

# TRANSLATING EUROPEAN LABOR RELATIONS PRACTICES TO THE UNITED STATES THROUGH GLOBAL FRAMEWORK AGREEMENTS? GERMAN AND SWEDISH MULTINATIONALS COMPARED

MARKUS O. HELFEN, ELKE SCHÜBLER, AND DIMITRIS STEVIS\*

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Extensive research has shown that European multinational enterprises (MNEs) have a propensity to avoid collective employee representation when going abroad. This study investigates whether Global Framework Agreements (GFAs) can reverse this pattern by comparing how four European MNEs—two from Germany and two from Sweden—implement GFAs in the United States, a country with weak collective representation rights. The authors find that an MNE's home country labor relations (LR) system mediates whether GFAs support collective representation in the United States. Sweden's monistic LR system, in which unions are the dominant organizations legally representing workers, gives unions the power to directly influence the negotiation and implementation of GFAs. By contrast, Germany's dualistic LR system, in which unions and works councils share worker representation, weakens the influence of unions on implementing the GFA. MNEs' home country LR systems thus influence how transnational instruments are used to improve collective representation in host countries.

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Am I adopting European-based policies and introducing them to the U.S.? The answer is no.

RubberCorpDE US subsidiary management

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\*MARKUS O. HELFEN is a Senior Research Fellow and Designate Visiting Professor of Human Resource Management and Employment Relations at Freie Universität Berlin. ELKE SCHÜBLER is an Assistant Professor of Organization Theory at Freie Universität Berlin. DIMITRIS STEVIS is a Professor of International Politics at Colorado State University, Fort Collins. We thank the associate editor, Paul Marginson, and three anonymous reviewers for their valuable feedback on improving this article. We presented previous versions of this article at the Academy of Management International Business Division 2012 and at internal research seminars at Freie Universität Berlin und Grenoble Ecole de Management. We are particularly indebted to Mike Fichter, Stephen Frenkel, Gregory Jackson, Jörg Sydow, and Miriam Wilhelm for helpful comments in the development of this article. Additional results and material used to generate the results presented in the article are available from the author(s) at [Dimitris.Stevis@ColoState.edu](mailto:Dimitris.Stevis@ColoState.edu).

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Responding to rising concerns about weak compliance with labor standards in global value chains, innovative transnational regulations such as Global Framework Agreements (GFAs) have been created to spread workers' rights, particularly the right to unionize and bargain collectively, across the production locations of multinational enterprises (MNEs). GFAs were developed by Global Union Federations (GUFs) and pose a challenge to unilateral approaches toward labor relations (LR) norms because they hold signatory MNEs directly responsible for adhering to core labor standards as defined by the International Labour Organization (ILO) (Papadakis 2011). Although such global instruments typically target developing countries, the experience with GFAs shows that enacting freedom of association and the right to collective bargaining effectively is also problematic in the United States (Fichter and Stevis 2013). Studying whether GFAs are able to influence LR practices in the U.S. subsidiaries of signatory MNEs is thus critical for our understanding of the possibility of diffusing workers' rights across the globe (Fichter, Stevis, and Helfen 2012). For U.S. LR, GFAs constitute a possibility to counteract the domestic curtailing of labor rights (Compa 2008, 2012).

Studies on the transfer of collective representation practices have shown that U.S. MNEs tend to adopt union avoidance strategies in European countries with strong statutory support for collective representation (e.g., Müller 1998; Müller-Camen et al. 2001). Conversely, European MNEs lean toward adapting to the more voluntaristic LR practices prevailing in the United States (e.g., Cooke 2001; Human Rights Watch 2010). Yet the exact interplay of institutions, interests, and identities of actors in such transfer settings needs to be further examined (Dörrenbächer and Geppert 2011; Geppert and Dörrenbächer 2014). The way in which actors draw on transnational institutions to influence the dynamics of transfer constitutes a particularly promising new area of research in this context (Djelic and Quack 2003; Tempel and Walgenbach 2007).

This study compares four MNEs from two European countries and examines *how they translate the collective representation practices inscribed in GFAs into their U.S. subsidiaries*. We find that the monistic, union-based system of labor representation in Sweden equipped labor actors with more opportunities to translate collective representation practices to the United States than did the dualistic German system.<sup>1</sup> Swedish unions regarded the GFA as an instrument to move beyond existing corporate social responsibility practices and used direct influence over headquarters (HQ) management to negotiate comparatively stronger GFAs and to enforce this commitment through

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<sup>1</sup>German LR are characterized by a duality of employee representation—that is, representation is formally separated in unions and union-independent works councils. By law, the German works council is elected by workers and is obliged to honor the best interest of employees and the firm in exerting its codetermination rights. Firms are obliged to bear the administrative costs of works council elections and operations. Sweden has a monistic system in which unions represent workers from the shop floor up to the board level.

collaboration with U.S. unions and GUFs. By contrast, HQ management in the German cases was able to subsume GFAs under existing CSR policies by negotiating GFAs with those labor actors that accepted management prerogative and by marginalizing the role of GUFs. We interpret these qualitative findings as indicating that the difference between monistic and dualistic LR systems is relevant for understanding the institutional and micro-political dynamics around GFAs or other transnational instruments of labor regulation.

