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Trabajo y Reestructuración: Los Retos del Nuevo Siglo

“As Empresas Multinacionais e os Direitos Fundamentais do Trabalho”

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I. Introduction

The Instituto Observatorio Social (IOS), an research body affiliated to Brazil's largest trade union (CUT), is a NGO with strong links with three others research institutions¹. For the past eight years, it has been monitoring the labor practices of nearly forty international corporations (TNCs) operating in Brazil. It aims at improving labor conditions and rights and supporting trade unions in the bargaining process with TNCs.

To act as such, IOS has developed an innovative methodology to research those companies, which includes:

1. informal meetings with trade unions representatives and blue collars workers from the floor with the purpose of raising labor problems;
2. TNCs are contacted to collaborate with official information and give authorization to apply a survey of around 46 questions on the floor;
3. a report is released which is compounded by trade unions` and business` approaches to the problems faced.
4. Final outcome suggest both sides can improve industrial relations in a cooperative collective bargaining process.

¹ Cedec (Centro de Estudos de Cultura Contemporânea), a prived academic think tank based in São Paulo, DIEESE (Departamento Intersindical de Estatísticas e Estudos Sócio-Econômicos), a reserach body belonging to all Brazilian trade unions, and Unitrabalho, a network of researchers from federal public universities. The IOS has been created in 1997 and since 2000 operates with the same methodological approach.



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The whole process is supposed to last between four to six months, depending on the number of trade unions involved and of the facilities spread out over the country. In a country like Brazil, it may happen that labor conditions vary enormously between different plants of the same group, making the results of the research as well as the collective bargaining especially complex.

Notwithstanding the ongoing process of globalization of production, the outsourcing dynamics and the expanding marketing and design networks within TNCs, IOS research indicates that corporate practices in the area of human resources and, specifically in terms of labor and social standards, vary widely across countries and regions within single firms. They also diverge considerably across firms within a single industry or sector, and even more widely across industries and sectors.

At same time, since late 90's, there has been a proliferation of instruments that seek to regulate the behavior of TNCs or, at least, to enhance self-regulation. All of them are business oriented and/or promoted by international organizations. IOS utilizes the most important of them from the labor perspective, which are the International Labor Organization (ILO) Conventions and Recommendations, defining core labor rights (Fundamental Labor Standards, from the ILO Conference of 1998); OECD guidelines (from 70's and updated in 2000); and the United Nations' Global Compact (from 2000) where four out of the ten principles relate to labor, reproducing ILO Conventions about the Core Labor Standards².

² The research considers company practices in the light of existing international core labor standards, as defined by the International Labor Organization's Conventions, the Organization of Economic Cooperation and Development (OECD) and ILO's *Guidelines for Multinational Enterprises*, the United Nations' Global Compact (four of whose ten principles concern labor), and



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Underlying all these principles is the idea that stakeholders as trade unions and third parties as NGOs can appropriately evaluate and in some cases even monitor and pressure TNCs, so that they can undertake socially responsible behavior in order to promote the rights and standards across national and world-regional markets. Therefore, it would be possible to level up standards, whenever there are TNCs operating, even though we face different sparking degrees and types of regulation and institutionalization worldwide.

The labor movement, albeit with difficulties and delays, has begun to build up mechanisms of dialogue with global firms - that sometimes involve national collective bargaining and, may go even further, establishing some form of cross-border agreements – trying to globalize itself, as way to fill the gap with the analogous movement deployed by the firms.

Through connecting research with different social actors, which is complemented by converting main findings into an attempt to stimulate collective bargaining, we both interpret and interfere in social reality, even though not in a single manner. As will be put forward in this paper we may find different outcomes depending on a couple of variables, which may help to understand also the ways the TNCs operate in different places, and not only in Brazil.

Moreover, we believe that our research makes it possible to come up with a model of comparative analysis later presented on this paper. It's our hope that it may become an useful tool if filled up with data and inputs from different realities, showing more

the standards of the International Confederation of Free Trade Unions (ICFTU), as well as other bilateral and regional initiatives.



