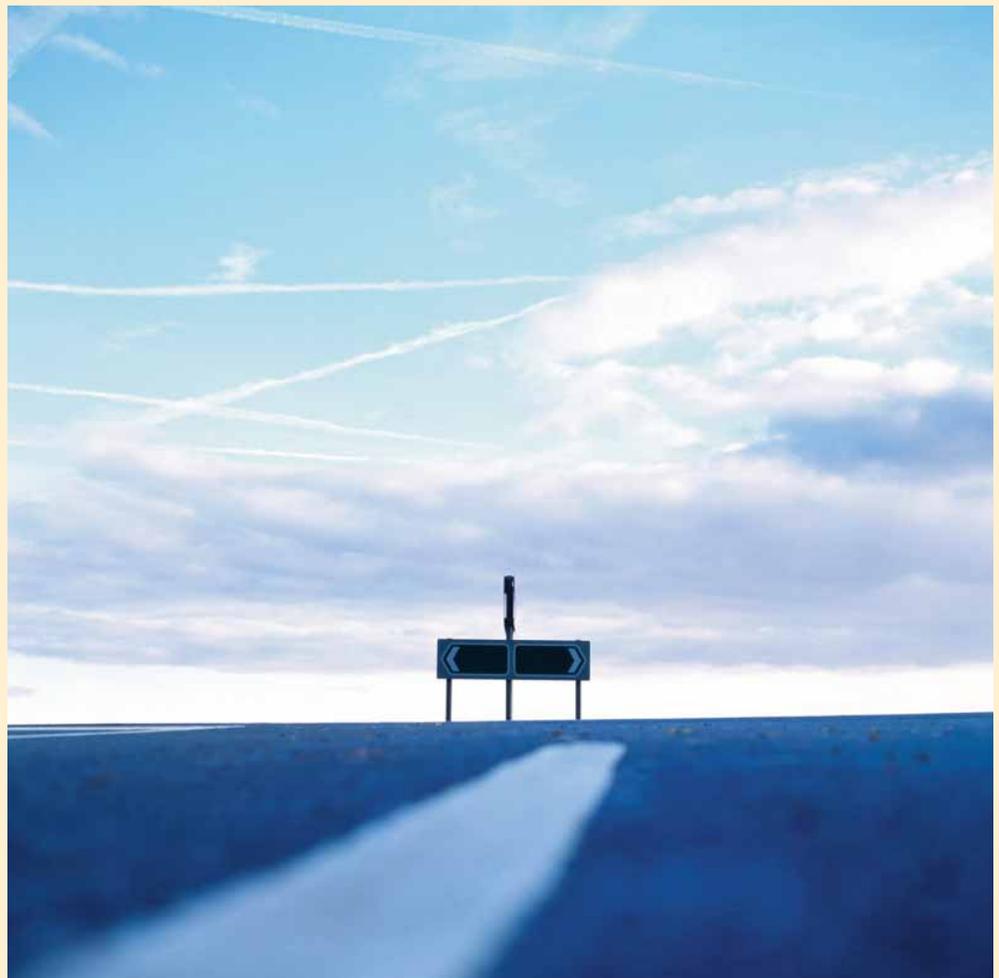




Codes of conduct and international framework agreements: New forms of governance at company level



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New forms of governance at company level

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Foreword

In recent years, the rapid process of globalisation has been accompanied by a political debate on the issue of international working and production standards. There is increased awareness of the need for supra-national structures and regulation of labour standards and industrial relations. One significant development during the last decade has been the elaboration and adoption of corporate codes of conduct as a reflection of the increasing global outreach and influence of multinationals. This report assesses the impact of codes of conduct and international framework agreements (IFAs) at company level, including an analysis of case studies of good practice.

Codes of conduct are not a new phenomenon in industrial relations: the first examples date from the beginning of the 20th century. The 1970s saw a wave of international codification of codes of conduct stemming from the OECD (General principles) and the ILO (Tripartite Declaration). A new development started in the 1990s when the companies themselves started to elaborate and to apply codes of conduct. The report looks into the scope of these codes of conduct which apply either only within an establishment or enterprise or which also may be extended to a sector, or even to a chain of suppliers and sub-contractors in countries other than the seat of the parent company.

International framework agreements (IFA) are usually concluded between a multi-national enterprise and an international sectoral trade union federation. Since 1988, when the first IFA was signed by Danone and UITA, a total of 46 agreements have been signed. Initially, the agreements dealt with specific issues, whereas in recent years more general social topics, such as corporate social responsibility, have been on the agenda. The report assesses this new form of agreement at company level which is an instrument difficult to define and to analyse from a legal or industrial relations angle.

The research on which the report is based was carried out in the context of the Foundation's project on 'new structures, forms and processes of governance', within the research area 'Industrial relations and partnership'. Two workshops which took place during the course of the research project (December 2006 in Brussels and April 2007 in Rome) provided valuable input into the process. The workshops brought together representatives from the social partners, the European Union and the ILO, experts and academics working on codes of conduct and IFAs, as well as company representatives from management and labour.

The report analyses the impact of codes of conduct and international framework agreements on both corporate practice and on industrial relations. The findings indicate that while codes of conduct play a role in reinforcing a specific corporate culture, international framework agreements seem to represent a more pro-active approach to shaping company-wide social dialogue in a global context.

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Director

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List of acronyms

BWI	Building and Wood Workers' International
CFDT	Confédération Française Démocratique du Travail
CGT	Confédération Générale du Travail
CSR	Corporate social responsibility
ETUI-REHS	European Trade Union Institute for Research, Education and Health and Safety
ICEM	International Federation of Chemical, Energy and Mining Workers
ICFTU	International Confederation of Free Trade Unions
IFA	International Framework Agreement
IFBWW	International Federation of Building and Wood Workers
IFME	International Federation of Municipal Engineers
ILO	International Labour Organization
IMF	International Metalworkers' Federation
IOE	International Organisation of Employers
ITUC	International Trade Union Confederation
IUF	International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers
NGO	Non-governmental organisation
OECD	Organization for Economic Co-operation and Development
PSI	Union des Professeurs de Sciences et Techniques Industrielles
UN	United Nations
UNI	Union Network International
WFBW	World Federation of Building and Wood Workers' Unions
WFIW	World Federation of Industry Workers
WTO	World Trade Organization

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Executive summary

This report analyses the impact of codes of conduct and international framework agreements on social regulation at company level. In the research, corporate **codes of conduct** were defined as unilateral commitments through which the main decision-making bodies of companies set up rules of behaviour for managers and employees (sometimes also for suppliers and subcontractors) that reflect the principles and values of corporate social responsibility (CSR). While codes of conduct can cover many different aspects, only those that deal at least partially with labour standards or industrial relations are included here in order to compare them to **international framework agreements** (IFAs). These agreements are concluded between global or European trade union federations and the management of individual multinational companies to define labour standards and joint principles of industrial relations. They are normally based on fundamental social rights as defined by the core conventions of the International Labour Organization (ILO).

Despite an increasing interest from companies, unions, international organisations, other stakeholders and, of course, researchers in these two voluntary instruments, more or less linked to the companies' CSR strategies, several research gaps have been identified and these constitute the main focus of this research report:

- What is the difference between codes of conduct and IFAs?
- Why do some companies have only a code of conduct, while others have only an IFA, and yet others have both instruments?
- How do both instruments interrelate?
- What are the reasons and motivations for developing codes of conduct and/or IFAs?
- What are good practices with regard to disseminating, implementing and monitoring codes of conduct and IFAs?
- What is the impact of codes of conduct and IFAs on labour conditions, social dialogue and corporate cultures?

These research gaps are in particular linked to the recent development of both instruments and to their continuous evolution, which also highlights a certain learning process of the actors involved in their drafting and implementation. In order to address these gaps, a two-fold methodological approach was adopted. First, a quantitative analysis of the 52 existing IFAs and a sample of 50 codes of conduct provides an insight into the content of these texts, their scope, dissemination and monitoring procedures, and the emerging provisions on dispute settlement in some of them. Secondly, in parallel and adopting a qualitative approach, 11 case studies were conducted in companies that have established a code of conduct, an IFA or both. Interviews with representatives from management and employees, as well as with global union federations and employers associations, revealed the motivations and interest constellations of these parties and allowed an analysis of the concrete changes these instruments have, or have not, introduced in the companies studied.

This report is also based on input from two workshops conducted during the course of this research project and hosted by the European Foundation for the Improvement of Living and Working Conditions (one held in Brussels in December 2006 and the other in Rome in April 2007). These workshops brought together representatives from the social partners, the European Union and the ILO, experts and academics working on codes of conduct and IFAs, as well as company representatives from management and labour.

The content analysis of both codes of conduct and IFAs reveals that the latter can be considered as a vector to promote the respect of fundamental social rights among multinational companies and their economic partners, whereas this is only partly the case for codes of conduct. Consequently, IFAs tend to correspond to an emerging form of social dialogue at international level, whereas codes of conduct are mainly used as guidelines for behaviour and instruments of legal risk management for companies. The content analysis of the existing IFAs and the sample of codes of conduct highlights that IFAs aim at regulating labour relations within multinational companies, even if they may sometimes include broader issues, whereas codes of conduct aim at reaffirming norms related to the broader concept of corporate social responsibility and business ethics, and thus include also references to labour standards. In the case of IFAs, labour standards are the main focus, whereas they are only one issue among others in codes of conduct.

With regard to provisions on the scope of application, this analysis shows that these are in general much more detailed in IFAs than in codes of conduct. This applies both to regulations and explicit references to subsidiaries, as well as to suppliers and business partners. However, a rather surprisingly high rate of both IFAs and codes of conduct contain provisions in this field, indicating a growing need for a more effective social regulation in global supply chains, as well as the added value IFAs or codes of conduct might have in this field.

Regarding the motives underlying the adoption of both codes of conduct and IFAs at company level, this research includes an analysis of the reasons influencing the choice between these two different instruments, which may co-exist in some companies. Among the various factors influencing these choices, special attention is paid to the nature of the industrial relations within the company and corporate culture.

Since almost all multinational companies have adopted a code of conduct in order to formalise their commitments in the field of CSR and to comply with legislation in the USA, it is difficult to identify special motivations. It seems as if these texts are increasingly perceived as standard tools, not only for multinationals but also for small and medium-sized companies, without relying on a detailed analysis of the added value they may create. On the contrary, IFAs constitute a more recent instrument that only exists in some 52 companies, the managers of which usually scrutinise the challenges and advantages of negotiating such a text with the employee representatives.

Analysis of the content factors, motivations and interest of the involved parties shows that there are certain objective factors of influence that may favour the negotiation of IFAs, such as the sector or the nationality of the company. IFAs are tools that are concentrated in five sectors (metal, construction, chemicals, food and services) and in those Member States of the European Union with a tradition of social dialogue, such as Germany and France. However, these factors are insufficient to explain why a company negotiates an IFA. Indeed, there are numerous multinational companies in Germany and France in the five sectors mentioned that have no IFA, that do not plan to negotiate one in the near future and that are not even targeted by the relevant global union federations to negotiate such an agreement. It is therefore necessary to take a closer look at the more subjective motivations and interest constellations of the parties involved.

Both management and workers identified at least the following joint added values to IFAs: to reduce social dumping; to increase adherence to core labour standards; to raise competitiveness in

international markets; to secure good and better workplaces; and to create an alternative dispute resolution mechanism.

For trade unions, a distinction has to be made between the motivations of the international, European and national organisations. However, a set of common motivations can be discerned. First, IFAs constitute a formal recognition of social partnership at global level and provide a global framework for protecting trade union rights and encouraging social dialogue and collective bargaining. Secondly, they are widespread and help to adapt good social dialogue structures to the multinational level. Thirdly, they may strengthen the fight against violations of core labour standards, both internally and externally, and contribute to the harmonisation of good working conditions. Finally, they create a link between CSR and transnational social dialogue.

For management, the negotiation of IFAs aims at securing the company's competitiveness in global markets and especially in the stock market with regard to ethical standards, thus influencing investors; at creating a coherent framework for the group's commitment in the field of CSR towards consumers and clients, as well as NGOs; at sharing initiatives and to foster the group's internal culture and values; and at contributing to a better risk management strategy.

This study shows that some IFAs have been negotiated in order to improve the monitoring of existing codes of conduct. The association of global union federations and other employee representatives in the monitoring process may indeed reinforce the credibility of these voluntary commitments. These examples underline the complementary character of both instruments.

Analysis of documents and individual company cases reveals certain differences between IFAs and codes of conduct as regards the **elaboration process**. Employee representatives and trade unions play virtually no active role in the process of initiating, elaborating and signing a code of conduct, thereby confirming the management-driven nature of these texts. In contrast, the experience of IFAs is much more about a joint approach of negotiating, drafting and signing the document despite differences between individual companies.

One important finding of the document analysis of IFAs is the significant variety of signatory parties representing the employees. In this study, the signature of the text by one or several global union federations was considered as an element of the definition of an IFA. However, some agreements are co-signed by national unions and/or European Works Councils. The choice of these additional signatory parties varies according to the company's sector, its nationality and the orientations of the global union federation. Even if these actors do not co-sign the agreement, they are often informed and consulted, and are sometimes the driving forces in the negotiation process. Their co-signature seems to increase their implication in the dissemination and monitoring process of the text.

The elaboration process varies considerably from one company to another. Some global union federations have elaborated model agreements and the negotiation process is thus limited to the adaptation of this model to the particular context of the company. Other companies prefer to draft a text linked to their particular challenges and structure. In some cases, the negotiation team is very small, thus favouring a fast adoption of a joint text, whereas other companies prefer to use the negotiation process as a means of sharing the corporate culture and values among a large number of employees.

This research also covers the operational issues linked to the dissemination and monitoring of codes of conduct and IFAs. How are the managers and employees informed about these documents? Do the companies create reporting systems and indicators to evaluate the degree of implementation? How is the monitoring organised and what parties are involved? Are there any sanctions if parties do not adhere to the text? Are any provisions made for dispute settlement mechanisms? What are the procedures for revising the texts?

This study highlights that IFAs and codes of conduct differ to an important extent in their dissemination and monitoring procedures. Whereas dissemination and monitoring of IFAs involve both social partners and thus contribute to creating new issues for social dialogue, the implementation of codes of conduct usually remains solely in the hands of management, control occasionally being entrusted to external auditors. This finding is confirmed by the fact that some companies have decided to conclude an IFA to improve the dissemination and the monitoring of their pre-existing code of conduct.

IFAs and codes of conduct also differ as to the duties they create for employees. Many codes of conduct explicitly provide for disciplinary or even civil sanctions for employees whose behaviour does not conform to the principles laid down. In many cases, employees are also required to report violations of the code that they may observe, using anonymous hotlines. IFAs do not contain similar provisions.

In contrast, IFAs sometimes create dispute settlement procedures involving the social partners at local, national and international level. They thus underline the willingness of the signatory parties to use IFAs to identify possible violations of fundamental social rights in subsidiaries (or even at suppliers) at an early stage and to solve these problems internally through social dialogue, rather than going to court or to the general public.

Finally, this study reflects on the impact of codes of conduct and IFAs on the strategies of companies, trade unions and employee representatives, and on the quality of industrial relations, as well as on the working conditions of employees. Is there an impact on behaviour of companies linked to these codes of conduct? Do codes of conduct and IFAs have any influence on national social dialogue structures and results? Do IFAs and codes of conduct fill a gap between the national participation rights and the international activities of large companies? Do they offer opportunities for social dialogue and further development of industrial relations at company level?

Here again, the study reveals some clear differences between both instruments with regard to implementation and monitoring. In general, the case studies reveal a much more intense and proactive approach in companies with IFAs, resulting from active trade union involvement. While this does not allow any conclusions on real positive impacts or outcomes, it seems clear that the enforcement of fundamental labour rights via an IFA is more likely to have a real impact since it is based not only on one tool and one key actor, but on several instruments and the involvement of both social partners. This is particularly true for the impact on the right of freedom of association and collective bargaining. In contrast to other fundamental labour rights, these ILO norms are covered to a much lesser degree by codes of conduct.

However, both corporate codes and IFAs have a positive impact on the implementation of

fundamental social rights and may thus be a useful complement to the existing labour law norms on the national, European and international levels.

The impact on industrial relations and corporate cultures also differs between codes of conduct and IFAs. This mainly results from the different nature of both instruments: IFAs suppose a joint approach of employers and employee representatives contributing to shape global industrial relations, whereas codes of conduct remain a unilateral management tool. IFAs may in particular accelerate the creation of global structures of social dialogue, information and consultation.

The concluding chapter of this report summarises some major findings of the research, mainly referring to the differences between codes of conducts and IFAs, and indicators of good practice for both instruments. It also highlights some future needs for further research in at least three fields:

- What accounts for the significant level of variation in practice among IFAs and codes of conduct, e.g. the influence of national industrial relations systems, corporate cultures, sectoral contexts, size of companies, etc.?
- What kind of concrete influence do IFAs and codes of conduct have on local parties and local labour relations at the level of subsidiaries and suppliers?
- What determines the effective implementation and operational practice of IFAs and corporate codes? Which tools and instruments have been developed in this context and how important is the active involvement of local actors (both from management and employees) in new structures of dialogue, monitoring and implementation?

Introduction

Over the past few decades, the rapid process of globalisation has been accompanied by a growing political debate on international working and production standards. As the liberalisation of trade and capital movements starts to challenge established national forms of social dialogue and industrial regulation, there is a growing and controversial debate on the need for supra-national structures and regulation of labour standards and industrial relations.

In response to concerns raised by trade unions, NGO campaigns and consumer protests – as well as the initiatives of several international organisations such as the OECD¹, the ILO² and the UN³ – many multinationals have accordingly paid more attention to corporate social responsibility (CSR). This is defined by the European Commission as ‘the voluntary integration of social and environmental concerns in a company’s business operations and its interaction with its stakeholders’ (European Commission, 2002). In doing so, companies go beyond legal minimum requirements and obligations stemming from collective agreements in order to address societal needs.

One prominent development – although not essentially a new one – during the last decade has been the elaboration and adoption of corporate codes of conduct as a reflection of the increasing global outreach and influence of multinationals. Confronted with many cases of bad publicity and pressure from employees, consumers and NGOs, companies are looking for ways to reduce the risk of acquiring a bad reputation. Codes of conduct appear to be a tentative step whereby multinational companies seek to increase their legitimacy in the eyes of their stakeholders and also to illustrate compliance with new international regulations of corporate governance.⁴ To some extent, they may also be considered as an answer at company level to the shortcomings of initiatives aimed at creating social regulations at international level.

But codes of conduct are voluntary instruments that offer guidelines, goals and objectives. They are not legally binding and often have neither enforcement mechanisms nor recognised bodies that control, mediate and/or evaluate fulfilment of the objectives. Some observers in this context have stressed the argument that codes of conduct are mainly ‘affirmative’ instruments (Aaronson and Reeves, 2002). The establishment of private norms raises concerns, among scholars in particular, in respect of the complex and ambiguous relations between private norms and legislation (Daugareilh, 2005).

As an alternative, and in many cases supplementary, instrument, so-called International Framework Agreements (IFAs) have been promoted, mainly by global trade union federations, to address an emerging need for the internalisation of industrial and labour relations in the global context (Drouin, 2005; Hammer, 2005; Sobczak, 2006a).

International framework agreements are concluded between international or European trade union organisations and the management of individual multinational companies, defining certain minimum

¹ The *OECD Guidelines for Multinational Enterprises* (1976) were revised in 2000 after having been fairly underused. Improvements were mainly made to the content, including the inclusion of core labour standards and supply chains.

² ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, 1977. The Declaration of Fundamental Principles and Rights at Work 1997-98.

³ The UN initiated the Global Compact Initiative in 2000 in order to improve cooperation between the United Nations, business community and other social groups towards sustainable economic development. The Global Compact is based on 10 principles reflecting the General Human Rights Declaration, ILO core labour norms and the principles of ‘Agenda 21’ on sustainable development.

⁴ For example, the 2002 Sarbanes-Oxley Act in the USA, which requires new standards of corporate reporting and monitoring of violations of corporate codes of conducts and laws.

standards and joint principles of industrial relations which normally are based on fundamental social rights as defined by the ILO principles.⁵ IFAs in most cases are based on a negotiation and bargaining process between management and employee representations.

The first IFAs were adopted in two French multinational companies at the end of the 1980s and in the middle of the 1990s. The number of these agreements increased slowly at first from the end of the 1990s onwards, but has increased at a much faster rate since 2000. As of May 2007, there were 53 agreements in operation.⁶

Even if these IFAs are not legally binding and may not be considered as collective agreements (Sobczak, 2006a), the assumption is that these agreements are more effective and legitimate than unilateral codes of conduct (Tørres and Gunnes, 2003). However, both codes of conducts and IFAs should be seen as instruments among a much wider range of initiatives aimed at developing industrial relations at the international level (see Table 1).

Table 1 Instruments of international industrial relations

Unilateral management instruments Corporate codes of conducts, business principles, CSR commitments	Unilateral employee instruments Global Union Networks for individual multinational companies Cross-border networks of local trade unions without coordination of global union federations
Bilateral instruments: Joint instruments Joint forums and structures of information, consultation and dialogue (e.g. world works councils and other joint bodies) Transnational extension of board-level representation Joint texts and declarations Branch-level codes (chemical industries, toy industries, European textile industry, European sugar industry) International framework agreements	

Source: Schömann (2004)) adopted from Müller et al (2004), p. 17.

Research context

There is a vast literature on corporate codes of conduct and a rapidly growing literature on international framework agreements. Most research so far on codes of conduct has focused on content analysis (OECD, 2000) and has addressed issues of management motivation (e.g. ‘ethical’ or ‘business’) targeting either ‘internal’ or ‘external’ objectives (Windsor, 2006; Bondy et al, 2004). Other research in the field has addressed the *potential* impact of codes as a new model of social regulation (Hepple, 1999; Vallée, 2003; Sobczak, 2004; Schömann, 2004) and compared them to other emerging forms of social regulation in the context of globalisation (Moreau, 2005). This range of research pays particular attention to the monitoring processes developed within codes of conduct

⁵ In the list of IFAs given in Table 3 (Chapter 1), we excluded those agreements that cover only single issues and that do not deal with all fundamental social rights, such as the Club Méditerranée or Areva Group agreements. We also did not include agreements that were only signed by European Works Council or by national unions, even if these agreements had an international scope. DG Employment and Social Affairs of the European Commission studied these ‘joint’ texts, whose number was estimated at 100 covering more than 60 companies (see Pichot, 2006).

⁶ In May 2007, the global framework agreement between Quebecor World and UNI was signed. However, this report only covers the 52 agreements that were signed up to the end of April 2007.

(Nijhof et al, 2004) since the enforceability of these private sources is often considered their main weakness.

So far little research has been conducted on the real impact of codes of conduct on labour standards and industrial relations. Beyond the formal content of these texts and their legal enforceability, the question is whether they are used as a reference guide by the management and employee representatives, and whether they have changed, at least partially, the strategies of both parties in the context of social conflicts or social dialogue. Moreover, little research exists on the perception of these texts by the employees within the companies that have adopted such codes. Are employees within the European Union aware of these texts and do they feel that these texts have an impact on their working conditions? Do corporate codes of conduct contribute to the development of a transnational or at least European vision of industrial relations by the different parties? Based on evidence from 12 case studies, this research project has focused particularly on these aspects in order to fill gaps in the existing research.

As far as international framework agreements (IFAs) are concerned, there exist only preliminary research results because of the rather recent development of these documents. The existing research in this field focuses either on case studies of particular agreements (Riisgaard, 2005) or on particular sectors (Miller, 2004) or concentrates on a general analysis of their legal impact (Daugareilh, 2005; Sobczak, 2006b). There is, however, no research on the impact of IFAs on the strategies of management and trade unions, and on working conditions and industrial relations within European companies.

Neither codes of conduct nor IFAs have a clear legal status. From a legal point of view, the adoption of these tools is completely voluntary, even if national legislations or public purchasing policies, as well as the pressure of stakeholders, may favour their adoption. The question of the legally binding character of codes of conduct and IFAs is still an issue under debate. In a similar vein, there is an increasing debate as to whether an optional legal framework in this field would encourage or halt the development of these tools (Ales et al, 2006). This issue, which is a source of controversial debate between the social partners of Europe at the present time, has not been taken into account in our research approach.

The present research project (carried out jointly by a consortium of Wilke, Maack and Partner in Hamburg, the Audencia Nantes School of Management and the ETUI-REHS Institute in Brussels) is aimed at filling the following specific gaps and niches regarding corporate codes of conduct and IFAs:

- comparison of codes of conduct and IFAs;
- reasons and motivations for developing codes of conduct and/or IFAs;
- impact analysis focusing on the impact on labour conditions and social dialogue, as well as on corporate cultures;
- lessons to be learned from good practice experience and mapping with regard to the issue of enforceability and effectiveness.

