



International
Labour
Office
Geneva

**Employment Sector
Employment Working Paper No. 46**

2009

**International framework
agreements and global
social dialogue:**

Lessons from the Daimler case

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Multinational
Enterprises
Programme

Job Creation and
Enterprise
Development
Department

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First published 2009

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ILO Cataloguing in Publication Data

Stevis, Dimitris

International framework agreements and global social dialogue : lessons from the Daimler case / Dimitris Stevis ; International Labour Office, Multinational Enterprises Programme, Job Creation and Enterprise Development Department. - Geneva: ILO, 2009
1 v. (Employment working paper ; no.46)

ISBN: 9789221223535 (print); 9789221223542 (web pdf)
ISSN 1999-2939 (print); ISSN 1999-2947 (web pdf)

International Labour Office; Job Creation and Enterprise Development Dept

multinational bargaining / collective agreement / corporate responsibility / social dialogue / multinational enterprise / good practices / motor vehicle industry / Germany

13.06.5

ILO Cataloguing in Publication Data

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization, and*¹ which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work², in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

This paper identifies important trends in the use of international framework agreements.

A growing number of multinational enterprises (MNEs) have signed international framework agreements with global union federations. This research considers whether and how IFAs have provided an international framework that promotes good industrial relations at the plant level, specifically the resolution of disputes in participating plants. It examines whether and how such agreements assisted the parties to the agreement (the MNE and Global Union Federation) to monitor working conditions, particularly, but not exclusively, those of suppliers.

The paper also considers whether and in what way such agreements create a framework for sustainable improvements in working conditions at the plant level, particularly those of suppliers. In particular, were any changes the result of the agreement or a combination of factors. Lastly, the paper examines whether and how international framework agreements create a standard of industrial relations that are reflected the principles articulated in the ILO MNE Declaration.

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) is designed to guide private initiatives, both company policy such as codes of conduct for suppliers, and industry-wide initiatives. It is the only international CSR instrument which has the full backing of workers, employers and government. This tripartite origin makes it both highly credible and yet sensitive to the concerns of enterprises facing tough competition.

The MNE Declaration covers the fundamental principles and rights at work—concerning child labour, forced labour, freedom of association, collective bargaining, and non-discrimination—as well as wages, hours of work, and occupational health and safety. Some of the activities and initiatives taking place in the area of socially responsible investment are focused on many of these issues and investors and analysts may find these principles to be a useful starting point for dialogue with companies and trade unions on how best to protect workers' rights while helping companies to retain, or even enhance, their competitiveness.

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Introduction

International Framework Agreements (IFAs) between unions and corporations have attracted increasing academic and policy scrutiny.⁵ This report, commissioned by the Multinational Enterprises Program of the ILO, reflects the ILO's long-standing interest in this development. To further develop this policy interest the ILO chose to focus on the Daimler⁶ agreement in order to:

1. Assess the formulation, implementation and evaluation of the IFA, drawing lessons for good practice;
2. Consider whether and how this IFA has helped promote, at the global level, social dialogue and industrial relations (including along the supply chain) consistent with the principles of the ILO.

I have addressed these questions by placing the agreement in its broader institutional context, followed by a systematic account ranging from its inception to the present and from negotiation to evaluation.

The findings of this project suggest that the Daimler IFA offers a number of examples of good practices. The challenges now are to connect these practices more strongly and apply them more systematically throughout the corporation's production and supply chains. Whether and how these challenges will be handled depends on a variety of factors, both external and internal to the main actors.

This report was compiled as part of a broader investigation of IFAs. A companion report (Stavis 2009) discusses the relations between International Framework Agreements and global social dialogue and provides a broader context. Both reports suggest that IFAs are the battleground between, on one hand, corporate strategies that prefer a weak social dialogue within the parameters of corporate social responsibility and, on the other, unions and employee organizations who seek a stronger form of global social dialogue and social accountability. This general situation is mirrored in the specifics of the Daimler IFA, as too is the dynamic that, once implemented, IFAs can be institutionalized in often unanticipated ways.

The first part of this report focuses on the origins and social contexts of the Daimler IFA. This is followed by an overview of its formulation (negotiation and contents). The third and fourth parts deal with the implementation of the IFA with the third part covering application and compliance while the fourth covers enforcement. A very short fifth part comments on evaluation. I close by revisiting the two questions that motivated this report.

In researching the Daimler IFA I first reviewed the information available on the website of the company and its major subsidiaries and divisions, particularly annual reports to shareholders, sustainability reports and information submitted to the Global Reporting Initiative. I complemented this by locating public presentations by management and

⁵ See ORSE 2006; Descolonges and Saincy 2006; Schömann et al 2008; Papadakis 2008; European Commission 2008a and 2008b; Telljohann et al, 2009.

⁶ I use DaimlerChrysler for the period before the demerger in October of 2007 and whenever I quote a source that uses the term. Otherwise I use Daimler.

employee officials as well as reports in the mass and trade media. I then requested interviews with and information from participants at the global level, i.e., the World Employee Committee (WEC), central management, and the International Metalworkers' Federation. The World Employee Committee also provided me with important documentary information. Subsequently I also sought information from employees and management at the national level. At that level I received information from management in Brazil and South Africa and from employee and/or union representatives in Brazil, Germany, South Africa, Turkey and the USA. The German, Turkish and USA contacts are national union representatives while those in Brazil and South Africa were or are members of the WEC, as well as union representatives. In order to gain a broader sense I also interviewed management and/or employee and union officials familiar with the other IFAs in the automotive sector. Finally, a number of knowledgeable observers not related to management or workers' organizations responded to specific questions.

1. The Daimler IFA in context

I have suggested in the companion report (Stavis 2009) that while not legally mandated IFAs may become socially and institutionally embedded. In order to better understand whether and how this is so in the Daimler case I explore three sets of factors, i.e., those associated with the company, those associated with the unions and employee organizations, and those associated with national industrial relations (see Schömann et al 2008). Dramatic changes in those factors will also affect the trajectory and future of the Daimler IFA.

1.1 Company characteristics and strategies

The two factors that seem to have exerted significant influence on management are the company's ambitious internationalization in the 1990s and its turn to CSR and risk-management during the same period.

Internationalization. Daimler's primary activities are in the production of passenger cars, trucks, and commercial vehicles (vans and buses) with the first being the larger. The financial services group is smaller in terms of employment and is not discussed here.⁷ At the time that Daimler-Benz acquired Chrysler in 1998, it was strongly focused on Germany-based production of passenger cars. On the other hand, its truck and commercial vehicles groups had become internationalized earlier through direct investment and acquisitions.

The internationalization strategy of the 1990s was two-prong and was directed mainly at the USA, a decision motivated by that country's financial resources and large market. The first and most important step occurred in 1993 when Daimler-Benz decided to become the first German company to be listed on the New York Stock Exchange (Monks and Minow 2008, 73-75). This was motivated by financial difficulties at home and the desire to have easier access to US finance. The company may have been successful in negotiating some exceptions from the higher USA disclosure standards but as a result of its listing on the New York Stock Exchange (NYSE) it has had to place itself under the accounting rules

⁷ Information about the company's current global deployment comes from company documents (particularly Daimler 2009a, b, and d). The Company's subsidiaries do not always include 'Daimler'. I will refer to all of them as Daimler, however, for the sake of simplicity.

of the US Securities and Exchange Commission (SEC), with important implications for its risk management policy (Norris 1993).