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precisely how far away we are from a perfect convergence on TNCs attitudes toward

labor rights.



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II. A Convergent TNC Behavior?

The general hypothesis of this paper can be developed through the answer to following question: Is there any correspondence between the “local” national attitudes of TNCs and its corporate global guidelines? Or, put in another terms, to what extent companies are looking forward to integrating local operations and strategies, as guided by a supposedly global ethical behavior?

Of course, there is not so much room for an automatic “transplant” of practices and principles. To argue so, It would suppose a naïve view of globalization, buying up the homogeneity argument, as it may be seen in authors like Fukuyama (1992) and Masi (2000). On the other hand, authors like Castells (2000), Arrighi (1997) and Gray (1998) stand for a growing heterogeneity of capitalism models between and inside different countries or even particular productive chains.

In this article, we depart form the second view which seems better fit to the reality of the interplay between TNCs attitudes and labor movement. Moreover, our purpose is to evaluate the importance of independent variables shaping these companies’ strategies in terms of compliance with labor rights, such as local culture, labor legislation, social institutions, autonomy and independence of Human Resources departments, market strategies of TNCs, its forms of organization in the host country, strength/weakness of trade unions and others.

But, we may not neglect there are still strong economic forces pushing for a possible convergence. Globalization has somewhat heightened interest in global



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standards. Motivations for that range from economic interests – such as labels that would please costumers - up to ethical concerns about the dangerous ground for workers submitted to the ‘race to the bottom’, that give room for global campaigns.

Actually, it is suggested that standards “promote efficiency and reflect concerns on the social dimensions of international trade, pointing to new forms of global governance and providing pressure and opportunity to switch from the low to the high road of competitiveness” (Navid & Wältring; 2004: 53). We could summarize this view by saying that global standards may enhance business to improve coordination of production and distribution and performance of diverse actors in the value chain.

On the other hand, the opposite side of the coin should also be stressed. At first, it could be said that even though FDI have notably increased in developing countries in the nineties, in relative terms, and contradicting most of the forecasts issued ten years ago, its participation in global FDI has fallen from 44% in 1980 to 32% in 2000.

Moreover, in the past decade, 12 of the developing countries responded for $\frac{3}{4}$ of the total inflows directed to the whole developing world (ILO, 2004), which means that there is a new cleavage inside the old “Third World” countries, amplifying the vagueness of this definition (Hobsbawm, 1994).

If we look at the 25 most important TNCs, in terms of foreign assets, none of them is based in a developing country, and out of the 100 most important three come from these countries (UNCTAD, 2005). More than its sometimes gigantic size, the fact is that TNCs have raised significantly their importance not only on global economy -



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through trade, technology and their increasing market position in most internal markets, generating a new economic hierarchy - but on political affairs as well (Gilpin, 2002).

However, the connection between global business strategies and global labor attitudes is far from a spontaneous, and that has to do with the very diversified and hierarchical structure of trade and production and also with a very complex pattern of social institutions interacting with TNCs in the different countries they operate.

As a first conceptual step, if we accept that there is some ground for picturing a new global ethics, it can be assumed that it depends on which FDI patterns predominate: the “market-seeking” approach (MacKinsey, 2004 and ECLAC, 2005), where TNCs operate to internalize goods and technologies, acting in the internal market, even though they may also become global exporters from this country; and the “resource-seeking” and efficiency-seeking” approaches, more intensive in natural resources and labor, with fewer effects in the local economy, as the pattern of export specialization is a decisive part of the main strategy.

Generally speaking, we could assume that this first pattern is more prone to cope with labor rights and reasonable labor conditions than the second one. In sectors like mining and agriculture - or in some low-value added industrial sectors as in the case of the garment industry in Bangladesh, and even in the *maquilas* of electronic equipment industry in Mexico - the efficiency-seeking pattern is more likely to happen, and the environmental and social dumping may be most likely considered as a “natural” way of reducing costs and reaching high competitiveness. Without a public sector enforcement and civil society organization, it will be extremely hard to secure labor rights, especially



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when we consider that these companies and sectors represent a great percentage of the national GDP and of the country's exports.

