

# IFAs and CSR Represent Two Approaches to Industrial Relations at the International Level

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**Abstract:** In recent years, IFAs (International Framework Agreement) and CSR (Corporate Social Responsibility) have focused on building good and healthy partnerships between employers and employees, helping multinationals to develop a responsible public image and avoid social criticism for harming the interests of labour. Both IFAs and CSR are ways to build industrial relations at an international level. However, their limitations still exist. For example, inadequate regulation, incomplete enforcement, opaque procedures, and continuing disagreements between unions and some multinational companies over labour issues. At present, IFAs and CSR leave room to be improved, both of them are positive attempts to establish healthy industrial relations.

**Keywords:** IFAs; CSR; Multinationals; Industrial Relations; GUFs

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## 1. Introduction

As more companies embrace CSR (Corporate Social Responsibility), it seems that multinationals in every industry are looking for the best way to address industrial relations issues. CSR means that enterprises must go beyond the traditional concept of profit as the sole goal and emphasize that they need to pay attention to the value of people in the production process as well as their contribution to the environment, consumers and society. On the other hand, the IFAs (International Framework Agreements), an agreement resulting from some form of collective bargaining between multinationals and trade unions, is also responding positively to CSR. While the code of conduct was a unilateral initiative, the IFA negotiations could be seen as the beginning of a transnational negotiation process. According to Lucio (2014), IFA is a bilateral agreement between the GUFs (Global Union Federations) and multinationals. Negotiations are conducted through IFA, and management recognizes the legitimacy of GUFs speaking on behalf of all employees.

Both IFAs and CSR are committed to building good and healthy partnerships between employers and employees, helping companies act as role models of responsibility and influence to avoid being accused of harming workers. In addition, a relatively human-centred system of rules has been established in international Labour relations to govern workplaces and work communities to resolve problems through collective bargaining and to maintain harmonious relations between employers and employees. IFAs and CSR are two approaches to managing industrial relations at the international level. However, there are still contradictions and shortcomings in promoting good industrial relations between IFAs and CSR. Therefore, it is necessary to analyze the role of IFAs and CSR in promoting international industrial relations and the limitations of IFAs and CSR respectively from the perspectives of GUFs and multinationals.

## 2. Trends of cooperation between multinationals and GUFs in recent years

In recent years, under the pressure of public opinion, more and more multinational companies pay attention to how to achieve good labour relations. At the same time, multinationals are becoming increasingly close to GUFs. Trade unions recognize that multinationals offer considerable opportunities to influence wages and working conditions of employees in both home and host Labour markets. On the other hand, in an era of promoting good industrial relations, there is growing pressure from ethical investors. With increased attention to the ethical standards of investment judgment in financial markets, some businesses have noticed that signing up

for IFAs can increase their advantage in this regard. In other words, IFAs is a global agreement to protect union rights and encourage social dialogue, and collective bargaining represents unions' response to corporate norms. GUFs, on the other hand, sees IFAs as a way to establish global minimum social Labour standards and sees multinationals as legitimate partners in global corporate-level dialogue and final negotiations. Through IFAs, multinationals and GUFs work together to develop corporate rules applicable to operating globally.

### **3. Shortcomings in the application of IFAs by multinational corporations**

#### **3.1 Incomplete execution**

Most IFAs are globally applicable and contain at least minimum Labour standards, for example, freedom of association, collective bargaining, non-discrimination, the abolition of forced labour, and the elimination of child labour. In practice, however, some IFAs signed by multinationals deal only with a specific issue, such as Danone's focus on trade union rights or ArcelorMittal's on health and safety. According to UNI global union (2018), most framework agreements include not only the parent company but also its subsidiaries. But some IFAs make no mention at all of the violation of basic work rights of suppliers and subcontractors. Even other IFAs include the responsibility of the business to inform contractual partners such as suppliers and subcontractors of the contents of the agreement and encourage them to abide by the agreement in principle, such as BMW, Carrefour and IKEA. However, this is merely a consensus statement that the Company is not responsible for the working conditions of its partners, suppliers and subcontractors. In general, multinational companies now also issue statements saying that they will not knowingly use suppliers who knowingly violate the joint statement. Some companies such as Veidekke and the IFAs of Air France also stipulate that the company will do its best to ensure that contractors, subcontractors and suppliers comply with the principles set out in the agreement. However, few companies in IFAs are fully responsible for the entire production chain.