In addition to its financial internationalization the company also engaged in an aggressive strategy of production internationalization. The first step in that was the building of the second passenger plant outside of Germany, announced in September 1993 and operational since 1997, in Tuscaloosa, Alabama.⁸ The plant produces SUVs and now employs about 3,800 workers. While production at the plant has been affected by the crisis the plant remains central to the company's North American strategy as evident by the investment of close to \$300 million to its expansion (Daimler 2009c; Kaufman 2009). Its location in a southern state followed a practice by foreign and USA automobile companies to take advantage of a 'greenfields' policy in states with weak labor laws and hostile labor practices. The second step in the company's production internationalization was the merger with Chrysler in 1998. After nine years Daimler and Chrysler 'de-merged'. Chrysler was formally acquired by Cerberus in August of 2007 and on October 4, 2007, DaimlerChrysler was renamed into Daimler. In April of 2009 Daimler agreed to sever all remaining relations with Chrysler.

The 'demerger' has once again made Daimler more of a national company with respect to the production of passenger cars. Nine of the seventeen worldwide production facilities and about 90,000 of the 97,000 workers of Mercedes-Benz Cars are in Germany. The company, however, has increasingly important production facilities in South Africa, Brazil, France, the USA, India, Vietnam, China and Indonesia (Daimler 2009d, 8). The internationalization of passenger car production remains a central goal but the company's decision to build additional facilities in Hungary indicates that its center of gravity in terms of the production of passenger cars will remain in Europe.

While Daimler is not as internationalized in terms of the production of passenger cars it is very internationalized in terms of sales (49,000 of the company's 273,000 employees are in sales, in general). Germany remains the major market of passenger cars but the majority of cars, including those produced in Germany, are sold outside of Germany, particularly the USA and Western Europe. Important markets are also to be found in Japan, and China (information from Daimler 2009b).

With respect to trucking and commercial vehicles (buses and vans) the company is internationalized both in terms of production and sales. Daimler Trucks has thirty-three production facilities worldwide -sixteen in the NAFTA region, eight in Asia, seven in Europe, one in South America and one in Africa. The largest producers of trucks are in Germany, the USA, Japan, and Brazil with additional major production facilities in Turkey and Mexico. Due to Daimler's subsidiary Mitsubishi Fuso Truck and Bus Corporation (Fuso), Asia is not only a major producer but, also, the major market for Daimler Trucks. Recent developments indicate that North America remains central to the company's strategy with increasing emphasis on Mexico where a new plant opened recently (Daimler 2009c). Out of 79,000 employees in Daimler Trucks, 49,000 work outside of Germany.

Mercedes-Benz Vans has seven production facilities in Germany, Spain, USA, Argentina and Vietnam and the major market, by far, is Europe. Daimler Buses has fifteen production facilities, the most important being in Germany, Turkey, Brazil and the NAFTA region. Europe is by far the largest source of revenue. About 22,000 of the 40,000 Vans and Bus employees are outside of Germany. In general, it is worth noting that Daimler is one of the world's leaders in trucks and commercial vehicles in terms of volume/sales.

⁸ The first overseas passenger car facility was built in South Africa in 1984.

Overall, about 105,500 of Daimler's approximately 273,000 employees are employed outside of Germany (Daimler 2009b). About 29,000 of them are in North America, largely the USA. This ranks the USA second in terms of Daimler employees, followed by Japan (15,500), Brazil (14,000), South Africa (7,000), Spain (5,800), and Turkey (5,000). Significant numbers of employees are also found in France, Argentina, and Mexico, where the numbers are increasing.⁹

In summary, Daimler is strongly anchored in Germany. It also has a significant and strategic global component with a strong presence in important industrial and industrializing countries, and thus regional supply chains, in all continents. As a result it seems very likely that German industrial relations are likely to play a very important role in future employee-management relations at the global level.

Corporate Social Responsibility. DaimlerChrysler's move to CSR took place under the leadership of its previous CEO Jurgen Schrempp, the turning point being the adoption of its Integrity Code in 1999. The company's approach towards CSR is both practical and strategic. In practical terms the company finances a number of initiatives of its own (Daimler 2008d and 2009d and e). CSR is considered different from philanthropy, on one hand, and pure business, on the other. The company is clear, however, that its CSR activities are predicated on profitability (Heger 2004 and 2005).

Daimler also takes a strategic approach to CSR in an effort to shape the framework for global social regulation, by influencing key policy initiatives such as the Global Compact, the Global Reporting Initiative (GRI) and the ISO 26000 (Heger 2005 and 2008a and b). Daimler was one of the founding members of the Global Compact (Paine 2000), participates in key activities of the GRI and is an active participant in the ISO's development of the ISO 26000; this latter initiative is intended to give corporations guidance with respect to their social responsibilities but is not intended as a management systems standard nor "for 3rd party certification purpose or regulatory or contractual use" (Heger 2005; also see ISO 2008; ICFTU 2005). Finally, in mid 2008 the company established a Sustainability Board whose goal is to bring together the company's activities in the three dimensions of sustainability – economy, ecology and society- and in November 2008 held its first Sustainability Dialogue with select stakeholders. These and other initiatives in the area of sustainability are presented in the Daimler Sustainability Newsletter, launched in July of 2008.

Risk Management. While Daimler's CSR strategy is important, its risk management concerns are even more important. By listing itself on the NYSE the company placed itself under the jurisdiction of the SEC, a choice that mandated more disclosures than those expected in Germany. Moreover, now the company was also subject to various USA laws, such as the Foreign Corrupt Practices Act and the stricter reporting rules required by the Sarbanes-Oxley Act of 2002 (see Schömann et al 2008, 35).

Despite their increasingly laissez-faire approach the SEC and the Justice Department both initiated investigations of "accusations that Mercedes executives in several countries bribed foreign officials" (Landler 2005). According to news reports these practices had been going on for quite some time and were facilitated by a now expired German law that

⁹ The company's workforce in Mexico will increase as a result of the move of some of its truck production from the USA and Canada to Mexico (Daimler 2009c)

made foreign bribes tax-deductible.¹⁰ Legal problems with bribery allegations continue to the present and now also involve German investigations.

In response to these problems and the requirements of section 406 of the Sarbanes-Oxley Act the company promulgated a Code of Ethics (Daimler 2003). Starting in earnest in 2006 the company has strengthened its compliance mechanisms, finally appointing a chief compliance officer in February of 2008, a few days before new investigations were initiated in Germany.

The risk management concerns of the company are relevant to understanding its CSR strategies as well as the negotiation and, more importantly, the implementation of its IFA. As we will see, compliance with the Integrity Code and the Code of Ethics has become a priority in recent years. Since the IFA is part of the Integrity Code it becomes necessary to ascertain the degree to which the compliance initiatives include the IFA or are focusing, primarily, on corruption.