### **Politics and Institutions in the Transfer of LR Practices from and to the United States**

Studies in a neo-institutionalist tradition attribute problems with transferring MNE management practices cross-nationally to a high cognitive, normative, and regulative institutional distance between home and host countries that expose subsidiaries to conflicting demands for internal and external legitimacy (Kostova 1999). Similarly, comparative institutional analyses (e.g., Hall and Soskice 2001) stress that particular institutional configurations in MNE home countries, broadly classified as liberal and coordinated market economies, shape transfer patterns. Going beyond these structural arguments, detailed case studies reveal that transfer outcomes vary among sectors, firms, or specific practices because each context provides different incentives and opportunities for supporting or resisting the transfer process (e.g., Pries 2003; Dörrenbächer and Geppert 2006; Brewster, Wood, and Brookes 2008; Meardi et al. 2009). Micro-political aspects are considered as particularly prominent in the transfer of LR because of the institutionalized interest conflicts between management and labor actors (Ferner 1997; Ferner, Almond, and Colling 2005; Geppert and Williams 2006; Morgan and Kristensen 2006; Edwards, Colling, and Ferner 2007; Ferner, Edwards, and Temple 2012; Edwards, Marginson, and Ferner 2013; Edwards, Tregaskis et al. 2013).

United States multinationals that come to Europe, for instance, are said to transfer a unilateral HRM model characterized by nonunionism as a standardized “best practice” (Pudelko and Harzing 2007), but they are potentially constrained by existing collective LR in local subsidiaries (Ferner, Almond, Colling, and Edwards 2005). These constraints are stronger in manufacturing than in service-sector firms (Tempel et al. 2006) and are tolerated more in countries with enterprise-based rather than sectoral representation systems (Royle 1998; Colling, Gunnigle, Quintanilla, and Tempel 2006). Conversely, MNEs from coordinated market economies such as Germany are expected to leave LR practices to the discretion of local management when they go abroad (Ferner, Quintanilla, and Varul 2001), sometimes even strategically using subsidiaries for reverse diffusion of Anglo-Saxon practices (Ferner and Varul 2000).

Compared with the vast amount of research on German-, Japanese-, British-, and U.S.-based MNEs, there is less but growing evidence on the transfer patterns in Scandinavian MNEs. In early international business research, Hedlund (1981) pointed to a weak influence of Swedish HQ on global operations because of an informal management style and a lack of formal planning in Swedish MNEs. Relying on a case study of a Swedish high-tech MNE, Hayden and Edwards (2001) showed that this participatory management style was transferred to foreign subsidiaries while at the same time Anglo-Saxon-type performance pay systems were introduced. Rolfsen (2013) demonstrated that a Norwegian MNE transferred partnership practices to its French-Canadian subsidiaries, i.e., to a host country with typically more adversarial labor relations than Norway, arguing that partnership was fundamental to the firm's business model.

On the basis of this literature one would expect that European firms have the capacity to transfer collective representation practices to their U.S. subsidiaries but may not choose to do so in practice, even though most commit themselves to support freedom of association and collective bargaining principles in their home operations. In the United States, foreign firms can easily operate as nonunion entities because the U.S. labor law system allows the adoption of state-level right-to-work laws that complicate union representation in the workplace (Katz and Colvin 2011; Hegji 2012). However, this conjecture requires further elaboration in the context of new transnational instruments such as GFAs that support the spread of collective representation by formally empowering labor representatives as a driver of transfer processes.

### **Global Framework Agreements and the Transfer of Collective Representation Practices**

Following the ILO's 1998 Declaration of Fundamental Rights and the ILO's strategic focus on five core labor standards from among all ILO conventions (International Labour Office 2002), GFAs concentrate mainly on employees' right to organize and bargain collectively, nondiscrimination, and the prohibition of child and forced labor. To date more than 100 GFAs have been signed, currently mostly by European MNEs (European Commission 2015). GFAs are formally cosigned by GUFs, industry-wide international federations of unions representing millions of workers from dozens of countries (Stavis and Boswell 2008). Home country unions, influential works councils, or European Works Councils (EWCs) often lead GFA negotiations (e.g., Helfen and Sydow 2013), a development that indicates complex micro-political actor constellations.

Existing research indicates that MNEs can leave the enforcement of the GFA to the discretion of local actors, undermining their effectiveness, especially in highly decentralized and fragmented value chains (Davies et al. 2011; Riisgaard and Hammer 2011). In other cases, as in the unfolding

situation at the Volkswagen plant in Chattanooga, Tennessee, GFAs do effect a transfer of collective representation practices, but this effort is heavily constrained by resistance from local politics (Compa 2014).

Thus, bringing a GFA to bear in local conditions is often less a matter of directly transferring particular institutions, such as German works councils, to the United States than a matter of “translating” (Sahlin-Andersson and Engwall 2002) freedom of association and collective bargaining principles into a local context. In our setting, one form of translating would be the adoption of a sustained dialogue between host country management and unions and engagement in joint information and monitoring activities, even when these are not accompanied by unionization or collective bargaining. A second, stronger form of translating is the adoption of “positive neutrality,” whereby the U.S. subsidiary does not raise obstacles to union campaigns and actively communicates to its employees that joining a union is acceptable. The continuation of unionization in the event of an acquisition would also be a form of translation as companies often use acquisitions to weaken unions. Translation might be hampered by subtle forms of MNE opposition such as tolerating informal union-avoidance strategies or preventing union access to employees at the workplace (Compa and Feinstein 2012).

## Research Setting and Methodology

### Comparative Case Study Design

#### *The MNEs*

We have selected four cases for systematic comparative analysis, dubbed PapCorpSE, ConCorpSE, BuildCorpDE, and RubberCorpDE, from a larger sample of 22 GFAs signed by European companies that we analyzed between 2008 and 2011 (for an overview see Sydow et al. 2014). Given the relative novelty of GFAs and our aim to untangle institutional and micro-political dynamics, we followed a qualitative approach. We selected our cases depending on their *country of origin*—Germany (DE) or Sweden (SE)—because MNEs from these countries were among the first movers in the adoption of GFAs and both have strong but varying LR systems. Our cases also come from two sectors: PapCorpSE and RubberCorpDE are mainly producers of consumer and industrial goods, whereas ConCorpSE and BuildCorpDE operate in the construction industry. Our design therefore includes one German and one Swedish MNE in each of two sectors (see Table 1).