Research methods

The aim of this research was to assess the impact of codes of conduct and international framework agreements (IFAs) at the business level, both from an analytical perspective and from a practical angle in analysing case studies of good practice. Besides the analysis of the relevant academic literature, a two-fold methodological approach was applied:

- A quantitative analysis of the existing IFAs and a sample of 50 codes of conduct. This analysis provides an insight into the content of these texts, their scope, dissemination and monitoring procedures, and the emerging provisions on dispute settlement in some of them.
- A qualitative analysis of 11 case studies that have either a code of conduct, an IFA or both tools.⁷ Interviews with representatives from the management and among the employees revealed the motivations and interest constellations of these parties and allowed an analysis of the concrete changes these tools have, or have not, introduced in the companies studied.

This report is also based on input from two workshops conducted during the course of this research project and hosted by the European Foundation for the Improvement of Living and Working Conditions (one held in Brussels in December 2006 and the other in Rome in April 2007). These workshops brought together representatives from the social partners, the European Union and the ILO, experts and academics working on codes of conduct and IFAs, as well as company representatives from management and labour.

Structure of report

Taking into account the research gaps and using the different methodologies, this report deals with five main questions, which correspond to the main chapters of the report:

- **Chapter 1** details the methodology applied in the study and presents the sample of codes of conducts and IFAs used, as well as the case studies.
- **Chapter 2** analyses the content and scope of application of codes of conduct and IFAs. The aim is to compare the issues covered by both tools, as well as the references they contain to international labour standards. This content analysis is necessary to identify the potential added value of these texts for the companies and their employees, and then to compare it to their concrete outcomes.
- **Chapter 3** provides information and evidence on the motives underlying the adoption of both codes of conduct and IFAs at the company level. This includes an analysis of the reasons influencing the choice between these two different tools that may co-exist in some companies. In this context, the research has addressed the following questions: Why do some companies prefer to adopt corporate codes of conduct rather than negotiate IFAs, or vice versa? Why do some companies decide to have both instruments and how do they interlink? Among the various factors influencing these choices, special attention was paid to the nature of the industrial relations and corporate culture within the company.
- **Chapter 4** provides a picture of the elaboration process of codes of conduct and IFAs. Besides the fact that the former are formally unilateral and the latter are bilateral, the analysis includes

⁷ Though interviews were conducted in a total of 12 companies, only 11 case study reports have been produced since one company decided not to have its case study report published.

the way in which the different national, European and international trade unions, as well as other employee representatives, are concretely involved in the process. Here, the following questions were addressed: What is the role of different stakeholders in the definition of the content and the monitoring procedures? How do the different parties cooperate in the elaboration process? What are the difficulties and success factors in this process?

- **Chapter 5** deals with the operational issues linked to the dissemination and monitoring of both codes of conduct and IFAs. How are the managers and employees informed about these documents? Do the companies create reporting systems and indicators to evaluate the degree of implementation? How is the monitoring organised and which parties are involved? Are there any sanctions if parties do not adhere to the text? Are any provisions made for dispute settlement mechanisms? What are the procedures for revising the texts?
- **Chapter 6** reflects on the impact of both instruments on the strategies of companies, trade unions and employee representatives, the quality of industrial relations, as well as the working conditions of the employees. Is there an impact on the behaviour of companies linked to these codes of conduct? Do codes of conduct and IFAs have any influence on national social dialogue structures and results? Do IFAs and codes of conduct fill a gap between the national participation rights and international activities of large companies? Do they offer opportunities for social dialogue and further development of industrial relations at company level?
- **Chapter 7** summarises some major findings of the research, mainly referring to the differences between codes of conducts and IFAs, and indicators of good practice regarding both instruments.

Comparing codes of conduct and international framework agreements

Document analysis

A sample of more than 100 documents was evaluated in the context of the research in order to gain a broad picture of certain features and specific aspects of international framework agreements (IFAs) and corporate codes of conduct. The sample of documents included the complete sample of all existing IFAs and a selection of 50 codes of conduct (see Tables 3 and 4).

Whereas the list of the IFAs includes all texts signed between the management of a multinational company and one or more global union federations, the list of codes of conduct corresponds only to a small sample of the existing texts and cannot be considered representative. Besides the practical difficulties of what constitutes a representative sample of codes of conduct, the aim of this study was less the assessment of codes of conduct in general and more their comparison with IFAs, particularly their impact on employees and on industrial relations at the company level. To build the sample of codes of conduct, we started by looking for the codes adopted by 52 companies that have negotiated an IFA. We wanted to see whether having both instruments had an influence on the content of the texts. In 22 out of the 52 companies that had an IFA, we found a code of conduct available in English on the corporate website or through contacts in the company. To obtain a sample of 50 codes of conduct, we added 28 codes of conduct from other companies. Consequently, the study is based on the analysis of texts spanning 80 different companies (see Table 2).

Table 2 Companies with international framework agreements and/or codes of conduct

Texts	Number of companies
International Framework Agreement and Code of Conduct	22
Only International Framework Agreement	30
Only Code of Conduct	28
TOTAL	80

Source: Schömann (2004)

Table 3 List of international framework agreements (1989 – end April 2007)

Company	Year	Country	Global Union Federation	Signed by EWC	Signed by national union
Danone	1989	France	IUF	No	No
Accor	1995	France	IUF	No	No
Faber-Castell	2000	Germany	BWI	No	Yes
Hochtief	2000	Germany	BWI	Yes	Yes
Freudenberg	2000	Germany	ICEM	No	Yes
Carrefour	2000	France	UNI	No	No
Merloni	2001	Italy	IMF	No	Yes
OTE	2001	Greece	UNI	No	Yes
Skanska	2001	Sweden	BWI	No	No
Telefonica	2001	Spain	UNI	No	Yes
Chiquita	2001	USA	IUF	No	No
IKEA	2001	Sweden	BWI	No	No
Anglogold	2002	South Africa	ICEM	No	No
Endesa	2002	Spain	ICEM	No	Yes
Ballast Nedam	2002	Netherlands	BWI	No	No
Fonterra	2002	New Zealand	IUF	No	Yes

Table 3 (continued)

Company	Year	Country	Global Union Federation	Signed by EWC	Signed by national union
Volkswagen	2002	Germany	IMF	Yes	No
Norske Skog	2002	Norway	ICEM	No	Yes
DaimlerChrysler	2002	Germany	IMF	Yes	No
Leoni	2002	Germany	IMF	Yes	No
Eni	2002	Italy	ICEM	No	Yes
ISS	2003	Denmark	UNI	No	No
GEA	2003	Germany	IMF	Yes	No
Statoil	2003	Norway	ICEM	No	Yes
Rheinmetall	2003	Germany	IMF	Yes	No
SKF	2003	Sweden	IMF	No	No
Lukoil	2004	Russia	ICEM	No	Yes
H&M	2004	Sweden	UNI	No	No
Bosch	2004	Germany	IMF	Yes	No
SCA	2004	Sweden	ICEM	Yes	Yes
Prym	2004	Germany	IMF	Yes	No
Renault	2004	France	IMF	Yes	Yes
Impreglio	2004	Italy	BWI	No	Yes
Röchling	2004	Germany	IMF	Yes	No
BMW	2005	Germany	IMF	Yes	No
Rhodia	2005	France	ICEM	No	No
EDF	2005	France	ICEM, PSI, IFME and WFIW	No	Yes
Veidekke	2005	Norway	BWI	No	Yes
EADS	2005	Netherlands	IMF	Yes	No
Schwan Stabilo	2005	Germany	BWI	No	Yes
Lafarge	2005	France	ICEM and BWI	No	No
Arcelor	2005	Luxembourg	IMF	No	No
Nampak	2006	South Africa	UNI	No	No
Portugal Telecom	2006	Portugal	UNI	No	Yes
PSA Peugeot Citroën	2006	France	IMF	No	Yes
Royal BAM	2006	Netherlands	BWI	No	No
Euradius	2006	Netherlands	UNI	No	Yes
Securitas	2006	Sweden	UNI	No	Yes
Staedler	2006	Germany	BWI	No	Yes
France Telecom	2007	France	UNI	No	Yes
NAG	2007	Australia	UNI	No	Yes
Volker Wessels	2007	Netherlands	BWI	No	No

Source: Schömann (2004)

Table 4 Sample of codes of conduct

Company	Country	Sector	Existence of an IFA
ABB	Switzerland	Power and automation	No
Adidas	Germany	Textiles	No
Alcan	Canada	Aluminium packaging	No
Anglogold	South Africa	Mining	Yes
Arcelor	Luxembourg	Steel	Yes
Aventis	France	Pharmaceutical industry	No
BASF	Germany	Chemical industry	No
Benetton	Italy	Textiles	No
British Petroleum	UK	Oil industry	No
C&A	UK	Textiles	Yes
Chiquita	USA	Food	Yes
DaimlerChrysler	Germany	Automobiles	Yes
Danone	France	Food	Yes
EADS	Netherlands	Aerospace	Yes
EDF	France	Energy	Yes
Elocoteq	Finland	Electronics	No
Endesa	Spain	Energy	Yes
Eni	Italy	Energy	Yes
Fiat	Italy	Automobiles	No
France Telecom	France	Telecommunications	Yes
Gap	USA	Textiles	No
H&M	Sweden	Textiles	Yes
Hewlett Packard	USA	Computers and printers	No
Inditex (Zara)	Spain	Textiles	No
ISS	Denmark	Building	Yes
Kesko	Finland	Services	No
Kraft	USA	Food	No
Lafarge	France	Building materials	Yes
Levi Strauss	USA	Textiles	No
MAN	Germany	Engineering	No
Nestlé	Switzerland	Food	No
Nike	USA	Textiles	No
Nokia	Finland	Mobile phones	No
Novartis	Switzerland	Pharmaceutical industry	No
Portugal Telecom	Portugal	Telecommunication	Yes
PSA Peugeot Citroën	France	Automobiles	Yes
Renault	France	Automobiles	Yes
RWE	Germany	Energy	No
SCA	Sweden	Paper industry	Yes
Securitas	Sweden	Security	Yes
Siemens	Germany	Conglomerate	No
Shell	Netherlands	Oil industry	No
Skanska	Sweden	Construction	Yes
Statoil	Norway	Oil industry	Yes
Telecom Italia	Italy	Telecommunications	No
Telefonica	Spain	Telecommunications	Yes
Unilever	Netherlands	Food	No
Veidekke	Norway	Construction	Yes
Vodafone	UK	Telecommunications	No
Volvo	Sweden	Automobiles	No

Source: Schömann (2004)

In the selection of 28 codes of conduct from companies which had no IFA, we tried to achieve a sample that was as similar as possible to the companies which had negotiated an IFA, particularly with regard to the countries of origin, in order to facilitate a sound comparison. Although codes of conduct are far more widespread among non-European countries than IFAs, we tried to focus on European companies in order to minimise the impact of different legislations and cultures of industrial relations on the results. Thus, although we have included in the sample six codes from the USA, three from the UK, three from Switzerland and three from Finland, countries whose companies have, apart from the Chiquita IFA, not signed any IFA, the majority of companies in the sample are European (see Table 5).

Table 5 International framework agreements and codes of conduct, by country

Country	Number of international framework agreements	Number of codes of conduct
Germany	14	6
France	9	7
Sweden	6	5
Netherlands	5	
Norway	3	2
Italy	3	4
Spain	2	3
Denmark	1	1
Greece	1	-
Luxembourg	1	1
Portugal	1	1
Finland	-	3
Switzerland	-	3
UK	-	3
TOTAL EU + Norway + Switzerland	46	42
South Africa	2	1
New Zealand	1	-
Australia	1	-
Russia	1	-
USA	1	6
Canada	-	1
TOTAL	52	50

Source: Schömann (2004)

From the perspective of the sectors covered, the sample of codes of conduct is quite close to the sample of IFAs. The main difference is that we included eight codes from the textiles sector because, under pressure from NGOs and consumers' associations, many multinationals in this sector have adopted codes of conduct, while H&M (Sweden) is the only company in this sector that has also signed an IFA (see Table 6).

Table 6 International framework agreements and codes of conduct, by sector

Sector	Number of international framework agreements	Number of codes of conduct
Metal industry + Electronics	15	13
Chemical industry + Energy	11	11
Wood and construction	11	5
Food industry	3	5
Textile industry	1	8
Conglomerate	–	1
TOTAL INDUSTRY	41	43
TOTAL SERVICES	11	7
TOTAL	52	50

Source: Schömann (2004)

The text analysis of documents was based on an evaluation grid that focused on the following aspects, which were regarded as significant for a comparison of corporate codes and IFAs:

- references to international norms and principles (Global Compact, OECD Guidelines, UN Declaration of Human Rights, ILO Tripartite Declaration and eight fundamental Conventions, etc);
- content, including issues such as general references to law, freedom of association, child labour, forced labour and other fundamental rights, as well as health and safety issues, environmental concerns, aids, local community involvement, etc;
- scope of application, i.e. definition of the group, application to suppliers, training, etc;
- dissemination provisions, such as translation, training and local social dialogue;
- monitoring regulations;
- provisions regarding enforcement and sanctions;
- duration and revision rules.

Case studies on good practice

The report includes results from empirical research, and in particular from the case studies in companies with an IFA, a code of conduct or both. (The case studies are published separately on the Foundation's website at <http://www.eurofound.europa.eu/areas/industrialrelations/governance.htm> or see Appendix on p.94 for a list of individual links).

For each case study, qualitative interviews were organised with a representative from the management and at least one representative from the employees. In most cases, interviews were also conducted with representatives from global union federations. Based on a common set of questions, the interviews focused on the motivations that led to the adoption of the code of conduct or the negotiation of the IFA, the implementation process, the dissemination and monitoring of the text and its current outcomes for employees, the company and industrial relations.

The interviews were the main source of the research into the interests and expectations of the parties

involved, as well as allowing assessment of the interrelations and socio-cultural conditions influencing the reality and practice of the code of conduct and/or the IFA at company level. Furthermore, different kinds of background material were analysed on the companies, such as business reports, sustainability reports and publications in academic and non-academic journals.

The choice of case studies reflects various indicators and criteria that were considered crucial for the interests of the research:

- variety of countries, industrial relations systems and models of corporate governance;
- variety of economic sectors, e.g. companies from different industry sectors as well as from the service sector;
- variety of approaches to the development of codes of conduct and IFAs, e.g. companies that have applied both instruments and companies that have only a corporate code. The idea in this context was to highlight both the differences between the two and their advantages;
- variety of social partners involved, e.g. companies that have negotiated only with a European or a global trade union federation without or with little involvement from national interest representations and trade unions or European Works Councils, and companies characterised by the strong bottom-up influence of works councils;
- preference was given to recent codes of conduct and IFAs in order to take into account current trends and state-of-the-art practice. However, with Chiquita and IKEA, we have also included two well-established IFAs in the sample.

Against this background, 12 companies were selected as the sample for case studies (see Table 7).

Table 7 Company case studies

Company	Country	Industry sector	Code of conduct	IFA
Arcelor	Luxembourg	Metals and steel	Yes	Yes
BASF	Germany	Chemicals	Yes	No
Bosch	Germany	Automotive, consumer products	No	Yes
Chiquita	USA	Food	No	Yes
EDF	France	Energy, Electricity	Yes	Yes
IKEA	Sweden	Retail, furniture production	Yes	Yes
Leoni	Germany	Automotive, cables and wires	No	Yes
PSA Peugeot Citroën	France	Automotive	Yes	Yes
Securitas	Sweden	Security services	Yes	Yes
Telefonica	Spain	Telecommunication	Yes	Yes
Unilever	Netherlands	Food, domestic products	Yes	No

As is clear from this list, most of the companies in the sample have signed an IFA. But, as Table 8 shows, there is a significant variety in the titles of the documents: while most are termed ‘agreement’, some are referred to as ‘principles’ or ‘declaration’ (Bosch, Leoni) or even ‘code of conduct’ (Telefonica).

Table 8 Company case studies: titles of documents

Company	Codes of conduct	International framework agreements
Arcelor	Code of Ethics	Worldwide Agreement on the Principles of ARCELOR's Corporate Social Responsibility
BASF	Code of Conduct. Compliance Programme of the Group	–
Bosch	–	Principles of Social Responsibility at Bosch
Chiquita	Code of Conduct 'Living by our own values'	IUF/COLSIBA and CHIQUITA Agreement on freedom of association, minimum labour standards and employment in Latin American Banana Operations
EDF	Group's Principles of Ethical Practice	Agreement on EDF Group Corporate Social Responsibility
IKEA	Minimum Requirements for Environment, Social and Working Conditions and Wood Merchandise IKEA Way of Purchasing Home Furnishing Products IKEA Way of Preventing Child Labour	Framework agreement between IKEA and the IFBWW
Leoni	–	Declaration on Social Rights and Industrial Relationships at LEONI
PSA Peugeot Citroën	Code of Ethics	Global Framework Agreement on Social Responsibility
Securitas	Code of Conduct	Agreement on the Development of Good Working Relations in the Securitas Group
Telefonica	Our Business Principles	UNI-Telefónica Code of Conduct
Unilever	Code of Business Principles	–

Among the nine companies in the sample that negotiated an IFA, there is great variation, corresponding to the different experiences that exist in this field (see Table 9):

- Date of signature: five agreements within the sample were signed before 2005 and four after this date.
- Sectors: four agreements within the sample were signed by the IMF, two by UNI, one by BWI, one by IUF and one by ICEM and three other global union federations.
- Co-signature by the EWC or national unions: two agreements within the sample were co-signed by the company's EWC and four by national unions. With the latter, two different cases exist: two agreements were co-signed only by the national unions of the country of the company's headquarters, whereas the two others involved the national unions of all subsidiaries.
- Countries: the sample contains two agreements for each of the three major countries of origin of these texts (Germany, France and Sweden) and three agreements from countries representing the others, with one outside the EU.

Table 9 International framework agreements in the case studies

Company	Year	Country	Global Union Federation	Signed by EWC	Signed by national union
Telefonica	2001	Spain	UNI	No	Yes
Chiquita	2001	USA	IUF	No	No
IKEA	2001	Sweden	BWI	No	No
Leoni	2002	Germany	IMF	Yes	No
Bosch	2004	Germany	IMF	Yes	No
EDF	2005	France	ICEM, PSI, IFME and WFIW	No	Yes
Arcelor	2005	Luxembourg	IMF	No	No
PSA Peugeot Citroën	2006	France	IMF	No	Yes
Securitas	2006	Sweden	UNI	No	Yes

Content and scope of application

2

Codes of conduct and international framework agreements (IFAs) are widely regarded as new instruments in international industrial relations that co-exist with other labour law standards, industrial relations systems and forms of employee representation at the national, European and international levels. Their development is therefore linked to the added value they represent compared to labour law standards. Besides their contribution to the corporate culture, and in the case of IFAs to the quality of social dialogue, both instruments may contribute to the definition of minimum standards, a reaffirmation of core labour rights or the creation of more effective enforcement of labour laws among the different subsidiaries of the company and within the company, as well as among its suppliers.

To contribute to improved industrial relations and working conditions, codes of conduct and IFAs can introduce new rights for employees, employee representatives and trade unions, or can emphasise making existing rights more effective. For workers in countries outside the European Union, the recognition of fundamental social rights may be a priority. Indirectly, this may also be of benefit to workers in the EU, insofar as it contributes to the defining of minimum labour standards and thus to the fight against social dumping. But even within the EU, there is potential for progress, in particular in the development of rights that are not directly related to working conditions and that correspond to much broader social or environmental aspects linked to the lives of workers and their families. As will be seen below, the content analysis of IFAs and the sample of codes of conduct reveal that both instruments sometimes differ significantly on the issues raised and on the quality of their commitments.

Another way for codes of conduct and IFAs to contribute to new rules in international industrial relations is to define a broad scope of application covering the company's worldwide subsidiaries and suppliers. One of the major problems for working conditions and labour law standards in the era of globalisation is the fact that they are limited to the regulation of relations between companies and those who are bound by them through a contract of employment, thus excluding, in most cases, legal liability for the workers in subsidiaries and in subcontracting companies. The content analysis of IFAs and codes of conduct in the second section of this chapter shows that many texts within both categories deal with the social regulation of the company's suppliers.

Issues covered in IFAs and codes of conduct

A major difference between IFAs and codes of conduct lies in the issues they cover and in the international standards to which they refer. Comparative content analysis reveals that there is a clear overlap in the issues raised by both kinds of texts. Besides a set of common issues raised by both categories, however, each type of document is characterised by a specific content that distinguishes it from the other instrument.

Fundamental social rights

Almost all IFAs (94%) and codes of conduct in the sample (90%) contain provisions on the prohibition of discrimination and the promotion of diversity (*see Table 10*). This issue may be considered as a priority for the authors of these texts and is in line with objectives and regulations within the EU. A comparison of the three other fundamental social rights defined by the ILO reveals, however, a clear difference between corporate codes and IFAs. Whereas the percentage of IFAs mentioning freedom of association (96%) or the prohibition of child labour (91%) and forced labour

(91%) is at the same level as the prohibition of non-discrimination, these issues are mentioned in only one out of two codes of conduct in the sample (54%, 62% and 52% respectively).

Table 10 Fundamental social rights

Issue	International framework agreements (Total 52)	Codes of conduct (Total 50)
Anti-discrimination	48 (94%)	45 (90%)
Freedom of association	49 (96%)	27 (54%)
Prohibition of child labour	47 (91%)	31 (62%)
Prohibition of forced labour	47 (91%)	26 (52%)

Source: Schömann (2004)

In the case of freedom of association, the different level of emphasis may be explained by the fact that IFAs are co-signed by the global union federations and perceived by many of them as an instrument for developing not only social dialogue but also unionisation, and this, in particular, in countries where freedom of association is not recognised by the national labour legislation or where it is not effective. In the interviews held with representatives from several global union federations, they affirmed that in their view, one of the ways – if not the main way – to evaluate the concrete outcome of these agreements is to measure the increase in union membership and trade union structures of the relevant company.

The different level of emphasis is more surprising in the areas of child labour and forced labour because codes of conduct are usually considered to be a ‘marketing tool’ that allows the company to assure consumers that their products are produced without violating at least the fundamental social rights. Indeed, codes of conduct adopted by companies that have a strong brand, particularly in the textile sector, systematically refer to these core labour rights. For other companies, the lower priority might be explained by the fact that child and forced labour do not exist in these companies and their subsidiaries, and have not been a real problem over the past few decades, the challenges being concentrated at the supplier level. On the contrary, diversity is still an issue for many companies, even in Western countries, and occurs in almost all codes of conduct.

But this explanation is insufficient to understand why companies that have no problems with child or forced labour include these issues in their IFAs. The only explanation for this seems to be that the global union federations that sign the agreements insist on the systematic reference to the four ILO core labour standards; this is aimed at promoting them and making them effective, even in countries that do not enforce them satisfactorily.

Working and employment conditions

In the sample for this study, 85% of the existing IFAs and 88% of the codes of conduct deal with health and safety issues, highlighting the importance companies and employee representatives attach to them (see Table 11). For all the other issues relating to working and employment conditions, the content analysis of both kinds of instruments reveals clear differences. The percentages of IFAs that refer to wages (72%) and working hours (60%) are much higher than the percentages of codes of conduct that refer to these issues (34% and 22% respectively). The difference is even more significant

with regard to the social aspects of restructuring: 57% of the existing IFAs contain provisions in this field as compared to 2% of the codes of conduct in the sample.

The difference between both kinds of texts is less striking in the field of training, an issue mentioned by 64% of the IFAs and 40% of the codes of conduct. In contrast, the prohibition of any kind of harassment (in particular, sexual harassment) is included in 56% of the codes of conduct in the sample, but in only 23% of the IFAs.