The relations between CSR and risk management are worth close scrutiny. A number of analysts have suggested that CSR instruments adopted by many companies seem to serve a risk management rather than a CSR role (Bondy, Matten and Moon, 2008; also Franklin 2008) while other analysts have promoted the benefits of CSR strategies for risk management (Kytte and Ruggie 2005). Both considerations, in my view, should play a role in evaluating the company's IFA.

1.2 Labour characteristics and strategies

Daimler and Chrysler are highly unionized companies, as is the pattern with most automobile companies. While automobile-sector unions in the industrial world are losing numbers they continue to be influential. Moreover, in a number of industrializing countries, such as Brazil and South Africa, unions have not experienced the temporal decline that has taken place in the North. The key union in Daimler is IG Metall, one of the two largest unions in Germany and one with a great deal of political presence. IG Metall is also one of the key unions in the International Metalworkers' Federation and in 2002 it adopted the negotiation of IFAs as an important strategy.

IG Metall took notice of the internationalization of the company, especially the acquisition of Chrysler, and sought to establish closer relations with the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) as soon as the sale was finalized. The reasons for this move have been discussed elsewhere and they are not relevant here (Müller, Platzer and Rüb, 2005; see also Greer and Hauptmeier 2008). The point is that the two major unions in DaimlerChrysler initiated contact early on.

Another factor that is relevant here is the Company's General Works Council, which has been quite prominent in company politics for a number of years. Works councils in the German automotive sector are generally controlled by IG Metall, but there is good evidence that they have an institutional base of power of their own and that the leaders of the works councils of major companies carry a great deal of influence in the labor politics associated with their particular companies (see Whitall 2005; Brewster, et al 2007). The European

¹⁰ The revelations regarding bribery of foreign citizens are not limited to Daimler but seem to be a widespread problem amongst German multinationals, as the Siemens and VW cases suggest (Balzi, Deckstein and Schmitt 2006; Hawranek, Rao and Röbel 2005). The USA Foreign Corrupt Practices Act was enacted in response to similar practices by USA MNEs in the 1970s.

Works Council (EWC) of the company, formed in 1996, has become more engaged only in the last two years (on Daimler's EWC see European Foundation 2003).

In short, IG Metall and the General Works Council in DaimlerChrysler were willing and able to respond to the company's internationalization. This they were able to do because of density of unionization and institutional characteristics related to German industrial relations, to which I now turn.

1.3 German industrial relations

Co-determination. Daimler is very much embedded in the German co-determination system. Like all other German corporations, understanding its IFA requires a clear understanding of how it relates to that system, the main characteristics of which are the Supervisory Board and the Works Council (on co-determination see Page 2006; also Co-determination Commission 1998; on tensions in German industrial relations see Busch 2005 and Raess 2006).

Germany's 1976 Co-determination Law mandates that all corporations that employ over 2,000 people set up a Supervisory Board that consists of an equal number of shareholder and employee representatives. Because the law requires that one of the employee representatives represent senior executives and that the Chairperson, who can break tied votes, be nominated by the shareholder side, the Supervisory Board does not give employees equal power. The Board has a wide variety of responsibilities but does not run the company on a day to day basis, a task reserved for the Management Board. Rather it monitors and advises the Management Board and has the formal power to appoint and dismiss its members. In exceptional cases employee representatives, in collaboration with some shareholder representatives, can theoretically dominate the Supervisory Board. This may happen, for instance, if there are divisions amongst private shareholders or if there are public shareholders who share union or government priorities, as was recently the case with VW (Schwartz 2008). While many European countries have some provisions that allow employee representatives to participate in corporate governance, these practices are not as pronounced as they are in Germany, Scandinavia and the Netherlands.

In the case of Daimler, one of the ten employee representatives on the supervisory board comes from senior management, three come from unions and the rest from employees in Germany, by law.¹¹ IG Metall being the dominant union holds the three union positions. The other six employee representatives are elected in their capacity as leaders of works councils. Because IG Metall holds the majority in the works councils in almost all plants, the works councils leaders on the Supervisory Board, with one exception, are IG Metall members.¹² When the companies merged IG Metall relinquished one of the three union seats in favor of the UAW (United Automobile, Aerospace and Agricultural Implement Workers of America). With the demerger, the position held by the UAW passed to the Brazilian metalworkers' union, CNM/CUT (Confederação Nacional dos Metalúrgicos / Central Única dos Trabalhadores). This is an important decision as it reflects a commitment on the part of IG Metall and the General Works Council to include representatives from outside Germany.

¹¹ While there are legal limitations with respect to the origins of the employee representatives there are no limitations with respect to shareholder representatives.

¹² The Supervisory Board selection process is often more complicated than this schematic account suggests.

The Supervisory Board has a number of standing committees where employee representatives participate. During the DaimlerChrysler era there was also a fifteen member Labor Committee which was not formally part of the Supervisory Board. Since the demerger the Labor Committee has ceased to exist. During its operation the Labor Committee consisted of the employee members of the Supervisory Board plus two additional UAW and three CAW (Canadian Auto Workers) representatives and met in association with the Board meetings to formulate a more inclusive view on the labor side.

The adoption of the European Company Statute is likely to spread employee representation to other European Union countries but the ways this will take place remain to be seen (Kluge and Stolit 2006; Gold 2008).¹³ Suffice it to say that EU-level industrial relations are not as strong as those present in most EU member countries because the EU emphasizes liberalization. In an important 2007 decision, for instance, the European Court of Justice struck down the 1960 German law that gave the State of Lower Saxony a privileged role in VW, paving the way for the much smaller Porsche to buy a majority share in the company (Schwartz 2008). Moreover, Porsche management seems to have considered incorporating the new company as a European company. Given the size and symbolism of VW, such a development would have had widespread influence on the debate over the future of the German co-determination system. For that reason, the federal government sided with Lower Saxony.¹⁴

Works Councils. A second important element of German industrial relations is that of the works councils in plants with more than five employees. Works councils are not mandated by law but they are allowed and facilitated by it. Formally they consist of employee representatives and their membership is based on employee numbers rather than union membership. Each plant has a works council. The plant level councils along with representatives from other aspects of a company's operation, e.g. research and development, constitute the national General Works Council. In the case of Daimler, for instance, the General Works Council consists of 30 people with an additional 7 invited as guests.

Works councils have important responsibilities at the level of the plant and the corporation but do not engage in collective bargaining, a task reserved for unions. They play, however, an important role in the implementation of the collective agreement as well as the enforcement of workplace laws and practices. The costs of the operation of the works council are paid by the corporation, by law. The law also demands that council members not be placed at an advantage or disadvantage and that they be protected against dismissals. Even though works councils are not provided for by the Co-determination Law they hold important co-determination rights, especially in social and personnel matters. Together, the Co-determination and the Works Councils Laws form the cornerstones of the German co-determination system.

Very few companies that have signed IFAs have global employee councils, i.e. ArcelorMittal, Falck, VW, SKF, Renault and Daimler, while PeugeotCitroen and EDF are in the process of creating such councils. Daimler's World Employee Committee is small in

¹³ The European Company Statute entered into force in 2004 and allows a company to incorporate at the European level. An associated directive mandates the involvement of employees in company governance.