We control for one *host country setting*, the United States. All the companies have accelerated their presence in the United States during the last 15 years largely through acquisitions and are present in different states with different labor laws. RubberCorpDE has the most facilities in the United States, while PapCorpSE has the fewest. PapCorpSE has globally integrated product divisions, and ConCorpSE runs decentralized but also globally

Table 1. Case Histories

<i>Characteristic</i>	<i>PapqCorpSE</i>	<i>ConCorpSE</i>	<i>RubberCorpDE</i>	<i>BuildCorpDE</i>
Employees (as of 2011)	46,000 employees in 40 countries U.S.: about 2,400 employees in nine facilities, including right-to-work states	52,000 employees in 20 countries (38,000 in Scandinavia, Eastern Europe, U.K.) U.S.: 8,300 employees; 39 offices largely in the West, Texas, Southeast, Midwest, and Northeast, including right-to-work states	34,000 employees in 53 countries U.S.: 7,200 in 66 sites, some in right-to-work states	70,000 employees in 42 countries U.S.: 6,600 employees, most in major subsidiary; 46 offices largely in the West, Texas, Southeast, Midwest, and Northeast, including right-to-work states
Industry and markets	Pulp and paper Business customers and private households	Construction Real estate investors, private households, government	Rubber Automotive original equipment manufacturers and private households	Construction Real estate investors, government, corporate services
Organization	Four globally integrated product divisions (forest products, packaging, personal care, and tissue) and two geographical regions (Americas and Asia Pacific) Majority of shares held by large Scandinavian holding companies and financial investors	Four main business divisions (construction, residential development, commercial property development, infrastructure development), decentralized yet integrated Owned by large Scandinavian holding companies and financial investors	Highly divisionalized with internal profit centers; fragmented structure; prefers small units of no more than 300 employees	Decentralized global operations; operationally independent large MNE subsidiaries
Ownership	Majority of shares held by large Scandinavian holding companies and financial investors	Owned by large Scandinavian holding companies and financial investors	Family-owned	Stock company characterized by a shareholder-value orientation
Unionization at HQ	Unionization of blue-collar workers is 98%; unionization of staff is about 70%. All employees are covered by a collective agreement, union representation in corporate board.	Unionization is 90% among blue-collar workers, and white-collar and academics have 70%; all employees are covered by a collective agreement, union representation in corporate board.	Unionization at the RubberCorpHQ is about 80% for workers and 20–30% for administrative staff; all German sites have a works council, all employees are covered by a collective agreement, no codetermination in corporate boards.	Unionization at the BuildCorpHQ operations is about 20% with peaks of 80% for construction workers; unions win majority of works council seats; all employees are covered by a collective agreement, codetermination in supervisory board.
Global union	ICEM	BWI	ICEM	BWI

integrated divisions. Both German firms have decentralized product divisions; however, RubberCorpDE exercises strong central influence over its divisions through capital investments. The two construction companies are very similar in terms of size and operations and tend to hire union labor in locations where unions are strong and nonunion labor where they are weak. Both focus on large projects, which tend to be more unionized than residential projects (Cooper 2012).

### *Home Country Labor Relations*

The selected German and Swedish MNEs exemplify Western European collective labor representation, which is characterized by comparatively high levels of coverage through industry-wide collective bargaining, union representation in corporate boards, and consultation through works and union councils (Jackson and Deeg 2008). Although Sweden shows signs of change in its overall business systems, its LR institutions remain rooted in the country's rather strong social democratic tradition (Pontusson 1997). Most notably, Sweden shows higher union densities and collective bargaining coverage than Germany (Schmitt and Mitukiewicz 2012). In 2008, unionization in Sweden stood at 68% and collective bargaining coverage at around 90% of the dependent workforce, whereas in Germany unionization is close to 20% and collective bargaining coverage (including firm-level agreements) is about 60% (European Commission 2013: 23).

The Swedish and the German LR systems also diverge significantly regarding the role of trade unions. In Germany, trade unions are responsible for collective bargaining at the sectoral and firm level, whereas works councils are responsible for codetermination in the workplace and have a say on issues such as dismissals, work organization, and restructuring (Thelen 1993; Frege 2003). In Sweden, trade unions represent workers from the workplace to the industry level, and local union bodies also form the backbone of company codetermination (Brulin 1995; Kjelberg 1998; Nergaard et al. 2009; Ilsoe 2012). A dualistic system like the German one provides workers with an added layer of representation, but it can also engender conflicting dynamics between unions and works councils because the latter are legally obliged to act in the interest of the workers *and* the company but are not obliged to be union members (Behrens 2009).

