Multinational companies and international trade unionism

Liv Tørres, outlines the challenges facing trade unions operating in multinational companies and tracks how unions are responding to these challenges.

In January 2000, 2 500 employees came to work at the Coca Cola headquarter in Atlanta United States, only to find themselves axed and having to leave with immediate effect, along with 800 employees in other US cities and 2 700 employees in other countries. Altogether about 6 000 employees were retrenched with immediate world-wide effect in order to save the company some US$300-million annually The International Confederation of Free Trade Unions (ICFTU) expects about 70 000 employees of multinational companies to be retrenched as part of restructuring due to harder international competition.

The political strategies as well as the industrial relations and management systems of multinational companies affect their South African employees directly, but also set an important international framework for labour relations more generally – whether it is for workers in the US, Norway or in South Africa. The question is how to confront these global players. To what extent will labour have a chance of influencing the industrial relations and strategies of these companies? What hope do we have of negotiating global agreements with the multinational companies?

Power

Multinational companies constitute to a large extent the driving force behind the globalisation of markets and production. They pursue global strategies in their use of input factors, financial and human resources. They have gained immense economic power, but also political influence in the process. Simultaneously, they engage an increasing number of the global workforce. Through this process, the relative power of the national labour movements is also changing.

The number and power of multinational companies has increased rapidly in the past decades. US companies took the lead, but were soon followed by European and Japanese companies. Growth in foreign direct investments has been high especially since the late 1980s. From 1980 to 1990, the international growth in foreign direct investments was much higher than growth in production, with an estimated 700% increase from 1982 to 1989. Foreign direct investments grew with approximately 34% yearly compared with 9% growth in global trade in the same period

Cross-border mergers and acquisitions amounted to US$865-billion in 1999 and UNCTAD estimates indicate it will reach US$1 000-billion in 2000[1] Estimates suggest that there are roughly 63 000 multinational companies around the world controlling about 700 000 subsidiaries, employing millions of people and selling goods and services estimated at a minimum of US$10-trillion. The 100 largest multinational companies possess assets worth just over US$4-trillion, needless to say more than most developing countries

Most of the companies are found within the chemical sector, the auto industry, electronics, food production, oil and gas, finance and in the property market. Multinationals have also played an increasingly important role in the services sector over the past few years.

The food sector is one of the most globalised and amongst the sectors where multinational companies increasingly take over much of the market in the developed world These multinationals have become major employers VitaFood, for example, producing ice cream and a variety of other food products, employs about 170 000 workers worldwide. GlobalChoc, producing confectionery and soft drinks, employ about 35 000 Companies such as Nestlé employ about 230 000 Coca-Cola 'only' about 29 000 General Motors employs about 690 000 workers worldwide and Electrolux about 114 000. The US retail company MaasMart employs over 1,2 million workers worldwide.

Global agreements

The need to address labour relations in these multinational companies has become a major issue for trade unions all over the world and also became the focus of debate and attention for the Millennium Debate at the ICFTU Congress in 2000 and beyond

Most of the multinationals leave it to the national level to set the rules while seeking to avoid responsibility for global industrial relations. To the extent that multinational companies have any sets of global regulatory frameworks for their employees, it will be some sort of unilaterally determined Code of Conduct or Corporate Principles setting minimum standards for human rights, environmental protection, child labour etc. However, some of the international trade secretariats (ITS) have in fact managed to negotiate global *agreements* with their respective multinational companies over the past decade, covering consultation, information-sharing or collective bargaining rights These agreements may likewise cover occupational welfare, gender rights, labour standards or minimum labour standards for all their employees at a global level. Yet, these kinds of negotiated global agreements are scarce and only number about 15 agreements worldwide

The agreements are generally based on the International Labour Organisation (ILO) core resolutions and principles, but with some extra specifications as to working conditions However, most of the global agreements will set only some minimum conditions, and while being negotiated with the unions hardly set any practice of collective bargaining or set any wage standards for the global level as such Yet, while the global agreements may form only a fragile and relatively weak basis for international regulation, they provide a new trend and basis for further mobilisation.