¹⁴ In April 2009 it became apparent that Porsche had overextended itself in its effort to buy VW shares leading to a 'reversal of fortunes' (Hawranek 2009). During the summer of 2009 VW purchased Porsche.

size, envisioning a maximum of 15 members, distributed according to the company's employment numbers around the world. It differs from other global councils, such as those in VW or Renault, in that it is not an extension of the European Works Council but a totally new organization, albeit with significant personnel overlaps. The Chair of the WEC, for example, is Erich Klemm who is also the Chair of the company's General Works Council as well as its EWC.

While there are few global works councils they are an institution that requires more attention.¹⁵ Important questions arise here as to these councils' relations with management, domestic works councils, EWCs, and, more importantly, unions, and their organizational characteristics and powers (Brewster et al 2007; Benson and Gospel 2008). As analysts of German industrial relations have pointed out there can be serious tensions between unions and works councils (Whitall 2005) particularly when management tries to influence the council or the council develops its own priorities. More importantly, we need to pay close attention to the reaction of unions not familiar with works councils because they may consider them as too close to management.

In 1994 an EU Directive mandated the formation of European Works Councils in companies with certain minimum characteristics. EWCs have the right to information and consultation. The April 2009 revision of the Directive aims to strengthen rather than add to these rights. Unlike the national works councils, therefore, EWCs do not have co-determination powers which, at the European level, may be provided for by the EU Company Statute. However, EWCs can provide a voice for employees at the EU level. In some cases, for instance, EWCs have negotiated "joint texts" with companies, some of which are close to transnational bargaining (da Costa and Rehfeldt 2006; EWCB 2005). Daimler's EWC has negotiated three such agreements since 2006 which do not have global reach. The significance of EWCs for global agreements varies. In some cases they have engaged in negotiations, in more cases they have a role in implementation, and in a few cases they have or are morphing into global works councils. The Daimler EWC has not been closely involved with the IFA, despite having the same chair as the WEC. It was not until May of 2007 that the two met together on the occasion of the annual meeting between the WEC and management.

1.4 Concluding comments on the context of the IFA

Co-determination is less likely to become global than are works councils. Arrangements similar to the works councils exist in very few other European countries. In fact, managers and unionists in non-European countries are often perplexed by them. In some cases outsiders may exaggerate their power while in more cases they see them as far too co-optative. While there are examples of both extremes the fact is that there is a great deal of variation, reflecting the power of unions, the attitudes of management, and the relations between the two. Recent cases raise important questions about these relations. In both VW and Siemens management expended a lot of money on corrupt works councils leaders in order to push through its strategy, in the first case, and to diminish the influence of IG Metall, in the second. Such direct cases of manipulation are the exception and not an argument against the institution of works councils as a whole. Rather, one must be more vigilant of the possibility that works councils may align themselves more closely with companies, leading to tensions between councils and unions. Yet, despite this possibly very serious problem global works councils can serve to socially embed a corporation and

¹⁵ World councils continue to be rare. As far as I could ascertain, there is also a world council at Lego, a company that has not signed an IFA.

further institutionalize an IFA (Steiert 2001; Rüb 2002). Their translation from a national and European phenomenon to a global phenomenon, however, will require important innovations so as to make them truly global rather than a projection of national or European industrial relations.

2. Formulation of the Daimler IFA: Negotiation and content

The DaimlerChrysler Principles of Corporate Social Responsibility (the Daimler IFA) were signed in September of 2002. The process started in 2001 and involved both the negotiation of the IFA and the formation of the World Employee Committee, making this IFA one of very few that involved the simultaneous negotiation of a global employee organization and a global agreement. The negotiations were completed in mid-2002 with an additional agreement on Occupational Health and Safety signed in 2006, and an amplification of the IFA signed on April 30, 2008.

2.1 The World Employee Committee

The informal origins of the World Employee Committee are to be found in the company's decision to merge with Chrysler. The motivations of the German unions and employees' organizations have been insightfully explored by Müller, Platzer and Rüb (2005) (see, also, Greer and Hauptmeier 2008). Beginning in May 1998, immediately after the merger and on the initiative of IG Metall and the Daimler General Works Council, there were meetings with the UAW. These meetings resulted in the formation of an International Automotive Working Group of Worker Representatives in 1999. On July 17, 2002 the Working Group formally became the World Employee Committee, chaired by Erich Klemm, also the chair of the General Works Council, with Nate Gooden, the UAW's leader of the Chrysler section, elected as vice-chair. In the end the WEC was not an extension of the company's EWC but, rather, a newly negotiated global organization. Given the European bias of the EWC this should be considered as a positive development that allows for a comprehensive consideration of a company's global deployment (European Foundation 2003).

The WEC agreement allows for a maximum of 15 members but the organization has largely consisted of 13 members. There were significant debates over both the number and the membership of the WEC. One important issue with respect to the number was that of costs, but an even more significant issue was that of membership. Management was eager to include members who were familiar with the company and committed to its success, while unions and workers' representatives sought a composition that reflected the distribution of the employees of the company and accommodated unions across its production chain. The result was a smaller WEC when compared to the few global employee organizations in existence. The original members were 6 from Germany, 3 from the USA, and one each from Canada, Brazil, South Africa and Spain (representing the 'rest of Europe'). Some countries where DaimlerChrysler had smaller production or other activities were not represented. As of May 1, 2009 the WEC formally consists of 6 members from Germany, 2 from the USA and one each from the 'rest of Europe', Brazil, Japan, and South Africa. As a result of the closing of the St. Thomas plant the Canadian Auto Workers will not be represented in the WEC. Were the WEC to expand it would most likely include members from Mexico, Argentina, or Turkey.

The formation of the WEC and its predecessor provided workers throughout the company with a representative organization leading some non-German unionists to feel that it allowed for a more inclusive approach towards the negotiation and, now, the implementation of the IFA. As noted, however, the WEC does not currently include

representatives from a few countries with smaller but growing numbers of Daimler employees. More importantly, from the point of view of global social dialogue, the IMF was not involved in the negotiations for a variety of reasons, including management opposition.

The agreement on the WEC envisions that it will facilitate cooperation amongst the company's employees and promote dialogue with management "on important issues facing the company at a global level" (DaimlerChrysler 2002). These include "transnational issues that are of material importance to successful cooperation between employees of DaimlerChrysler at the international level", as well as information and consultation in various areas, including "the structure of the Group, its economic and financial situation, anticipated developments and employment situation and anticipated future trends". In short, the WEC can engage in dialogue on issues which are not normally included in global agreements, such as restructuring. However, "the rights and duties of the national employee representation bodies are not affected". Finally, and interestingly, the agreement concludes with the identification of German law as the law that applies. This legalization of the WEC is an example of how an IFA can get institutionalized despite its non-legal character.¹⁶

The WEC meets once a year, usually in association with a meeting of the Supervisory Board and the Group Economic Committee, a body of the General Works Council. During these meetings the WEC discusses various issues of concern to employees around the world, management reports on the implementation of the IFA, and there are also consultations on other issues of common interest, such as the new labor law in China. In May of 2007 the EWC and the WEC met together for the first time. The IMF attends WEC meetings as an observer.