Table 11 Working and employment conditions

Issue	International framework agreements (Total 52)	Codes of conduct (Total 50)
Health and safety	43 (85%)	44 (88%)
Wages	37 (72%)	17 (34%)
Working hours	31 (60%)	11 (22%)
Harassment	12 (23%)	28 (56%)
Training and career development	33 (64%)	20 (40%)
Restructuring	30 (57%)	1 (2%)

Source: Schömann (2004)

The differences between the issues raised in IFAs and codes of conduct highlight the respective profiles of both kinds of texts. IFAs are the result of social dialogue. Thus, even at the international level, social partners exchange information on subjects usually included in collective agreements, such as wages and working hours or, more recently, social aspects of restructuring and training. This may explain the high percentage of IFAs dealing with these issues. Codes of conduct, in contrast, which are adopted unilaterally by the company's management, tend to insist on rights that correspond to 'win-win' situations for management and employees, or rights the violation of which may lead to penal sanctions. New legislations and recent court decisions have indeed increased the legal risks for companies that do not protect their workers' health and safety in a satisfactory manner or which do not prevent discrimination and harassment. By adopting a code of conduct, management demonstrates that it is undertaking every possible action to avoid any danger to its workers and may thus limit its legal risks. This is particularly true for companies with activities in the USA insofar as the Sentencing Guidelines provide for lower sanctions for companies that have adopted and implemented codes of conduct.⁸

CSR or business ethics issues

Both IFAs and codes of conduct contain provisions on other issues than those linked to fundamental social rights or working and employment conditions. These issues may be linked to the much broader concepts of corporate social responsibility (CSR) or business ethics (*see Table 12*). There are clear differences between the two kinds of texts. Whereas codes of conduct attach as much importance to issues directly linked to labour standards as other kinds, the former play a secondary role in IFAs,

⁸ The United States Sentencing Commission is an independent agency of the US Government, created to provide certainty, fairness and equality in criminal sentences by federal courts. The Commission established the Federal Sentencing Guidelines for Federal Courts. These include significant penalty reductions for organisations that can demonstrate comprehensive and credible programmes aimed at preventing criminal conduct, including violations of the FCPA.

with the exception of environmental protection which is mentioned in one IFA out of two. Only a few agreements refer to the company's responsibility to the local community (13%) or to fighting corruption (19%). In contrast, these two issues are raised by 52% and 74% of the codes of conduct in the sample, thus reaching the same or an even higher level than some fundamental social rights and most issues linked to working and employment conditions. Moreover, two-thirds of the codes of conduct also include provisions on conflicts of interest and commitments to customers, and 42% define rules pertaining to insider trading, whereas these issues are never mentioned in IFAs.

Table 12 Other corporate social responsibility (CSR) or business ethics issues

Issue	International framework agreements (Total 52)	Codes of conduct (Total 50)
AIDS	9 (17%)	-
Local community	7 (13%)	26 (52%)
Environment	25 (49%)	41 (82%)
Anti-corruption	10 (19%)	37 (74%)
Commitments to customers	-	33 (66%)
Insider trading	-	21 (42%)
Conflicts of interest	-	35 (70%)

Source: Schömann (2004)

These differences reflect the focus of social dialogue, even at the international level, on issues directly related to workers' rights. As the global union federations represent the interests of workers, it is not surprising that the agreements they negotiate with the management of multinational companies deal mainly with fundamental social rights and other labour standards. But this does not exclude broader societal issues. A small, but increasing number of IFAs (17%) deal, for example, with the fight against AIDS among employees and their families, and half of the agreements include provisions aimed at the protection of the environment. Given the importance of these challenges, it is a positive development that social partners take them into account and recognise that employees, like all citizens, have a direct interest in taking action in these fields.

The frequent reference to business ethics in codes of conduct seems to be very much linked to the recent development of stricter rules and penal sanctions in this field. This confirms the use of codes of conduct in order to limit the legal risks of companies.

Reference to international standards and national laws

Analysis of references to international standards and national laws in the IFAs and the sample of codes of conduct confirm the different focuses of the two kinds of texts. The number of sections included in codes of conduct that refer to international standards in the field of corporate social responsibility (CSR) and business ethics is almost the same as those in IFAs, highlighting the fact that this is a common issue for both categories. In the sample, 25% of the existing IFAs and 32% of the codes of conduct refer to the UN Declaration on Human Rights; the Global Compact is mentioned in 23% of the IFAs and 22% of the codes of conduct; and the OECD Guidelines for Multinational Enterprises is referred to in 19% of the IFAs and 14% of the codes of conduct (see Table 13).

In contrast, the percentage of IFAs referring to ILO norms is much higher than that for the codes of

conduct. This confirms that the promotion of labour standards is the main focus of the former, but only one issue among others for the latter. Whereas 69% of the existing IFAs include a general reference to the ILO, this is the case for only 24% of the codes of conduct in the sample. Furthermore, whereas more than one IFA in two (55%) explicitly mentions the eight ILO core conventions, this is the case for only one code of conduct in eight among the sample (12%). This difference between both kinds of text is even stronger when one considers specific ILO conventions. The prohibition of child labour is an issue raised in many IFAs (91%) and codes of conduct (62%). But fewer than 10% of the codes of conduct in the sample refer to the relevant ILO conventions in this field, compared to 74% of the existing IFAs.

Table 13 References to international standards

International standard	International framework agreements (Total 52)	Codes of conduct (Total 50)
General reference to the ILO	36 (69%)	12 (24%)
ILO core conventions	29 (55%)	6 (12%)
UN Declaration on Human Rights	13 (25%)	16 (32%)
Global Compact	12 (23%)	11 (22%)
OECD Guidelines	10 (19%)	7 (14%)

Source: Schömann (2004)

The fact that IFAs refer to a much greater extent to ILO norms than codes of conduct confirms that their aim is to promote core labour standards. Furthermore, for global union federations signing these texts, the reference to ILO standards increases the legitimacy of the principles included in the text and contributes to the reputation of this institution, whose aim it is to promote the regulation of labour relations at international level. The reference to ILO conventions represents added value since these conventions impose obligations only on those countries that have ratified them. If a company refers to these standards in its IFA or code of conduct, it is committed to promoting them and rendering them effective, even in those countries which did not ratify these texts.⁹

Another difference between IFAs and codes of conduct lies in their reference to national laws. In the sample, 90% of the codes of conduct contain an explicit commitment to respecting national laws, whereas only 49% of the IFAs contain such provisions. This difference is consistent with the fact that one aim of the authors of codes of conduct is to reaffirm the national legislations in order to limit the risk of being sanctioned in the case of employee violation.

Defining a broad scope of application

To evaluate the impact of an IFA or a code of conduct, it is essential to define its scope of application: most IFAs and codes of conduct do not reinforce the rights of workers in the EU who have a contract of employment with the company and who are already covered by national and European labour law standards. But these texts may represent an added value for workers in subsidiaries and subcontracting companies, if they are included in the scope of application.

⁹ In the case studies, we did not find an example of a violation of an ILO norm through the companies' subsidiaries. All violations reported are linked to subcontractors or problems with trade union rights and interest representation on the shop floor.

A comparative analysis of IFAs and the sample of codes of conduct reveals that the provisions on the scope of application are in general much more detailed in IFAs than in codes of conduct (see Table 14). Whereas 96% of the IFAs explicitly indicate that the norms they contain apply to the whole group, this is the case for only 42% of the codes of conduct.

Table 14 Definition of the scope of application

Scope	International framework agreements (Total 52)	Codes of conduct (Total 50)
Application to the whole group	49 (96%)	21 (42%)
Application to suppliers	41 (80%)	30 (60%)

Source: Schömann (2004)

Whereas 96% of the IFAs explicitly indicate that the norms they contain apply to the whole group, this is the case for only 42% of the codes of conduct.

Explicit reference to a group-wide scope of application
BMW IFA: 'The goals and principles of implementation set out in this joint declaration apply to the BMW Group worldwide.'
Skanska IFA: 'The regulations enclosed herewith apply to all units and subsidiaries of the Skanska Group.'
EADS IFA: 'The provisions of this framework agreement define EADS standards to be applied wherever the Group operates, as long as more favourable conditions do not exist already.'
Shell Code: 'The Shell General Business Principles govern how each of the Shell companies which make up the Shell Group conducts its affairs.'

Application to subsidiaries

Some IFAs suggest that a company's commitment may vary according to the degree of power it has within its different subsidiaries. Such a distinction seems legitimate and has the advantage of not creating expectations that may not be satisfied subsequently. Indeed, whereas the headquarters can be held responsible for adherence to the IFA in subsidiaries in which they have direct control, they can try to convince the management only in subsidiaries without direct control.

Only 25% of the existing IFAs and 16% of the codes of conduct in the sample define precisely the borders of the group, even if the definition of 'group' remains vague in most national legislation (Sugarman and Teubner, 1990). At best, the group is a functional notion, the definition of which differs according to the relevant field. In the absence of a definition in the text, one may consider that the definition of the group is the one as defined by national law of the country in which the company has its headquarters. It is, however, impossible to exclude the fact that a court in another country may apply another definition. To avoid any conflict in this area, the text should indicate a definition of 'group'. A few recent IFAs refer to subsidiaries in which the holding company holds the majority of the capital or the voting rights or in which it has dominant control.

Scopes of application depending on level of control

Arcelor IFA: 'Group subsidiaries over which Arcelor exercises a dominant influence ensure that the provisions of this agreement are implemented, while taking local factors (rules and practices) into consideration. In the subsidiaries where the Arcelor Group has a significant presence, but does not exercise a dominant influence, the signatory parties undertake to jointly put to use all of the resources at their disposal in order to promote the principles stated in this agreement.'

EADS Code: 'This Code is applicable throughout the Group, for all entities controlled by EADS and should be applied, to the extent allowed by the respective shareholders' agreements, to entities where EADS has a joint control.'

Definition of 'group'

PSA IFA: 'This Global Framework Agreement applies directly to the entire consolidated automotive division (research and development, manufacturing, sales and support services) and to the finance, transport and logistics divisions for current and future subsidiaries, over which the corporation has a dominant influence, either through majority ownership or, when ownership is limited to 50%, through the corporation's responsibility for managing social issues in the subsidiary concerned.'

Arcelor IFA: 'This agreement applies to the entities over which the Group exercises a dominant influence, be it through direct ownership, financial participation or governance rules.'

Among the codes of conduct in the sample, two texts adopted by Italian companies refer explicitly to the definition of 'group' in Italian law:

Definition of 'group' in Italian law

Eni Code: 'In the present Code, "Eni" or "Group" means Eni S.p.A. and its subsidiaries as defined in article 2359 of the Italian Civil Code as well as other subsidiaries as defined in article 26 of Legislative Decree n. 127 of April, 9, 1991.'

Fiat Code: 'In the Code, "Group" refers to Fiat S.p.A. and its subsidiary companies for the purposes of art. 2359 of the Italian Civil Code and other subsidiary companies for the purposes of art. 26 of Decree Law no. 127 dated 9/4/1991.'

In a similar way, few texts deal with changes in the company's structure. There is almost no doubt that the text will apply to companies that join the group after the signing of the IFA or adoption of the code of conduct, even if this occurs after a certain transition period. Whereas no code of conduct among the sample deals with this issue, two IFAs mention it explicitly (*see below*). But the third IFA dealing with this issue considers that the application of the agreement to new subsidiaries will not be automatic, but is submitted to the discretion of the stakeholders of the relevant subsidiary.

Application to future subsidiaries

PSA IFA: 'This Global Framework Agreement applies directly to the entire consolidated automotive division and to the finance, transport and logistics divisions for current and future subsidiaries.'

Arcelor IFA: 'When an entity enters its (the group's) perimeter, the signatory parties undertake to carry out all necessary steps to integrate this company within the effective implementation of the agreement.'

EDF IFA: 'In the event that a new company enters the above-defined scope, the locally concerned stakeholders shall be offered the opportunity to join in the Agreement should they so desire.'

This approach confers decision-making power to the local parties involved, thus avoiding criticism of a strategy which could be seen as being imposed by headquarters in Western countries. This provision is also in line with the decision of the EDF Group to negotiate its IFA with the national unions of all subsidiaries and to obtain their approval of the text. The choice of a future subsidiary not to join the IFA would, however, cause serious problems for the coherence of the group's corporate social responsibility and its perception by the stakeholders.

The case of subsidiaries being sold by the group is more complicated. On the one hand, it seems difficult to ensure that the text shall continue to apply after the subsidiary has left the group and the company has lost its economic power over the subsidiary. On the other hand, corporate social responsibility implies that the management shall consider the social impact of all its decisions, not just in the short term, thus suggesting a certain responsibility for former subsidiaries. One may imagine that the new owner has to guarantee adherence to certain social norms, at least during a transition period.

None of the codes of conduct in the sample and only two IFAs mention this issue. Both agreements indicate that their provisions cease to apply if the subsidiary is sold:

Case of subsidiaries leaving the group

EDF IFA: 'In the event that a change in shareholding or in the shareholders' agreement of EDF Group causes any one company to exit the above-defined scope, this Agreement shall cease to be applicable to said company.'

Arcelor IFA: 'When an entity leaves the perimeter of the Group as defined above, this agreement ceases to apply to it. Conversely, when an entity enters its perimeter, the signatory parties undertake to carry out all necessary steps to integrate this company within the effective implementation of the agreement.'

But these provisions do not prevent the inclusion of social clauses in the contract with the new owner, as has been the case of the subsidiaries sold by EDF in South America after the signature of the IFA.

Application to suppliers

Almost 80% of the existing IFAs and 66% of the codes of conduct in the sample contain provisions for the application of the agreement to the company's suppliers and subcontractors. This high rate in both kinds of texts indicates that their authors have identified the need for more effective social

regulation for the workers in their global supply chains, and the potential added value IFAs and codes of conduct may have in this field. But the content of the clauses relating to the application to the suppliers and subcontractors varies considerably among the different texts.

In many IFAs and codes of conduct, the company only makes a commitment to inform or encourage the suppliers and subcontractors to respect the text or parts of it. They affirm that to respect the text or parts of it is an advantage, but do not consider it a condition for long-term relations with the company, without indicating the consequences of not adhering to these principles.

Informing and encouraging suppliers

Renault IFA: 'Renault informs its own suppliers of the contents of this declaration and the Global Compact and urges them to consider adhering to it. It encourages them to introduce and implement equivalent principles in their own companies. The actual adoption of these principles is a basis for long-term relations.'

ISS Code: 'ISS will inform its suppliers and customers through appropriate channels about the ISS Code of Conduct and ask them to take the principles into account in all relevant circumstances.'

Some IFAs and codes of conduct go beyond such vague commitments and affirm that the adherence to the IFA is an important criterion for being chosen or maintained as a supplier or subcontractor:

Selecting suppliers that respect the commitments

Royal BAM IFA: 'Royal BAM Group NV considers the respect for workers' rights to be a crucial element in sustainable development and will therefore refrain from using the services of those trading partners, subcontractors and suppliers which do not respect the criteria listed above.'

Anglogold Code: 'We will promote the application of our principles with those with whom we do business. Their willingness to accept these principles will be an important factor in our decision to enter into and remain in such relationships.'

Fiat Code: 'The Group shall use its best endeavours to ensure that these commitments are shared by all consultants, suppliers and any other party who has at any time a relationship with the Group. The Group will not engage in or continue any relationship with those who expressly refuse to abide by the principles of the Code.'

A certain number of IFAs and codes of conduct, particularly in the textiles sector, mention precise details of sanctions (including the termination of the contract) for those suppliers and subcontractors who do not respect the principles of the agreement. In principle, these sanctions apply only in the case of violations of clauses that are considered to be the most important, for example, provisions on health and safety or human rights. This reflects the balance that companies have to strike between the definition of global principles and the autonomy of legally independent suppliers and subcontractors.

Sanctioning suppliers that do not respect the commitments

PSA IFA: 'Any failure to comply with human rights requirements will result in a warning from PSA Peugeot Citroën and a plan of corrective measures must be drawn up. Non-compliance with these requirements will result in sanctions, including withdrawal from the supplier panel.'

Bosch IFA: 'Bosch will not work with any suppliers who have demonstrably failed to comply with basic ILO labor standards.'

H&M Code: 'Should we find that a supplier does not comply with our Code of Conduct, we will terminate our business relationship with this supplier if corrective measures are not taken within an agreed time limit. If we find repeated violations, we will immediately terminate the co-operation with the supplier and cancel our existing orders.'

Levi Strauss & Co. Code: 'If LS&CO. determines that a contractor is not complying with our TOE, we require that the contractor implement a corrective action plan within a specified time period. If a contractor fails to meet the corrective action plan commitment, Levi Strauss & Co. will terminate the business relationship.'

The fact that the termination of contract with the supplier or subcontractor is mentioned as a possible sanction in case of non-adherence increases the credibility of the relevant principles. The legitimacy of these sanctions and their successful implementation assumes, however, that the suppliers and subcontractors are informed and trained on the content of the text and on the advantages of more socially responsible management. The company imposing respect for the IFA or code of conduct should support them in this learning process, particularly where small suppliers or subcontractors are concerned. This aspect is mentioned in some IFAs and codes of conduct:

Training and supporting suppliers in respecting the commitments

PSA IFA: 'A specific process will also be implemented for small suppliers and subcontractors so that they may apply the aforementioned ILO standards gradually.'

H&M IFA: 'We believe in co-operation and we are willing to work with our suppliers to achieve workable solutions in each individual case. We are willing to take into consideration cultural differences and other factors which may vary from country to country, but we will not compromise on our basic requirements regarding safety and human rights.'

Whatever the content of the provisions on the company's suppliers and subcontractors, it is essential that they are not limited to the direct contractors of the company, but also include the suppliers of the suppliers, as mentioned in some IFAs:

Taking into account the suppliers of the suppliers

EDF IFA: 'The subcontractor must apply the requirements set out by EDF Group to any other subcontractor hired by him/her for the assignment in question.'

PSA IFA: 'PSA Peugeot Citroën requires that its suppliers make similar commitments with regard to their respective suppliers and subcontractors.'

International framework agreements (IFAs) can be considered as a vector to promote respect of fundamental social rights among multinational companies and their economic partners, whereas this is only partly the case for codes of conduct. Consequently, IFAs tend to correspond to an emerging form of social dialogue at the international level, whereas codes of conduct are used mainly as guidelines for behaviour and instruments of legal risk management for companies. The content analysis of the IFAs and the sample of codes of conduct in this study highlights that IFAs aim at regulating labour relations within multinational companies, even if they may sometimes include broader issues, whereas codes of conduct aim at reaffirming norms related to the broader concept of corporate social responsibility and business ethics, and thus also include references to labour standards. In the case of IFAs, labour standards are the main focus, whereas they are only one issue among others in codes of conduct.

Analysis of the issues raised in IFAs and codes of conduct and of the international standards they refer to confirms these rather different profiles: whereas IFAs focus on issues related to labour rights and industrial relations and refer to the ILO, codes of conduct have a much broader scope, also including other CSR or business ethics issues.

With regard to provisions on scope of application, this analysis shows that these are in general much more detailed in IFAs than in codes of conduct. This applies to both regulations and explicit references to subsidiaries, as well as to suppliers and business partners. But a surprisingly high rate of both IFAs and codes of conduct stipulating suppliers' codes indicate a growing need for more effective social regulation in global supply chains, as well as the added value IFAs and codes might have in this field.

Contextual factors, motives and interests

A preliminary striking difference between codes of conduct and international framework agreements (IFAs) is their sheer number: codes of conduct are a widespread phenomenon today, not only among multinationals but also in other companies. Research undertaken by the OECD in 1998 mentioned 258 company codes of conduct and stressed the rapidly growing number of this kind of framework (OECD, 1998; *see also* Urminsky, 2000). A recent study undertaken in the United Kingdom states that three-quarters of all British multinational companies have adopted a code of conduct (Edwards et al, 2006).¹⁰ IFAs, in contrast, remain a very limited phenomenon: as of May 2007, only 53 IFAs had been signed. Most had been signed very recently and one cannot expect there to be an exponential increase of such agreements. Since 2000, between four and nine new agreements have been concluded each year and, according to several global union federations, this pace will not significantly accelerate in the future.

There are at least three reasons that help to explain why IFAs will not become as widespread a phenomenon as codes of conduct in the near future:

- The number of companies that are willing to negotiate with the employee representatives about their social responsibility, rather than adopting unilateral codes in this field, is limited, not just within the EU but even more so across the rest of the world.
- Due to lack of personnel and financial means to guarantee the regular follow-up and monitoring of IFAs, the global union federations will not be able to deal seriously with a large number of agreements and may therefore refrain from going too fast with pushing other companies to sign these kinds of agreements.
- Both social partners seem to consider it necessary to have a detailed analysis of the outcome of the existing IFAs for the workers and the companies before signing new agreements.

For further analysis of the various reasons explaining why management adopts a code of conduct or negotiates an IFA with the employee representatives, a distinction can be made between the objective factors of influence and the more subjective interest constellations (*see Figure 1*). The findings in this field are based mainly on the case studies and interviews at company level. They are, however, complemented by a more general approach based on an analysis of the existing literature and statements made by global union federations or employers' associations, interviews with these parties and an analysis of the characters of the companies that have signed codes of conduct or negotiated IFAs, as well as a text analysis of the preambles of 52 IFAs and 50 codes of conduct.

Objective factors of influence

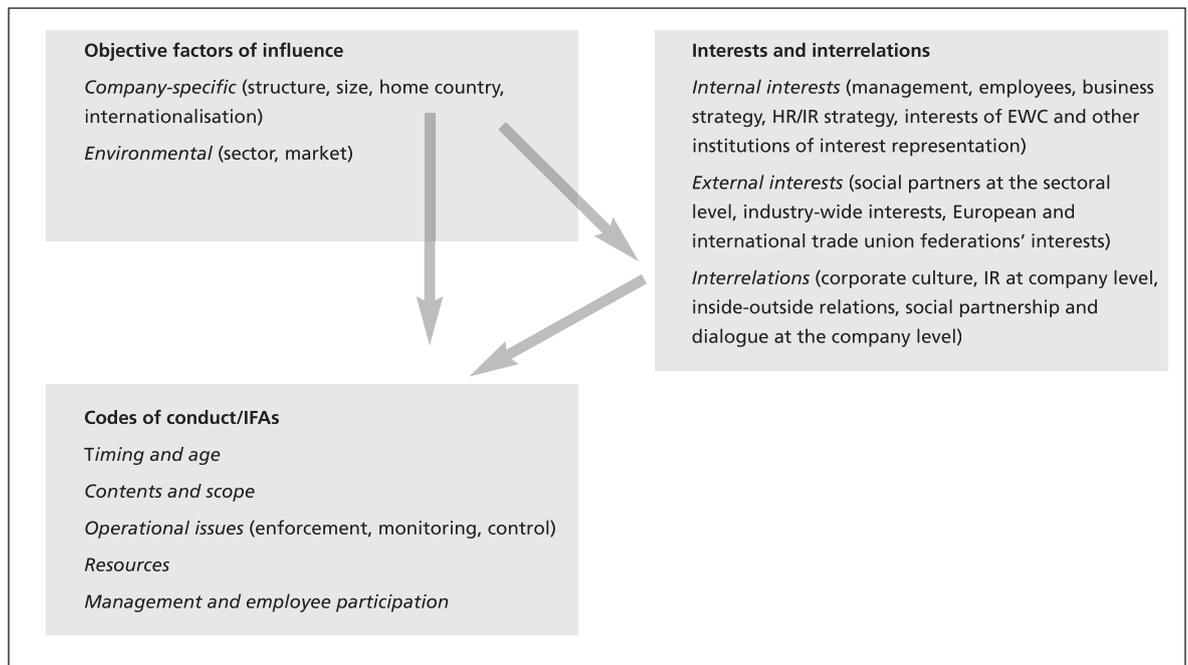
Several factors can be identified that support the introduction of codes of conduct and IFAs. Relevant factors are, for example, the size of the company, the sector in which the company is active, the degree of internationalisation and the company's home country.

Company's degree of internationalisation

A common contextual factor leading to the adoption of codes of conduct or IFAs is the rapid internationalisation of companies. Both codes of conduct and IFAs are instruments mainly relevant for large multinational companies with production sites in many parts of the world and/or global supplier and market structures.

¹⁰ Edwards et al (2006) analysed a sample of 635 British multinational companies, of which 455 (71%) were covered by a CSR code.

Figure 1 Factors influencing the functioning of IFAs and codes of conduct



Source: Schömann (2004)

With the companies in the case studies, the process of internationalisation became a dominant feature in the 1980s and 1990s, sometimes multiplying the number of employees and the number of countries in which the companies were active by a factor of two or three. As a consequence, the needs on both sides – management and employee interest representatives – for coordination of international activities and for more communication expanded rapidly.

Growing internationalisation of companies

Leoni AG has about 35,000 employees worldwide today, of whom only about 10% (or nearly 4,000) work in Germany. Based on several waves of internationalisation, employment abroad has increased steadily, although the number of employees at German locations – at headquarters in Nuremberg and production sites in Bad Kötzing, Roth, Kitzingen and Neuburg – has also increased, from about 2,000 in 1997 to nearly 4,000 in 2006. Worldwide, Leoni has about 70 production facilities in more than two dozen countries in Europe (including new EU Member States and accession countries, such as Poland, Czech Republic, Slovakia, Hungary, Romania and Turkey), Americas (USA, Canada, Brazil and Mexico), Asia (China, India, Malaysia, Singapore and Thailand) and Africa (Tunisia, South Africa and Egypt).

PSA Peugeot Citroën Group and its sourcing are increasingly international. The group sells its cars in more than 140 countries. It has production sites in 10 countries, either alone or through joint ventures. It has centres for research and development in Europe, the Mercosur Region and in China.

