



## COMMON TRENDS ACROSS IFAs

The emergence of IFAs in the last twenty years provides an opportunity to analyse their content and identify some of their common and emerging trends.

The paper presents some general points about the signatory companies and GUFs when an agreement is reached. It continues by identifying the common trends on the substantive and procedural provisions of the publicly available IFAs.

Finally it gives some points for reflection about the scope of the IFAs and the possible future of IFAs.

More general information on IFAs can be found in the IOE publication “*International Framework Agreements: An employers’ Guide*”, updated in August 2007.

This working paper is a research on the existing IFAs signed and publicly available; it does not question either the reasons for a company or a GUF signing an IFA or its substantive and procedural provisions.

### **Multinational companies and GUFs are different, their agreements vary**

#### *The term IFA is not always used*

It is important to always take into consideration that companies are all different and the reasons why they sign an IFA vary considerably. Their operations and relations with trade unions also differ. The term agreement when negotiating and signing a “deal” is not always used.

It is noted that many of the agreements signed by IMF are not named IFAs. For example, DaimlerChrysler signed its “Social Responsibility Principles”, SKF signed a “Code of Conduct”, Rheinmetall signed its Social Responsibility Guidelines (code of conduct), the BMW Group signed a “Joint Declaration on Human Rights and Working Conditions”, Röchling signed its “Principles on Social Responsibility - Codes of Conduct” and Peugeot goes further with its “Global Framework Agreement on Social Responsibility - a commitment to social responsibility without borders”.

Other GUFs and multinational companies do not use the term IFA in their negotiations. They sometimes even go further, as it is the case of EDF that signed an “Agreement on EDF Group Corporate Social Responsibility” with ICEM; Lafarge signed an “Agreement on CSR and international industrial relations” with BWI and ICEM, and finally the Spanish Group has recently signed its “International Framework Agreement on the implementation of international labour standards throughout the Inditex supply chain” with ITGLW.

### *Language*

Among all the IFAs analyzed, many of them do not use the same language when outlining their provisions. This makes their comparison difficult. For example, training is many times referred to as qualifications, as is the case in the agreement signed by Bosch.

In the agreement between GEA and IMF, they refer to ILO Agreements, instead of ILO Conventions.

An important fact to consider when looking at the terms and language nuances is that not all these agreements are originally signed in English and other versions in other languages might prevail.

It is also essential to recognize that cultural differences, as well as company values, are prominent when signing an IFA.

### *Objective of an IFA*

Why do multinational companies sign an IFA? What do they try to achieve? What is the objective of the GUFs? What are the opportunities for both parties? What are the challenges? What role do IFAs play? These and other many questions can be asked.

For example, it is noted that in many Agreements signed by ICEM, their purpose is to create a channel of information and dialogue. “Rhodia and ICEM...are creating a structure for information and reciprocal dialogue and affirming their joint commitment to good industrial and labor practices anywhere in the world the company operates”. “AngloGold and ICEM agree to give practical effect to their common interest, and accordingly enter into this agreement to: ...create an effective channel for an ongoing dialogue between them...” One of the aims of the agreement between RAG and ICEM is “to reinforce social dialogue, and the mutual exchange of information...”

In the case of IMF, they consider that the continued globalization of the markets requires a responsibility for multinational companies. The agreement with Röchling “aims at preventing the irreversible process of globalisation...” and “aims at showing the human side of globalisation including by creating and safeguarding jobs.” In the case of Brunel “the parties to this agreement acknowledge that the sectors within which Brunel operates are characterised by increasing globalisation and fierce competition. This means that significant efforts must be made to maintain competitiveness of the different markets. Labour and management representatives must thus work together on an ongoing basis to seek solutions...”

## **Substantive provisions of IFAs**

### ***Respect for human rights***

While the majority of IFAs proclaim to respect “internationally recognized human rights” in general, most of them refer to the principles of multilateral texts, such as the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Of the 51 IFAs reviewed in detail, 12 state to respect the UN Universal Declaration of Human Rights, like in the case of the agreement signed between Veidekke and IFBWW, 10 state to respect the ILO Declaration on Fundamental Principles and Rights at Work, such as the agreements signed by Lafarge, Peugeot and Royal Bam among others.

### ***Fundamental principles and core ILO Conventions***

The model of an IFA built around the fundamental principles at work, which are drawn from the eight core Conventions (C. Nos. 87 and 98, 29 and 105, 138 and 182, 100 and 111<sup>1</sup>).