Over its existence the WEC has negotiated an agreement on Health and Safety Principles (DaimlerChrysler 2006) and a revision of the IFA to cover distributors and corruption (negotiated in February 2008 and signed in April) and has been involved in discussions on issues associated with the relocation of production. The employee side feels that the WEC has moved beyond mere information and consultation and into the realm of ongoing negotiations, albeit not collective bargaining. Management feels that this is an instance of good global labor relations but not global industrial relations (which for management imply something contractually binding) nor an instance of 'social dialogue' in the formal European Union sense. While the strength of the dialogue may be contested there is clear evidence of sustained dialogue over a number of years.

2.2 The Daimler IFA

The negotiations that led to the Principles of Corporate Social Responsibility (the Daimler IFA) were part of the same process that resulted in the WEC. By July 2002 when the WEC agreement was signed the two sides had also negotiated a draft of the IFA which was subsequently revised and formally adopted on September 27, 2002. As a result, DaimlerChrysler was the second automotive company to adopt an IFA (after VW which adopted one earlier in 2002). On the employee side the primary negotiator was the International Working Group and, after July, the WEC, with the General Works Council and IG Metall being the major forces behind it. While there was exchange of information and consultation with the IMF, the organization was not directly involved in the negotiation of the IFA. In the end the IFA was signed by the CEO Jurgen Schrempp and Gunther Fleig,

¹⁶ There is a similar kind of legalization in the EDF agreement and, one could argue, in any agreement that involves an EWC.

the Member of the Management Board responsible for Human Resources. On the employee side it was signed by Erich Klemm, chair of the WEC, and Nate Gooden, co-chair, who also signed on behalf of the IMF. IG Metall, while a major force behind the process, was not a signatory.

The IFA addresses all the major categories of issues normally associated with global agreements, i.e., labor standards, suppliers and implementation but there are important silences. As the external evaluator of the social part of the 2008 Sustainability Report states “although the Principles of Social Responsibility [the Daimler IFA] are based on the Global Compact and ILO Conventions, the loose formulation of the principles appears to pose a problem” (Daimler 2008d, 61).

In its Preamble, the IFA references the Global Compact as the inspiration for its approach to social responsibility while it also states that “Heeding that responsibility, however, requires that we be competitive and remain so in the long term.” The Preamble closes by recognizing that “The following principles...are oriented at the conventions of the International Labor Organization” (for the text of the IFA see part VII of the Integrity Code (Daimler 2007)). The IFA, however, does not specify which conventions and does not give primacy of inspiration to the ILO.

In the IFA’s second substantive part, entitled “Relations with employees and employee representatives”, DaimlerChrysler “acknowledges the human right to form unions”, and “respects the right to collective bargaining”. There is no further elaboration of this important principle. Rather the elaboration of this right – freedom of association – “is subject to national...regulations...”Positively, however, the company commits to granting freedom of association “even in those countries in which freedom of association is not protected by law”. In that context it is important to note here that management expressed concern over the ‘closed shop’ practice common in the USA as being a possible violation of the principle of ‘freedom of association’. Such an approach would align the company with the ‘right to work’ movement in the USA, which has a clear anti-union agenda. Such a critical interpretation is consistent with the company’s decision to build its major passenger car plant in Alabama¹⁷ and with information gathered from news stories that strongly suggest that the company strongly prefers that the plant remain non-unionized. If this is the case then there should be important concerns about the implications for new plants in India, Hungary, Mexico and elsewhere in the world where unions and labor laws, or their implementation, are not strong.

The third substantive part of the IFA covers working conditions with respect to health, compensation, working hours, training and suppliers. The references to health, compensation and working hours are rather general. The important element here, however, is that they refer to national rules and practices and do not refer to international standards. This is also the case with the Health and Safety Principles negotiated in 2006 (DaimlerChrysler 2006). The Health and Safety Principles apply to the company’s plants and do not include any provisions about partners or suppliers but do cover all persons in site, whether employees of Daimler or of suppliers. Moreover, the Health and Safety Principles are considered an extension of the Daimler IFA. Within these parameters the most important provision of these Principles is that the company “acknowledge[s] the right of employees to remove themselves from work situations that they have reasonable justification would present an imminent and serious danger to their lives or their state of health, with protection from undue consequences”. The Health and Safety Principles have

¹⁷ A number of foreign automobile companies have built plants in Southern USA states where labor laws are not well enforced. In fact, that has been used as a selling point by local governments.

not been communicated widely and do not seem to be a priority for Daimler unions at this time.

With respect to the rest of the supply chain Daimler “supports and encourages its suppliers to introduce and implement equivalent principles in their own companies. Daimler expects its suppliers to incorporate these principles as a basis for relations with DaimlerChrysler”, and “regards the above as a favorable basis for enduring business relations”. In April of 2008 the IFA was revised to make explicit the fact that it applied to sales partners.¹⁸ While the IFA addresses supplier practices the language promotes rather than demands such behavior. Provisions regarding suppliers have been central to all IFA negotiations, and the implementation of the Daimler IFA along the supply chain remains one of the most formidable challenges, despite the adoption of the Supplier Guidelines on Sustainability in June of 2008 (discussed in the next section).

The fourth substantive part of the IFA outlines the implementation and enforcement procedures. Accordingly, the IFA is binding upon DaimlerChrysler throughout the world and was intended to become part of the Integrity Code. It would be made available to all employees and their representatives, the method to be derived through discussions with employee representatives. Responsibility for compliance would be with senior managers who “will designate contacts to whom business partners, customers and employees would turn in case of difficulty”. Corporate Audit “will also examine compliance with these principles [the IFA] in its reviews and would include them in the audit criteria”. In addition “Corporate Audit has established a general open line” for accepting allegations of non-compliance at the decentralized level. Moreover, Corporate Audit would take appropriate action upon indication of a violation. Finally, “corporate management will regularly report and consult with the international employee representatives on social responsibility of the company and the implementation of these principles [the IFA]”.

2.3 Concluding comments on the formulation of the IFA

What do the negotiation and the provisions of the WEC and the IFA tell us about good practice and global social dialogue in this case? With respect to its provisions the Daimler IFA addresses all major categories of issues identified by unions, albeit with important gaps in terms of emphasis and content. Good practice, however, includes a commitment to apply the IFA to the company’s whole production chain, regardless of country, and the commitment to allow workers to walk away from dangerous working conditions.

There is clear evidence of sustained global social dialogue, also with some important gaps. The agreement was negotiated between central management and employee and union representatives. The IMF had no role with respect to the negotiation of the WEC and was kept informed of the negotiation of the IFA. Once the International Automotive Working Group of Worker Representatives (the predecessor to the WEC) was created in 1999, non-German unions represented on it were also directly involved. On balance, then, the important contribution of the agreement is the direct participation of employees outside the country of origin through the WEC. The major gap in terms of broader social dialogue was the very limited role of the IMF.