In the market-seeking pattern, even though the public sector and civil society acts are fundamental, depending on the place the country is positioned in the international hierarchical structure of production and trade inside each TNC, it may be the case where the TNC itself import, at least partially, the standards of the head company, or doesn't oppose to a slight movement in this direction.

That means the convergence hypothesis only may work out in some very specific cases, which require very restrictive variables. The truth may be located in a complex mosaic of interactions between TNC, from different business and social cultures, inserted in different patterns depending on the sectors in which they operate, and also on their counterparts, such as unions, national states and other social actors like NGOs - operating through voluntary monitoring, verification initiatives, investigation and campaign groups, that may also operate internationally, trying to enforce labor standards (Lally, 2005).

III From a "Black Box" to a "Two-Way Avenue"

Trade union movement tends to rely on a monolithic 'black box' view of TNCs. It has not been different in Brazil. In fact, some of these companies are really global in scale, with integrated operations and strategies planned from the headquarters. In some few cases investigated, a very small team of human resources representatives composed by lawyers could centralize collective bargaining with different local trade unions at the



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same time³. This ‘black box’ view “has engendered the idea that labor need only to fashion a single battle plan to deal with these companies”; and second, that these are so powerful that is impossible to win (Ramsay, 2000:27).

Surveys developed by IOS suggest a different picture. In the companies that make up our sample, we have witnessed flawed strategies, deficient managerial skills from Human Resources department, lots of autonomy from local management vis-à-vis corporate principles and Codes of Conduct and a background of tension with unions, not comparable with the one seen in the developed countries operations of the same TNCs.

Even if the market-seeking approach largely predominates in the Brazilian economy (ECLAC, 2005) - although the importance of the resource-seeking strategy should not be neglected - it is not enough to suppose from that a clear trend towards an easy internalization of labor standards in this country.

Actually, there has been a dialectics between the promotional and the regulatory approaches on FDI in the international scene (Correa & Kumar, 2003), even if the first is usually predominant.

On the one hand, we may notice a significant increase in the number of more favorable legislation to FDI worldwide, from around 80 changes in legislation to over than 200 changes during the nineties (UNCTAD, 2005). And contrary to mainstream economics assumptions, there is no correlation between these changes and FDI inflows (Moltke e Mann, 2004).

³ In 2000, Parmalat had 19 facilities in Brazil. A Corporate Human Resources Director and two middle managers were in charge of negotiate with 19 local trade unions representatives from the South to Northeast region. The trade unions didn't know each other, neither the terms and the content of each agreement subscribed among unions and the company. Nestlé (24 facilities), Unilever (16 facilities in 2002, today there are 13).



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This approach, after the MAI (Multilateral Agreement on Investments) failure, has led to an acceleration of bilateral investment treatments (BITs) - they rose 5 times in the nineties - specially between developed with developing countries, most of which consider investor-State disputes and represent merely concessions from developing countries to TNCs based in developed countries (Moltke e Mann, 2004).

However, this liberal approach has generated a counter-movement from the civil society aimed at regulating and compromising TNCs to social, labor and environmental standards. The most important initiatives are the *Tripartite Declaration of Principles concerning Multinational Enterprises*, issued in 1976 and revised in 2000; the *OECD Guidelines for Multinational Enterprises*, revised in 2000; as well as the *Global Compact Principles*, from the United Nations, which includes individual signatories such as the International Labour Organisation (ILO), the UN Conference on Trade and development (UNCTAD), the UN high Commissioner for Human Rights and the UN Environment Programme(UNEP), and nearly 2,000 companies, most of them TNCs. (OECD, 2005).

Finally, it is important to stress that TNCs have developed individual practices concerning labor rights governance and the improvement of working conditions, mainly linked to initiatives of corporate social responsibility and the establishment of the corporation's code of conduct. These voluntary initiatives need to be supervised by the workers and the society, in order to assure that they are addressing the consumers with moral values and basic rights that actually prevail in their plants and chains of production (IOS, 2005).