The bumpy road

The international trade union movement undertook its first serious attempt to build a countervailing force against the power of multinationals already in the 1950s The search and initiative by the world labour movement for the regulation of the multinationals came from a number of sources, including national unions and confederations in major industrialised countries, as well as the ITSs, especially those of metal, food and chemical workers (the International Metalworkers Federation (IMF), IUF and the International Chemical, Energy and Mineworkers' Federation (ICEM)) and the ICFTU.The earliest major advocates of a trade union approach to multinationals were the unions representing car workers with a strong potential for concerted international action.The IMF became the first ITS to raise the issue, commissioning a series of reports, forming a programme of action and setting up the first world company council at Ford and General Electric in 1966

The car industry is a highly concentrated, capital-intensive industry with an integrated production system and a strongly unionised work force, whose collective action could inflict serious pressure on employers. However, the ITSs soon discovered that the global works councils were less suited in other sectors, such as the chemical industries.The large number of individual firms led the ITS to over-extend itself and it proved impossible to resource the councils adequately for a sustained period.

The Textile and Clothing International experienced similar problems in international organising with its "low'-skilled, decentralised and labour-intensive industry.The IMF likewise soon encountered problems due to limited capacity of its company councils to intervene in disputes.After relative success in conflicts at Ford in Belgium and the United Kingdom in the early 1970s, the international labour movement lost much of the initial advantage of 'surprise' in its campaign against the multinational corporations (MNCs)

In general, very few of the world councils stood the test of time or achieved the sort of results for which they were intended. Some of the most successful were those founded by the food workers' international IUF, particularly those at Danone and Nestlé.These initial efforts presented serious attempts to articulate common objectives and strategies for trade unions within multinational companies International trade unionism, strategies towards international bargaining and world company councils hit one barrier after the other until the 1990s.Yet, by the new millennium, it seems that the global arena is slowly gaining legitimacy.

More optimistic route

There are reasons to believe that the global level is becoming an increasingly significant arena for employment regulation, industrial relations and regulation of occupational welfare and social and labour standards. Global agreements are important tools in setting comparable labour standards for employees working within the same companies in different parts of the world. Furthermore, such global agreements and international labour standards are important in setting a new international level of regulation in an economic climate where capital and production increasingly becomes internationalised.Yet, while global agreements are hard to achieve, they are not beyond reach.

Multinationals will often argue that 'too good' labour standards will increase labour costs and thereby push the multinationals towards relocation. However, this threat is exaggerated Most multinationals still achieve a greater share of their turnover in their country of origin, their investments are mostly within Organisation for

How should unions confront multinational corporations?

Economic Co-operation and Development (OECD) guidelines labour costs are rarely a central concern of their location strategies and they do not necessarily wish to destabilise their workforce to an excessive degree. Furthermore, there are several other (and often more important) motivating factors behind flows of investment and divestment in multinational companies, such as access to markets, availability of raw materials or input goods, political stability, infrastructure and skills levels

Multinational companies may often relocate or invest in other countries in order to get access to new emerging markets and hence be less motivated by cheap labour costs However, even those companies that consider investments because of cheaper labour costs, will simultaneously consider issues such as infrastructure, the communication and education system, etc.

Another factor explaining and/or facilitating the emergence of a global labour relations system, is the search amongst both labour and management for new institutional levels better suited to the management of structural uncertainty in a globalised economy Management at multinationals' headquarters increasingly mention, for example, the improved information they now get from national subsidiaries due to consultation arrangements and Works Councils at the European level or international level.

Furthermore, in certain sectors multinationals may require larger mobility in the workforce across national borders and thereby give value to harmonised standards and regulation at the international level The mobilisation of labour in international campaigns against child labour, bonded labour etc, may also have drawn attention to the need for improved industrial relations and hence facilitated global agreements For large brand name companies (Coca-Cola, McDonalds, etc) in particular, international campaigns against their labour practices may turn out very costly. Finally, the uproar against the World Bank, IMF, World Economic Forum etc, as expressed for example in Seattle, has also made the need for a new international paradigm clearer.

International trade union movement?