The four fundamental principles are:

- Freedom of Association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced or compulsory labour
- The effective abolition of child labour
- The elimination of discrimination in respect of employment and occupation

All of the 51 IFAs reviewed refer to the respect of the four fundamental principles.

As for the principle of freedom of association and the effective recognition of the right to collective bargaining, many IFAs supported the principle by referring to ILO C.135<sup>2</sup>. This is the case of Freudenberg, Carrefour, OTE Telecom and Fonterra, to mention only a few.

It is also important to mention that, in some cases, when referring to the grounds of discrimination, some IFAs go further to extend the grounds of discrimination, such as sexual orientation and handicap, as in the case of Renault. Peugeot goes further and states that it “...intends to apply and promote best practices beyond what is legally required and to fight sexism, xenophobia, homophobia...”

### ***ILO Conventions***

The reference made to ILO Conventions varies considerably. For example, the SKF agreement with IMF only mentions one ILO Convention – C.138 on minimum age – while the agreement between Impregilo and IFBWW mentions 20 ILO Conventions (1, 29, 47, 87,

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<sup>1</sup> Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87); Right to Organize and Collective Bargaining Convention, 1949 (No 98); Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105); The elimination of child labour: Minimum Age Convention, 1973 (No. 138); and Worst Forms of Child Labour Convention, 1999 (No. 182).Discrimination (Employment and Occupation) Convention, 1958 (No. 111); Equal Remuneration Convention, 1951 (No. 100).

<sup>2</sup> Workers' Representatives Convention, 1971

94, 95, 98, 100, 105, 111, 131, 135, 138, 155, 161, 162, 167, 182, Recommendations 116 and 143)).

### ***Provisions on employment, wages and hours of work***

IFAs include provisions on employment, wages, hours of work, employment conditions, among others. For example, the OTE-Uni agreement states: “Employer’s obligation to employees under labour or social security laws and regulations arising from the regular employment must be respected. The parties shall work towards creating permanent employment relationships.”

In the case of Veidekke-IFBWW “Employment shall, as a main rule, be based on permanent employment.” In the case of EADS, it “will do all it can to protect employment by means of all possible measures...”

In general, all provisions concerning wages and working time refer to a national legal framework. Nevertheless, agreements such as Impregilo, ISS and Royal BAM commit to offer a “living wage”. In the case of the Impregilo IFBWW agreement, “Living wages are paid. Workers shall be paid wages and benefits for a standard working week that are at least as favourable as those established by national legislation or agreements...no worker shall be paid less than the legal minimum wage.”

Veidekke goes further and states that “Wages and benefits paid for a standard working week shall at least be sufficient to cover the basic needs of the worker and his or her family.”

As for the provisions concerning working time, more than half of the 51 IFAs reviewed mention this issue.

### ***Health and Safety matters***

Out of 51 IFAs reviews, 42 of them have provisions on Health and Safety. The provisions are further underlined by the inclusion of the reference to ILO Convention 155<sup>3</sup> for example, in the case of Lafarge, Peugeot, Staedtler and Telefónica. ILO Convention 167<sup>4</sup> is also referred to in the cases of ISS, OTE, Royal BAM and Veidekke.

It is interesting to mention the case of Peugeot-IMF that “promotes the actions of healthcare professionals in running informational and preventions campaigns targeting employees in areas such as tobacco use, alcoholism, drug abuse, AIDS and STDs”.

These provisions are particularly prominent in certain sectors. For example, Arcelor, within its Health and Safety provisions, has an objective of zero tolerance of accidents and it also refers to the 2005 ILO Code of practice on safety and health in the iron and steel industry.

As for provisions concerning specific condition such as HIV/AIDS, it is noticed that nine of the 51 IFAs contain such provisions. Those nine IFAs were signed either by ICEM or IFBWW.

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<sup>3</sup> Occupational Safety and Health Convention, 1981

<sup>4</sup> Safety and Health in Construction Convention, 1988

## ***Training***

32 of the 51 IFAs reviewed have provisions on training and/or qualifications. There are different levels for these provisions on training. For example, the Danone – IMF agreement takes a broader perspective that integrated training with work organization, internal labour markets, geographical mobility and restructuring.

Arcelor and EADS support lifelong learning in their agreements. “Arcelor undertakes to develop the skills of each employee, through lifelong learning, thereby enabling him or her to maintain and progress professionally in the job market.”