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In this regard, it may be noted that only few TNCs have implemented Global Framework Agreements that establish common procedures to all its workers. As a matter of fact, these initiatives are not a widespread common practice among the TNC's and do not reach effectiveness easily, needing a complementary organization from the worker's side. However, they may be seen as way of overcoming the unbalance between investment decisions and social outcomes.

In case this asymmetry is not dealt with, making it impossible to engender a *forward diffusion*, it may take place a sort of *reverse diffusion*. That is to say: bad practices in the periphery would lead to a weakening of labor rights and conditions at TNCs operating in the developed world (Van der Meer, 2004). The worst forms of capitalism would win over the traditional european model of "organized capitalism" (Gray, 1998).

The role of universalizing social and labor standards is consequently not a minor one. It may be said that it revolves around the North-South inequality question, which relates also to the pattern of governance of the globalization process. In this perspective, ILO fundamental rights may be understood as "public goods". That means they do not depend on the level of development (Sengenberger, 2004).

More recently, in spite of applying social sanctions to TNCs operations, it has been recognized the important development of a new common social ethics, which would be incorporated by companies and social actors before turning into national and international laws (Sen, 2000). This new legitimacy points out to the need of regulating the new social labels and codes of conduct, which may be used as a way of monitoring



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TNCs attitudes, although experience says that hybrid systems of labeling have been put forth with different outcomes, depending on social institutions and traditions of political consensus between partners (Diller, 1999).

Our experience in Brazil indicates that most managers of those companies had never heard about international labor standards. The question here seems to be how these companies commit themselves to labor standards abroad, looking at their efforts to adhere to these principles in their operations, particularly in the case of freedom of association and effective recognition of the right to collective bargaining, fight against discrimination at work place and avoid forced and child labor ⁴.

We attempt to discuss in detail the firms' efforts to incorporate core labor standards into its operations in Brazil, extending, reducing or adapting the corporate guidelines that it had initially undertaken in its home-based operations.

⁴ The ILO, OECD Guidelines and Global Compact state the same about labor. For example, UNGC site (www.unglobalcompact.org) states as follows: "The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from: The Universal Declaration of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption." The site goes on to note that the four "labour standards" are as follows: "freedom of association and the effective recognition of the right to collective bargaining" (principle 3); "the elimination of all forms of forced and compulsory labour: (principle 4); " the effective abolition of child labour" (principle 5); and "the elimination of discrimination in respect of employment and occupation" (principle 6).



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Some TNCs carried out a decidedly proactive and coherent policy to structure mechanisms to allow for workers' representation, which provide important but circumscribed channels for union and employee voice. On the other hand, some TNCs didn't open any channels of negotiation, nor recognized employee representatives and, to make things even worse, used restrictive and procedural grounds to harm freedom of association inside the plant (as well as other examples of violations).

The reason for the situation depicted in the second case is neither a global one, nor necessarily one related to a supposedly economic search of competitiveness. These TNCs may be induced to cooperate with labor if there are local institutions that give incentives for them to do so. Consequently, there may be some room for companies to react from labor and vice-versa, opening opportunities for a "two-way avenue" process, what doesn't mean that conflict would be eliminated or that this would be enough for an automatic standardization of labor and social conditions in the world scene.

For us to disentangle this myriad of cases into a comprehensive comparative model of analysis, the following four variables should be taken into account: (1) the role of corporate strategy and structure in shaping pro-active TNC strategies towards labor rights compliance issues; (2) the grasp and limits of voluntary code-link instruments such as the Global Compact and others; and (3) the importance and impacts of improved networking both at the national and international levels on the part of unionists, employee representatives and labor advocates more generally; and (4) finally the role of national labor legislation and the set of institutions aimed at enforcing its implementation locally and worldwide.



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This is not an anti-historical model supposedly fitting every country's social reality. On variable number 3, for example, even if we admit that there is some room for picturing a new mode of domination in the global capitalism, which is characterized by an increasing flexibility in the use of labor and a weakening of trade union power (Bourdieu, 1998), this may have different meanings according to social-economic and historical specificities.

