination that adopted a European wage guideline which targets nominal wages increases that, at a minimum, keep pace with inflation. In addition, wage increases should also reflect the greater part of productivity growth, with the remaining margin being used for qualitative improvements in working conditions (Keune, 2006). This guideline is above all a political statement aiming to defend the purchasing power of wages and to achieve a fair distribution of the benefits of productivity improvements. However, it also aims to synchronize the positions of unions involved in wage bargaining in the different European countries and to avoid downward wage competition. Similar guidelines have been adopted by a number of EIFs, the oldest one being the European coordination rule adopted by the European Metalworkers Federation (EMF) in 1998.

In particular in the European metal sector, in the past decade or so a complex system of coordination of collective bargaining has emerged, consisting of top-down and bottom-up elements (Glassner in this issue). The top-down, centralized elements make up the EMFs bargaining coordination strategy. They include, apart from the coordination rule, internal committees and working groups dealing with collective bargaining; a system of information exchange on bargaining processes and outcomes in the sector around

Europe; common demands on qualitative collective bargaining topics;<sup>7</sup> and cooperation with other sectors on coordination of collective bargaining.

The bottom-up, decentralized elements concern cross-border collective bargaining networks involving smaller groups of countries (*ibid.*). Most of these networks involve the German IG Metall union of a particular border region and the metal unions of the nearby countries (e.g. IG Metall Bavaria with metal unions from Austria, Hungary, Czech Republic, Slovakia and Slovenia). But there are also examples not involving Germany, such as the network at the level of the Nordic countries. These networks all have their own priorities and ways of functioning, but they are mostly involved in organizing common seminars and conferences, the exchange of information on bargaining processes and outcomes and the exchange of trade union officials, who, for example, can participate as observers in collective bargaining rounds in partner countries.

These coordination of collective bargaining activities are still quite experimental and should be seen as learning processes (*ibid.*). Nonetheless, the unions consider them to be highly important. It is telling in this respect that the metal sector experiences are taken as a reference point by many other sectors that have started to develop their own coordination activities tailored to the requirements of their specific conditions. The mode of coordination that is core to most of these experiments seems to be the exchange of information. This is a “light” form of coordination but its importance should not be underestimated. First of all, through information on bargaining processes and results in other countries unions can learn from each other and identify successful practices and strategies. Secondly, they get a better view of the actual situation of the sector across the continent, which can serve as a powerful tool in negotiations with employers and help to avoid having workers in different countries played off against each other.

The activities presented above are only a sample of the many innovative initiatives that can be observed around the world. They are often experimental and some are still in their infancy. Also, the immediate effects of some of these experiments are more visible or tangible than those of others. What counts for all of them, however, is that they provide unions with important learning experiences, enhance their knowledge on the functioning of the global economy in general and capital strategies in particular, and help to establish more intimate relationships and trust between unions in different countries. Both seem vital conditions to advance towards stronger forms of cooperation and coordination that can eventually constitute functional equivalents for transnational collective bargaining in the traditional sense.

---

7. Most importantly this concerns the EMFs Common Demand on the Individual Right to Training, adopted at the 5th EMF Collective Bargaining Policy Conference in Rome in October 2004. This first common demand was put on the bargaining table in the metal sector around Europe.



## Conclusions

Today's globalization has had a number of negative social consequences, including growing inequalities and insecurities, the loss of democratic control over the economy, and the growing power of capital at the expense of labour. These consequences have become more visible and are aggravating in the present economic and financial crisis. As part of this process, workers are confronted with production chains that are constantly subject to restructuring and that are more and more organized across borders, and with the increasing financialization of the economy. Unions consider that a further transnationalization of their own structures and activities is needed to deal with globalization and global capital strategies and to strengthen cross-border solidarity. Manifold examples of such transnationalization can be observed, including the development of formal and informal transnational union structures; the union struggle for the inclusion of core labour standards in international trade agreements; transnational industrial action and protest; and international campaigns.

While transnational collective bargaining is high on the agenda for unions, they nonetheless face a series of obstacles in realizing its potential. These include, in many countries, domestic political, economic or legal barriers that put limits on trade union freedoms, their rights to organize, and their capacity to engage in collective bargaining. It also remains difficult for unions to define their core interests and bargaining strategies in transnational instead of national and local terms. Finally, the absence of international legal frameworks to regulate such bargaining and make agreements enforceable is compounded by a generalized opposition to the concept from employers, who are reluctant to provide the necessary company information to real or potential bargaining partners.