Over the years the dialogue between the WEC and management has continued as evident from the annual meetings, the Health and Safety Principles, and the April 2008

¹⁸ Text in author’s files.

additions to the IFA on corruption and distributors. Whether this intensity can be sustained remains to be seen. Evidence of deepening implementation will strongly suggest increasing institutionalization, as would additional agreements between management and employees. It is important to keep in mind, however, that this institutionalization is taking place at the level of the corporation and does not directly involve national and global unions.

3. Implementation of the Daimler IFA: Application and compliance

The actual implementation of an agreement suggests an ongoing dialogue, while the dynamics of implementation have important implications for its further institutionalization. Given the relatively recent record of IFAs we have very few detailed studies of their implementation (Wills 2002; Riisgard 2003; Gibb 2005; de Haan and Oldenziel 2003; de Haan and van Dijk 2006; Egels-Zaden and Hyllman 2007). Some additional reports and studies touch upon implementation more generally but provide important insights (for example, IFBWW 2004; Rudikoff 2005; IMF 2006; Rüb 2006; Schömann et al. 2008; Telljohann et al 2009). I believe that we now need not only individual case studies but, also, systematic comparisons in order to ascertain the impacts of IFAs and the kind(s) of social dialogue and industrial relations that they are promoting.¹⁹

Implementation covers communication as well as the adoption and application of plans of action by management and unions to turn the agreement into reality, including provisions dealing with compliance and enforcement. In this section I will discuss the plans of action that have been adopted and applied and the associated compliance mechanisms. I do so both with respect to Daimler's own employees and with respect to the company's supply chain. The challenges raised by these two constituencies are significantly different to require separate attention.

3.1 IFA application and compliance throughout the corporation

The Daimler IFA – the Principles of Corporate Social Responsibility – was made part of the company's Integrity Code in 2003 (though this is not yet the case with the Health and Safety Principles). In the company's pyramidal depiction of priorities the Integrity Code is second only to "Corporate Values" (Daimler 2009a, 121). Under certain conditions this could be a positive development because it makes the IFA part of the core operational guidelines of the company rather than an auxiliary document.²⁰ Because the IFA is only one part of the Integrity Code and because its implementation, as well as that of the Ethics Code, is largely motivated by risk management, it becomes necessary to look more closely at whether policies implementing the Integrity Code have any positive collateral benefits for the Daimler IFA. In the absence of any evidence to the contrary I have concluded that compliance is almost exclusively about corruption.

¹⁹ A forthcoming volume to be edited by Konstandinos Papadakis will start filling this gap by bringing together empirical research on the implementation and impacts of IFAs.

²⁰ It is worth noting that important actors were skeptical of this integration. The record provides some support for their skepticism.

The first step in the implementation process is that of communication of the IFA. Because Daimler has integrated the IFA into its Integrity Code it is prominently, if not separately, displayed on its central website and has been translated in the languages of the countries where the company has major operations. The code is also accessible through the company's Intranet system. The Integrity Code, however, is not posted on the internet websites of key passenger car subsidiaries in the USA, South Africa, Brazil or China, nor is there a reference to the Code or the IFA on those sites. That was particularly evident in the cases of South Africa and China where corporate social responsibility receives a great deal of attention (Mak'ochieng 2003). While there is reference to the Code (but not the IFA) on the Fuso site there is none on the other Daimler Trucks sites. This is an important gap since Fuso and the other Daimler Trucks units (which includes Freightliner) have major supply chains of their own. Also, there is no evidence that the Integrity Code or the IFA have been posted at the plant level. On balance, the company is not actively disseminating the IFA throughout the company's own production chain.

According to the company a number of "corporate policies and corporate guidelines implement the principles of the Integrity Code in concrete rules of behavior" (Daimler 2009d, 15). Moreover "in 2008 the Board of Management approved the House of Policies, a new system of guideline management that brings together all the Group-wide guidelines and makes it even easier to comply with the different sets of regulations, because all of the guidelines are now available in a central database on the intranet" (Daimler 2009d, 15). Finally, the company has supplemented the Code, the policies and the guidelines with local guidance documents and handbooks. There is no evidence that any of them deal with the IFA, a fact corroborated by the various interviews.

The Company's 2008 GRI Index (Daimler 2008c) reports that there is no quantifiable data regarding the "total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained" because the "expense and effort required to collect it cannot be justified". However, the IFA is "reflected in detail in internal guidelines such as the Daimler Integrity Code, which is provided to each new employee when he or she begins work. Executive management receives particularly extensive training in this area" (Daimler 2008c and 2009f). The evidence suggests that the training focuses on the risk management components of the Code. There is also no quantifiable data on the "percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations," because "quantifiable data would require unjustifiable expense" (Daimler 2009c). However, in both cases, "for 2009 there are plans to examine whether and to what extent evaluation is possible" (Daimler 2009f).

These data are in contrast with the Company's extensive communication of the Integrity Code's other provisions. According to management representatives the Integrity Code has been communicated to all managers with the demand that they acknowledge its receipt. The Code of Ethics is similarly distributed throughout the company. Moreover "all supervisors and management personnel are responsible for ensuring that all employees are familiar with the contents of the DaimlerChrysler Integrity Code and that they obey the rules" (Daimler 2007, 23). Starting in 2006 hundreds of the company's top management have received training in conferences held throughout the world. In addition to making the Code and the Corporate Policies and Guidelines accessible through the employee portal, the company has also initiated training sessions. Since 2006 "more than 22,000 [employees] worldwide have attended training courses on compliance relevant topics" (Daimler 2009a, 121). Information provided suggests that these training sessions target only employees above a certain grade. While this is an impressive effort it is part of the company's risk management strategy, focusing on corruption, rather than an effort to implement the IFA (Daimler 2008c, 18 and 2009f, 17-19). However, all those trained on the Integrity Code know about the existence of the IFA, if not the means to implement it.

The social responsibility report of the Mitsubishi Fuso Truck and Bus Corporation (Fuso) division (MFTBC 2007, 39) provides some insights into the handling of the IFA in the context of implementation and compliance with the Code. In 2006 Fuso revised its code to “match Daimler’s regulations on ethics and to present them in a manner to which MFTBC employees could more easily relate” (MFTBC 2007, 40). Its Framework for Corporate Ethics Management (as of June 2007) seems to be integrated within Daimler’s Corporate Compliance Organization while also preserving some operational autonomy. There is clear emphasis on ethics and, in particular, on the anti-bribery policies and guidelines issued in October of 2006. Fuso’s report indicates that the company has also issued a ‘compliance charter’ and a ‘compliance card’ that includes the charter and which can help each employee to monitor their own activities. There is no evidence that the charter and the card also include the IFA principles. This is a noticeable gap because Fuso has its own global operations and supply chains into countries with weak labor rules, such as Indonesia.

During 2008 the company established a Sustainability Board, supported by a Sustainability Office to systematize and optimize “its sustainability management throughout the Group” (Daimler 2009d, 13). The Board has “assigned a comprehensive work program, with specific targets and measures”, for each of its focus areas which include, amongst others, employees, stakeholder dialogue and compliance (ibid). Associated with this initiative are the monthly Daimler Sustainability Newsletter, first published in July 2008, and the Sustainability Dialogue.