In Latin America, the case is for an increasing polarization between a trade union corporatist model – trying to maintain connections with government and business – and a generalized and predominant precarious and non-unionized labor market (De la Garza, 2001). If we consider IOS TNCs' studies, it is more common to find the first outcome – which has been significantly changed through out-sourcing practices - although the flexible and anti-union approach has become widespread, especially in companies operating in the service sector.

IV. Methodology

If we assume that it is useful to compare TNCs behavior about compliance on core labor standards, what would be the main reason for such a methodological choice? Comparison serves to several purposes in social analysis. First, it undermines parochial responses embedded in political and ideological evaluations. Considering several cases in hand – in our case, TNC companies – it is possible for the researcher to assess whether a



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particular phenomenon is a local one or a part of a general trend. When the latter is the case, we are stimulated to come up with general categories.

So, the comparative method can be considered the most obvious route to test theoretical propositions or hypotheses in sociology and political science. As its aim is to compare different TNC companies, IOS developed a toolkit that takes into account both the trade unions' and the companies' roles and perspectives, as put forward below:

Table 1 – MAIN STEPS OF IOS METHODOLOGY

STEPS	FORMAL PROCEDURE OF RESEARCH
1. INFORMAL MEETINGS	Joint unions leaders to present the research. As the decision to go on is done, each trade union must mobilize workers to participate
2. COMPANY IS CALLED	The company is requested to collaborate with the research. If the company agrees, the parties (IOS, Unions and company) set up the rules and norms of research. A survey must be applied on the floor and information quoted
3. "OFICINAS" FORMAL MEETINGS	Each trade union involved set up a formal meeting and call workers to discuss the companies problems and raise solutions; researchers classified problems as the core labor standards in different levels of violation
4. REPORT	First draft report is released with the outcomes of research; companies and unions make observations and critics about the outcomes
5. PUBLIC	IOS commit to publicize the final report in website
6. FOLLOW-UP	The unions take advantage of the research and use it as a tool to reshape its strategy of negotiation with the enterprise and to develop new links with other social actors nationally and internationally

Source: IOS, april 2004.

We shall make some important remarks before an overall explanation of the research process. First, the research is not an imposition from IOS (or CUT). The local union leaders (or the Confederation they are affiliated to) must have to stand for the



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research. That is to say: the final decision comes from the trade unions. If they don't accept or feel that they are not prepared for the whole process, the research is called off.

Second, according to Brazilian legislation, unions have the monopoly of representation at local/regional level. Unions are bodies organized outside their facilities, so there is not a sort unionism by company as we may find in Chile, Peru or Argentina. Leaders represent workers from the same category (sector) in different plants in the same territory. We may then put together the workers and their union leaders as an attempt to share information and political and organizational strategies.

Third, if the company refuses to participate, the research goes on, so as the process described above, but the survey won't be applied. Substantive information about the company would come from the formal meetings, called "oficinas", with union leaders and if possible workers from the TNCs.

About the content of research, IOS considers the "classic" core labor standards – the ones promoted by ILO and considered by Global Compact and OECD guidelines. Most of them are also accepted by TNCs through its Codes of Conduct, collective bargaining and agreements with GUFs (Global Union Federations). Some of the labor standards may be incorporated at sectorial level as in the case of chemical industry. The key drivers of these standards are international organizations (United Nations) and international trade unions as ICFTU body.

IOS research and monitoring is not a certification process and it doesn't mean auditing the companies chosen. The possible changes in the TNCs behavior, due to the



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final report conclusions, are voluntary and depend on the ability of social actors – managers and unions – to take advantage of its main findings.