### *Host Country Labor Relations*

For U.S. unions, the primary goal of having GFAs is to support them in getting recognition and collective bargaining. In unionized firms, employees enjoy legal standing based on the National Labor Relations Act (1935), but these rights were significantly limited in subsequent periods (e.g., Taft-Hartley Act of 1947). Multiemployer agreements and pattern bargaining—common during the post-World War II era—have become rare (Katz 1993; Eaton and Kriesky 1998). Even firm-level collective agreements are difficult

to negotiate because frequently several unions claim jurisdiction. Additionally, unions fear that the conflict resolution system—organized around the National Labor Relations Board (NLRB)—works to the advantage of management (Shimabukuro 2012). In combination, the antiunion sentiment of business and of political elites at the national and state levels and a weak collective labor law create a formidable challenge to collective worker representation (Bronfenbrenner 2009; Marens 2012; Wessels 2013; Hogler 2015). A senior union official aptly captured this challenge:

The [United States is] unique when it comes to the situation of GFAs, because the management always claims that the United States is a unique market. . . . And of course they don't want to have the European trade union tradition spilling over through a GFA. (ConCorpSE union at HQ)

### *Global Union Federations*

GUFs depend on the strength of their respective affiliates. For GUFs, GFAs are one of the main instruments to engage with global labor regulation because they legitimize GUFs' role as interlocutors for MNEs at the transnational level. The MNEs in our study deal with two GUFs: the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM—now IndustriAll) and the Building and Wood Workers' International (BWI). Together, the ICEM<sup>2</sup> (16 GFAs) and the BWI (19) accounted for a good third of all GFAs signed up until 2013. When it became part of IndustriAll, the ICEM had 20 million members unionized in 467 affiliated unions in 132 countries (Platzer and Müller 2011). The ICEM took a pronounced social partnership or “pragmatic international solidarity” approach to GFAs, strengthening ongoing social dialogue (ICEM 2010). BWI operates in construction, building materials, and woodworking industries with 12 million members organized in 318 national affiliates from 130 countries. The BWI has sought to engage with management collaboratively in the context of GFAs—for example, by focusing on issues of health and safety (e.g., Hellmann 2007).

### **Data Collection and Analysis**

We collected and analyzed qualitative data from a variety of sources (see Table 2).

### *Interviews*

We conducted 41 interviews, of which 17 were with labor and management representatives at the MNE HQ level, and 13 were in U.S. subsidiaries. In

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<sup>2</sup>The ICEM is now part of IndustriAll global union, founded on June 19, 2012 (<http://www.industrialunion.org>).

Table 2. Case Study Database

<i>Company</i>	<i>Interviews</i>	<i>Dates conducted</i>	<i>Length</i>
<b>Case-specific data</b>			
BuildCorpDE	HQ management (1)	5/8/09	43 min. (phone)
	HQ labor representatives (5)		
	– Works council board representative	6/17/09	23 min. (phone)
	– Works council	7/3/09	27 min. (phone)
	– Union negotiator, international secretary	7/9/09	56 min. (phone)
	– Union representative	1/19/11	89 min. (person)
ConCorpSE	– Union representative in supervisory board	3/2/15	30 min. (phone)
	HQ management (1)	8/27/10	47 min. (phone)
	HQ union representative (2)	10/1/09	67 min. (phone)
		3/19/15	46 min. (phone)
	GUF representative (1)	10/25/11	44 min. (phone)
	U.S. management	8/19/11	written comments
<i>Joint material</i> <i>BuildCorpDE</i> <i>and</i> <i>ConCorpSE</i>		9/7/11	written comments
	GUF representative (2)	5/19/09	49 min. (person)
		2/23/11	65 min. (person)
	U.S. labor representatives (5)		
	– Head of international affairs	7/22/09	74 min. (in person)
		2/11/11	92 min. (in person)
PapCorpSE		10/4/12	60 min. (phone)
	– State-level union leader	10/31/12	73 min. (phone)
	– National union leader, US GUF representative	1/31/13	67 min. (phone)
	HQ management (1)	2/11/11	51 min. (phone)
	HQ labor representative (2)	1/27/11	39 min. (phone)
		3/5/15	33 min. (phone)
	GUF representatives (2)		
	– Negotiation representative	5/18/09	54 min. (in person)
	– Industry officer	12/15/10	70 min. (phone)
	U.S. labor representatives (5)		
	– Head of national organizing	8/11/10	44 min. (phone)
	– Head of sectoral organizing	(joint interview)	
– National union staff, international affairs	11/20/10	112 min. (phone)	
– Head of international affairs	9/27/12	60 min. (phone)	
– Head of relevant sector and responsible relations to PaperCorpSE	4/27/15	55 min. (phone)	
RubberCorpDE	HQ management (2)		
	– Head of division	11/26/08	~30 min. (phone)
	– VP HRM	8/18/09	41 min. (phone)
	HQ labor representatives (3)		
	– Union representative	6/13/09	78 min. (person)
	– Head of (European) works council	6/19/09	46 min. (phone)
		2/19/15	45 min. (phone)
	GUF representatives (2)		
	– Industry officer	6/30/09	50 min. (phone)
	– GUF president	7/16/09	39 min. (phone)
	U.S. management (1)	9/30/10	38 min. (person)
U.S. labor representatives (2)			
– National union leader	10/19/10	35 min. (phone)	
– Local organizer	11/1/10	30 min. (phone)	

*(continued)*

Table 2. Continued

<i>Company</i>	<i>Interviews</i>	<i>Dates conducted</i>	<i>Length</i>
<b>Complementary data</b>			
Interviews with field experts	Swedish employer association representative (1)		
	German employer association representative (1)		
	International employer organization representative (1)		
	Confederation of U.S. trade unions representative (1)		
Workshop participation	2 GUF workshops (2009, 2010)		
	Participation in BWI (2011) Global Conference on MNCs and Public Infrastructure Projects		
	German employer association workshop (2010)		
Additional documents	Host country labor-management workshop (for U.S. in 2011)		
	ILO publications (e.g., ILO 2002, 2008)		
	Employer association policy statements (e.g., IOE 2007; ITC 2010; BDA 2011)		
	Global union programmatic documents (e.g., ICFTU 2004; ITUC 2006; BWI 2007; ICEM 2008, 2010)		
	GFA texts, codes of conduct, global supplier standards, annual reports, corporate and GUFs' websites, newspaper articles, local agreements, U.S. National Labor Relations Board, Board Decisions. Accessed at <a href="https://www.nlrb.gov/cases-decisions/board-decisions">https://www.nlrb.gov/cases-decisions/board-decisions</a> (May 18, 2015)		

the United States we talked to unions that have organized one or more sites of the respective companies. On the management side we usually had interviews with HR managers, but we were not able to get access to local management in two of our cases. In addition, we interviewed seven GUF representatives responsible for the respective MNEs. These officers usually aggregate the experiences of the involved affiliates and are key informants on corporate strategies beyond single countries and MNEs. We also interviewed four field experts for background information on the three countries' LR.