The first Dialogue took place in November 2008 and was addressed by the chairman of the Board of Management Dr. Dieter Zetsche, underscoring the high priority placed on the event (Daimler 2008g). While his speech does address social and labor issues the majority focuses on the environment. The list of participants does not include any unions or employee organizations, although some did attend, according to information provided to the author by participants.²¹ The same sources pointed out that labor rights/human rights, particularly along the supply chain and in countries with weak labor rights, were important concerns raised by stakeholders although they do not seem to have been discussed in detail. So far the company has not produced an assessment of what was accomplished and what the next steps should be. The company has produced, however, a survey of the Dialogue that is largely about the process.²² In general, the company’s initiatives on sustainability are encouraging, provided that they become more profound, as indicated by the external reviewers of both its environmental and social policies (Daimler 2009d, 49 and 61). It particular it remains to be seen whether labor rights will receive as much attention as other priorities.

While these have been the efforts of the company to communicate the IFA, the efforts of the WEC and IG Metall have also been very limited. The WEC has sought to take advantage of various public meetings to publicize the IFA while IG Metall has produced some useful publications which are about IFAs in general (Rüb 2006). The IMF also commented on the agreement in the course of its review of the IFAs strategy in late 2006 and has organized training sessions on IFAs in South America. The International Association of Machinists in the USA has held some training on IFAs for its organizers while the Brazilian CNM/CUT also has engaged in communicating the actual IFA amongst its members and has provided some training about its use. A review of the websites of the

²¹ List of participants in author’s files. Background information provided by attendees.

²² In author’s files.

major non-German unions that have seats on the WEC revealed that only that of CNM/CUT has something about IFAs that is reasonably accessible.

An interesting effort to publicize the agreement and bring onboard various civil society organizations took place in February 2003. During a meeting organized by the WEC, representatives from various organizations (government, national unions, Global Union Federations and NGOs) commented on IFAs, in general, and the specific agreement, in particular. Evidently there were some concerns about the non-binding nature of the agreement expressed by some of the civil society organizations participating. It does not seem that this effort has been followed-up.

Compliance. During the last few years the company has paid increasing attention to compliance. In 2005 it set up a Compliance Committee “composed of high-ranking and experienced executives from the...Legal, Corporate Audit, Finance and Controlling, [and] Human Resources, and Sales” departments that meets every three months and represents the Board of Management on all compliance issues (Daimler 2008b).

The Compliance Committee “approves and controls the implementation and execution of our Ethics and Compliance Program” (Daimler 2008b). It also “controls and monitors the integration of compliance aspects in the Group’s business and personnel processes...” and “approves all of the Group’s guidelines” (ibid). In early 2006 the Company also set up a new Corporate Compliance Operations (CCO) department to implement the Committee’s directives as well as develop a “Group-wide compliance organization”. The head of the CCO reported directly to the Management Board, and “regularly informs the Compliance Committee and the Supervisory Board’s Audit Committee about all of the department’s activities” (ibid).

Corporate Compliance Operations was further strengthened in February 2008 with the establishment of the position of the Chief Compliance Officer and the appointment of Mr. Gerd Becht while later during that year the CCO “was integrated into the Legal Department to create a new Legal & Compliance unit” (Daimler 2009g). At the end of 2008 “The Board of Management decided to replace the Compliance Committee with the Group Compliance Board”, to further centralize and streamline compliance. As of March 2, 2009 corporate compliance employed 50 people at headquarters and 85 Local Compliance Managers –up from 50 reported the previous year (Daimler 2009f, 19). Moreover, since 2006 the company has conducted training programs for more than 22,000 employees all over the world (Daimler 2009f, 18). These training programs, as well as the whole compliance mechanism, focus largely on corruption, something that management is clearly aware of. In a recent in-house interview, for instance, Gerd Becht, Chief Compliance Officer at Daimler, seeks to connect compliance with sustainability, more broadly (Daimler 2009e, 66-67). These connections remain fairly general, however.

In order to improve compliance across the corporation the CCO set up a Compliance Consultation Desk to answer employee questions on the application of the Group’s standards of business behavior. While the Compliance Consultation Desk is intended to answer questions the Business Practices Office (with desks in Germany and the USA) receives, amongst other, reports concerning suspected violations of the legal regulations, including punishable conduct in particular, and violations of internal rules (e.g., of the Daimler Integrity Code)” (Daimler 2009g). There is information on the distribution of complaints and the degree to which they involve the IFA but management is not ready to

share it.²³ So far, none of the nineteen disputes about the IFA (discussed in section 4, below) have been referred to the WEC and central management from the Business Practices Office. This may have to do with the fact that the office deals with specific persons rather than collective problems.

The verification of compliance, including complaints to the Business Practices Office, lies primarily with the Corporate Audit Department which is “responsible for independent investigations to find out whether its employees are working in compliance with Group guidelines and the relevant principles of behavior and legal regulations” (Daimler 2008b). There is no external monitoring and verification but the Company does use the services of an external advisor on compliance. While compliance was an important issue for the Audit Department during 2008 there is no indication that its deliberations involved the IFA (Daimler 2009a, 138-139).

In general, I believe that it is fair to conclude that while the mechanisms for monitoring and verifying the IFA are now there, they have been used to deal with risk management. On the basis of the information that I have collected it would not be appropriate for the Company’s public statements and reports to leave the impression that the implementation of the Integrity Code implies the implementation of the IFA.

3.2 IFA application and compliance with respect to suppliers and business partners

Daimler was publicly proud of its Extended Enterprise Program “which is based on evaluation of key supplier data and expectations by the company on supplier contact” (Palmen 2007). According to Mr Deiss, head of global procurement and supply for the Mercedes Car Group the company expects its “suppliers to align their supply chain in a process-oriented manner, in the same professional way as we do” (Palmen 2007).

Daimler unveiled the successor to the Extended Enterprise Program - the Supplier Network model - at the March 12, 2009 meeting of its key suppliers and modified its portal to reflect that model on March 22. The new model reiterates that supplier performance will be evaluated in terms of Quality, Technology, Cost and Supply –the same performance criteria used under its Extended Enterprise Model. These performance criteria are accompanied by the values of Reliability, Credibility and Fairness (Daimler 2009h and i). Suppliers with an outstanding record in the performance variables are rewarded with “coveted awards from DaimlerChrysler” (Palmen 2007; Daimler 2009j). Available evidence suggests that in the very recent past the number of suppliers that were eligible (at least 3 million Euro worth of business with multiple divisions of the company during 2007) was 175 (Palmen 2007) – a large but not unmanageable number. That the number of major suppliers is large but in the very low hundreds is confirmed by the fact that the total number of attendants at the March 12, 2009, key supplier meeting was 500, including company officials (Daimler 2009j).