Table 2 - ILO CONVENTIONS AND BRAZILIAN LEGISLATION

CONVENTIONS	CONTENT	SITUATION
Freedom of Association 87,135	Evaluate the freedom of association of workers without employers and/or Estate interference	C 87 has not been ratified C 135 ratified in 05/18/1990
Right Collective Bargaining 98, 151	Right to all workers to collective bargaining without employers and/or Estate interference	C 98 ratified in 11/18/1952 C 151 has not been ratified
Forced labor 29, 105	Forbidden any kind of forced labor	C 29 ratified in 04/25/1957 C 105 ratified in 06/18/1965
Child labor 138,182	Eradication of child labor	C 138 ratified in 2001 C 182 ratified in 2000
Discrimination at work place 100, 111	No discrimination of gender, race, religion, political motivation at work place	C 100 ratified in 04/25/1957 C 111 ratified in 11/26/1965

Source: ILO website and IOS, 2002.

Almost all of the core Conventions have been ratified by the Brazilian government. The exception is Convention 87 in which national legislation gives to the union a monopoly of local/regional representation of workers. In order to develop a survey about these Conventions, IOS has developed a common instrument with around 46 closed questions for all companies. A second handful of questions are adapted to specific sector/company. For example, it is fundamental to design specific questions for banking that doesn't match for the manufacturing sector.



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Trade unions and specific companies can bring about very unique outcomes, which take us back to the argument of the different impacts of globalization on industrial relations, even if you consider only TNCs operating in Brazil. This mosaic of situations can be a metaphor of what exactly globalization is, but also of what globalization is not: spontaneous standardization.

So what is lacking here – which means not only in Brazil - is a new set of institutions to deal with this new global scene (Giddens,), departing from the various local realities, but also counterbalancing the hegemony of financial capital and deregulated productive companies. This is new threat faced by labor movement and not delocation to developing countries, what in itself could be seen as a possibility to spread out the unions' strength, as it can be noticed for Brazil and South Africa during the seventies and South Korea in the eighties (Arrighi, 1997).

Actually, the term globalization is commonly used in a wide variety of processes in different contexts. Even we do not disagree with the idea that TNCs are the “primary movers and shapers of the global economy” (Dicken, 1998), for the purpose of this paper, it is most important to precise some independent variables, that will be discussed ahead, which somewhat determine the final results of these companies' global attitudes.

If globalization deals with the capital mobility, whose flows are less obstructed by national boundaries, and if we assume that TNCs are the major actors of this process, the question of whether it leads to convergence of national production systems or not is the first step to be analyzed.



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Studies have shown that in the last two decades there has not been a large-scale internationalization of institutions, industrial relations or employment structures due to FDI (Berger, 1996; Saka, 2002). Even if are taken into account only the FDI economic outcomes, results are not straightforward.

Actually, there has been a heated debate regarding the potential benefits that these inflows may bring, specially for developing countries, in terms of new capital, technology transfer, access to international markets, greater competitiveness and better wages and labour standards; or the possible negative impacts of FDI's, ranging from technological dependency to market concentration and trade deficits, without leaving aside the relevant question of social dumping and environment deprivation as a way of improving the TNCs profits (Correa & Kumar, 2003).

This heterogeneity approach implies that, despite the fact that globalization means a great deal of pressure from the markets over institutions and systems of industrial relations, differences between economies, national institutions and social actors behavior don't cease to exist. There is even a possibility that these differences could be freezed by these gigantic groups in an attempt to transform institutional and cultural variables into a cost-benefit formula.

Another key point to be taken into account is to what extent the increasingly integrated world-economy is associated with the dissemination of the Anglo-American business principles through the uncontrolled expansion of markets forces. The other model, called 'Rhineland' is much more a coordinated market economy with a set of institutional relations among different stakeholders – governments, firms, employer



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associations, employees and trade unions (Van der Meer, 2004), even though it has been ideologically jeopardized by the creation of a myth called eurosclerosis (OECD, 1994).

V. Modeling TNCs versus Trade Unions' Behavior

Game theorists usually represent games in two different ways. The first is called normal or matrix form, and the second, the extensive form.

We can imagine the interaction between TNCs and unions being represented by a normal form with outcomes showing how each player behaves considering the different combination of choices. Basic assumption of game theory about strategic interaction between players means TNCs would behavior differently if unions would have not pressed for change (Heap and Varoufakis, 1995).