Securitas currently employs over 200,000 people worldwide, primarily in the USA and Europe (Norway, Denmark, Portugal, Hungary, France, Switzerland, Austria, Germany, Spain, Finland, UK, Poland, Estonia and Belgium) and comprises 75% of the world security market. The company is also established in Canada, Mexico and Argentina. In total, Securitas has operations in over 20 countries.

Company nationality

American legislation in particular provides a strong incentive for companies to adopt codes of conduct. The US Sentencing Guidelines¹¹ propose flexible penal sanctions for companies according to their willingness to avoid the violation of legal principles. They explicitly mention that if a company has adopted a code of conduct and set up a sound monitoring system, this will reduce penalties for the company, if its employees do not respect specific legal rules. Moreover, the Sarbanes-Oxley Act,¹² adopted after the Enron scandal, imposes the adoption of codes of conduct and procedures that make it possible for employees to disclose code violations on the part of companies listed on the American stock market. Consequently, companies with subsidiaries in the USA almost systematically adopt codes outlining ethical behaviour for their employees and suspending at least some fundamental social rights. The importance of the ethics and CSR movement, however, has led to similar practices in all parts of the world. Thus, although codes of conduct emerged in the USA, they are now a worldwide phenomenon.

In contrast, international framework agreements remain mainly a European phenomenon. Companies with headquarters in the EU account for 46 out of the existing 52 IFAs. More specifically, companies in four European countries (Germany, France, Sweden and the Netherlands) have adopted two-thirds of all IFAs, with German and French companies having signed 44% of all agreements. These countries have strong traditions of social dialogue and legislation, which outline various forms of employee involvement in companies. These national contexts clearly favour the development of social dialogue at international level and the experimentation with new tools, such as IFAs.

Pressure of NGOs and consumer associations

IKEA's code of conduct, called I-WAY, has its roots in both experiences with environmental concerns and social and labour relations problems. The initial problems with environmental requirements hit IKEA in the mid-1980s, when Denmark established a law regulating maximum formaldehyde emissions. Being one of the largest furniture companies operating in Denmark at that time, IKEA became the focus of an aggressive public campaign and sales dropped temporarily by 20% in the Danish market (Zurcher, 1999). In 1992, the same happened in Germany, a second very important market for IKEA: the lacquer on the famous Billy bookshelves contains formaldehydes and the company had to halt sales of this product worldwide. As a consequence, the IKEA management redesigned the whole purchasing and supply process step by step in order to gain better environmental results. Sustainability and social values have since received much more attention within IKEA's economic system.

Company sector

Despite the fact that codes of conduct are a widespread phenomenon, the likelihood of having a code of conduct dealing with labour standards or industrial relations seems to be higher for companies with strong brands, in particular those in the sectors of consumer products and textiles. The potential impact on the company's corporate image of a violation of fundamental social rights by the company's subsidiaries or even by its suppliers may indeed encourage a proactive CSR strategy

¹¹ The United States Sentencing Commission is an independent agency of the US Government, created to provide certainty, fairness and equality in criminal sentences by federal courts. The Commission established the Federal Sentencing Guidelines for Federal Courts. These include significant penalty reductions for organisations that can demonstrate comprehensive and credible programmes aimed at preventing criminal conduct, including violations of the FCPA.

¹² www.sarbanes-oxley.com

and thus the adoption of a code of conduct. In several cases in the sample analysed for this study, the vulnerability of the company to NGO activities in consumer markets played a decisive role as a contextual factor in introducing clear codes of conduct and supplier controls.

But as many companies in these sectors expect their suppliers to adopt socially responsible policies, codes of conduct and IFAs are not limited to companies with brands and are also adopted by companies unknown to the general public.

Pressure on suppliers

Leoni was one of the first German companies in the metalworking sector to issue a 'Declaration on Social Rights and Industrial Relations' in 2003. In doing so, it followed the two German automotive companies Volkswagen and Daimler-Chrysler, which had concluded similar declarations in 2002.

Company sector also seems to be an important factor of influence in the adoption of IFAs: 48 out of the existing 52 IFAs are concentrated in just four economic sectors, namely:

- metal industry;
- chemical industry and energy;
- building and wood industry;
- services.

This is due not only to the economic character of the sector, but also to the level of union power and the activities of the relevant global union federation. Companies in sectors in which the global union federations are the main drivers of IFAs (IMF, ICEM, BWI and UNI) are more likely to negotiate such tools. Furthermore, signing an IFA with one company may constitute an incentive for its competitors to sign a similar agreement.

Impact of corporate culture and quality of social dialogue

The interviews conducted with the different parties involved in the case studies, as well as representatives from global union federations and employers' associations, enable us to complement the analysis of objective factors of influence with more qualitative indicators of the importance of contextual factors linked to corporate culture, tradition, quality of social dialogue and the CSR strategy.

An important contextual factor for most of the companies in the sample is corporate culture and the existence of good relations between management and employee representatives in the home countries. This became very clear in analysing companies such as EDF, Peugeot, Bosch, Leoni and BASF. In all cases, comparatively strong trade unions were found and employers who referred to a CSR tradition and a reputation as good employer.

Quality of social dialogue

Robert Bosch GmbH has, since its foundation, developed a tradition of combining economic success with a strong commitment and responsibility to its employees. There exist strong works councils and relationships with trade unions have traditionally been good. Bosch has a reputation as a good employer and pays attractive salaries, including profit-sharing schemes and other incentives.

EDF Group: Social dialogue is very well developed with the group. The IFA is considered to be embedded in the group's sustainable development strategy and is also linked to the 'public service' culture.

IKEA's corporate culture is very much influenced by egalitarianism and the general vision of creating a better everyday life for as many people as possible. This, and being a Swedish company to a large extent, explains the cooperative and dialogue-orientated internal corporate culture. Part of this culture is an open dialogue with trade unions and employee representatives at local level.

This finding is confirmed by the fact that, in many cases, the negotiation of the IFA is linked to an extension of existing social dialogue structures and the adaptation of employee representation in response to the new requirements of the growing international structure of the company. This extension may have been in progress before the negotiation of the IFA and constitutes a factor of influence favouring its negotiation, or may be a more or less direct consequence of the adoption of the agreement. The existence of such international forms of employee representation may also favour the involvement of these representatives in the drafting of codes of conduct, but mainly in their implementation and monitoring.

Existence of employee networks and international social dialogue structures

BASF employees have started worldwide networking of employee and trade union practice. 'Network-meetings' in South America (starting in 1999, involving Brazil, Argentina and Chile) and in the Asia-Pacific region (first meeting in 2000 with China, India, Indonesia, Japan, South Korea, Malaysia, Pakistan and Singapore) are organised biannually, involving representatives of local employee representations and national and local trade unions, as well as global and regional management representatives.

Bosch: Against the background of the company's growing internationalisation, interest representation and transnational cooperation have evolved over the last decade. In 1998, the Bosch EWC, the 'Europe Committee', was established. Today, this comprises 31 employee representatives from 18 European countries. In 2006, the first global meeting of Bosch employees took place in Germany, with trade union representatives from 28 countries worldwide.

EDF Group has had experience of social dialogue at the European and international level since 2000. In November 2001, the group created a European Works Council. Taking the example of the EWC, a Consultation Committee has been created for the Asia-Pacific Branch of the group. The members of this Committee are elected by direct universal suffrage by the workers of the subsidiaries in China, Vietnam and Thailand. According to the social partners, the experience of this international social dialogue has played a major role in the conception and negotiation of the group's IFA.

PSA Peugeot Citroën Group is committed to fostering meaningful discussion with employee representatives. In the last few years, this policy has led to numerous agreements on a variety of topics and in all countries that involve employees and their representatives in the major areas of corporate life. The group's management is currently considering transforming the EWC into a global works council based on its experience with implementation of the IFA.

These examples should not, however, be regarded as illustrative of general trends and directions. In other cases, central management is much more reluctant to support international networking of trade unions and/or initiate global structures of social dialogue as, for example, the Unilever case shows:

Unilever

International trade union meetings (such as the global meeting of Unilever trade unions organised by the international union federation IUF in November 2005 with representatives from Europe, Pakistan, India, Brazil and South Africa) are not supported by the Unilever management. The Unilever central corporate management instead primarily favours communication with company-based structures such as works councils. In general, trade unions are involved mainly with local plant management or national management where national collective bargaining is expected. It should, however, be added that in the context of the growing Europeanisation of Unilever management practice, the role of the Unilever EWC has been strengthened in recent years (e.g. joint declaration on responsible social restructuring).

Another finding is that the development of IFAs and codes of conduct is embedded in the company's corporate social responsibility (CSR) strategy. But this does not imply that the text is necessarily adopted, negotiated or implemented by the company's CSR department. IFAs, in particular, involve the company's human resources (HR) department.

Link with the company's CSR strategy

BASF has developed several initiatives adopting a comprehensive approach to responsible behaviour and integrity. BASF is a founding member of the Global Compact, a global initiative comprising corporations, non-governmental organisations (NGOs) and the United Nations, which is committed to supporting and promoting human rights, labour and environmental standards. BASF management supports global networking of employees and trade unions.

The **Securitas** Agreement appears to be embedded in Securitas' CSR code of conduct since both documents have been (although to a different extent) elaborated by both management and trade unions. Furthermore, the Agreement is clearly intended to foster the implementation of the CSR code of conduct, but is not limited to this task.

Motives and interests

To better understand the motives behind IFAs and codes of conduct, the preambles of the texts in the sample were analysed, using a text analysis software called ALCESTE.¹³ Analysis of the preambles of 47 IFAs and 47 codes of conduct enabled us to identify three different types of representation referring to a specific vocabulary and to typical corpora.

A detailed look at these three classes highlights different priorities in the texts analysed. This may help in understanding the aims of their authors. As codes of conduct are over-represented in one

¹³ The ALCESTE (Analyse des Lexèmes Co-occurents dans les Enoncés Simples d'un Texte) software makes it possible to treat corpora of texts and separate statements in classes using a downwards-hierarchical classification. This method carries out successive splits of the text. It finds the strongest vocabulary oppositions in the text and then extracts some categories of representative terms. The classification of the preambles' terms established by this software is based on the idea that the distribution of the terms used is rarely done at random. Each class of terms corresponds to a specific framework of reference the authors use. The corpus we used for the analysis gathers 94 preambles. 47 texts were taken from codes of conduct, 26 of them coming from companies having only a code and 21 from companies having a code and an international framework agreement. The other 47 texts were taken from international framework agreements, 28 of them coming from companies having only an agreement and 19 having also a code of conduct. In this study, the 94 preambles are made of 24,203 words. 93% of these terms have been integrated in the analysis. After having regrouped words with the same root and having eliminated the words used only once, 624 words remained.

class and IFAs in another, this text analysis may also contribute to understanding the different priorities of each category.

- **Class 1** (38% of all terms) corresponds to terms related to social dialogue, the parties involved in this process, the level of negotiation and the content of the agreements. The most representative words in this class refer to the process and to the parties involved in social dialogue: 'to agree', 'to sign', 'to bargain', 'to negotiate', 'dialogue', 'union', 'federation' and 'organisation'. The vocabulary of this class also refers to the international dimension of the negotiation, with terms such as 'international', 'multinational', 'global', 'world' and 'Europe'. It is not surprising that text analysis reveals that the preambles of IFAs are over-represented in Class 1. It is indeed normal that in the preamble of an agreement, the social partners refer to the fact that the text has been achieved through social dialogue and that they use the relevant vocabulary. The emphasis on these terms may, however, also illustrate that in the preamble the authors want to highlight both the content of the agreement and how it has been elaborated.
- **Class 2** (24% of the terms) includes terms referring to the economic aspects of a company, as well as to its activities and its performance. Among the most representative terms in this class, there are many categories of stakeholders, such as 'customers', 'clients', 'shareholders', 'investors', 'society', 'community', 'authorities' and the 'environment'. Workers and suppliers, the two other main stakeholders, are not representative of this class, but are more specific to the two other classes. The terms in this class seem indeed to be a common feature in the two kinds of texts, insofar as both types of texts are embedded in a particular company and aim at contributing to the company's success and to the satisfaction of its stakeholders. This is logical for unilateral codes of conduct, but also for agreements negotiated with the unions, since each party defines its objectives in the preamble.
- **Class 3** (37% of terms) mainly refers to regulation and the setting of standards, as well as to the effectiveness of these standards. The most representative terms of this class are legal or ethical ones (with both these adjectives figuring among these terms), such as 'law', 'rule', 'standard', 'guidelines', 'code', 'duties', 'to require' or 'to bind'. Text analysis reveals that the preambles of codes of conduct are over-represented in Class 3. This seems to indicate that codes of conduct, much more than IFAs, are aimed at the setting up of standards and at reminding companies of these standards, as well as at controlling their correct implementation and providing support to the employees in dealing with problems. This is linked to the desire to limit legal risks, in particular since the US legislation adopted after the Enron scandal obliges companies to introduce whistle-blowing procedures and anonymous hotlines for their employees.

To summarise, text analysis of the preambles in the sample of 47 IFAs and 47 codes of conduct shows that these preambles deal with three main aspects:

- the contribution to the company's performance and satisfaction of stakeholders (for both kinds of texts);
- the emergence of international social dialogue contributing to the development and implementation of fundamental social rights, in particular those defined by the ILO (for IFAs);
- the definition or recall of legally binding standards and the development of procedures for guaranteeing their implementation throughout the company (for codes of conduct).

The literature review and the interviews conducted with the social partners at company and sectoral levels enabled us to complement the text analysis with a more in-depth analysis of the motivations for adopting a code of conduct or negotiating an IFA. It is important to stress that the motivations for the parties involved may vary and that they differ from one case study to another and over time. It is therefore impossible in this study to make general statements on the motivations that contribute to the development of both tools. Nevertheless, there are some motivations that seem to be common to different companies. These motivations may correspond to interests shared by the management and employee representatives, or they may be specific to each of these groups.

Shared interests

In all companies in the case study sample, the management, trade unions and works councils all share a common conviction, which is the prerequisite for opening and concluding negotiations on an IFA. They believe that good social dialogue and social responsibility contribute to the effective and conflict-free organisation of the company and thus to its success and good performance. Based on industrial relations systems, a good social dialogue organisation within a business has proved to be of added value for both management and the workforce. The information gleaned from and consultation of the workforce's representatives regarding the multinationals' objectives in respect of the internationalisation of its activities, as well as their involvement with the trade unions in the development of an IFA, have enhanced the common understanding and appropriation of international questions, strengthened the common identity of the workforce within the group and created paths towards more and better protection for core labour standards, at least within individual sectors. In doing so, trade unions, together with management, have found an appropriate joint tool to fight social dumping and raise competitiveness within international markets.

Positive impact of social dialogue and CSR on company performance

PSA Peugeot Citroën: It is impossible for management to make progress without the workers or their representatives. By concluding an IFA with the unions, the management has committed itself to continuous improvement.

Securitas: Both management and trade unions at Securitas see the added value of securing the 'good health' of the multinational with regard to job creation and good working conditions in a sector characterised by large-scale social dumping and low trade union coverage. Therefore, management and trade unions work together to secure compliance with the rights and principles established in Securitas' code of conduct.

BASF: Management supports global networking of employees and trade unions. The CSR strategy and a commitment to labour standards and employee involvement quite naturally led to the development of supranational structures of employee/trade union participation and networking (South America, Asia-Pacific). The BASF case shows that strong employee involvement and interest representation, as well as building industrial relations on trade union structures, might be in the interest of both employee representations and management.

Constellations of joint interests may also occur if the company and the employee representatives negotiate an IFA to deal with, for example, concrete problems in respect of labour standards in subsidiaries. In this respect, the multinational's social dialogue structures are usually the best access channel to information concerning the lack of adherence to core labour standards by subsidiaries and subcontractors, or other difficulties faced by the workforce at local level. Reporting to the management via the information and consultation of employee representatives enables both

management and representatives within multinationals to be made aware of the situation, as well as enabling them to tackle the issue jointly.

Analysis of the case studies has uncovered two conflict-resolution strategies in IFAs. On the one hand, the negotiation and conclusion of an IFA is sometimes triggered by the need to set up an instrument and procedure that would allow improved access to information on core labour standards. This also gives the company the means to resolve problems encountered where local legislation is insufficient or not adhered to, or where multinationals' principles are not followed. On the other hand, the IFA has also been used to disseminate social dialogue assets within the multinational and to solve difficulties encountered with trade union rights, for example. In this respect, European Works Councils have played an important role since they are institutional structures (at least at the European level), set up for the information and consultation of the workforce.

The IFA as a way of solving concrete problems

Arcelor: The joint motivation of both trade unions and management at Arcelor has been to resolve difficulties encountered in their subsidiaries in Brazil. In the longer run, this led to the negotiation of an IFA in order to promote and enforce core labour standards in Arcelor Group operations worldwide.

Securitas: The IFA has proved to be an adequate tool in proposing a forum for discussion and exchange, based on the Swedish social dialogue structure. This structure has been adapted to the international environment in order to tackle difficulties encountered within the multinational and allow a jointly agreed solution to be found.

Trade union interests

Besides the joint interests of management and employee representatives, there are also conflicting interests. For the global union federations and for the works councils in the home countries of the multinational companies, IFAs have to have some additional value and advantage.

At European and international levels, the signing of global agreements is an attempt to urge major multinationals to comply with labour rights wherever they operate in the world. This corresponds to one of the major tasks of trade unions. Indeed, European and international trade unions are among the main instigators in this development.

From the case studies, several categories of motivations that encourage trade unions to develop an IFA can be distinguished:

- to foster international solidarity and lend support to unions throughout the world;
- to increase trade union membership;
- to secure social dialogue outside local/national boundaries;
- to promote core labour standards with subsidiaries and suppliers;
- as a source of information on working conditions and employment practices within the group, as well as at the establishments of suppliers and subcontractors.

These results are confirmed by a more general analysis of trade union strategies in this field. The international trade union movement via the ITUC (former ICFTU and WTO) and their sectoral representations (global union federations) have, from the very beginning, taken an active part in the

recognition of transnational trade union rights and international core labour standards in intergovernmental bodies such as the ILO, the OECD and the UN. In a similar vein, the international trade union movement has, together with NGOs, launched many campaigns on adherence to core labour standards (ICFTU, 2004). At the international level, the development of IFAs from the late 1990s onwards has been, and is, part of the joint actions of the ITUC and global union federations on CSR, which deal with multinationals' obligations and responsibilities towards subcontractors and supply chains (Bourque, 2005). However, IFAs are perceived as a more appropriate tool with regard to the maintenance of core labour standards in multinationals.¹⁴

Global union federations have been the prime movers in the establishment of IFAs and each relevant sector has a clear policy of seeking to establish global agreements; indeed, it could be said that this is standard practice in global union federations. As described by Malentacchi (2004), the benefits of global agreements for global union federations are to engage transnational companies – and their suppliers – and to develop potentially powerful instruments in the IMF's fight for protection and the exercise of worker and trade union rights. Furthermore, this channel strengthens trade union representation, as well as trade union cooperation and coordination across production chains. In its 2005-2009 Action Programme, the International Metalworkers' Federation (IMF) calls on all its member unions to conclude global agreements and has developed a model agreement for this purpose (IMF, 2005). In August 2005, Union Network International (UNI) launched a programme along the same lines,¹⁵ stressing that:

'If a company agrees to leave open the door to union organisation, then it is up to the unions to build on this in order to increase membership and gain a stronger position within the sector, but also in order to bring international questions to the fore as a legitimate subject of discussion and negotiation with the management. This is of crucial importance when, for example, a company wishes to outsource work to another country. This is also a way for trade unions to contribute, in an era of corporate scandals and scepticism, to the company's credibility because trade unions play an important role in monitoring.'

The European industry federations, as trade union organisations operating at European and sectoral levels (comparable to and sometimes part of global union federations), play an important role in the overall process of developing IFAs. At the European level, some of these federations – such as the European Metal Federation (EMF) – are closely involved in European framework agreements and work with the IMF in the negotiation of IFAs (e.g. PSA, Arcelor). According to the EMF, the development of a negotiating role in multinational companies should be encouraged. Through the negotiation of framework agreements both at European and international level, the EMF seeks to secure minimum standards for workers with a view to improving working conditions and avoiding a decline in social standards. This approach also provides support to national collective bargaining policies.

At national level, the involvement of local trade unions depends very much on the quality of the industrial relations system and recognition and consultation of trade unions in European and

¹⁴ In its work programme of November 2006, the ITUC stressed the importance of global social dialogue and support the conclusion of global framework agreements between multinational enterprises and GUF. Programme of the ITUC (adopted by the Founding Congress of the ITUC, Vienna, 1-3 November 2006), Point 20.

¹⁵ www.union-network.org/UNIsite/In_Depth/Multinationals/GFAs.html

international affairs. The more that social dialogue at local/national level proves to be an efficient way of informing and consulting the workforce and encouraging its participation in the business's decision-making process, the more this structure gains from being adapted to the international industrial relations developing within the multinational. When local trade unions, as well as management, experience good working conditions as a result of social dialogue, they want to adapt it to the multinational level.

The case studies have also shown that local trade unions may be the initiators in negotiating an IFA, using CSR strategies and/or making use of their representation on European and international platforms for informing and consulting the workforce. Here again, local trade unions work closely with EWCs.

Furthermore, the participation of local trade unions in the negotiation and signing of an IFA also depends on their close relationship to the European and/or international trade unions in their respective sectors. On the other hand, IFAs are a way in which closer contact with the EIF and global union federations can be established, and which allow local trade unions to become legitimate contributors to social dialogue at the European and international levels. According to Hammer (2005), this development may be interpreted as an extension of global employee representation at the local business level.

Therefore, national trade unions attach additional value to IFAs in order to:

- create a framework of provisions between management and labour to jointly combat violations of core labour standards and social dumping in the subsidiaries of the multinational, its suppliers and subcontractors;
- appropriate CSR issues and issues related to transnational social dialogue;
- participate in the implementation of ethical standards;
- extend functioning national structures of social dialogue, based on a well-developed and operating industrial relations system, to countries with lower standards in industrial relations;
- improve coordination between different levels of trade unions by involvement in the negotiation process and the appropriation of the IFA;
- guarantee adherence to the freedom of association principle and develop the level of unionisation.

Aspects of these additional values can be seen in almost all IFAs:

Added value of IFAs from the employee's point of view

Bosch: Based on the experiences of the European Works Council and contacts in Bosch plants in Brazil, the German works council used the signing of the IFA to organise a worldwide meeting of all Bosch works councils. This was a first step towards a world works council.

Securitas: For the trade unions, consultation served several purposes: to better protect workers and gain more members in a sector where there is high workforce turnover and to reduce the effects of a high level of social dumping. Furthermore, the Agreement between Securitas AB, Union Network International and the Swedish Transport Workers' Union has to be looked at in

an international context, and in particular with regard to trade union recognition in Securitas firms in the USA. Securitas recognised trade union rights in the US-based firm in 2003, even though it is not required by domestic legislation. Management and employee representatives of Securitas SA in Sweden were recruited as mediators for this process.

IKEA: Basic motives on the side of the BWI were as follows. With the development of a global framework agreement, the BWI is becoming more relevant, not only to developing countries but also to developed countries. International solidarity, for vast numbers of unions in developed countries, is seen primarily as political or moral support to unions in developing countries. Globalisation has changed the landscape of industrial relations, with more and more workers being employed directly or indirectly by multinationals. The BWI is evolving not only as an organisation for delivering solidarity, but also one that is directly involved in industrial relations at the global level.

Employee representations and European Works Councils

Although it is difficult to draw up a common set of motivations that lead works councils and European Works Councils (EWCs) to join IFAs, the following set of reasons has emerged. Works councils and EWCs are legally established bodies, enabling the exchange of information between management and workforce. As such, they are an institutional platform with resources and access to information on the national and European activities of firms. Furthermore, they also have consultation rights and are part of the social dialogue structure at the business level. It is therefore obvious that they may play a role in the development of IFAs. According to Hammer (2005), the development of EWCs has influenced IFAs in recent years. This has proved to be the case in sectors in which European industry federations are particularly engaged in supporting EWC involvement as a facilitator in the negotiation process of IFAs, such as in the European Metalworkers' Federation (Bourke, 2004; Pulignano 2004). A general trend seems to be that the unions are increasingly recognising the usefulness of EWCs as a source of information and, at times, as a forum for coordination to the extent that EWCs are invited to sign agreements (Teljohann, 2005). This may lead to trade unions cooperating more effectively with EWCs in order to promote European-level negotiation, but also in the context of IFAs by increasing its value. As a consequence, some unions have started to change their strategy by investing more in EWCs. In this respect, EWCs contribute to the Europeanisation of industrial relations systems based on the transnational dimension of the workforce (Daugareilh, 2005; Moreau, 2006; Voss, 2006). Interestingly – and according to circumstances – the existence of a well-functioning EWC may influence the willingness of management to join in the negotiation of an IFA. Indeed, management often seeks negotiation with EWCs on issues for which it needs legitimate partners at the (European) level of the multinational (Moreau, 2006; Carley and Hall, 2006).