Interviews addressed the overall CSR policy of the company, the role and tradition of labor relations, and the GFA process. We also asked unions about their international division of labor and their assessment of GFAs as a tool for changing LR. The identification of instances of conflict, such as in local approaches to union recognition, was particularly challenging. We therefore relied on a multi-source strategy using interview as well as archival data.

### *Complementary Data*

To gain more insights on U.S. practices we sought and received specific information from host country and global unionists. One unionist, for instance, provided us with the neutrality agreement between PapCorpSE and the U.S. union as well as detailed data on locations and employment of the various plants. Another provided us with copies of exchanges between U.S. unions, GUFs, and management in the ConCorpSE case. We have video footage of a RubberCorpDE subsidiary manager demanding that union organizers leave the premises of a targeted plant. We examined Department of Labor and NLRB databases on collective agreements and labor disputes. An intensive review of trade journals, local business news

media, local government websites, and national and local union websites provided us with additional information on the various subsidiaries. We also participated in several workshops.

### *Analytical Process*

We started our analysis by comparing the GFAs' substantive regulations and what they prescribe in terms of implementation—that is, the scope of coverage as well as rules for information, monitoring, and conflict escalation. Then we examined actual instances of conflict resolution and monitoring to assess the GFAs' impact on collective representation practices in the United States.

## **Findings**

### **GFA Negotiation**

#### *Management Interests*

The GFAs we examined belong to the group of first-generation GFAs signed between 2000 and 2004, with RubberCorpDE and BuildCorpDE signing as early as 2000. Although managerial support varied, all MNEs considered signing a GFA a useful tool for corporate responsibility.

Both Swedish MNEs were explicitly concerned about employees as important stakeholders, with PapCorpSE stressing that responsible corporate behavior had already been “in our blood” (PapCorpSE HR manager). The German MNEs, in contrast, were mainly concerned about their public image. RubberCorpDE HR management explained that “shareholders do not want to be ashamed of their corporation” and emphasized the owner family's responsibility. Yet the company was skeptical about a GFA, highlighting the huge economic, social, and legal differences between national labor markets and between ILO conventions and national labor laws. As the owner stated, “We did not promise anything in the GFA beyond what we are already doing.” BuildCorpDE welcomed the GFA as an opportunity to keep alleged violations of labor standards an internal affair and to legitimize self-imposed obligations and CSR initiatives.

#### *MNE Labor Relations*

The underlying labor relations help explain the different attitudes of the four MNEs examined here. PapCorpSE and ConCorpSE both have a history of cooperative relations and open dialogue with unions in their home market, with unionization rates well above the already high Swedish average. PapCorpSE's home union is strongly involved in corporate decision making and was able to veto a code of conduct drafted by the company in 2003:

I know there was tension within the company with representatives from the United States, they wanted this wording in this code of conduct. So we said no,

we will not accept this, but if you conclude a Framework Agreement with us where we can close the door on union busting we will accept this code of conduct. (PapCorpSE union at HQ)

ConCorpSE management and labor representatives also stress the history of a trust-based, social partnership approach in Scandinavia, though not necessarily in other regions. Similar to PapCorpSE, the Swedish union, collaborating with the BWI and the EWC, was responsible for negotiating the GFA and securing a strong commitment by management to labor standards, which later included the development of a global health and safety strategy.

The German BuildCorpDE is engaged in a permanent dialogue with unions but one largely restricted to its core business units in Germany, where either the workforce is highly unionized or unions can benefit from other institutionalized power resources such as works councils or BuildCorpDE's social partnership tradition. The GFA was initiated by the head of the national union, who sits on the supervisory board. However, the agreement was considered a continuation of LR at BuildCorpDE, which are characterized by an informal ad hoc approach in dealing with problems as they occur:

Binding standards, a negotiation body—we don't have such things, this is not how we work. We have guidelines, they are published internally, everybody knows them. . . . If there are problems, we have ways of dealing with them. (BuildCorpDE works council supervisory board representative at HQ)

The GFA, in the words of this representative, was not negotiated by GUFs, but the BWI's standard template was internally adapted in informal talks "without any red tape."

RubberCorpDE is more skeptical about union involvement in corporate governance bodies but applies industry-wide collective bargaining and is confronted with an influential works council that draws legitimacy from a highly unionized workforce in HQ manufacturing operations:

We prefer to talk to our people directly instead of through institutions. . . . That doesn't mean that we do not accept unions at the table, but we have a problem with unions monopolizing communication. (RubberCorp HQ management)

The GFA was initiated by the head of the works council, also head of the EWC, who had been actively collaborating with representatives from ICEM and U.S. unions. However, management shifted toward negotiating with the national union (as representing the ICEM), and after a two-year period, the result was a much weaker agreement than originally envisioned by the works councilor:

We wanted to be much more specific on sanction mechanisms and escalation procedures in cases of violations. At the end, these things were left unspecified, because the ICEM and [union] thought it would be better to have a weak

agreement than no agreement. (RubberCorp head of works council at HQ and of EWC)

The national union representative commented on this process: “The works council clearly must have felt thwarted” (RubberCorpDE union representative at HQ).