Table 3 - TNCs Behavior Towards Core Labor Standards

		TNCs (Human Resource departments)	
		Not change	change
<u>TRADE UNIONS</u>	Not change	0,0	0,1
	change	1,0	2,2

In the game, the decision is taken both by companies and unions. Unions can join and prepare themselves for political pressure over the TNCs to compromise to respecting core labor standards and improving labor conditions. Or companies may voluntary and unilaterally rise labor standards for a number of reasons (one possible outcome), what is not really uncommon, but probably not the most likely to happen.



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As the main purpose of the game is evaluating company's behavior, the engine for change may be found out through the IOS research, here considered as the main fuel to start mobilization among unions, although it is not the only way. Here we consider three possible outcomes, taking aside the possibility that TNCs "import" completely core labor standards, independently from the national institutional context.

First, if unions don't stand for the research, the outcome is the *status quo* which means that local bargaining process goes on without any change. Second, if research proceeds and TNCs reaction is positive, it means companies are somewhat interested in upgrading CLS or, at least, they don't oppose fiercely to it. There are cases, for example, where TNCs got excited about developing a social agenda for change. At this moment, Novartis - the pharmaceutical multinational leading the generic drugs market in Brazil - is playing this role.

A more difficult explanation comes from a third possible outcome. It takes place when unions get together, set up an agenda of increasing pressure but the TNCs don't follow the workers will for change. Parmalat, the Italian food and beverage company, before it got in bankruptcy, may be a good example of this outcome. In the middle of 2000, Parmalat operated in more than 20 facilities in Brazil. During the IOS research, a group of around 15 local unions created a committee to spur bargaining, but they never get the company involved.

Another form of representing this game is placing the company between the arrows, just like we see below. Vertical arrow deals with company's behavior regarding core labor standards. If the company manifests no positive idea about them, it means the



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TNC is placed in a very low position. In other words, the company didn't subscribe the Global Compact and ILO standards and none of these rights appear in any of the corporate documents, as subsidiaries operate without corporate guidelines. "Labor is local", the mantra of business all over. Workers are then submitted to local human resources managers that operate with parochial perspective.

The opposite means TNC is a leading global employer and a benchmark for business. In this case, TNCs seek to coordinate labor as an integrated operational issue, just like finance, law and auditing. Labor is a sensitive and accurate competitive instrument for business. In general, these companies have Corporate Social Responsibility programs and its social actions may be developed very closely to Human Resources departments. Closed ties with stakeholders add value on the product or service and unions are beneficiaries of this process. Workers conditions may be upgraded, as well as consumers, suppliers, and investors' interests.

In the figure below, trade unions are also placed in a more sophisticated way. Horizontal arrow points out the strength of trade unions. Straight to the point, the question is how far the unions are looking at. If they look only legislation and fear about getting together with other unions, or refuse to bargain with TNCs, they are placed at the left. If they want to get stronger and set up an agenda for change, they are placed at right.

Figure I – Trade Unions and TNCs Attitudes Towards Core Labor Standards

(TNCs) Corporate





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(Trade Unions) Not change \longrightarrow change

Local

VI. Research and Trade Union Agenda

Theoretically, from the labor perspective we can model the research outcomes of all companies surveyed, and find thousands of different outcomes. However, the most important objective of the research is to collect the main data that could refresh the union agenda towards TNCs, establish a common ground for developing collective bargaining between both actors.

As mentioned before, the purpose of this paper is policy-oriented. Trade unions are not under evaluation, neither are the companies, but the process that may lead them to see each other as responsible and trustful social actors.

Considering the more detailed table bellow, there is a specific meaning for any of the outcomes, which derives from the figure above. When unions don't get a step ahead and keep collective bargaining under national legislation, what does it mean? Basically, the bargaining process is local/regional, the unions don't know each other, can't change experience and information and traditional labor issues are at stake (wages and benefits). The company doesn't recognize trade unions as stakeholders and will never stimulate any other form of organization (situation 1).