Furthermore, EWCs may serve as the precursor of a broader information and consultation body that the partners of IFAs may set up to ensure the reporting and monitoring of their agreements. In some cases, the EWC fulfils this task beyond its European scope of application.

However, according to the case studies, not all EWCs seem to have played an active role in the development of an IFA. The involvement of EWCs is characterised by certain heterogeneity from one multinational to another. Differences in the practices and effective roles of EWCs may be influenced by a common set of factors, however (Marginson et al, 2004). The participation of EWCs depends on the degree of internationalisation of production in the multinational and the need to

create business alignment in the subsidiaries. Additionally, an EWC's involvement depends on its capacity to appropriate the issues of globalisation and CSR. In this respect, the limitation of their geographic scope prevents EWCs fully responding to global challenges. Moreover, EWCs need to be acknowledged not only as information bodies, but also as organisations that play a consultation role. This would overcome problems with a passive role that inevitably leads to problems of motivation. Furthermore, participation also depends on management strategy and structure, and the acceptance of the employee representation body (Teljohann, 2005), as well as the capital structure (Müller and Platzer, 2005). Finally, the existence of a multinational structure in national law facilitates recognition of and cooperation with EWCs, and may strengthen the bargaining power of national and European employee representation bodies.

Management interests

On the management side, a number of expectations are linked to the negotiation of an IFA. In the case studies, the following categories of motivations were identified:

- One of the main arguments put forward in favour of signing an IFA is to secure the competitiveness of the multinational in global markets and on the stock exchange, especially with regard to ethical standards (Securitas, Unilever). IFAs are perceived as being able to influence market perceptions and they are of ethical importance in sectors with significant social dumping. This argument is directly linked to the intention of creating a coherent framework for group commitment in the field of CSR towards consumers and clients, as well as NGOs. Furthermore, the management of multinational companies see a need to share initiatives and thus foster the group's internal culture and values (IKEA, EDF and Securitas).
- IFAs are also perceived as a means of fostering social dialogue and therefore information and consultation on working conditions within multinationals. In this respect, IFAs serve as an incentive for employees (*see below*).

Fostering social dialogue within multinationals

Securitas: To promote good working conditions in countries where Securitas operates and in the sector in general, based on human rights, social dialogue, decent work and workers' dignity; to motivate the employees, attract skilled workers and develop workers' loyalty.

EDF: An ethical charter was adopted after a consultation with the EWC, but it defined the rights and obligations of the employees rather than affirming social rights. The management considered adopting a code of conduct. They were not against an IFA, but they could not clearly identify the added value of entering into international negotiations. They were used to social dialogue at the national and European levels, but not at international level. But as the group was becoming more and more international, the management thought that these negotiations would be a good opportunity to reinforce the corporate culture of the group.

- In multinationals exposed to the pressure and criticism of consumer associations and NGOs, IFAs contribute to a better risk management strategy.
- In some cases, IFAs are intended to pave the way for implementing a corporate code of conduct, which, otherwise, has no real effect in day-to-day practice (Securitas, IKEA).
- Finally, one of the most important motivations is the prospect of better conflict mechanisms involving both management and labour. Tackling problems at their source within multinationals means that they are dealt with more quickly and sometimes in a more effective way. A jointly

agreed solution is also expected to have a stronger and more sustainable impact on the parties and situation. Furthermore, in doing so, multinationals may preserve their standing vis-à-vis the public and also contribute to the development of a joint corporate culture. The importance of good public relations was reported in the case studies several times.

The IFA as a risk management tool

EDF: In its discussions with management, the CFDT insisted on the opportunities an IFA would create for the group's image among social rating agencies, some investors and clients, as well as for the corporate culture. A socially responsible image is an important argument if the group wants to buy companies in other countries, take-overs in the energy sector being controlled by the public authorities. If the buyer guarantees a socially responsible management, particularly in the case of restructuring, it may be an important argument for the public authorities in Eastern European countries.

PSA Peugeot-Citroën: For management, signing the IFA had three main objectives: ensuring that group activities are executed in a socially responsible manner; extending the best human resources management practices to all the subsidiaries of the group; and involving all stakeholders in the process of social progress.

IKEA: Basic motives on the part of IKEA management stemmed from pressures from environmental groups, reaction from customers and internal culture and values (to create a better everyday life).

On the other hand, the case studies also make it clear that the management of multinational companies normally tries to avoid some effects of IFAs, for example:

- the transfer of social and economic standards from their countries of origin to other countries. In most cases, reference is made in the agreements to the fact that the company will comply with national laws;
- paving the way for international trade union organisations to become real negotiating partners for working conditions on a much greater scale.

This also reflects how employer federations view global agreements. The position of the International Organisation of Employers (IOE) seems to be representative of this: IFAs and codes of fundamental labour rights are not generally rejected. But employers continue to assert that no kind of linkage policy has proved workable. In its paper on *Trade and Labour Standards*, the IOE (2006) states:

'The fact that externally imposed labour standards, especially those beyond the level of economic development and productivity of individual developing countries, are likely to prove counterproductive to the interest of those countries, coming at the cost of diminishing international competitiveness for trade and investment and higher unemployment, has gained increased acceptance.'

On the other hand, the IOE sees several new issues in the debate linked to supply chain management. As far as IFAs and company strategies such as codes of conduct are concerned, the IOE (2006) understands that increased globalisation has raised the visibility of global capital and commerce:

'For the majority of multinational enterprises, global supply chains stretching across the globe and across sectors are not a permanent reality of business operations.'

Technology has enabled new actors – mainly NGOs – to play a monitoring role ... Regulation is not being imposed by governments, due in many cases to lack of capacity ... It has led NGOs and politicians to put pressure on companies to make it their social responsibility to make up for governments' deficiencies.'

Analysis of the content factors, motivations and interest of the parties negotiating and/or signing an international framework agreement (IFA) shows the following results:

- There are certain objective factors of influence that may favour the adoption of codes of conduct and the negotiation of IFAs. But these factors are inadequate to explain why a company adopts a code of conduct or why it negotiates an IFA. Indeed, there are numerous multinational companies in France and Germany across five main sectors (metal, construction, chemicals, food and services) that have no IFA, that do not plan to negotiate one in the near future and that are not even being targeted by the relevant global union federations to negotiate such an agreement. It is therefore necessary to take a closer look at the more subjective motivations and interest constellations of the parties involved.
- Both management and employees find at least the following joint added values in IFAs: reduction of social dumping and increasing adherence to core labour standards; raising competitiveness in international markets; securing good and better workplaces; and, finally, creating an alternative dispute resolution mechanism. In doing so, IFAs create a framework of provisions agreed between management and labour in order to jointly promote and implement core labour standards.
- On the part of trade unions, a distinction should be made between international, European and national trade union motivations. But a set of common motivations can be summarised as follows: IFAs constitute formal recognition of social partnership at the global level and provide a global framework for protecting trade union rights and encouraging social dialogue and collective bargaining. Furthermore, they are widespread and help adapt good social dialogue structures to the multinational level. An additional motivation is to strengthen the fight against violations of core labour standards, both internally and externally, as well as to contribute to the harmonisation of good working conditions. Furthermore, they help to appropriate CSR issues and issues related to transnational social dialogue.
- On the part of management, the following motivations are raised: securing the competitiveness of the multinational in global markets and especially in the stock market with regard to ethical standards, thus influencing investors; creating a coherent framework for the group's commitment in the field of CSR towards consumers and clients, as well as NGOs; sharing initiatives and fostering the group's internal culture and values; contributing to a better risk management strategy; and implementing a corporate code of conduct.

Elaboration process and role of the different parties

The elaboration process is another major difference between codes of conduct and international framework agreements (IFAs). Whereas codes of conduct are signed by the company's management, IFAs are co-signed by representatives of the management and the workers. In the following discussion, we will first present the results of the document analysis of the signatory parties of IFAs. This analysis is insufficient to understand the overall dynamic of the elaboration process of IFAs, as well as of codes of conduct. Following this and based on observations made in the case studies, we will detail who initiates these texts, how the parties prepare for the elaboration process and how this process is organised.

Signatory parties

Only half of the 50 codes of conduct in the sample for this study clearly indicate their authors. Out of the 25 codes that have a signature, 15 were signed by the CEO and 10 by the board of directors or the management board, underlining the importance of the document.

Surprisingly, information about the signatory party on the management side is no better for the IFAs. In many cases, there is no information on the signatory party. Where this information is available, the agreement is in principle signed by the CEO. But in at least five cases, the IFA is signed by the HR director, and in one company it has been co-signed by the latter and the CEO. This is an indication that IFAs are considered, at least by some companies, to be part of the company's international human resources policy and social dialogue.

Whether it is the CEO or the HR manager, only the representatives of the company's headquarters sign the IFA. This solution reflects the reality of economic powers within the company, but also constitutes a legal problem because each subsidiary has its own legal character, even if it is tightly integrated into a group. Consequently, the fact that the IFA is only signed by a representative of the headquarters precludes it from being considered as a collective agreement as defined in labour law.

On the workers' side, IFAs are signed by one or several global union federations. Up to now, the International Metalworkers' Federation (IMF) has been the most active federation, with 15 agreements (see *Table 15*). Building and Wood Workers' International (BWI, which was created in December 2005 after a merger between the IFBWW and the WFBW) has signed 12 agreements. The International Federation of Chemical, Energy and Mining Workers (ICEM) and Union Network International (UNI) have both signed 11 agreements each. At the end of the 1980s and beginning of the 1990s, it was the International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Federation (IUF) that signed the first IFAs with the French groups, Danone and Accor. Since then, however, the IUF has only signed two further agreements.

Almost one IFA in two is co-signed by a global union federation and one or several national unions in the country of the company's headquarters. There has been much discussion about this among the different parties involved. Some argue that the national unions in the country where the company's headquarters is based cannot legitimately sign agreements that have a worldwide scope of application. Furthermore, these national unions are, in principle, members of the relevant global union federation and may thus be represented by the latter. In practice, there is strong cooperation

between the global union federation and the national unions within companies, and in particular those in the country where the company's headquarters is based. On the other hand, the co-signature of national unions in the country where the company's headquarters is based may contribute to their formal involvement and thus favour their future involvement in the dissemination and monitoring process. From a legal point of view, co-signature by a national union seems to transform the IFA into a collective bargaining agreement in the country where the company's headquarters is based.

Table 15 Employee-side signatory parties of international framework agreements

Global Union Federation	Number of IFAs signed	Number of IFAs co-signed by national unions	Number of IFAs co-signed by the EWC
International Metalworkers' Federation (IMF)	15	3	11
Building and Wood Workers' International (BWI)	12	6	1
International Federation of Chemical, Energy and Mining Workers (ICEM)	11	8	1
Union Network International (UNI)	11	7	0
International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers (IUF)	4	1	0
TOTAL	53*	25	13

* One (Lafarge) out of the 52 IFAs was signed jointly by two global union federations (BWI and ICEM).

Source: Schömann (2004)

Two recent IFAs have been co-signed by the national unions of all major countries where the companies have subsidiaries. In the case of the EDF Group, all these unions have been part of the negotiating body, whereas in the case of the PSA Peugeot Citroën Group, the national unions were merely informed about the negotiation process, which was centralised between the corporate management and the International and the European Metalworkers' Federations.

National unions' signature of PSA Peugeot Citroën IFA

The management decided to obtain the signature of the local unions in the 10 countries where the group employs more than 500 employees. Once the IFA was signed by the CEO and the HR director, and by the IMF and the EMF on 1 March 2006, the group's management organised ceremonies in the different countries at which the agreements were presented and signed by the local unions. In many cases, the local authorities decided to attend these ceremonies. In Brazil, PSA received an award for its corporate citizenship from the Minister for Employment on the day of local signature of the agreement.

Each of the five global union federations that have signed IFAs has co-signed at least one with a national union. For ICEM and UNI, such a co-signature seems to be a priority; indeed, the majority of the 11 agreements were co-signed with national unions (*see Table 15*).

Twelve out of the existing IFAs have been co-signed by a global union federation and the company's European or World Works Council. There are debates about the signing of IFAs by these institutions. According to the Directive that created European Works Councils, they have only information and consultation rights. They have no power to take part in collective bargaining or to sign agreements.

The main reason for this is that the transposition of the Directive by national labour laws does not guarantee that only union representatives have a seat in the European Works Council, whereas collective bargaining is, in many EU Member States, a monopoly of the unions.

Furthermore, like national unions in the country where the company's headquarters is based, European Works Councils cannot legitimately represent workers in countries that are not part of the European Union. The situation is different in those companies that have created a World Works Council or decided to enlarge their European Works Council to include representatives from other countries for the negotiation of an IFA, as done by the PSA Peugeot Citroën Group.

The co-signature of an IFA by the global union federation and by the European or World Works Council may contribute to guaranteeing the works council's future involvement in the dissemination and monitoring process that cannot be supported by the representatives of the global union federation alone. But this involvement may also be obtained through more informal cooperation with the European or World Works Council, as occurs in many companies.

The following forms of involvement on the part of European Works Councils (EWCs) were observed in this study:

- **No involvement at all:** some IFAs have been negotiated between the management and the global union federations without any involvement of the European Works Council. This is the case with IKEA.
- **Information and consultation:** in some cases, the European Works Council has been informed and consulted without being considered as a real partner in the negotiation process. This is the case with Arcelor and the EDF Group. In the case of EDF, several members of the European Works Council were also members of the negotiation body – not as members of the European Works Council, but as representatives of their national unions. Similarly, the European Works Council of Securitas was regularly informed and consulted on the issues at stake, and its structures were used during negotiations.
- **Participation as a significant partner:** in some cases, the European Works Council, or parts of it, is formally involved in the negotiation body, even if it does not sign the agreement in the end. In the PSA Peugeot Citroën Group, the negotiation body was composed of representatives of the IMF, EMF and liaison committee of the European Works Council (7 members representing France, 3 Spain, 1 UK and 1 Germany). The International Industry Federation promotes the co-signature of IFAs by EWCs (11 out of 15 IFAs signed). An explanation for this clear strategy, in comparison with other international union federations, is that involving EWCs in a formal way may contribute to guaranteeing their future involvement in the dissemination and monitoring process. In doing so, the IMF also tries to include more partners on the side of the workers in order to ensure the appropriation of the IFA by labour at all levels and thus combine competencies and manpower.

Among the different global union federations, only the IMF seems to be in favour of the formal co-signature of the IFA by the EWC of the relevant company: 10 out of the 15 agreements the IMF has signed were also signed by the EWC. In comparison, BWI and ICEM have each co-signed only one agreement with a EWC, while UNI and the IUF have co-signed none. It is also worth mentioning that all but one of the IFAs the IMF has signed with German companies were co-signed with its EWC.

Three of the existing 52 IFAs were jointly signed by a global union federation, the national union of the company's headquarters and the EWC, thus combining three kinds of legitimacy.

Initiative for the text

Without doubt, the initiative for the adoption of a code of conduct is a unilateral initiative on the part of the company's management. In contrast, the initiative for negotiating an IFA is in most cases driven by one or several unions, represented by global union federations. They have identified these texts as an opportunity to be involved in the companies' CSR strategies and policies, and to develop social dialogue at international level. Some global union federations decide to contact multinational companies within their sector to suggest the negotiation of an IFA. The global union federations usually start by contacting companies that are already known for a good social policy and openness to social dialogue at international level. The global union federation may then rely on the first agreements signed with these best performers to contact their competitors.

In many cases, the European or the World Works Council is also an important driving force in the decision to negotiate an IFA. Since the adoption of EC Directive 94/95/EC and in accordance with the culture and structure of social dialogue at multinational level, European Works Councils have adapted their activities to become active partners in the negotiation and monitoring of IFAs and to some extent codes of conduct (EWC, 2004).

The initiative for negotiating an IFA may also be linked to one or several national unions of the company's headquarters. In this case, the idea is directly linked to the quality of the social dialogue within the company and the initiative is in reality shared very early with management. This was the case, for example, in the French EDF Group (*see below*).

Initiative for negotiation of IFA at EDF Group

The idea of an IFA was a joint initiative of the management and the French union CFDT. This union wanted to promote social dialogue on CSR rather than to keep this issue as a matter of unilateral commitments by companies or of partnerships between the latter and some NGOs. Furthermore, the CFDT wanted to use the IFA to establish closer contacts with the global union federations and to become a legitimate partner in social dialogue at the international level. The management considered adopting a code of conduct, but was not against an IFA. It was used to social dialogue at national and European level, but not at international level. But, since the group was becoming more and more international, the management thought that this negotiation would be a good opportunity to reinforce the corporate culture of the group.

In only one case study – PSA Peugeot Citroën Group – was the initiative for negotiating an IFA taken by the company's management (*see below*).

Preparatory phase

Before entering into negotiations on an IFA, the different parties usually prepare themselves in a phase of information and consultation. They have to acquire knowledge of existing IFAs – regarding their content, their negotiation process or their implementation and monitoring procedures, but usually more generally on CSR standards and instruments.

All global union federations involved in the negotiation of IFAs can today rely on their own experience in this field. They can get support from European trade union organisations and from certain national unions, which have started to develop special training sessions on CSR and IFAs, and also appointed people to deal specifically with these issues. Bilateral meetings are sometimes organised between unions and these serve as a platform for exchange of experience and defining common strategies, as was the case in the EDF Group (*see below*).

Initiative for negotiation of IFA taken by PSA Peugeot Citroën Group

In 2005, the management took the initiative of contacting the IMF and the EMF to begin negotiation of an IFA. Before doing so, the management conducted an evaluation and analysis of the commitments involved and the implementation and monitoring procedures in existing IFAs. The managers also contacted international organisations such as the ILO and IOE. They also worked with their network of national HR managers in order to get their opinions. The IMF consulted its members, in particular the French unions and the EMF, before starting negotiations with the group's management. The official negotiations on the IFA took place between the group's HR department, the IMF and the EMF. The European Works Council was associated through a *comité de liaison*, composed of members of the European Works Council (7 representing France, 3 Spain, 1 UK and 1 Germany).

Cooperation between French unions in EDF Group

The CFDT represented less than 20% of the workforce at EDF France. Thus their representatives had to try to convince the other unions – and in particular the CGT, the trade union that has represented more than 50% of the workforce since the creation of the company – of the advantages of negotiating an IFA. Both unions spent a whole day together, discussing CSR and the potential of an IFA. The CFDT, which had already done a lot of work on these issues, decided to share its knowledge with its colleagues. The national federations of both unions had been in favour of cooperation on this issue, in particular in a company such as EDF. They thus played an important role in fostering cooperation at company level.

In many cases, the representatives of management also have to find out about the nature of IFAs. They can get support from the International Organisation of Employers (IOE), which has published guidelines on this issue, as well as from their national employers' associations and from CSR networks, such as ORSE in France. Bilateral meetings are sometimes organised between the managers of two companies – one from a company that wishes to negotiate an IFA and one from a company that has already done so and is ready to share its experience.

In some cases, the representatives of management and employees organise joint meetings before starting the negotiation process in order to ensure a common level of knowledge. Again, this was the case in the EDF Group (*see below*).

Joint learning process between managers and employee representatives at EDF Group

The process started with a shared reflection between the social partners that took two years, but which allowed the negotiations to be finished within six months. The first step was a three-day forum co-organised by the management and the EWC in April 2003 at which the future signatory parties had the opportunity to discuss the issues with representatives of NGOs, international trade unions and researchers. The aim was to discuss the concept of CSR and to form a common vision. The members of the EWC and the European and international union federations that had

already negotiated IFAs, in particular ICEM, as well as employee representatives from non-European countries and management representatives, took part in this forum. For the unions, the two years of common reflection provided an opportunity to meet their colleagues from other countries and to discuss their priorities. Through these exchanges, the French unions learned that their differences diminished if an international perspective was adopted.

Elaboration of the text

The elaboration of the text of codes of conduct is usually in the hands of the company's management. In many cases, the employee representatives are not even informed before the code is disseminated throughout the company. In other companies, however, the employee representatives are informed and consulted by management about the content of the code of conduct. Indeed, in some countries (e.g. France), national labour law requires that employee representatives be informed and consulted.

French works council's right to information and consultation

In 2000, the French labour courts decided that a company's works council has to be informed and consulted by the management if the latter decides to implement a code of conduct. The information and consultation procedures give no power to the works council to prevent the adoption of the text, which has to be respected even if the code is imposed by a group management based in another country, with the local management having no power to decide whether or not to implement the code or to change its content.

In a few cases, the information and consultation process may even contribute to the reshaping of the code and its contents. The Securitas code of conduct is based on the initiative of the management, by which it was submitted to the Swedish Transport Workers' Union for consultation. The code of conduct was agreed with the company at a full EWC meeting with the board of directors before it was presented at a meeting of the Securitas European Works Council.

Influence of employee representatives on Securitas Code of Conduct

According to the management of Securitas, it is its responsibility to better promote ethical standards in order to be competitive on international markets, especially with regard to ethical funds. The objective is to encourage ethical principles throughout the group and among all those with whom the group does business within Securitas' sphere of influence. Although employee representatives did not have co-determination rights in the elaboration of the code of conduct, they did influence the content of the code by using their consultation prerogatives. Furthermore, the local trade unions, together with UNI, organised the implementation procedure of the code of conduct in an IFA.

Negotiations on IFAs may be complex and involve formal and informal meetings between the different parties. All parties involved in the case studies highlighted the positive attitudes maintained throughout the negotiation process. The different parties did, of course, have points of disagreement during the negotiations, but failure of the process was never envisaged at any point of the discussion in any of the cases studied. In the cases of the EDF Group and the PSA Peugeot Citroën Group, negotiations took six months.

Besides the formal identification of the signatory parties described at the beginning of this chapter, analysis of the case studies in different companies provides further insights into the way in which

negotiations are organised on the management side and also into the informal role of the European Works Council.

Organisation on management side

On the management side, negotiations closely involve the human resources (HR) department, which is sometimes the main driving force and main party in the negotiation process. HR managers can indeed rely on their experience in social dialogue. To some extent, IFAs may even be considered a way for HR managers to reaffirm their role in the field of corporate social responsibility.

HR managers from company headquarters may also involve their colleagues from the company's subsidiaries or from other divisions. In the EDF Group, for example, HR managers from all countries in which the company had subsidiaries took part in the negotiations in order to guarantee compatibility with different local legislations and traditions. Furthermore, two members of the sustainable development department were part of the negotiating team. In the case of Securitas, the local HR managers were not part of the negotiating body, but they were kept informed when the IFA was being elaborated. In the PSA Peugeot Citroën Group, HR managers from headquarters decided to inform and consult on a regular basis with the other corporate departments on the negotiation process, in particular the departments of sustainable development, purchasing and legal affairs, as well as the directors of the different divisions of the group.

Organisation on trade union side

At European and international levels, trade unions have developed different kinds of tools to support their members in responding to globalisation and the treatment of its social consequences. For example, in the late 1990s, the ICFTU Executive Board (now ITUC) adopted a 'Basic Code of Conduct covering Labour Practices', aimed at promoting the use of fundamental ILO standards in supplier codes (ICFTU, 2001). The Basic Code was intended to be used as a benchmark to evaluate companies' codes of conduct, but also to assist trade union organisations in negotiations with companies and in working with NGOs in campaigns involving codes of conduct. Another purpose is to encourage the use of consistent language in codes of conduct as part of a strategy to promote an international framework for worker rights. Since 1997, this Basic Code has had a major influence on other codes and probably also on IFAs.

At the IFA World Conference in September 2006, the IMF adopted a range of recommendations for minimum requirements for IFAs.¹⁶ The IMF has also developed a model IFA¹⁷ with the purpose, on the one hand, of ensuring that the agreement meets the minimum requirements in respect of core labour standards and, on the other hand, of emphasising the definition, content and implementation elements of the agreement. Finally, an additional objective is to harmonise IFAs signed in the sectors represented at the IMF, probably with the idea of obtaining sectoral IFAs in the longer term. In the

¹⁶ Four main conditions are required: (1) all IFAs must contain the core labour standards of the ILO, clearly referenced by number, applied to all company operations throughout the world, including suppliers and subcontractors. In cases of non-compliance, a deterrent sanction should be foreseen; (2) IFAs will in all cases take precedence over national laws that do not conform to the core labour standards of the ILO; (3) a representative of the IMF, or a duly authorised person of the IMF, shall be a signatory party; (4) multinationals must ensure the dissemination of the IFAs in the appropriate languages, throughout the company's operations, to all workers and managers, as well as to all suppliers and subcontractors. Moreover, the recommendations deal with the initiation and negotiation of IFAs, their implementation and enforcement. See www.imfmetal.org/main/files/06092919134084/ec_06_recommendations_eng.pdf

¹⁷ For IMF's model IFA, see www.imfmetal.org/main/files/0505102301487/ifa_model_total_english.pdf

same vein, the Building and Wood Workers' International, which signed 11 IFAs, has also developed a model IFA¹⁸ with the purpose of assisting affiliates in getting recognised as unions and starting a social dialogue at company and national levels with companies, suppliers and subcontractors of BWI partner companies.