### **GFA Content**

The GFAs differ in the way substantive rules are stated as well as on scope and procedural rules.

#### *Substantive Rules*

All GFAs include core ILO conventions such as employees’ right to organize, collective bargaining, prohibition of child or forced labor, and nondiscrimination. The PapCorpSE’s agreement details labor standards as fundamental human rights. For example,

[PapCorpSE] recognizes the fundamental right of every employee to decide on whether or not to be represented by a recognized trade union of their choice. [The company] also recognizes and respects basic trade union rights covering freedom of association, right to organize and the right to engage in collective bargaining. (PapCorpSE GFA)

In contrast, ConCorpSE stresses that “employee rights to form or join trade unions shall be recognized in accordance with each respective country’s laws and principles” (ConCorpSE GFA). The RubberCorpDE GFA, in addition to adhering to ILO standards, stresses the functionality of good LR for long-term economic success:

Confidence and cooperation between management, employees and their representatives, innovation and flexibility in work organization are the basis for the employees’ future success and that of [the company]. (RubberCorpDE GFA)

BuildCorpDE merely lists eight labor standards as bullet points.

#### *Scope*

The major issue regarding scope is whether, in addition to the direct operations of the respective MNE, the agreement also covers entities in which it is a majority/minority shareholder and also covers suppliers and contractors or subcontractors. Here the PapCorpSE agreement is relatively weak but specific:

This agreement covers all activities where PapCorpSE has direct control. Where PapCorpSE does not have direct control, it will exercise its best efforts in order to secure compliance with the standards set out in this agreement. (PapCorpSE agreement)

The ConCorpSE agreement extends to all subsidiaries but only in a weaker form to contractors and subcontractors. Similarly, RubberCorpDE has restricted the agreement to those entities in which it has management prerogative, seeking to exclude joint ventures, the most important of which is in the United States. Additionally, the agreement applies only to direct employees. BuildCorpDE, in contrast, states that the ILO standards should also apply to all contractors and subcontractors.

[BuildCorpDE] acknowledges that it . . . also shares responsibility for the conditions under which the employees of its contractual partners do their work. (BuildCorpDE agreement)

### *Procedural Rules*

Despite its narrower scope, the PapCorpSE agreement stands out in its detailed procedures for handling the agreement. The parties use a “review meeting” among management and labor representatives that occurs every two years, and a formal complaint-handling procedure is specified. ConCorpSE also has a formal complaints procedure involving a reference group that meets twice a year, consisting of representatives from ConCorpSE central management, a committee of the EWC, a GUF representative, and a representative from the union at the HQ. The complaint-handling process includes formal arbitration, which is still an exception among GFAs.

In contrast, RubberCorpDE’s procedure for handling complaints remains unspecified in the agreement except for a reference to annual meetings and ad hoc communication between management and union representatives. Even more informally, BuildCorpDE complaints are tackled case by case, and management assumes general authority for devising appropriate measures to deal with reported violations.

### **GFA Implementation**

The relations between PapCorpSE and the relevant U.S. union were quite contentious during the late 1990s and early 2000s but improved as a result of a national agreement negotiated in the shadow of the 2004 GFA. According to the national union leader managing the relations with PapCorpSE, the GFA, combined with the national agreement, facilitated the unionization of a plant in Arizona, a right-to-work state, in 2007 as well as the negotiation of a 2009 collective agreement in a New York location. While local managers in these and other sites acquired by the company are still learning how to adjust to more collaborative LR, the relations in the company’s only “greenfield” investment, also in a right-to-work state, are described as being as collaborative as those in Sweden. The U.S. union and PapCorpSE also established a joint advisory committee to ensure compliance in all its unionized sites. At the same time, two cases demonstrate the challenges of LR translation in the face of local LR. One plant is not

covered by the national agreement, although it is not located in a right-to-work state. According to HQ management,

[Our] factories in the U.S. are all unionized. But this part is not. . . . That's not . . . [because] they're not allowed. We have the same practices all over. We will of course welcome unions, but it has to come from the people. (PapCorpSE HQ HR manager)

Unionists explained that the company adheres to high standards there and that the limited number of workers (about 160) makes an organizing drive daunting.

Another plant is nonunionized despite being located in a highly unionized state. This site is used by the U.S. union as a test case to petition the NLRB for the certification of a minority union. Minority unions—those that represent only their members—have not had legal standing under U.S. labor law, an interpretation that this ongoing legal case is challenging. This PapCorpSE site and case might bring about a foundational change in U.S. LR, provided that the case survives the federal court system.

ConCorpSE's record of collective LR in the United States is less profound than PapCorpSE's, but over time the settling of disputes and the establishment of a regular dialogue involving U.S. unions and management indicate that a translation is taking place. Local management in the United States has tended to be more reactive than proactive, catalyzing interventions from the HQ:

There have been a couple instances where [ConCorpSE HQ] had to step in and talk to the local management, explain to them, look, you need to have a more cooperative attitude towards unions, what are you scared of and what is the problem? (GUF representative for ConCorpSE)

In one case, global management joined the GUF in bringing the local unions and the local management together in regular talks about national issues after a dispute in Florida escalated into a union campaign against the company. Florida, a right-to-work state, is particularly problematic:

It is a complicated situation. They have very weak labor rights and, frankly, we have got weak coverage there, so we have to expand. We have to work with trade unions not affiliated, so we really need to try and broaden our coverage with all the buildings trades in the U.S. if we want to make the agreement more meaningful there. (US Union BWI representative)

HQ management also intervened at a ConCorpSE facility in California where local management had refused to bargain in an attempt to change an existing agreement. The president of the home union urged central management to intervene, and ConCorpSE reacted by sending a delegation. The home union plays an important role in intervening with HQ management, either directly or through the BWI, thus brokering transnational union collaboration. The U.S. unions appreciate the support they get from the Swedish union.