Most labour movements are now opening up for new strategies, procedures and structures to a new international dimension. However, they are confronted with several barriers in the process, including the large gaps in knowledge about the characteristics, management structure, industrial relations and welfare systems of multinational companies.

There are many obstacles to the building of international trade unionism and not the least to their building of negotiation strength in multinational companies. There are, for example, obvious legal restrictions imposed on the freedom of association in many countries. Furthermore, trade unions will operate in countries that have different legal frameworks England and France, for example, have opposing concepts for the right to strike (ILO, 1999). The right to secondary or solidarity strikes also differs widely between countries. Finally, various countries that multinational companies are operating in, will have limited possibilities for legal prosecution of multinationals or 'foreign owned' companies. And finally, labour rights are in some countries based on legislation while in others they rest solely on the agreements reached through collective bargaining.

Such barriers are not alone in building obstacles to international trade unionism. Just as formidable are the obstacles to international bargaining lying in factors such as language, religious or cultural differences and barriers. Moreover, the concept, ideology, aims and structure of trade unionism differ from one part of the world to another. Unions in Asia, for example, are familiar with local bargaining and local organisation. A union in the Asian setting is a 'unit'. By legislation, in most places, unions will be plant based. In Latin America, Europe and some of the African countries on the other hand, union organisation will be national and bargaining either industry-wide or national. National workers' interests may also vary widely. Issues of 'social dumping' or social clauses have also been widely debated with controversies persisting around questions of if, and when, social standards and labour protection are 'legitimate' and when they serve as disguised protection of market interests (as the US unions' resistance against Chinese access to the World Trade Organisation (WTO) has been accused of). The reluctance of national unions to give up power and invest real authority in international councils or in the ITSs, furthermore goes a long way towards explaining the weaknesses of international strategies towards multinational companies.

A labour-friendly global order

Is it at all possible to develop solidarity or global co-operation between workers within the same companies where the best-paid workers earn about 500 times the wages of workers in the lowest paid countries such as in Nestlé where workers in Vietnam earn US$30 a month while comparable production workers earn US$3 300 in Japan?

Since multinationals may avoid the control of national laws and collective agreements by relocation of capital and production, using their power to pit workers in different countries against each other and imposing anti-union practices in host countries and home countries alike, many organisations have pushed for the adoption of a 'firm international legal framework' based on 'binding rules'.

International core labour standards have been on the agenda for unions, national governments and international organisations alike. Simultaneously, we see a world-wide trend towards the workplace increasingly getting larger responsibility for social welfare and standards, occupational welfare, pensions, insurance, medical aid, etc. In this setting, international trade unionism and global agreements become increasingly important.

The steady work of international organisations such as the OECD and ILO together with the heavy engagement from ICFTU and the ITSs have resulted in more and more multinationals putting corporate social responsibility on the agenda and including minimum standards in corporate codes of conduct.These systems are, however, mostly tools for management. Global rules and agreements need to be negotiated with the unions as a framework and basis for continuous influence and impact at the global level

Several of the ITSs have recently expanded their capacity to bring together the unions of the subsidiaries of multinationals into committees of formal or informal nature in order to exchange information or prepare for talks with the central management of the company concerned European enterprise committees may have come furthest in this respect, but some similar structure has also emerged for subsidiaries outside Europe

International labour mobilisation has to be built on careful strategies and balancing between national and international levels. It requires regional co-operation, education programmes, information technology (IT) backing and careful use of instruments such as international

Coca-Cola employs abour 29 000 workers worldwide.

campaigns and lobbying However, the most crucial platform on which to build the international trade unionism that is desperately needed in order to confront multinationals and global capital is to build a platform of real workers' solidarity, which crosscuts national and sector interests Building a strategic alliance between likeminded national labour centres in Asia,Africa and Europe should provide a basis for confronting the opposition in international organisations and multinational companies ★

Liv Torres works for Fafo in Norway The description of international union strategies in the 80s is to a large extent based on Gumbrell-McCormick, R 2000 "Globalisation and the dilemmas of international trade unionism" in Transfer Vol 6, No 1.