In 2006, the EMF adopted an 'Internal procedure for negotiations at multinational company level',¹⁹ stating that in the case of European company agreements the EMF has to face three main difficulties, the first being the absence of a legal framework for European company agreements up to now. The EMF's strategic response to this legal gap is to promote and stimulate trade union involvement in negotiations of IFAs. Therefore, the EMF provides its own internal guidelines and procedures for those cases where the EMF is involved in the process.

These examples show that most trade unions at international and European level have appropriated IFAs as an instrument for setting core labour standards on trade union rights, health, safety and environmental practices, and quality of work principles across a company's global operations on the basis of negotiations. For this purpose, they have created a range of tools for their affiliates, such as model agreements, and regularly review agreements, focusing on definition, content and mechanisms. The objective is to make the agreement a practical document that better enables monitoring of a company's performance. This review mechanism also distinguishes IFAs from a company's standard code of conduct and cannot supplant collective bargaining at a particular worksite. Clearly, then, IFAs are collectively bargained agreements that aim at strengthening social dialogue between management and labour at multinational level.

In the analysis of documents and individual company cases with regard to the implementation process and the interrelations of parties, certain differences between international framework agreements (IFAs) and codes of conduct are evident. For codes of conduct, employee representatives and trade unions play virtually no active role in the process of initiating, elaborating and signing them, and thereby confirm the management-driven nature of these texts. In contrast, the experience of IFAs is much more about a joint approach to the negotiation, consultation, text elaboration and signing of the agreement, despite the real differences between individual companies.

One important finding of the document analysis of IFAs is the significant variety of signatory parties on behalf of organised employee representations. Even though all global agreements are signed by global union federations, the involvement of both national unions and European Works Councils (EWCs) as signatory parties varies according to the sector, national background and orientations of the global union federation. Although not falling within the competencies of EWCs under the EU Directive, the involvement of the EWC tends to guarantee its future involvement in the dissemination and monitoring process. Furthermore, the inclusion of more partners on the employee side improves the legitimacy of the IFA at all levels of work and thereby combines competencies and manpower. In some cases, there is also a strong management interest in having certain parties 'on board'.

¹⁸ For BWI's model IFA, see www.bwint.org/default.asp?Index=47&Language=EN

¹⁹ EMF Executive Committee, June 2006 – FEM 12. Accessible at www.emf-fem.org/about_the_emf/position_papers/english/company_policy

While the main driving force behind codes of conduct is management, IFAs are clearly favoured and sponsored by employee organisations, in particular global union federations. But the case studies also show that these instruments should not be regarded as alternative or opposing concepts. As examples of management-driven global framework agreements, as well as agreements that are aimed basically at improving the enforcement and implementation of corporate codes, these instruments should be interpreted more as complementary tools.

Dissemination, monitoring and dispute settlement

Procedures dealing with enforcement and monitoring are an essential part of codes of conduct and international framework agreements (IFAs). Effective implementation is one of the main challenges of social regulation in the context of globalisation and global supply chains. In many countries, labour law standards suffer from a lack of effectiveness, particularly if the public authorities do not have the means or the willingness to organise systematic monitoring (Hepple, 2005; Lascoumes and Serverin, 1986). The majority of countries across the world have ratified the ILO conventions on fundamental social rights. Many countries also have very precise labour law standards that are in line with the ILO conventions, for example, on health and safety. These legally binding norms are, however, far from being effective in all companies in these countries.

One intention of codes of conduct and IFAs is to make core labour standards more effective and create a regulatory framework inside companies to follow up violations of these standards. Thus, one of the main potential added values of these new tools is to organise procedures on implementation and monitoring, aimed at rendering them effective.

Dissemination

Whether their aim is to define new regulations for labour relations at the international level or to reaffirm principles in the field of corporate social responsibility (CSR) or business ethics, the dissemination of IFAs and corporate codes of conduct among the relevant actors, and in particular among the managers and employees, is a necessary condition for their effective implementation. But only one-third of the 50 codes of conduct in this research's sample explicitly mention any kind of dissemination (see Table 16). In contrast, almost 80% of the existing IFAs contain detailed provisions on the dissemination procedure. Similarly, 38% of the existing IFAs explicitly mention that they have been translated into the local language or languages, whereas this is the case with only 4% of the codes of conduct in the sample. As for special training seminars for managers and workers to enable them to implement the IFA or code of conduct, these are mentioned in very few of the texts studied.

Table 16 Dissemination of international framework agreements and codes of conduct

Issue	International framework agreements (Total 52)	Codes of conduct (Total 50)
Dissemination to employees	41 (79%)	16 (32%)
Translation	20 (38%)	2 (4%)
Training	6 (11%)	6 (12%)
Promotion of local social dialogue	6 (11%)	–

Source Schömann (2004)

The first targets of the dissemination process are the managers of the different subsidiaries in charge of the day-to-day implementation of the IFA or code of conduct. The French EDF Group has put in place a particularly structured approach to ensure the effective implementation of its IFA within all the subsidiaries of the group.

Dissemination to management of EDF Group

The HR Director of the EDF Group decided that implementation of the group's IFA would be a transversal process, the only one in the field of human resources, thus highlighting the importance of the agreement. Consequently, the top management of all group subsidiaries meet once a year to present the actions they have undertaken and the results they have obtained. Furthermore, the group has created an operational committee composed of representatives from all subsidiaries who are appointed to manage the implementation of the agreement, together with employee representatives. The operational committee meets at least three times a year to ensure constant follow-up and exchange of good practices.

Of course, if the scope of application of the IFA or code of conduct covers the employees of the company's suppliers and subcontractors, the management of these latter companies also have to be informed on the content and importance of the principles. The French PSA Peugeot Citroën Group has developed a number of different steps so that its suppliers and subcontractors are informed about its IFA.

Dissemination to suppliers of PSA Peugeot Citroën Group

Via the group's B-to-B website, the management of the PSA Peugeot Citroën Group has informed all its suppliers and subcontractors about the IFA signed in 2006. In cooperation with the purchasing department, a new *cahier des charges* has been prepared, which details the relevant points of the IFA. On 18 January 2007, the purchasing department organised a meeting for all suppliers to inform them of the importance of the IFA for the group. During this event, each supplier had to sign a document that listed all the relevant points of the agreement.

Finally, the IFA or code of conduct has to be disseminated among all the workers covered by it. Whereas the 50 codes of conduct in the sample contain almost no information on the dissemination process, some IFAs are very detailed on this issue. According to IFAs, responsibility for the dissemination of the text may be in the hands of either the management or both social partners.

Responsibility for dissemination

Euradius IFA: 'Euradius BV and Euradius International BV shall provide written and verbal information about this agreement in all their branches. Euradius International BV will require managerial staff to make the information in question known to the employees on the payroll of the various branches, and to anyone else who performs regular work for the branches, in a clear and accessible way. Periodically (e.g. once a year), this information will be repeated so that new employees can take note of the contents.'

Lukoil IFA: 'ICEM will distribute copies of the Agreement to all its member unions, including those that organise employees in Lukoil companies around the world, and will broadly publicise the existence of the Agreement and explain its implications to the unions organising workers within Lukoil. In the same manner, Lukoil will distribute copies of the Agreement to all Lukoil offices in the relevant local languages of the countries concerned.'

Involvement of employee representatives in the dissemination process has two main advantages. First, the promotion of the text through employee representatives may increase its legitimacy in the eyes of the workers, as compared to unilateral texts promoted by management. Secondly, involvement of local employee representatives may help develop collective ownership of the text

and so avoid the IFA being perceived as an instrument adopted at international level without concrete impact at local level. In order to be able to disseminate the agreement, the local employee representatives have to know its principles and procedures so that they can report any cases of violations of these principles and their effective implementation.

Some IFAs negotiated in French companies go even further in terms of local involvement: they explicitly mention that the IFA has to be adapted through local social dialogue between employee representatives and management (*see below*).

Social dialogue provisions for dissemination of IFAs in French companies

Danone IFA: 'The local management of Danone companies and the trade unions – or in their absence employee representatives – are now responsible for translating the general principles outlined below into practical provisions.'

EDF IFA: 'In each Group company concerned, dialogue shall be initiated between the management and the employee representatives on the initiatives to be taken and the conditions for the implementation of the present Agreement, within a period of six months following its signature.'

PSA IFA: 'Beyond the national-level negotiations in use (such as for salaries, working hours, etc), each subsidiary agrees to negotiate with labour unions on the implementation of actions designed to meet the commitments and principles in this chapter and, in particular, those concerning training, career advancement and occupational safety.'

The more the national union representatives have been involved in negotiating the IFA, the more they are likely to promote it among workers on the shop floor. The commitment of the French union CFDT at EDF, in both the negotiation and the dissemination of the IFA concluded within this company, corresponds to good practice in this domain (*see below*).

Commitment of national unions at EDF

Having been one of the main driving forces in the negotiation of the international agreement signed in January 2005 between the management, 4 global union federations and 16 national unions, the French union CFDT has identified the dissemination and effective implementation of this agreement as one of its priorities. The CFDT representative on the European Works Council systematically mentions the IFA in all local meetings with union representatives and workers within the group in order to develop collective ownership of it and to raise awareness of the text's added value for French workers. Together with the management, CFDT also insists on systematic reference to the IFA in all national company agreements related to issues mentioned in it. This was the case with the recent collective agreement reached on subcontracting between the French part of the group and the relevant national unions.

Besides its contribution to the development of the collective ownership of the IFA and the principles it contains, such local collective bargaining may also avoid many of the question-marks about the legal status of the IFA. Devolved into local collective agreements whose legal status is defined by national labour law, the IFA itself does not have to have legal force, rather through the decentralised collective agreements. This solution is reminiscent of the autonomous agreements of Article 139 in the Treaty of the European Union, which suggest that the European social partners render collective agreements concluded at EU level into national collective agreements in order to provide them with a clear legal status and to avoid the legal problems linked to the international dimension.

Codes of conduct are normally introduced unilaterally and not negotiated with employee representatives. Therefore, management alone decides on the dissemination procedure. In many cases, the codes are either published on the company's intranet or handed out to employees directly. Sometimes national labour law may require at least the information and consultation of employee representatives when disseminating a code of conduct among the workers.

Some companies have created information kits on their IFAs, usually containing the text of the agreement in the local language, a summary and examples of good practice adopted in different subsidiaries. These information kits are disseminated among management and employee representatives of the subsidiaries, who may decide to use them to inform the whole workforce. Sometimes, this information is also available on the company's intranet.

Information kits and joint communication tools

PSA Peugeot Citroën Group: To encourage the dissemination of its international framework agreement, the management of the PSA Peugeot Citroën Group prepared an information kit, which it presented to the IMF and the *bureau du comité de liaison*. The directors of all subsidiaries have received several kits for their local managers and local unions. Each kit contains the following information: a letter from the CEO; presentation of the IFA; guide for implementing the IFA; user guidelines for the guide for implementing the IFA; FAQ; Glossary; text of the IFA; text of the Global Compact; ethical charter; brochure on the IFA; and CD-ROM containing the electronic version of these documents.

EDF Group: To encourage unified communication on the EDF Group's IFA, the management and bureau of the Consultative Committee on the Group's CSR, composed of employee representatives, have prepared a communication kit, including a Powerpoint presentation of the agreement as well as the results of the annual follow-up.

Monitoring

Many IFAs contain detailed provisions on monitoring. Obviously, IFAs and codes of conduct have very different approaches to monitoring, linked to the different objectives of the two kinds of texts, as well as their mode of elaboration. The provisions made for monitoring in codes of conduct refer to the principles defined in the code and describe mainly internal compliance procedures, whereas IFAs aim at establishing an ongoing dialogue between the social partners with regard to implementation.

Dissemination and monitoring at Bosch

The main points regarding implementation and dissemination at Bosch are as follows. The agreement was translated into all major languages. All points of the agreement are included in the corporate management manual. The local management is responsible for implementation and dissemination at every Bosch factory and/or the regional/national Bosch management. All employees are informed about the IFA after discussion of the agreement and its consequences between local management and employee representatives. In most cases, this information was conveyed on noticeboards. All complaints are followed up. These are negotiated between (local) management and (local) employee representatives. The management informs the European Works Council on questions of implementation and monitoring.

External audits

Many codes of conduct mention only special monitoring procedures and the organisation of audits if subcontractors and suppliers are addressed by the code. Different solutions exist as to the nature of the auditor. Some codes of conduct provide for internal audits by managers of the group, while others organise external audits, either by professional auditors or by NGOs.

This approach is in line with the aim of codes of conduct: to guarantee adherence to their principles in all subsidiaries and subcontracting companies in order to limit the risks of penal sanctions for the violation of national legislation. The organisation of external audits illustrates a company's commitment to transparency and its willingness to prevent and to sanction violations of the principles defined in its code.

IFAs usually do not refer to audits or to the involvement of NGOs. (Only the agreement concluded at EDF explicitly mentions that NGOs may be invited to the annual follow-up meeting; this was the case at the first two annual meetings.) This confirms that the social partners signing IFAs aim above all at encouraging and developing social dialogue in order to gradually improve working and employment conditions, rather than to bring each violation of the text to the attention of the general public or even before a court. Industrial relations are built on trust. Therefore, it seems essential for employee representatives to start by discussing problems internally and to try and find solutions to them, rather than to alert the public and perhaps threaten the corporate image – and maybe jobs too. The fact that IFAs hardly ever mention NGOs also highlights the difficult relations between trade unions and NGOs, which have only recently started to build common platforms for the exchange of common interests and to think about common strategies.

Establishment of a permanent social dialogue

Precise follow-up procedures are defined in 47% of the existing IFAs. These are based on regular meetings between management and employee representatives. In principle, these meetings involve the signatory parties, but sometimes the European Works Council is involved, even if it has not signed the agreement. Indeed, 38% of the agreements explicitly mention a role for EWCs in the monitoring process, despite the fact that they have signed only one agreement in four. The IFA at EDF is the only one that explicitly mentions that NGOs may be invited to attend meetings on the monitoring process.

Nearly three-quarters of the IFAs refer to an annual meeting, but 28% include the possibility of organising extraordinary meetings under certain conditions.

Social dialogue arrangements

Arcelor IFA: 'At Group level, a specific internal and mixed committee will be responsible for monitoring the implementation of this agreement. Within this committee, the Management Board will be represented by the Human Resources Director who, in the framework of these activities, will report directly to the Chairman of the Management Board. He will be assisted by the Human Resources Directors of the sectors and/or the regions concerned. Regarding the employees' representatives, they will be represented by the Vice-Chairman of the European Works Council, by a representative appointed jointly by the IMF and the EMF, and by a representative from each geographical area covered by this agreement, who will be appointed in accordance with local rules and practices.'

Ballast Nedam IFA: 'The International Federation of Building and Wood Workers (IFBWW), the Dutch Building and Wood Workers Union (FNV BOUW) and the employees' representatives within Ballast Nedam support Ballast Nedam in the implementation of this agreement. IFBWW in cooperation with FNV-Bouw and the Works Council will, together with Ballast Nedam, monitor the agreement once a year, but also continuously discuss upcoming matters.'

Endesa IFA: 'Either whenever the relevance of the topics to be dealt with so justifies or at least once every six months, Endesa's Corporate Human Resources Management will meet the highest officials of the signatory trade unions, and this meeting will be attended by one ICEM representative for each country other than Spain, in which ENDESA has companies that it controls.'

Faber-Castell IFA: 'A committee will monitor the implementation of the agreement in each of the three regions. The Monitoring Committee will be equally composed of representatives from Faber-Castell and IG Metall/IFBWW. It will meet at least every two years and will aim to hold its meetings at production and sales company's premises.'

In the case of IKEA, a joint monitoring group with members from management and the international trade union has been established. This meets twice a year to promote the development of IKEA standards and management systems for ensuring the implementation of internationally accepted labour standards and to develop good industrial relations between the suppliers and the BWI member unions. In the last few years, the monitoring group has paid visits to suppliers in Slovakia, Hungary, Malaysia, Romania, Poland, Thailand, Laos and China.

Monitoring the IKEA Code

The IKEA Group and the BWI paid a visit to Beijing in late March 2003. This initiative was taken following the results from code of conduct audits of IKEA Suppliers in China. The IKEA Group introduced its code of conduct, 'The IKEA Way of purchasing Home Furnishing Products', on 1 September 2000 and since then extensive development and auditing of all IKEA suppliers has taken place, including in China. The audits performed by the five IKEA Trading Offices and the IKEA Compliance Team in cooperation with third parties identified some specific difficult issues where special efforts are needed to improve the situation. More specific areas, such as excessive working hours, lack of overtime compensation and poor handling of hazardous waste, were among those addressed during the visit. Meetings were held with the Beijing Municipal Labour and Social Bureau, the China Enterprise Confederation, the Chinese Association of Environmental Protection in Industry and the All-China Federation of Trade Unions, to address the difficult issues and to discuss different views of the problems. The outcome of the meetings and visits was a better common understanding of the laws, practices and problems, and some creative ideas on how to establish some 'good examples' involving all important stakeholders. IKEA started a project at five suppliers in South China with the aim of reducing working hours and increasing productivity without reduction of wages. The BWI attended an I-WAY audit in China. The I-WAY audits showed that the number of non-compliances significantly decreased during 2004. But the supplier still needs to deal with a number of issues, such as a further reduction of working hours and an insurance plan for all employees.

In some cases, there may be intermediary meetings within smaller groups, as for example at EDF:

Organisation of EDF's Consultative Committee on CSR

The IFA signed in January 2005 between the management of the French EDF Group, four global union federations and almost 20 national unions created a Consultation Committee on Corporate Social Responsibility, including 28 members representing the signatory parties. This Committee meets once a year and has sole competence over all issues raised by application of the agreement. To ensure the proper functioning of the Committee between meetings, a bureau was created emanating from the Committee. This bureau may meet once or twice between Committee meetings. It is composed of seven members representing the different geographical zones affected by the agreement. Each bureau member is in charge of a region, as well as one transversal subject dealt with in the agreement.

Some IFAs contain detailed provisions on the organisation of these meetings, defining the documents to be transmitted to the employee representatives before the meeting, the way the agenda is prepared and the budget. Bringing together employee representatives from different parts of the world and organising translations of the relevant documents, as well as interpreting during meetings, represents a great responsibility.

Operational practice

OTE IFA: 'The joint annual meeting will last at least one day and will be preceded by a preparatory meeting with UNI/OME-OTE delegations of at least one day. At the joint annual meeting, OTE management will communicate general information in the form of an oral presentation and written documents regarding the company's worldwide activities and prospects, and their impact on employees' interests. The information will include a forecast of the level and structure of employment in the various entities in which the company is involved. The information will also include a description and appraisal of the company's social policies. A discussion and exchange of views will follow the oral presentation by OTE management. Sufficient time will be set aside for this discussion ... The costs arising out of the application of this agreement will be borne by OTE. These costs include the necessary travel, accommodation and other expenses of an agreed number of UNI delegates, the facilities needed to hold the joint and preparatory meetings, and the costs of the contact persons. Any UNI delegates who are OTE employees will receive their normal pay during their absence for the meetings.'

A recent IFA, concluded at PSA Peugeot Citroën, explicitly defines an interesting monitoring procedure that involves the local social partners as well as those at group level. This procedure reflects a principle of 'subsidiarity', which takes into account the need for an approach based on local realities, while allowing a common approach at group level.

Principle of 'subsidiarity' at PSA Peugeot Citroën

PSA IFA: 'This agreement will be monitored at two levels. In each of the major countries, local social observatories will be set up. These will be made up of human resources divisions and labour unions. The social observatories will monitor the application of the Global Framework Agreement on an annual basis, using a common monitoring document to be created jointly by the parties to this agreement. At the corporate level, a report on the deployment of the agreement in the countries concerned will be presented each year to the PSA Peugeot Citroën Extended European Council on Social Responsibility.'

Compilation of good practices and definition of performance indicators

Almost none of the existing IFAs and none of the codes of conduct explicitly mention the definition of performance indicators for evaluating the results obtained through the implementation of concrete actions. This does not mean, however, that the companies do not measure the results of their policies in the fields covered by these texts. Most of the companies that have adopted these texts have also signed the Global Compact and publish a sustainability report and thus must develop information systems.

Companies are beginning to define performance indicators that may apply to all subsidiaries. Even in companies that have negotiated an IFA, responsibility for the definition and measurement of these indicators remains a management decision, although this does not exclude consultation of employee representatives.

Definition of performance indicators

EDF Group: In order to evaluate the added value of its international framework agreement, the EDF Group decided to define a certain number of performance indicators. The work first started at the national level in the framework of the national social dialogue on the implementation of the agreement. The work was then shifted to the level of the Consultative Committee on CSR of the Group and its bureau. The bureau suggested the use of 24 indicators. The group managers have accepted 20 of them. Each group subsidiary has to measure these indicators and inform the group management on its results.

PSA Peugeot Citroën Group: The management of the PSA Peugeot Citroën Group has prepared a practical guide for implementing the international framework agreement signed with the IMF and the national unions of its main subsidiaries. This guide exists in the form of a paper document and on an intranet. The guide is aimed at checking whether the company respects the commitments made in the IFA and what action plans have been made.

Some companies have created information systems to identify examples of good practice among their subsidiaries. These examples are exchanged with the employee representatives during the annual meeting or made accessible to employees via the company's intranet.

Compilation and dissemination of good practices at EDF

In order to prepare the annual meeting of the Consultative Committee on CSR at the EDF Group, the managers in charge of implementation of the international framework agreement contact all group subsidiaries to assess their actions. They prepare a consolidated report, translated into nine languages, as well as detailed reports on each subsidiary and a compilation of good practices shared by EDF business units all over the world: these documents make the agreement's implementation more concrete. The management identified about 60 good practices in 2006 and almost twice as many in 2007. These practices have been disseminated among the managers and unions of the subsidiaries, and are integrated on the group's intranet, accessible to the workers in France, the UK and Germany.

Employee representatives also try to establish informal information systems in order to be able to evaluate the outcome of IFAs. Given their lack of means in comparison to multinational companies, employee representatives have considerable difficulty in monitoring the agreements they have signed. They must thus rely on national unions which are more involved in the company, but the latter do

not always recognise the value of an IFA. Ideally, employee representatives have to create networks between local representatives in order to be informed directly on violations of the agreement and to question corporate management. The development of the Internet has contributed positively to the creation of such networks.

Report violations: a right or a duty?

Even good external audits and the involvement of employee representatives cannot replace direct information and compliance rights for the employees covered by the IFA or code of conduct. There is thus a consensus that employees covered by these texts should have the right to report on any violations they observe, whether or not they are the victims of direct harm resulting from such violations. This consensus also includes the need for protection of employees who report such violations against disciplinary measures from their managers. Codes of conduct and IFAs differ, however, on the procedures put in place.

In the sample, 42% of the codes of conduct contain not only a right, but also a duty to report any observed violation of the code.

Employees' duties in cases of code violation

ABB Code: 'All employees are required to report any suspected or observed violations of the law, of this Code of Conduct, or of company policies – or if they are asked to do something that might be a violation. Reports may be made to your supervisor, a representative from Group Function – Legal Affairs and Compliance, your local or regional compliance officer, the chief compliance officer or the ABB Business Ethics hotline.'

Alcan Code: 'Breaches of the Code must be reported immediately to one of the following: 1. your supervisor; 2. your department or function head; 3. a Company lawyer; 4. your Human Resources department; or 5. such other means that the Company may from time to time make available (e.g. designated telephone lines).'

No equivalent principle exists in IFAs. Workers are free to report on violations of the agreement or not.

In the sample, 32% of the codes of conduct mention anonymous hotlines enabling workers to report violations of the code. The development of these hotlines is linked to the obligation introduced by the Sarbanes-Oxley Act in the USA.

Ethics hotlines

BASF Code: 'Employees are offered the opportunity to use an external hotline to obtain information, to make suggestions or to communicate concerns. For this purpose, a toll-free hotline is operated with an independent law firm. This hotline can be called on workdays.'