In a proactive move, BWI organized a meeting involving ConCorpSE, BuildCorpDE, and host country unions to institutionalize a process of GFA implementation in 2006. ConCorpSE's U.S. management was not enthusiastic, but under pressure from HQs and home country unions, it has slowly moved in the direction of dialogue. Beginning in 2011, U.S. management has agreed to annual meetings, the first of which took place in 2012. These meetings also involve visits to worksites. More recent (2015) information affirms that these meetings continue and that the GFA is being renegotiated to take into account U.S. LR.

These developments contrast with the situation at BuildCorpDE. A participant told us that the host country CEO acted as if he had never heard of the GFA at the 2006 meeting, leading the global CEO to remind him of the commitment. Generally, however, the global HQ is less willing to impose its wishes on key subsidiaries than ConCorpSE. In fact, interviewees on the labor side often referred to phone calls as the most effective means to communicate with management about alleged violations.

I don't know what you expect about how things work in corporations. We get contacts via the Geneva organization [i.e., the GUF] and via the national union. The national union also has a network within their union federation. Someone will hear something. These instances will then be collected and solved. (BuildCorpDE supervisory board employee representative)

This corporate attitude is reinforced by the fact that all labor representatives at BuildCorpDE repeatedly stress the harmonious, informal way in which the GFA is used, underscoring how deeply labor actors at BuildCorpDE are absorbed into comanagement. According to a U.S. union representative, the German union and the works council are much more reluctant to connect directly with U.S. unions than are the Swedish unions at ConCorpSE.

RubberCorpDE emphasized from the beginning that it would not export German LR and that it sought to adhere to host country LR institutions. This approach led to pronounced conflicts during the late 1990s, just before the GFA was signed, when the company purchased a unionized plant covered by a collective agreement and sought to avoid communication with the union as well as its obligations under the collective agreement. Subsequently, the GFA was an important tool for local unions to put pressure on RubberCorpDE to respect the collective agreement in that plant and in trying to organize another plant, but local management actively resisted the GFA:

I do recall when the trade unions came knocking . . . because RubberCorpDE had signed this agreement. That should give them free access to our associates and an open door policy. And that open door policy doesn't really exist in the U.S. (RubberCorpDE U.S. subsidiary management)

Instead, the GFA did not prevent global and U.S. management from avoiding meaningful dialogue:

In the U.S., it is more like that the management would not even have talked to us about a different behavior towards local organizing activities without this agreement. That's very clear. From time to time, the HQ management signals that the agreement should be interpreted differently in the U.S. Because RubberCorpDE was the only company with such an agreement and none of the U.S. companies had signed such an agreement. (RubberCorpDE EWC representative)

Despite the initial unwillingness of both global and U.S. management to adhere to the GFA, the collaboration of U.S. and Canadian unions with the ICEM forced global management to acknowledge its obligations and participate in a meeting in 2008 between management and unions where they agreed to amend the GFA through the inclusion of explicit neutrality language. However, later developments documented in the NLRB cases database suggest that neutrality is not necessarily observed on the ground. In its effort to defeat a 2013 unionization vote in one of its Ohio plants, U.S. management asked the NLRB to count votes by summer interns. The union won the vote, but the attitude of the subsidiary's management sheds some light on problems with adequate translation of collective representation practices.

Table 3 summarizes our key findings.

### **Discussion and Conclusion**

Our findings on the dynamics engendered by GFAs in four European MNEs allow us to elaborate on how institutions, interests, and identities of actors at different levels influence the translation of collective representation practices into the United States. Overall, Swedish unions seemed more equipped than German ones to push for a stronger agreement and involved themselves more directly in making the GFA operative in the United States. Our analysis suggests that the different LR institutions in the two home countries provided management and labor actors with different opportunity structures to weaken or strengthen a GFA. This finding also adds to our existing knowledge on the success of GFAs in the United States and the role of foreign MNEs for U.S. LR more broadly.

First, in both German cases labor actors had a comparatively weaker influence on the GFA because management could choose its preferred partner, shifting from the works councils to the union level in RubberCorpDE and holding the GUF at bay by privileging home country unions and works councils in BuildCorpDE. A dual representational system thus gives management some flexibility to choose those partners who are more inclined to act in accordance with its interests. Swedish unions, in contrast, had a strong influence over management in both cases and actively involved the GUFs.

Second, the national unions in both countries had a different attitude toward the GFA, with Swedish unions appreciating the formal "bite" of the agreements vis-à-vis unilateral CSR activities and German unions keeping

Table 3. Summary of Findings

Analytical dimension	PapCorpSE	ConCorpSE	RubberCorpDE	BuildCorpDE
GFA signing date	2004 (revised 2013)	2001 (currently revising)	2000 (amended for U.S., 2008)	2000
HQ management interests	Maintain tradition of corporate responsibility vis-à-vis stakeholders and shareholders	Maintain tradition of corporate responsibility vis-à-vis stakeholders and shareholders	Maintain image vis-à-vis shareholders, but skeptical about GFA	Improve image vis-à-vis shareholders and public
HQ labor relations	Social partnership; unions heavily involved in corporate decision making	Social partnership, at least in Scandinavia	Social partnership within collective bargaining, but emphasis on managerial prerogative in corporate governance; influential works council	Works council deeply absorbed into management; union relies on management's partnership approach
Substantive rules	Eight principles on human and workers' rights (ILO) detailed in own words	Eight principles following ILO detailed in own words	Four ILO conventions listed as one of overall five different points	Eight principles following ILO listed as bullet points
Scope of GFA	Activities where PapCorp has direct control	All business units and subsidiaries; suppliers shall be informed	Direct employees and business groups	Own employees and contractual partners
Procedural rules	Multi-member monitoring body; annual review meetings; specific escalation procedure	Multi-member: application group; yearly inspections; specific escalation procedure	Multi-member monitoring bodies; yearly consultations; informal escalation procedure	Single-person monitoring; informal escalation procedure
Implementation in U.S.	Multi-site neutrality and collective bargaining agreement for one division (except for one plant)—possible minority union; other division (one plant) not covered	Unionized and nonunionized sites; one stopped derecognition attempt	Unionized acquisitions remain unionized; new recognitions fought against	Unionized and nonunionized sites; termination of one supplier contract because of GFA violation