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The best for unions occurs when they get stronger together and put the TNC under severe pressure for change. If the company has to accept the challenge unions get the highest. Unification of the “base date” (to update wage values), creation of a trade union committee (not recognized by Brazilian legislation), starting a national bargaining process or trying to adapt the national company policy to some of the global framework agreements are some of the advantages for unions. The unions can still create plant committees in each facility, start the distribution of revenues at national level and discuss new labor issues as gender, race discrimination and child labor in the value chain (situation 4).

But we could assume from our research background that reality stays in the intermediary zones. That is the case, for example, of situation 3 where the research is done, unions develop their network and an agenda for negotiation, but these efforts don't find any response from TNCs or they try to implement some comestic changes that are not sufficient for a new model of collective bargaining.

The situation 4 is the one where TNCs seek to implement new procedures that adapt their local practices to their international codes of conduct and their national models of dealing with unions. If unions don't correspond to this move, changes may be incremental and will not lead to new labor relations' culture.



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Table 4 - TRADE UNION AGENDA FOR CHANGE

	<u>TNCs (HR depts)</u>	
	Not change	change
<u>TRADE UNIONS</u>		
Not change	1 - local bargaining process - different data base - There's no committee of unions - Trade Union is not a stakeholder - traditional labor issues (wages and benefits)	2 - TNC assume CLS - cooperative approach - open to bargaining - follows global guidelines - trade unions cannot coordinate
	3 - coordination of trade unions - set up the agenda of issues for bargaining - TNC doesn't recognize the committee, keep the local negotiation, and avoid linkages between local and global	4 - unification of data base - recognition of Trade Union Committee - incorpora Unions in CSR as stakeholders - national collective bargaining (wages, distribuição de lucros and Comissão de Fábrica) - Regional bargaining process - new labor issues as gender, discrimination, child labor
change		

Source: the authors.

This is a very synthetic version of a model that may be useful for comparative analysis on the relationship between TNCs and labor across several countries. We shall recognize the need to include further considerations on NGO movements and campaigns, the role of national legislation and of the public sector, as a way to better explain some of the specific outcomes. In the next section, we fill up the table above with the concrete experience on TNCs operating in Brazil, making use of IOS research sample.



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VII. Research outcomes

VIII. Conclusion



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Appendix

LIST OF COMPANIES

COMPANY	ORIGEN	SECTOR	PERIOD	INVOLVEMENT
Acesita Energética (Acelor)	Brazil	Supplier of vegetal coal for steel	2005	100%
ABN AMRO	Netherlands	banking	2004-05	Restrict
Akzo Nobel	Netherlands	Chemical and Pharma	2002-05	Restrict
Ahold	Netherlands	Retail	2003-04	Restrict
Bayer	Germany	Chemical and Pharma	2003-04	Restrict
B.A.S.F.	Germany	Chemical	2003	100%
Bosch	Germany	Metal	2003-04	Restrict
Braskem	Brazil	Oil and Chemical	2005-06	
C & A	Netherlands	Garment	2006	0%
Dana	Brazil	Metal	2004	0%
Embratel	US	Telecom	2002	0%
Honda Motor	Japan	Two wheel	2002	Restrict
HSBC	UK	banking	2004	Restrict
Light	Canada	Energy	2001-03	
Mahle	Germany	Metal	2005	
Mapol	Danish	Pulp	2002	0%
Novartis	Switzerland	Pharma	2006	100%
Nokia	Finland	Telecom	2001-03	100%
Parmalat	Italy	Food & Beverage	2000-02	100%
Philips	Netherlands	Eletronics	2002-05	100%
Santander	Spanish	Banking		
Santista Têxtil	Brazil	Textil		
Schering Plough	Brazil	Pharma	2002	
Telemar	US	Telecom	2001-03	
ThyssenKrupp	Germany	Foundry Elevators	2003-04	
Unilever		Food & Beverage		
Unilever		Chemical		
Veracel		Pulp		
Vicunha		Textil		



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