Chiquita Code: 'If you don't feel comfortable discussing the problems within normal channels, you may call the Chiquita Hotline, which is run by an independent company that provides hotline services for hundreds of companies worldwide. This service is not intended as a substitute for speaking directly with management. It is an option that is always available if you want help, but feel you cannot talk to a company representative.'

Statoil Code: 'Where the individual feels unable to report the matter to line management, the concern may be addressed to Statoil's ethics helpline (www.statoilethicshelpline.com). The ethics helpline is available in all countries in which Statoil is represented. The individual may remain anonymous if they so wish. Statoil will not implement sanctions in any form against any individual who, in good faith and in a responsible manner, informs persons in positions of responsibility, internal entities or relevant authorities about possible breaches of Statoil's ethical guidelines, applicable laws or other blameworthy circumstances in Statoil's business.'

In contrast, the procedures defined in IFAs for reporting violations rely on the involvement of local, national and international employee representatives. Employees may inform these representatives, who are usually protected against discriminatory sanctions by their status in national and international labour law.

Again, these differences confirm the respective profiles of IFAs and codes of conduct. The IFAs aim at developing social dialogue throughout the company and thus insist on the involvement of employee representatives. Codes of conduct aim at guaranteeing adherence to national legislation and at demonstrating transparency through the intervention of an independent third party, either via external audits or hotlines. (The development of these hotlines is also linked to the obligations created by recent US legislation.)

Sanctions and dispute settlement procedures

Even the best implementation and monitoring procedures may not prevent violations of the principles defined by an IFA or code of conduct. It is thus important to include provisions in these texts about the consequences of such violations. For the global union federations, the possibility of alerting the group's management on violations of fundamental social rights in subsidiaries or subcontracting companies and requiring it to intervene at local level is the most important outcome of IFAs. The federations want to be able to use the agreement as a tool to improve the working and employment conditions at local level, in particular in countries with weak labour law standards.

Sanctions against workers

In the sample, 40% of the codes of conduct explicitly mention the possibility of taking disciplinary sanctions against workers and managers who violate provisions of the code, including termination of employment.

Provisions on sanctions

Anglogold Code: 'If an employee acts in contravention of these principles, the company will take the appropriate disciplinary action concerning such contravention. This action may, in cases of severe breaches, include termination of employment.'

Chiquita Code: 'Employees who fail to adhere to this Code of Conduct will be subject to appropriate disciplinary action, which may include dismissal from employment.'

Statoil Code: 'Breaches of the group's ethical guidelines or relevant statutory provisions may result in disciplinary action, or dismissal with or without notice, and may be reported to the relevant authorities. Local disciplinary guidelines will be detailed with respect to consequences and comply with laws and regulations.'

In the sample, 14% of the codes of conduct even mention the possibility of civil proceedings in cases of severe violations of the code:

Civil proceedings

BASF Code: 'Any violation of laws and other statutory regulations may have far-reaching consequences for the employee under both labour and criminal law.'

MAN Code: 'Breaches of the Code of Conduct may have consequences in terms of contractual relations with an employee and the continuation of such relations, and may also lead to claims for damages.'

None of the existing IFAs contain equivalent provisions. The involvement of employee representatives means that the aim is not to sanction individual employees, but rather to obtain changes in the organisation.

Sanctions against suppliers and subcontractors

In the sample, 96% of the existing IFAs and 42% of the codes of conduct contain provisions that apply to the company's suppliers and subcontractors. Many texts are limited to information or encouragement of the suppliers and subcontractors, but some mention that adherence to the principles they contain constitutes a condition for maintaining contractual relations with the supplier or subcontractor. In the sample, 14% of the codes of conduct, particularly in the textiles sector, explicitly mention termination of contract in the case of violations.

Sanctions against suppliers in Codes of Conduct

H&M Code: 'Should we find that a supplier does not comply with our Code of Conduct, we will terminate our business relationship with this supplier if corrective measures are not taken within an agreed time limit. If we find repeated violations, we will immediately terminate co-operation with the supplier and cancel our existing orders.'

Gap Code: 'If Gap Inc. determines that any factory has violated this Code, Gap Inc. may either terminate its business relationship or require the factory to implement a corrective action plan. If corrective action is advised but not taken, Gap Inc. will suspend placement of future orders and may terminate current production.'

Levi Strauss & Co. Code: 'If LS&CO. determines that a contractor is not complying with our TOE, we require that the contractor implement a corrective action plan within a specified time period. If a contractor fails to meet the corrective action plan commitment, Levi Strauss & Co. will terminate the business relationship.'

Similar provisions may be found in 28% of the existing IFAs.

Sanctions against suppliers in IFAs

EDF IFA: 'Any serious failure not remedied following notification to comply with legal requirements or related to issues of occupational health and safety, ethical behaviour towards customers and environmental protection, shall result in the termination of our relations with the subcontracting company, in accordance with contractual obligations.'

PSA IFA: 'Any failure to comply with human rights requirements will result in a warning from PSA Peugeot Citroen and a plan of corrective measures must be drawn up. Non-compliance with these requirements will result in sanctions, including withdrawal from the supplier panel.'

Furthermore, many companies refer to their code of conduct or their IFA in the contracts with their suppliers or subcontractors, thus conferring the same legally binding effect on these texts as the contract. Consequently, IFAs and codes of conduct produce additional legal effects for suppliers and subcontractors.

Dispute settlement procedures

The aim of the global union federations in signing IFAs is not to use these texts in court. They prefer to start with social dialogue on problems. It is thus not surprising that 79% of the existing IFAs contain provisions on dispute settlement and define special procedures in this field. Codes of conduct do not contain similar provisions.

Usually, IFAs encourage employees to contact their local management if they discover any breach of the text. They can, of course, rely on the support of the local employee representatives. If the problem cannot be solved at this level, the employee or the union can contact the national union, which will discuss the issue with the national headquarters of the company. If the problem can still not be solved at this level, the signatory parties of the IFA will deal with the conflict. The main advantage of this multi-level approach is that it may favour diffusion of the IFA to managers and employee representatives at all levels of the company, thus reinforcing the chance that the text will be effective.

Involvement of employee organisations in cases of violation

Veidecke IFA: 'In the event of a complaint or an infringement of the agreement, the following procedure will normally apply: Firstly, the complaint should be raised with the local site management. If the complaint is not resolved with local management, it should be referred to the appropriate national union, who will raise the issue with the company's regional president. If still unresolved, the complaint will be referred to the IFBWW Geneva office, which will raise the matter with the company's Corporate Management.'

SCA IFA: 'In the event of a breach of the agreement, the following procedure will normally apply to claims by covered employees: 1. The employee or his/her local trade union should raise the complaint with the local site management. 2. If the complaint is not resolved with the local site management, the appropriate national trade union will raise the issue with the human resources department at business group or regional level. 3. If still unresolved, the complaint will be referred to ICEM/Pappers, who will raise the issue with SCA Corporate Management.'

Bosch IFA: 'The Executive Committee of the Europe Committee of the Bosch Group will be informed about any complaints that cannot be dealt with satisfactorily at a national level.'

Duration and revision

Codes of conduct and IFAs are relatively new instruments. The organisations involved in their elaboration are thus conscious that they imply a learning process. Furthermore, the expectations towards companies and the definition of their social responsibilities may change over time. These texts are thus not conceived as static documents and many are reviewed and adapted on a regular basis.

Review procedures

Volvo Code: 'This Code of Conduct has been adopted by the Board of Directors of AB Volvo and can only be amended or waived by the Board. Any amendments or waivers shall be disclosed.'

Telecom Italia Code: 'The Code shall be reviewed annually and revised as necessary by Telecom Italia's Board of Statutory Directors in the light of the recommendations of the Committee for Internal Control and Corporate Governance, and after hearing the opinion of the Board of Auditors, which may also submit proposals to the Board of Directors.'

Nestlé Code: 'The Nestlé Corporate Business Principles are regularly reviewed and updated.'

Many texts mention their own revision: 31% of the existing IFAs are concluded for a definite period, mostly for two or three years, and thus have to be renegotiated on expiry. Furthermore, 55% of the IFAs mention the possibility of revision.

Regular revisions

Royal BAM IFA: 'The present accord may be revised at the request of one of the parties, which needs the consent of the other party, no later than two years after it has been signed.'

Veidecke IFA: 'The signatories will hold an annual meeting in order to review the principles, practice and impact of the agreement, after which it may be terminated, prolonged or renegotiated by the parties.'

Nampak IFA: 'In order to achieve the objectives and undertakings given in this document, Nampak and UNI will engage in an ongoing dialogue and will meet regularly, for purposes of sharing relevant information about Nampak's business and its strategies.'

Revision clauses are perceived as important by global union federations since they embed the IFA in a long-term social dialogue with management.

International framework agreements (IFAs) and codes of conduct differ to an important extent in their dissemination and monitoring procedures. Whereas dissemination and monitoring of IFAs involve both social partners and so contribute to creating new issues for social dialogue, the implementation of codes of conduct usually remains solely in the hands of management, with control occasionally being entrusted to external auditors. This finding is confirmed by the fact that some companies have decided to conclude an IFA in order to improve the dissemination and monitoring of their code of conduct.

IFAs and codes of conduct also differ in terms of the duties they create for employees. Many codes of conduct explicitly provide for disciplinary or even civil sanctions for employees whose behaviour does not conform to the principles laid down. In many cases, employees are also required to report violations of the code that they may observe, using anonymous hotlines. IFAs contain no similar provisions.

In contrast, IFAs sometimes create dispute settlement procedures involving the social partners at local, national and international level. They thus underline the signatory parties' willingness to use

IFAs to identify possible violations of fundamental social rights in subsidiaries or even at suppliers at an early stage and to solve these problems internally through social dialogue, rather than to go to court or bring them to the attention of the general public.

Impact on companies, employees and social dialogue

Codes of conduct and international framework agreements (IFAs) have a potential impact on three areas:

- labour standards and basic labour rights, including the right to organise in unions and collective bargaining;
- industrial relations and social dialogue at national, European and global level;
- corporate social responsibility and corporate culture.

The impact on each of these issues differs for each company, but also underlines some differences between codes of conduct and IFAs.

Impact on labour standards

Making fundamental labour rights more effective

Reaffirming fundamental labour rights, as defined in the ILO core conventions or the ILO Tripartite Declaration, and helping to make them effective, is one of the most important features of both IFAs and corporate codes of conduct.

Given their different nature and purpose, the potential impacts of corporate codes and IFAs in this field differ significantly. Indeed, IFAs refer much more to ILO core conventions and fundamental social rights than do codes of conduct. This is true in particular for the recognition of the freedom of association and collective bargaining. The codes of conduct in the case study sample clearly correspond to good practice, insofar as all include a clear commitment to the ILO core conventions, including the right to organise and the right to collective bargaining.

There seems to be a clear trend towards a stricter reference to core labour standards in corporate codes of conduct. An interesting example in this context is Unilever:

Different versions of Unilever's Code of Conduct

The year 2000 version of the Code made no references to workers' organisations or trade unions, stating simply that: 'Unilever believes it is essential to maintain good communications with employees, normally through company-based information and consultation procedures.' The revised *Code of Business Principles*, adopted in Spring 2002, adds: 'We respect the dignity of the individual and the right of employees to freedom of association.' The 2002 *Social Review* states that Unilever fully recognises the right of employees to join trade unions. This revision also introduced the right to collective bargaining into the company's *Business Partner Code*, dealing with first-tier suppliers.

Recent reviews and surveys of the corporate social responsibility (CSR) strategies of global companies reveal that the adoption of references to basic labour rights is a general trend (KPMG, 2005). Today, multinational companies tend to include social issues in their CSR commitments and reports, which until the end of the 1990s primarily addressed environmental protection, health and safety, as well as philanthropic concerns. This change is due to two developments: (1) national legislation in various countries requires the inclusion of social matters in annual reports and the development of some form

of social performance assessment; and (2) there is growing pressure on companies to be accountable for their activities and those of their suppliers.

Besides the formal reference to fundamental social rights and ILO norms, however, it is important to evaluate the company's actual performance in this field, as well as that of its suppliers and subcontractors. According to a recent KPMG study (2005), 'Social topics are discussed by almost two-thirds of the companies, generally, in one or more of four areas: core labour standards, working conditions, community involvement and philanthropy. While the majority of companies express their commitment to these issues, reporting performance remains sketchy, possibly due to the lack of clear social indicators'.

Most of the companies in the sample have developed tools and instruments to deal with these social issues, ranging from their inclusion in the regular and structured national/local HR management reporting systems, to the introduction of an additional reporting system exclusively dealing with code compliance for first-tier suppliers, to special global employee and industrial relations surveys dealing with basic labour rights. There seems to be no significant differences between companies with an IFA and those with a code of conduct.

Monitoring basic labour rights at BASF

The BASF corporate code, 'BASF Values and Principles', contains the following commitment on basic labour rights: 'BASF strives to maintain relationships with elected employee representatives in good faith and mutual respect, based on internationally recognised fundamental labour standards and orientated towards the customs of the respective countries.' In order to monitor the performance of these principles, the company has developed certain instruments in order to reinforce internationally recognised labour and social standards at all sites of the company and to establish a continuous monitoring system to measure all sites according to these standards. In this context, an annual survey of management at individual group companies on the performance regarding basic labour rights (child labour, forced labour, right to assembly, collective bargaining), labour conditions (working hours, minimum wages) and basic social principles (anti-discrimination, diversity) is carried out.

This is linked to the fact that non-compliance with core labour standards would be a worst case scenario for most multinational companies (and above all for those producing consumer goods, such as Unilever or IKEA). Thus, there is a growing trend towards the monitoring of subcontractors and suppliers in this field. Most companies in the sample in consumer production (in particular IKEA and Unilever, but also Bosch and PSA Peugeot-Citroën) have developed specific procedures to inform and monitor their business partners and suppliers, experimenting with various instruments, such as pilot projects, supplier surveys and questionnaires.

But the case studies confirm the findings of other studies (IG Metall, 2006)²⁰ on IFAs which argue that there is a difference between codes of conduct and IFAs in the monitoring process, which certainly has an impact on the effectiveness of the rights they confer. While corporate codes are overwhelmingly implemented, monitored and enforced by management parties only, sometimes with the support of external auditors, most IFAs provide for a certain role for employees' organisations and

²⁰ Mainly arrangements in German companies, but also some French examples are documented in a recent study for the German Metalworkers' Union (IG Metall, 2006).

trade unions in this context. The case of IKEA is a ‘cutting edge’ example, where management – despite its own extensive activities in monitoring implementation of its code of conduct – also supports the active involvement of trade unions in this process and has established a joint monitoring and implementation group with Building Workers International (BWI).

Joint monitoring and auditing at IKEA

The joint IKEA/IFBWW reference group meets regularly – at least twice a year – to exchange experiences on working conditions and social responsibility. Within the framework of the current joint work programme, IKEA invited the BWI to assist in the improvement of working conditions for Chinese workers at their suppliers located throughout China. IKEA also invited IFBWW affiliates in Malaysia, Indonesia, Bulgaria and Romania to participate in a compliance audit in each country, so as to gain knowledge and understanding of the IKEA I-WAY process and procedures. IKEA is continuing to develop its present auditing procedures in a dialogue with the global union federation.

Similar cooperative approaches between management and trade unions exist at Bosch and Securitas. The potential added value of a shared monitoring process is underlined by the fact that at IKEA and Securitas, the IFAs were negotiated in order to improve the pre-existing code of conduct or the CSR practice.

Some of the case study samples also show that IFAs may seek to improve the implementation and enforcement of fundamental social rights in ‘sensitive’ regions of the world. In 2005, a regional seminar in Latin America was organised on implementing and monitoring IFAs. The meeting brought together affiliated unions with plant representatives from companies that had concluded an IFA for the first time, including Volkswagen, DaimlerChrysler, Leoni, SKE, Arcelor, Bosch and Renault (Holdcroft, 2006).

The IMF plays an active role in developing initiatives and programmes to improve the efficiency and real impact of fundamental labour rights provisions in IFAs. But other international and national union federations have also strengthened their practice in this context. Similar approaches are known in the food sector (IUF), building and wood working (BWI) and other sectors.

Guaranteeing freedom of association and collective bargaining

Their impact on freedom of association and collective bargaining is one important difference between codes of conduct and IFAs. This was confirmed by the text analysis of the existing 52 IFAs, the sample of 50 codes of conduct and the 12 case studies. First, codes of conduct cover to a much lesser extent these two fundamental rights, laid down in ILO Conventions 87, 98 and 135. Secondly, most examples of direct positive impacts on both rights stem from companies that have concluded IFAs and result from active trade union and employee involvement in implementation and monitoring. In most case studies on IFAs, these texts had a positive impact on the company-wide recognition of freedom of association and collective bargaining. In many cases, they led to the development of new institutions and structures of company-based interest representation.

For example, in the case of Securitas, the IFA had direct positive effects on the recognition and acceptance of trade unions by the national management in the USA. Similar developments occurred in other ‘trade union-free regions’ outside Europe, but also within the European Union as the example of IKEA in Poland illustrates (*see below*).

Trade union rights and collective bargaining at IKEA-Swedwood in Poland

A good example of working together within the framework of the IFA is the situation of IKEA in Poland. Swedwood is an IKEA-owned company and the Polish and Swedish BWI member organisations started a social dialogue project in 2002 with the objective of establishing sound industrial relations and trade union representation at company level in Poland. The unions report that almost all Swedwood factories have, in the meantime, been unionised. The Polish unions welcomed this management/trade union approach because the unions are now able to organise workers, start collective bargaining and are part of a sound industrial relations system.

Similarly, the Leoni case illustrates a positive impact on freedom of association in Central and Eastern Europe. The activities aimed at implementing the company's declaration on social rights enabled the development of trade union structures and collective bargaining in two large, formerly unorganised company establishments in Romania. Contacts have also been made with workers in non-unionised establishments in Slovakia and the Ukraine.

The Bosch case study and an example at DaimlerChrysler illustrate concrete impacts and at least the onset of critical reflection on the situation of trade union rights throughout the company (*see below*).

Global trade union rights at Bosch and DaimlerChrysler

Bosch: At the Bosch World Employees' Conference, held in Germany in 2006, a number of complaints were raised about the IFA's provisions on freedom of association and the right to collective bargaining, as well as on discrimination and equal pay. While it became clear at the meeting that the Bosch management is very reluctant to deal with such cases, maintaining that they should be handled at the local level, the discussions were a positive signal in favour of freedom of association and collective bargaining rights.

DaimlerChrysler: At DaimlerChrysler (a company not interviewed in this research study), the IFA had a positive impact on trade union rights at a Turkish supplier that had previously refused to respect trade union rights in the workplace and to bargain with the union (so breaching ILO Conventions 87 and 98). A letter to the supplier from the DaimlerChrysler World Works Council led the Turkish management to accept both rights. In other cases, DaimlerChrysler has replaced suppliers (e.g. eight supplier companies in Brazil) because of pressure from trade unions with regard to enforcement of the company's IFA (Holdcroft, 2006, p. 22).

These examples show that IFAs – through the activities of global union federations, world works councils or other employee representation networks – actively contribute to making union rights effective. The case studies indicate that effective implementation of these rights requires not only monitoring and reporting systems, but also significant resources allowing the consultation of various groups and the organisation of joint meetings, networks and coordination activities. In some cases, employee representatives may mobilise these resources without support from the companies involved, sometimes in cooperation with NGOs. The most effective solution, however, consists of achieving a consensus with management to organise joint monitoring. The case studies show some innovative practice in this context. For example, at PSA Peugeot Citroën, EDF and Securitas, joint implementation structures and institutions have been established in order to improve the effectiveness of the IFA. Similarly, IKEA and BWI have established a joint group, while BASF actively supports trade union and employee networking.

Impact on industrial relations and social dialogue

Besides the positive impact on basic labour and social rights, IFAs, as well as some codes of conduct, contribute to the development of social dialogue between management and employee representation or trade unions at local and global level. IFAs may create a framework and a normative basis for this development.

Development of social dialogue

Many of the case studies show that the negotiation of an IFA also has an impact on national and local social dialogue. This is particularly clear in the French companies studied, where the national unions co-signed the IFA. When the PSA Peugeot Citroën Group inaugurated its IFA in 2006, this event was aimed at celebrating social dialogue throughout the company and making it a formative element of PSA's corporate culture in the global context.

PSA: IFA as a symbol of social dialogue

After the IFA had been signed by Jean-Martin Folz, CEO, Jean-Luc Vergne, Director of HR Management, and the IMF and the EMF on 1 March 2006, the group's management organised ceremonies in each country where the agreements were presented and signed by the local unions. In many cases, the local authorities also decided to attend these ceremonies. In Brazil, PSA received an award for its corporate citizenship from the Minister for Employment on the day of the local signing of the agreement. In the countries where the group has a long tradition (as in Argentina), the signing of the IFA confirmed the existing social dialogue on an international level. In other countries, however, the IFA served as an opportunity to create contacts with unions (e.g. in Germany, where there had been no previous contact between the company and the unions at national level).

In a similar vein, the adoption and implementation of the IFA within the EDF Group clearly contributed to the further development of social dialogue, at both national and international level:

EDF: IFA as a vector for development of national social dialogue

Within each subsidiary of the EDF Group, local negotiations have started, aiming at implementing particular issues covered by the IFA. Thus, thanks to the IFA, social dialogue has been improved in certain countries, for example, in Poland where the last meeting of the Consultative Committee on CSR in charge of implementing the IFA was held. The EDF Group has also created a platform for employee representatives in the Asia-Pacific Region, which might be characterised as a kind of EWC for Asia.

In the two Nordic companies in the sample (Securitas and IKEA), the corporate management considers the IFAs not only as an instrument for implementing and enforcing the company's code of conduct, but also as the most important means of 'exporting' a particular approach to employee involvement, consultation and dialogue in the context of accelerated internationalisation, thereby defending a certain corporate culture.

Securitas: Reiterating the 'Nordic way' of social dialogue

Securitas's experience of promoting certain values and principles, aimed at enhancing its competitiveness on world markets, is striking in many respects. On the one hand, it is based on a need to address the globalisation of its activities due to a dynamic acquisition process. On the other hand, the means used for this is the 'exportation' of successful social dialogue that has proved to be a key added value in its national and European expansion. Both issues are addressed in the code of conduct and the IFA. The corporate code is seen as a management tool developed in consultation with employee representatives, while the IFA is basically an instrument for improving the implementation and enforcement of the joint values and principles laid down in the code of conduct. The agreement clearly states that both instruments should promote the 'Nordic way of doing social dialogue', i.e. based on consultation and participation of employee representatives/trade unions in daily business, as well as in the multinational's European and international activities.

The three German companies in the sample (BASF, Bosch and Leoni) illustrate a slightly different approach, characterised, albeit to a much lesser degree, by the willingness of the management to export the principles and modes of social dialogue of the home country. In the French and Nordic cases, the management actively supports the development of social dialogue and the establishment of new institutions and structures in order to jointly implement and enforce the companies' social commitments, principles and norms on a global scale. In contrast, both Bosch and Leoni have been much more reluctant to establish social dialogue at global level.

In the case of Bosch, the process of developing industrial relations and social dialogue at global level was not smooth or harmonious. Although Bosch is known in Germany as a good example of social responsibility and has a corporate culture characterised by close works council and trade union involvement, it also illustrates the so-called 'boxing and dancing' approach of German works councils with regard to bargaining, negotiating and social dialogue. High standards of employee rights and influence over corporate policy often resulted from industrial conflicts and difficult negotiation processes.

Bosch: Struggling for social dialogue at global level

The development of employee involvement and social dialogue at global level, mirroring the company's dynamic internationalisation in the last two decades, did not occur automatically, but mainly as a result of conflicts, campaigns and actions on the part of works councils (the Bosch Europe Committee) and trade unions in Germany. Therefore, negotiating and finally implementing the Bosch IFA took several years and was only concluded in 2004, when the management came to the view that CSR and social values were not merely a question of philanthropy, but also provided an opportunity for economic development. Today, despite difficulties in implementing and enforcing the Bosch IFA, the global agreement is an integral part of the company's CSR commitment. Thus, after many years of activities organised by employee representatives or trade unions in the context of global networking, coordination and global project work, it was possible in 2006 to organise the first Bosch World Conference, which was also supported by management.

Leoni is another case where social dialogue is very much characterised by 'boxing and dancing'. The management is reluctant to actively involve or even support the development of interest representation and trade union structures in subsidiaries around the world.

Leoni: Exporting basic elements of corporate culture

The Leoni 'Declaration of Social Rights and Industrial Relationships' has not led to new institutions or structures, or had other clear impacts on company-wide industrial relations. It should be seen more as an additional element of the company's social commitments supporting global information, consultation and learning processes. Given the well-developed and cooperative nature of employee participation, industrial relations and interest representation in the German home country and also in Europe (European Works Council), and the commitment of the company to CSR and value-orientated corporate management, the document can also be regarded as an instrument that 'exports' basic elements of corporate culture in the context of growing internationalisation and worldwide engagement.