As a result of these obstacles, transnational collective bargaining in the traditional sense hardly occurs. At the same time, unions are engaged in a series of transnational activities of a largely experimental nature that are closely related to collective bargaining, some of which are summarized in this article. They range from the conclusion of IFAs on core labour standards and EWC agreements addressing a wider range of subjects; to transnational union campaigns to promote wage bargaining and wage improvements in particular (groups of) countries, sectors or MNCs; to various types of coordination of collective bargaining at the aggregate or sectoral level. Although they do not represent collective bargaining in the traditional sense of the word, the more they are expanded and strengthened, the closer they may come to constituting functional equivalents for transnational collective bargaining.

This does not mean that transnational collective bargaining in the traditional sense should be abandoned as an objective. Indeed, it might be a powerful option to address some of the negative effects of globalization and to counter global capital strategies. However, this requires overcoming the

obstacles outlined above, including the true internationalization of union strategies and the development of a series of new international legal instruments. Both constitute major challenges to the trade union movement.

## References

- Bakvis, P.; McCoy, M. 2008. "Core labour standards and international organizations: What inroads has Labour made?", FES Briefing Paper No. 6/2008 (Bonn, Friedrich Ebert Stiftung).
- Croucher, C.; Cotton, E. 2008. *Global Unions, Global Business. Global Union Federations and International Business* (London, Middlesex University Press).
- della Porta, D. (ed.). 2007. *The global justice movement. Cross-national and transnational perspectives* (Boulder/London, Paradigm Publishers).
- Erne, R. 2008. "European Unions. Labour's quest for a transnational democracy" (Ithaca, New York: ILR Press).
- EIRO. 2006. Workers' assembly at GM–Opel plant, at [www.eurofound.europa.eu/eiro/2006/07/articles/hu0607069i.htm](http://www.eurofound.europa.eu/eiro/2006/07/articles/hu0607069i.htm) (accessed on 15 January 2009).
- FNV Mondiaal. 2006. "International trade union work within multinationals. The sense and nonsense of international framework agreements" (Amsterdam) (unpublished manuscript).
- Hardt, M.; Negri, A. 2001. *Empire* (Cambridge, Harvard University Press).
- Hoffmann, J. 2006. "The relevance of the exit option: The challenges for European trade unions of post-fordism, internationalization of the economy and financial market capitalism", in *Transfer European Review of Labour and Research*, No. 4, pp. 609–20.
- ILO. 2008a. *Global wage report 2008–09, minimum wages and collective bargaining, towards policy coherence* (Geneva).
- . 2008b. ILO Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference at its 97th Session, Geneva, 10 June (Geneva).
- Keune, M. 2008. "Introduction: wage moderation, decentralization of collective bargaining and low pay", in M. Keune and B. Galgóczi (eds): *Wages and wage bargaining in Europe: Developments since the mid-1990s* (Brussels, ETUI)
- . 2006. *The Coordination of Collective Bargaining in Europe. Annual Report 2006* (Brussels, ETUC).
- Løken, E., Seip, A.; Dølvik, J. 2008. *Pathways to decent work in a global economy, FAFO report 2008: 33* (Oslo, FAFO).
- Makoa, F. 2001. "Globalization and democracy with reference to eastern and southern Africa", in *Journal of Social Development in Africa*, Vol. 16, No. 1, pp. 125–141.
- Meer, M. van der; de Boer, R.; Houwing, H.; Kahancová, M.; Raess, D.; Visser, J. 2004. *Globalization. The impact of globalization on industrial relations in multinationals in the Netherlands* (Amsterdam, FNV).
- Müller, T.; Platzer, H-W.; Rüb, S. 2008. "International framework agreements – Opportunities and limitations of a new tool of global trade union policy", FES Briefing Paper No. 8/2008 (Bonn, Friedrich Ebert Stiftung).

- Paech, N. 2003. "Social, economic and cultural human rights within the legal system of the international economic and trade regime", Occasional Paper, FES.
- Scharpf, F. 2002. "The European social model: Coping with the challenges of diversity", in *Journal of Common Market Studies*, 40 (4), pp. 645–70.
- Schmidt, V. 2006. "Temporary migrant workers: Organizing and protection strategies by trade unions", in Kuptsch C. (ed.): *Merchants of labour*, International Institute for Labour Studies, ILO, Geneva, pp. 191–206.
- . (ed.). 2007. "Trade union responses to globalization" (Geneva, ILO).
- Schoemann I.; Sobczak, A.; Voss, E.; Wilke, P. 2008. *Codes of conduct and international framework agreements* (Luxembourg, Office for the Official Publications of the European Communities/European Foundation for the Improvement of Living and Working Conditions).
- Watt, A. 2008. "The economic and financial crisis in Europe: Addressing the causes and repercussions", European Economic and Employment Policy Brief No. 3 (Brussels, ETUI).
- World Trade Organization. 1996. Ministerial Conference, Singapore, 9–13 December 1996, Singapore Ministerial Declaration, adopted on 13 Dec.