The EADS – IMF agreement states that “with a view to maintaining the standards of excellence of its business skills and the know-how of its employees and in order to facilitate the latter’s career advancement, EADS promotes and encourages lifelong continuing training among its employees”.

In the case of Renault-IMF, training is a right, while in the case of IMF’s agreements with Bosch and GEA, they refer to qualifications and skill development.

## ***Environment issues***

Environment concerns are a growing issue. 22 out of the 51 IFA examined have a provision on environment.

For example, Peugeot refers to the Rio Declaration on Environment and Development, while others, such as Arcelor, establish the environment as a main focus and priority. For Röchling, “the protection of the environment and improvement in living and environmental conditions are important company objectives...”

## **Procedural provisions**

### ***Implementation and monitoring***

39 out of 51 IFAs state implementation and/or monitoring procedures. The majority foresees at least annual meetings (in 23 of the cases). Nevertheless, for example in the cases of Faber-Castell and Staedtler, they meet at least every other year. Chiquita and IKEA have two meetings per year. In most of the cases, implementation takes place jointly by the parties.

In the IMF International Framework Agreements: a progress report, the case of Volkswagen is mentioned. “...in 2003, a survey was sent to the workers’ representatives as well as to the personnel management of the different companies and plants asking what steps had been taken to make the agreement known in the workforce. A second survey was carried out in 2005 and the results were presented in 2006. The survey demonstrated that neither the management nor the workers’ representatives in all companies and plants have fulfilled their obligations to inform the supplier companies of the existence and obligations of the IFA.”

It is worth mentioning that all the publicly available IFAs are posted on the GUFs websites, while it is not the same case on the companies’ websites.

### *Extension of IFAs to business partners*

Provisions concerning business partners are mentioned in more than half of the IFAs reviewed. Three levels can be identified: the first level being only a level of information, where suppliers and business partners are informed and notified of the criteria (eight IFAs); the second level is stricter as it encourages suppliers to comply with provisions (22 IFAs); the third level is when the IFA states that the provisions are mandatory for suppliers and the relation will be terminated in case of a violation (seven IFAs).

On the first level, we can mention the case of Skanska Group where “Skanska and IFBWW consider it important that the contents of the agreement be announced at the company’s work site in the respective languages on the different work sites. Suppliers should also be informed of the agreement”.

In other cases, such as the agreement Stabilo-IFBWW, the company “...expects of its suppliers to apply similar principles and regards this as being a basis for any enduring business partnership.”

Hochtief “requires that its contractual partners shall support this Code of Conduct and shall also ensure that it is adhered to by any of their contractual partners who are in any way active in connection with the business activity of Hochtief.

### **Scope of IFAs: Where does responsibility of MNEs end?**

As mentioned, most the IFAs make reference to international labour standards (ILS) with specific emphasis on the ILO’s core Conventions. The central concern about this is demanding companies to comply with ILS given that they are drafted for governments. This is a key issue for companies to understand before signing an IFA. From a legal perspective, it is argued that labour standards are binding on ILO member States.

For example, in the case of the EDF-ICEMagreement, “EDF Group undertakes to comply and enforce compliance with the ILO Fundamental Conventions in all companies.”

For further information, see IOE paper on ILS for companies.

Recently, there has been an attempt to impose government obligations onto private companies in other areas than those concerning ILS. For example, one of the “recitals” of the Rochling – IMF agreement is “contributing to worldwide peace and prosperity”, which can be a great responsibility for only one company.

In the case of Brunel – IMF, the company is... “committed to measures to alleviate social, community, and family disadvantage caused by the absence of workers from their community when engaged by Brunel to work on projects off shore or in other countries.” This language is vague and subject to many interpretations. What does “alleviate” imply?

### **Future trends: Is Inditex starting a new trend?**

The Spanish garment group signed an “International Framework Agreement on the implementation of International Labour Standards throughout the INDITEX supply chain” with the International Textile, Garment and Leather Workers’ Federation (ITGLWF).

The following are some key issues that the agreement states, new on the IFAs modalities:

Both parties “...undertake to collaborate to ensure the application of International Labour Standards...throughout the “supply chain” of Inditex...”

“Inditex commits itself to apply and insist on observance of the International Labour Standards mentioned above throughout its “supply chain” including to all workers, whether they be directly employed by Inditex or by its external manufacturers or suppliers.”

“The terms and conditions of the Agreement shall apply throughout the Inditex supply chain including in workplaces not represented by ITGLWF”

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