The BASF case, too, shows that the development of global structures of interest representation, information and consultation does not necessarily have to be based on an IFA, but might be triggered by strong management commitments towards employee involvement and institutionalised interest representation. BASF is a special case here since the company has not adopted an IFA, but 'only' certain values and principles on labour standards and industrial relations at the global level. It should, however, be regarded as a case of good practice in the context of global social dialogue for at least two reasons: (1) the corporate 'Values and Principles' reflect BASF's strong commitment to CSR and to active employee involvement and cooperation with works councils and trade unions. This commitment is not merely 'symbolic', but a formative part of the BASF global HR and industrial policy; and (2) the company is the only German company in the sample where management actively supports institutionalised structures and mechanisms of social dialogue on a global level.

BASF: Proactive approach to labour relations

On a biannual basis, so-called network-meetings are organised in Latin America (including Brazil, Argentina and Chile) and Asia-Pacific (China, India, Indonesia, Japan, South Korea, Malaysia, Pakistan and Singapore) with the active participation of global and regional management representatives, at which local employee representatives and trade union organisations come together to discuss issues of social and labour relations. The company is surely a leading-edge example of the development of good-practice industrial relations and the practice of social dialogue in 'problematic' regions, such as China or India. By these activities, BASF illustrates a proactive and strongly dialogue-based approach to labour relations and fundamental social rights in the context of globalisation. The BASF case – particularly compared to other, more 'symbolic' IFAs – also illustrates that corporate codes of conduct might have a real impact on labour-related issues when they are based on active employee involvement and cooperation between management and interest representations.

EWCs and IFAs

We already have touched on the role of European Works Councils elsewhere in this report (see *Chapter 3*). In the case studies in the sample, the role of EWCs in the process of developing, negotiating and implementing international agreements is generally important, although only in the cases of Leoni and Bosch did the EWC actually sign the agreement.

This fact reflects a dilemma: in many cases, EWCs are initiators of IFAs, but at the same time they are legally not in a position to play a role in the issues of concern since these are global issues. This is well illustrated in the Securitas case below.

EWC involvement at Securitas

The EWC was regularly informed and consulted on the issues at stake. The structure of the EWC was used during negotiations. But according to the statutes, the role of the EWC is as a forum for information and consultation in matters relating to more than one country. The EWC is not a forum for negotiations and should not deal with matters regarding wages and conditions in an individual country. In this respect, the EWC was not directly part of the negotiation rounds. Its structure provides logistical support for the follow-up of the Agreement: as specified in the Agreement, the meeting of the implementation group is held in conjunction with the annual meeting of the EWC. In this respect, the EWC works as a contact forum between management and trade unions in the Securitas group.

The Securitas case reflects a general feature of IFAs: in total, less than one in four agreements signed so far were co-signed by EWCs and global union federations, most of them (11 out of 13) in the metalworking sector. It should also be noted that the majority of agreements co-signed by EWCs were concluded in companies with German headquarters and thus reflect the important role of works councils in the dual system of interest representation.

Concerning the impact of IFAs on the daily activities of EWCs, the following features can be derived from the fieldwork conducted in this research:

- senior EWC members (in particular, the chairpersons) are actively involved in the implementation process of IFAs in most cases;
- in most cases, there is a division of tasks: while formally the EWC deals with European issues only, issues regarding countries outside Europe are dealt with by global trade union federations;
- if a management reporting system is provided for the implementation and compliance of the IFA or corporate code of conduct in the field of labour relations in the operational provisions of the agreement or code, this will normally be carried out in the context of EWC plenary sessions.

The active involvement of EWCs in IFAs and their significant impact on EWC practice raises the question of whether the legal framework of EWCs still reflects the real world of industrial relations in European-based multinational companies. As other studies on the growing negotiating role of EWCs in corporate practice have shown (Carley and Hall 2006; Pichot, 2006), the actual role of a growing number of EWCs has entered a stage which is clearly beyond the current legal provisions of the EWC Directive.

IFAs as stepping stones to World Works Councils

IFAs can be seen both as a result of interest representation and as a driving force that is accelerating interest representation and company-based trade union networking at an international level.

There are some examples of IFAs that are the result of growing trade union cooperation on a global scale. The IFAs of many multinationals in the chemical sector (Endesa, SKF), the service sector (Telefonica, OTE, France Telekom), the food sector (Chiquita, Danone) and, of course, the metalworking and automotive sector in many cases are triggered by international trade union councils and networks. But there are also prominent examples where international trade union coordination and networking at company level have not resulted in the conclusion of an IFA, including Nestlé, Unilever, General Motors, General Electric, Siemens and Fiat.

In addition to the examples and trends described in previous chapters, the direct indications from the case study sample in this research also show a direct connection between IFAs and supra-national structures of interest representation, information, consultation and dialogue.

The automotive sector was the first to develop international structures of company-based trade union cooperation and networking of employee interest representations. Volkswagen (1999) and DaimlerChrysler (2002) are among the most prominent companies that have established world works councils, the first being inaugurated by Swedish SKF in 1995. Supported by strong trade union structures and easy to organise because of large production sites, other companies in the automotive sector have also developed international and global networking activities, including some in the sample (see below).

Global workers' meetings at Bosch and Leoni

Bosch: Works council initiatives, which culminated in the global framework agreement in 2004, were closely connected to global cooperation projects and the networking of employee representations (with cooperation of employees in Brazil playing an important role) and in 2006 the first Bosch Workers' World Conference took place (including employee representatives from China).

Leoni: The IFA accelerated the international cooperation and networking of employee representatives and trade unions: in 2005, a workshop focusing on the implementation of the Leoni agreement took place in Germany with representatives from EU countries, but also a representative from Tunisia. For the next meeting, there are plans to invite employee representatives from China.

The link between IFAs and the creation of world works councils is even closer in the French companies in the sample. At EDF, the Consultative Committee on CSR (CCSR), in charge of the implementation of the agreement, is also a first step in creating a worldwide workers' interest representation. The idea seems to be to test this kind of instance with the CCSR and then to create a worldwide works council. At PSA Peugeot Citroën, the possible establishment of a worldwide consultation forum is even mentioned in the text of the IFA, as follows:

PSA Peugeot Citroën: Transforming an EWC into a WWC

In Chapter 7 of the PSA Peugeot-Citroën Agreement, the following is stated: 'With regard to global changes in the corporation's business, the parties of this agreement feel that the creation, in due time, of a Global Council is beneficial. Initially, the current PSA Peugeot Citroën European Works Council will be expanded to include labour union representatives from the countries that meet the staffing level requirements set forth in the European Works Council agreement (such as Argentina and Brazil). These representatives will be invited to plenary sessions as observers.'

Examples of other companies show that whether a code of conduct or an IFA results in the development of global structures of interest representation and social dialogue very much depends on the corporate culture and attitudes of the management towards trade unions.

Impact on corporate culture

Both IFAs and corporate codes of conduct address major corporate challenges in the context of globalisation, consumer demands and NGO pressure politics. Over and above this, both instruments

are tools of corporate HR or CSR departments for implementing group-wide global principles, norms of behaviour and orientation in the field of labour relations and social dialogue. The case studies confirm the results of other research projects, namely that codes of conduct and IFAs are 'a part of a range of other corporate-wide policies that impact on employment practice' (Edwards et al, 2006).

The case study analysis shows two basic approaches regarding the effects of corporate codes and IFAs on corporate cultures:

- **a formative approach**, which actively tries to use these instruments for the *development* of certain corporate cultural objectives and joint principles;
- **an affirmative approach**, which seeks to *enforce/reinforce* existing practice and is carried out mainly to address the wider public in order to prove the social responsibility of corporate practice.

Most of the companies analysed in the fieldwork illustrate the formative approach. The code of conduct or IFA seeks to address the challenges of establishing corporate principles and a homogeneous culture in the context of accelerated internationalisation.

EDF: IFA as a commitment of corporate culture

The CEO and the group's HR manager often mention the IFA, even if it is mainly conceived as an internal tool. The IFA is important for the construction of the group's culture. For many managers in the subsidiaries, it is a concrete example of what it means to be part of the EDF Group. Furthermore, the IFA has contributed to a desire among managers to integrate the expectations of the different stakeholders. It introduces a new methodology for management.

Clear indicators were also found in the cases of BASF, Securitas and Bosch that codes of conduct or IFAs are regarded as important tools and instruments to safeguard the corporate identity in the context of globalisation of corporate practice. The Leoni Declaration addresses the issue of continuity of corporate identity and HR practice, although from a different angle, aimed more at the development of self-control mechanisms.

Leoni: Strengthening company-wide HR and management principles

The most important impacts and influences of the 'Declaration on Social Rights and Industrial Relationships' are to be found in the regulation and governance of employer – employee relations, culture, information and consultation processes and HR practice. From the point of view of the Leoni management, the Social Charter has had clear and positive effects on business relationships and the profile of the company as socially responsible, as well as positive effects on internal relationships, i.e. HR and industrial relations practice. The Declaration enables key actors in the company worldwide to reflect on their own practice and further develop good practice. The Leoni Declaration clearly represents a tool that supports harmonious and common minimum standards regarding fundamental and basic social rights and principles of practice worldwide. With this objective, the document mainly addresses local and national HR and other management representatives, acting as an orientation for practice and a general instrument for self-control.

In contrast to the IFA experience, corporate codes of conduct function in a much more affirmative way. As an instrument of the CSR strategy of the company, they are mainly aimed at reinforcing management behaviour and integrity with regard to legal compliance and adherence to international

and national laws. Rather than being an instrument to form or shape corporate culture in a specific way, corporate codes are tools of both enforcing and illustrating corporate excellence and good practice, targeting internal actors (management representatives, in particular), shareholders and the wider public.

This chapter on the impacts of codes of conduct and international framework agreements (IFAs) on various aspects and fields of corporate practice has revealed some clear differences between both tools. Although there is a ‘convergence movement’ – the fact that corporate codes are increasingly covering fundamental labour rights – there are significant differences between codes of conduct and IFAs with regard to implementation and monitoring. In general, the case studies reveal a much more intense and proactive approach in companies with IFAs, in particular resulting from active trade union involvement. While this does not allow any conclusions regarding real positive impacts or outcomes, it seems clear that the enforcement of fundamental labour rights via an IFA is more likely to have a real impact since it is based not only on one tool and one key actor, but on several instruments and the involvement of both social partners. This is particularly true of the impact on the rights of freedom of association and collective bargaining. In contrast to other fundamental labour rights, these ILO norms are covered by corporate codes to a much lesser degree. But it should also be noted that, as a general observation (this study was not intended to carry out thorough impact assessments at the local level), both corporate codes and IFAs have a positive impact on the implementation of basic labour and social rights.

With regard to the impact of IFAs and codes of conduct on industrial relations and corporate cultures, clear differences are observed, mainly resulting from the different nature of these approaches — IFAs mainly result from a joint employer – employee approach to shape global labour relations, while corporate codes are primarily a management instrument. IFAs, at least in most of the case studies, illustrate a formative approach to industrial relations and social dialogue, which (particularly in the French cases studied) also includes the acceleration of global structures of dialogue, information and consultation and the ‘exportation’ of a certain social model of employer – employee relations. In contrast, corporate codes of conduct rather represent an affirmative approach, which seeks to reinforce good corporate practice and both illustrate and implement the excellence of the company in fields such as management integrity and compliance with basic human rights and national laws, including basic labour rights. Concrete impacts are much harder to detect in this respect.

The aim of this research project was to assess the impact of codes of conduct and international framework agreements (IFAs) at the enterprise level, both from a conceptual perspective and in practical terms, by analysing case studies of good practice. Coming back to our initial research questions and in particular to the gaps in research and niches identified in the context of the research, we can draw conclusions on:

- the differences between codes of conduct and IFAs with regard to proportion, basic motivations, functioning and other aspects;
- the impacts of codes and IFAs on labour relations in multinational companies and their suppliers, as well as on industrial relations;
- the lessons to be learned from good practice with regard to efficient functioning.

Difference between codes of conduct and international framework agreements

Codes of conduct and IFAs are products of globalisation, aimed at improving internal cohesion in multinational companies. The analysis confirms clear differences between both instruments, but also some tendencies to convergence.

- **Elaboration:** IFAs are negotiated between social partners and thus benefit from a higher legitimacy than codes of conduct, which are unilateral declarations and/or sets of principles defined by management only. But in some cases, the employee representatives are involved in the drafting of the text through various information and consultation procedures. This is particularly important insofar as this study reveals that ‘collective ownership’ – and thus effective implementation of global principles of labour rights, industrial relations and social dialogue – is clearly favoured by the active involvement of actors at different levels (e.g. national and local actors from both management and employee side) from the beginning of the negotiation process.
- **Aims:** Codes of conduct aim at regulating and harmonising the behaviour of management and employees through rules, duties and rights. They do not claim to influence industrial relations in a global context. The main objective of corporate codes is to define, monitor and enforce internal rules of behaviour in order to improve corporate homogeneity and adherence to legal obligations or specific company values, and thereby to reduce risks that might occur from a violation of national laws. Codes of conduct can, however, have an impact on industrial relations insofar as they redefine employee rights, such as the right to free association or collective bargaining.

In contrast, the first objective of IFAs is not to create regulations, but rather a mutual understanding of basic principles, norms and values in the field of fundamental social rights, industrial relations and social dialogue. IFAs clearly represent a partnership-based approach to dealing with the challenges of industrial relations, as well as of labour and employment conditions in the context of globalisation. They thereby create a corporate environment and culture that supports the active involvement of employees and dialogue-based social relations. But even more importantly, they formalise the participation of global union federations, which play an active role in the process of negotiating and implementing the agreement.

Nevertheless, both IFAs and codes of conduct tend to be embedded in companies’ CSR strategies.

- **Content:** Codes of conduct usually have a broader content than IFAs insofar as they deal not only with issues related to labour relations, but also integrate provisions linked to corporate social

responsibility (CSR) and business ethics. IFAs, on the other hand, usually contain more detailed provisions in the field of labour relations and systematically refer to the ILO core conventions. But here again, there seems to be a tendency towards convergence since some recent IFAs also include other CSR issues, in particular dealing with the protection of the environment, while some recent codes of conduct contain more precise provisions on fundamental social rights.

- **Implementation and monitoring:** The implementation of codes of conduct is based on monitoring by management or by external auditors, and on the development of anonymous hotlines. IFAs follow a different logic of implementation, mainly dialogue-based and dependent on soft mechanisms of conflict regulation and joint problem-solving. The definition and measuring of performance indicators is only just starting to emerge for both instruments, but may be accelerated by the need for social reporting.

These differences explain why some companies decide to adopt both a code of conduct and an international framework agreement. Some of the case studies clearly show that an existing code of conduct was considered to be insufficient, in particular on the issue of monitoring, thus pushing the company to negotiate an IFA, aimed above all at increasing the effectiveness of the commitments made in the code of conduct. Negotiating an IFA thus involves a much stronger commitment to dissemination of the text and to regular follow-up. An IFA needs to be embedded in special corporate preconditions and social frameworks, which explains why only a very small number of international companies have adopted these texts, whereas codes of conduct are much more widespread. It may also mean that the number of IFAs will not increase rapidly in the future. This is also due to the fact that global union federations lack personnel and financial means to monitor a large number of agreements.

But some companies will continue to negotiate these IFAs, recognising the positive impact on the corporate culture, industrial relations and corporate image. This is also confirmed by the fact that, whereas the main drivers for these agreements are the global union federations, national unions or the European Works Councils, there are also a few cases in which the employer initiated the negotiation of the IFA. This shows that IFAs create 'win-win' situations.

Given the link with corporate culture, influenced by the location of the company's headquarters, it is likely that IFAs will remain mainly a European phenomenon. But it is possible that in future such agreements will be negotiated at sectoral level, making it possible to include companies from other continents and those that have no tradition of social dialogue. Such an evolution would open up new opportunities for social dialogue at international level, but it would also raise important questions on the implementation of these texts in a less favourable context.

Impact assessment and indicators of good practice

In order to understand the contribution of codes of conduct and IFAs, one has to analyse not only their formal content and profile, but also the potential dynamic they create (or might not create) in terms of implementing and shaping basic principles of labour relations and social dialogue.

Both codes of conduct and IFAs can have an impact on the subcontractors and business partners of companies and thereby contribute to the improvement of labour relations in global supply chains. Indeed, the relevance of regulations and norm-setting for suppliers and business partners has grown

over the last few years. This means that both instruments can complement existing labour standards in a global context or help to make them more effective through efficient systems of monitoring and reviews. But it should also be stressed that they are neither intended nor are able to replace the responsibility of national authorities in implementing these standards.

In the context of this research design, assessment of the impact of codes of conduct and IFAs was clearly limited. Since the case studies included only interviews at headquarters' level with key actors at the central corporate level of decision-making (the most important level and area of impact), the local level of subsidiaries and suppliers was not included in our empirical studies. Therefore, our study was limited to analysis of the impact on corporate structures, institutions and other forms of collective practice in corporate policy. Further research needs to be done at the level of subsidiaries and suppliers.

As summarised in previous chapters, while there are similar positive impacts on the part of both codes of conduct and IFAs on fundamental social rights as defined in ILO norms, the impact on industrial relations and social dialogue differs significantly: while, *by their very nature*, corporate codes of conduct are aimed at implementing certain rules, norms and principles of behaviour of employees on a global group-wide scale and thereby try to implement and reinforce a specific corporate culture, IFAs seem to go a step further. Although there are significant differences between the companies in the sample (reflecting to some degree national variations in industrial relations), IFAs seem to represent a much more proactive approach to forming and shaping company-wide industrial relations and social dialogue in the global context, starting in many cases not from scratch but building on existing structures of international trade union networking, social dialogue between management and employee representatives in Europe, and the involvement of global trade union federations.

The French companies in the sample clearly illustrate the *formative* nature of IFAs. Here, IFAs are clearly the result of a joint management – employee approach to shaping social dialogue and industrial relations on a global scale. What is striking here is that IFAs are regarded by both management and employee representatives as 'stepping stones' to world works council types of information, consultation and social dialogue, and that both examples are built on the active involvement of local actors, including management and trade unions.

The French cases, and also the two Nordic companies examined, illustrate another important aspect of IFAs: the fact that a specific mixture of corporate preconditions and strong traditions of social dialogue, active employee involvement and consensus-based approaches to conflict regulation are crucial and formative elements. Therefore, IFAs and institutional structures and practice resulting from them may also be regarded as instruments for 'exporting' a certain type of industrial relations and social model. The German cases in the sample highlight the prominent role of works councils as the main 'motor' of company-wide dialogue and employee involvement for corporate social models. This is also illustrated by the fact that, in the German cases, the role of the European Works Council in the negotiation and implementation of the IFAs is much stronger than in other countries.

Against this background, the results of the analysis of the impact of codes of conduct and IFAs on corporate industrial relations and social dialogue are quite clear and straightforward. But what determines concrete impacts on labour conditions at the local level from the point of view of

individual employee experiences? And should good practice be measured with regard to codes of conducts and IFAs?

As already mentioned, these questions have not been at the centre of this research and therefore only limited input is available. While it was not possible to assess the efficiency of the implementation and impacts of an IFA and/or a corporate code of conduct from the local level, some indicators and features of efficiency and good practice are suggested here. They will need further discussion both within the research community and in dialogue with corporate actors and social partners.²¹

Before thinking about concrete indicators, one should reflect on the outcome: What are the possible effects and what is regarded as efficient? Generally speaking, the effects should be measured on the basis of such factors as labour conditions in countries with insufficient labour standards (in terms of the ILO labour core norms); freedom of association and collective bargaining rights in such countries; channels and instruments for international social dialogue between trade unions and multinational companies; the creation of a joint interest representation structure at all the sites of a multinational company; and, finally, the concrete effects on labour conditions and labour relations at suppliers of multinational companies.

Therefore to evaluate the efficiency and to develop criteria of good practice, the following questions might be helpful:

- Has the tool any positive impact on fundamental social rights and labour conditions throughout the company?
- Are there also positive effects on the acknowledgement of trade unions rights, the right to organise and bargain collectively?
- Has the tool any positive effects on social dialogue, employer – employee relations and employee participation throughout the company (i.e. at international and national/local levels)?
- Has the tool any positive effects on labour rights and conditions as outlined above at the suppliers and business partners of the multinational company?

But the key issue in this context is how the actual needs and impacts of an IFA or code of conduct are measured and assessed, for example, by specific implementation, monitoring and reporting principles, which are in place to guarantee efficient functioning.

Arising from the practice and experience of the case study surveys, certain common instruments and practical arrangements could be identified in this context. But these should not be seen as ‘hard’ indicators of an exact impact and efficiency assessment, but as ‘soft’ and general indicators of the efficiency of an agreement/code. From our point of view, these instruments indicate, whether a corporate framework agreement and/or code follows a formative, change-orientated approach or rather reflects an affirmative corporate strategy.

Table 17 summarises this study’s suggestions on certain indicators in the field of implementing, monitoring and reporting, as well as enforcing, an IFA or a corporate code of conduct.

²¹ The question of efficiency was raised in the context of the Expert Workshop in Brussels in December 2006 and a reflection of this issue was continued at the second workshop in Rome. The present report therefore also reflects the outcomes of these discussions.

Table 17 Indicators of good practice and the efficiency of IFAs and Codes of Conduct

	Indicators of good practice and efficiency
Corporate policy and dissemination	<ul style="list-style-type: none"> • Integration of the document in corporate CSR strategy, visions and principles, etc. • Extensive publication and dissemination to employees through various channels of communication • Translation into local languages • Integration into management guidelines • Special training measures for local managers and employee representatives (e.g. tool kits, manuals) • Special information/training for the purchasing department and the main suppliers and subcontractors
Implementation, monitoring and reporting	<ul style="list-style-type: none"> • Translation into local languages • Establishing special working structures and clear responsibilities for implementation • Establishing joint employer – employee committees, working groups and other forms of regular social dialogue • Developing decentralised and local forms and structures of dialogue on implementation, monitoring and needs assessments • Actively involving external parties (e.g. international unions, NGOs, etc) • Global and/or regional conferences, workshops and other forms of networking and exchange of experiences, involving employee and management representatives • Special information/training for the purchasing department and the main suppliers and subcontractors • Developing instruments and tools for social performance assessment and reporting (according to GRI, Social Accountability 8000 standard, etc) • Systematic reporting on implementation in the CSR and/or Sustainability Reporting of the company

Outlook

The main findings of this report on international framework agreements (IFAs) and corporate codes of conduct underline several new questions for further research. We would like to conclude with some ideas and suggestions concerning what kinds of investigation might be necessary in order to develop a more complete picture and assessment of this issue of global industrial relations. In particular, the following issues should be addressed:

- What accounts for the significant level of variation among IFAs and codes of conduct in practice (e.g. the influence of national industrial relations systems, corporate cultures, sectoral contexts, size of companies, etc)?
- What kind of concrete influence do IFAs and codes of conduct have on local parties and local labour relations at the level of subsidiaries and also suppliers?
- What determines the effective implementation and operational practice of IFAs and corporate codes? What tools and instruments have been developed in this context and how important is the active involvement of local actors (both from management and employees) in new structures of dialogue, monitoring and implementation?

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Appendix: List of case studies and authors

Arcelor

Isabelle Schömann

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07922.htm>

BASF

Eckhard Voss

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07923.htm>

Bosch

Eckhard Voss/Peter Wilke

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07924.htm>

Chiquita

Isabelle Schömann/André Sobczak

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07925.htm>

EDF

André Sobczak/Christelle Havard

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07921.htm>

IKEA

Peter Wilke/André Sobczak/Isabelle Schömann

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07927.htm>

Leoni

Eckhard Voss

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07928.htm>

PSA

André Sobczak/Christelle Havard

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07926.htm>

Securitas

Isabelle Schömann

<http://www.eurofound.europa.eu/publications/htmlfiles/ef07929.htm>

Unilever

Eckhard Voss/Peter Wilke

<http://www.eurofound.europa.eu/publications/htmlfiles/ef079210.htm>

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In recent years, the rapid process of globalisation has triggered a political debate on international working and production standards, and the need for supra-national structures and regulation. The adoption of corporate codes of conduct and international framework agreements (IFAs) is a reflection of the increasing global outreach and influence of multinational companies. This report analyses the impact of both these type of initiative on corporate practice and industrial relations. Based on an analysis of selected documents, the report examines the motives underlying the adoption of codes of conduct and IFAs at the company level, and traces the role of the different stakeholders (management and worker representatives) in the elaboration and monitoring process. The findings indicate that while codes of conduct tend to reinforce a specific corporate culture, international framework agreements represent a more pro-active approach to shaping company-wide social dialogue in a global context.

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