the GFA relatively informal, in line with existing CSR systems. Again, this difference points toward the salience of different home country LR. Operating within the dualistic system, German unions are more reluctant to bring global unions into the GFA processes within MNEs to avoid jeopardizing the complex balance of power among HQ-level management factions, influential works councils, and themselves. The dualistic German system is thus difficult to translate into a monistic system such as that in the United States not only because of institutional incompatibilities but also because of power relations at the HQ level. Again, this finding supports the salience of actors' interests and identities in transfer processes (e.g., Geppert and Dörrenbächer 2014).

Third, compared with the two Swedish unions, German unions took a rather passive approach toward international solidarity. One explanation is that Swedish unions strive to foreclose a "reverse diffusion" (Edwards, Almond et al. 2005) of weaker practices back to Sweden and act proactively. Another explanation might be that new transnational institutions and actors add further complexities to the dualistic LR in Germany and are thus evaluated more critically than in Sweden (for a similar argument regarding EWCs see Marginson, Lavelle et al. 2013). Finally, this pattern might be indicative of Germany's gradual move from a coordinated to a dualistic market economy (e.g., Streeck 2009; Palier and Thelen 2010).

Home country LR institutions do not determine transfer processes, and additional factors need to be taken into consideration. First, HQ management's commitment to labor rights and an open dialogue with unions may develop independently of whether the LR system is dualistic or monistic. Some German firms, such as Volkswagen, are actively trying to translate their LR style into the United States but face strong local resistance. Conversely, not all Swedish signatories of GFAs are active promoters of collaborative LR. IKEA, for instance, is generally not a union-friendly company, and it has continued this approach in the United States (Vail 2012). Even in this scenario, however, collaboration between the U.S. woodworking union, its Swedish counterpart, and the BWI resulted in union certification in the U.S. facility of the company's woodworking division, Swedwood, demonstrating the influence of Swedish unions.

Second, the Swedish MNEs we examined do not have an equally strong implementation record in other countries such as Colombia and Russia, where the opportunities to collaborate with local unions are more limited (Helfen, Schübler, and Botzem 2015). Likewise, host country unions need to coordinate their initiatives with each other and with additional transnational actors to put GFAs into effect (see also McCallum 2013) so that their position mediates HQ strategies. Surprisingly, location in a right-to-work state in the United States did not affect GFA implementation in our cases.

Third, MNEs develop different organizational structures for coordinating product divisions or setting up regional headquarters independently from home country institutions. As our two Swedish cases with globally integrated

product divisions indicate, these structures may influence the extent to which HQ management supports the translation of LR practices. However, whether more decentralized structures pose actual constraints on management's capacity to implement GFAs or whether they strategically serve to support a hands-off approach needs to be explored in further research. In the case of RubberCorpDE, for instance, the company exerts a direct influence on LRs despite having decentralized product divisions. Additionally, as indicated by PapCorpSE, the translation of LR might also be occasionally easier in greenfield sites than in acquired ones if an MNE is committed to the GFA. If not, greenfield facilities are usually not easy to unionize, as the practices in RubberCorpDE's joint venture show.

Fourth, against our initial expectations we did not observe sectoral differences, although the companies in the construction and consumer goods sector share several similarities and the two GUFs are associated with different global strategies. GUFs, however, cover several sectors and many different unions, and our cases indicate that their strategies are adapted to a given situation. ICEM, for instance, played an active role in forcing RubberCorpDE to formally recognize its GFA commitments in the United States, but it also could not prevent the company from marginalizing the more active works council. At PapCorpSE, ICEM largely followed the lead of U.S. and Swedish unions. The BWI generally took a softer approach, and yet both construction MNEs exhibit very divergent behavior. We interpret these findings as supporting our conjecture that more research is needed on the role of home country institutions as mediators of transnational LR initiatives.

Our findings have important implications for institutional analyses of transfer processes more generally. In particular, they reiterate that the macro-level perspective of the varieties of capitalism and institutional distance frameworks cannot always capture the range of more fine-grained firm-level dynamics, here, those affecting collective representation practices (Lamare et al. 2013). Hence, we would not generalize from our qualitative data that all German and Swedish MNEs will follow the patterns we identified. However, they indicate that different micro-political opportunity structures, here those ensuing from monistic versus dualistic LR systems in MNEs' home countries, are an important theoretical dimension to consider in further analyses of the dynamics evolving around the transnational transfer processes (see also Fichter and McCallum 2015).

Our data shed light on only a relatively short moment of the entire process around GFAs. However, short follow-up interviews for each case indicate that the trends we identified were continued. PapCorpSE updated and strengthened its GFA in 2013, and ConCorpSE is about to renegotiate its GFA with a specific eye on U.S. operations. No such activities are present in the German firms. Yet further research is clearly needed to elaborate on the differential impact of monistic and dualistic LR systems on transnational LR in other sectors and other host countries.

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