#### **3.2 Process opacity**

Multinational companies are obliged to communicate the specific contents and measures of IFAs to their employees. However, this responsibility is not always fulfilled. Most employees don't know anything about IFAs. At the same time, unions experienced similar problems. Organisers of the Lafarge branch of the National Association of MineWorkers claimed to have heard of the IFAs. They're not familiar with any of the details. According to UNI global union (2018), the local management and trade unions were involved in implementation. However, given their lack of understanding of the IFAs, it is hard to see how the situation will develop. After signing, 16% IFAs had no further implementation measures in addition to informing employees of their obligations.

#### **3.3 Inadequate supervision**

With limited personnel and financial resources, the task of ensuring that the IFAs is fully implemented and monitored will sooner or later overburden the global trade unions. Therefore, the GUFs relies more on the will of the enterprise itself to drive the implementation process. In addition, companies can also commission third-party monitoring. For example, Ikea always reserves the right to inspect its suppliers with the help of an independent agency. In terms of the implementation of agreements, in the absence of support from national legislation, the implementation of agreements relies more on the power of local trade unions. However, this is still a serious limitation for an agreement that includes union organizing and bargaining rights. If the local union can't find a solution, then the local union will pass the case up the chain until the GUFs finally passes the case to the group's top management.

### **4. The initiative of enterprises to undertake CSR**

CSR mainly reflects that enterprises take the initiative to undertake social responsibilities and exert their public influence. For example, many companies have responded to negative concerns about employment practices by developing CSR guidelines. According to UNI global union (2018), unions and concerned citizens around the world demanded that Wal-Mart pay fair compensation to the victims of the garment factories. Wal-Mart reissued the CSR under pressure. In addition, Levi's instituted its first code of conduct following media exposure of the US clothing manufacturer's use of a sweatshop system. To save their image, companies must develop a code of conduct for CSR and abide by it. Under pressure from Labour and human rights groups, NGOs and consumers, many well-known brands have also established their own CSR guidelines. According to Nike (2001), the Global Workers'

Social Alliance published a report funded by Nike. The report presented to the public the results of labour surveys at nine Nike contract factories in Indonesia. Today, many brands' CSR statements can be found on their official websites. This approach helps the public to be as transparent as possible about how TNCs deal with Labour relations. This has a certain supervisory role.

## 5. Flaws and Attempts in CSR Performance by the Company

Some NGOs encourage multinationals to publish CSR. NGOs will assist in monitoring and communication. For example, for European companies, the European CSR Alliance encourages companies to prepare annual CSR reports. However, there is little grassroots participation in the development of CSR. Projects are initiated, developed and finalized almost at the top of the organization, while the opinions of beneficiaries and the voices of employees are ignored. In addition, most of the guidelines also lack substance and do not address implementation standards and basic procedures related to basic labour, shortcomings that have drawn widespread criticism. Representatives of unionized workers are particularly critical of CSR. Generally, they see these guidelines as a ploy by corporate PR departments. Consumers will feel that brands that sign up for CSR guidelines do not exploit workers' interests, so they will not boycott their products. Under the influence of politics, the motivation for using CSR by multinational corporations is gradually linked to business income. Without legally binding mechanisms, CSR and citizen initiatives will only allow activities that benefit businesses, rather than address global poverty and sustainable development. For example, multinational companies are increasingly finding CSR a way to increase competitiveness and profits. Some enterprises may use the image of CSR to enter new markets or establish a good reputation. Therefore, in response to the trend of unilateral social responsibility by multinationals, the Federation of Transnational Enterprises launched the IFAs to better engage trade unions in monitoring whether multinationals are fulfilling their social responsibility commitments, complying with industrial relations rules and promoting decent work for workers.

## Conclusion

Both IFAs and CSR are ways of building industrial relations at an international level, but their shortcomings and limitations cannot be ignored. The current IFAs and CSR leave much to be desired, but both are positive attempts at healthy industrial relations. Effective communication between trade unions and transnational corporations, enhanced supervision and concrete implementation are key to improvement. To ensure the realization of labour relations and protect the interests of workers, how to improve IFAs and CSR will be a crucial topic of future research.

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