In its 2009 GRI Index, which covers up to March 2, 2009, the company states that there is “active communication with our suppliers...carried out via the DaimlerChrysler Supplier Portal, mailings, and the Global Supplier Magazine. All suppliers also receive the Daimler Integrity Code and the Daimler Supplier Guideline on Sustainability. These

²³ The Company’s 2008 and 2009 GRI Indices (Daimler 2008c; Daimler 2009f), however, state that there were no “specific quantifiable data” with respect to “total number of incidents of discrimination and actions taken.”

guidelines clearly show the expectations of Daimler with regard to adherence to these standards” (Daimler 2009f, 16). The 2008 GRI Index states that “There is no active monitoring of such compliance” (Daimler 2008c). There is no evidence that active monitoring is now taking place. The letter of Compliance for Suppliers does mention the Integrity Code but focuses on transparency, entertainment, and membership in governing boards (Daimler 2008f). An in-house interview with Heinrich Reidelbach, responsible for global procurement, underscores the fact that while Daimler has now communicated its expectations to suppliers, and expects them to communicate those to their supply chains, there is no plan of action to turn Daimler’s expectations into reality or to monitor how suppliers respond (Daimler 2009e, 42-43). This interpretation has also been confirmed by the interviews. One important divergence, however, is the fact that dealers not owned by the company have in some cases been the targets of more focused communication.

The Company’s 2008 GRI Index states that the company does not have any information on “percentage and total number of significant investment agreements that include human rights clauses or that have undergone human right screenings”. The reason given is that “for a globally operating company like Daimler, the registration of such an index would only be possible with unreasonable effort” (Daimler 2008c, 15). The Company states, however, that they consider human rights issues in all business engagements and that it has set up a task force in order to further improve performance with respect to human rights issues. Moreover, the GRI Index states that “Daimler has coordinated the principles of social responsibility [the IFA] with the World Employee Committee”, and that these Principles have implications for suppliers and business partners. In its 2009 GRI Index the Company states that “we do not report on this issue, since our principles of social responsibility –which we agreed with the World Employee Committee –apply to all employees and their behavior. These principles include the requirement placed on suppliers and business partners to implement corresponding principles in their turn. Therefore, the indicator is not applicable for Daimler” (Daimler 2009f, 16). While this statement reflects the June 2008 Supplier Guideline on Sustainability, an important initiative, it does not seem justified to assume that the Guideline is already implemented on the ground and that Daimler has no further obligations.

Daimler posted the Supplier Guideline on Sustainability on its supplier portal in June of 2008 (Daimler 2008e). This is accompanied by information on ‘compliance at Daimler’ as well as ‘additional corporate information and documents’. The drafting of the Guideline involved various departments, including Human Resources, the Legal Department, CSR, Compliance and environmental experts. The WEC was not involved because they view the formulation of such guidelines as being the responsibility and obligation of management.

The Daimler Supplier Guideline on Sustainability is available in all the major languages and covers working conditions/labor, environmental standards, business ethics and information/communications. Here I am dealing only with the first category. In calling for child labor avoidance it refers to ILO conventions and recommendations. With respect to wages and benefits it refers to fundamental principles but does not specify which ones. It does call for the most stringent standards (industry or ILO) with respect to working hours. Overtime must be voluntary and one day off must be granted after six consecutive working days. Employment must be freely chosen and freedom of association must be respected but there is no mention of the right to collective bargaining. Finally, the Guideline refers to health and safety. The Guideline applies to all suppliers and business partners who are expected to “ensure that the Daimler Supplier Guideline is also observed by their subcontractors and suppliers. We rely on our direct suppliers to communicate and promote actively the standards of this guideline through their entire supply chain.”

What makes the Guideline a promising document is the provision that “whenever the provisions of national or international laws, industry standards and this code address the same subject, the stricter regulation applies”. This commits the company to pursuing the strongest possible regulations and raises expectations in terms of a plan of implementation.

At this point in time, however, there are no specific measures to implement the Guideline.²⁴ Daimler's strategy is to support a common industry standard for CSR with other Original Equipment Manufacturers (OEMs). To that end it is participating in an OEM-wide working group on the creation and implementation of an industry-wide standard that would also impact training and monitoring processes in terms of standardization and simplification. In addition to Daimler the working group includes BMW, Volkswagen, Ford, Volvo Trucks, Renault, PSA, Toyota, MAN, Nissan and the U.S. Automotive Industry Actions Group (AIAG). There is no specific timeline for the production of such an industry-wide standard.²⁵

The lack of urgency evident in applying the Supplier Guideline contrasts sharply with the approach towards the European Union's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) also posted in early 2008 on the supplier portal. The Company asked its suppliers for a contact person in February of 2008 and followed this up with a request that they "disclose their company's intentions in relation to REACH by using the questionnaire provided for this purpose on our Supplier Portal." There is no such reporting requirement with respect to the Supplier Guideline, even from the top tier suppliers and the major business partners.

While Daimler has only recently adopted a supplier policy it has been participating in a pilot project entitled "Transparency in the Supply Chain", a collaboration between the German development agency, the GTZ, and the GRI. The project involves four multinationals (Daimler, Telefónica, Otto Group and Puma) and eleven small and medium enterprises from India, Thailand, Turkey, China, Chile and South Africa. The multinationals were chosen because of their experience in sustainability reporting and the goals were to help suppliers "understand sustainability concepts", "start measuring sustainability performance", "use reporting as a catalyst for change within their organizations", and "report on their sustainability performance" (GRI 2008a).

In the context of that project DaimlerChrysler "welcomed three of its suppliers to its headquarters in Pune, for a workshop between the 24 and 25 of April, 2007" (GRI 2008b) during which DC India management presented the company's sustainability goals. Reportedly two of the three suppliers had already engaged stakeholder groups. The short item on the GRI project news page concludes with the hope that "DaimlerChrysler will play an active role in carrying out this important process." The website of the now renamed Mercedes-Benz India subsidiary provides no further information about interactions with suppliers nor was there any found in trade publications. However the relevant GRI publication (2008c, 14) reports that two of the three companies involved produced draft reports. The lessons from this exercise seem quite useful but the obstacles to generalization also seem quite formidable (GRI 2008c, 14-16).

The participating MNEs seemed willing to attach symbolic recognition to reporting by small and medium size suppliers but thought that business incentives would be premature.

²⁴ The Company reports that during 2008 it "restructured the procedure for dealing with complaints regarding violations of the principles [of social responsibility], and we also redefined areas of responsibility with the Procurement department, which we inform of any such violations on the parts of business partners" (Daimler 2009d, 54). While suggesting a movement in the right direction these changes imply more information sharing rather than implementation.

²⁵ This initiative seems to be a continuation of the group on "Working Standards throughout the Supply Chain." There is no evidence that the group has developed and tested training materials in China, originally targeted to take place during 2007 (DaimlerChrysler 2007, 16).

They indicated, however, that they may be inclined towards “suppliers that take their own responsibilities seriously with regard to sustainability and that reporting suppliers will automatically stand out in the market” (GRI 2008c, 28). At the time of the GRI report (May 2008) the MNEs had not formally committed to any follow up. Daimler continues to be an active participant judging from the presence of a representative from procurement at the October 17, 2008 meeting intended to launch the GRI’s Global Action Network for Transparency in the Supply Chain Program. The Company has not joined the Network (but only two companies have, one of them being Puma).

The examples that follow suggest that there is a certain urgency in terms of implementing the IFA along the supply chain. An IMF-commissioned Report on Industrial Relations and Working Conditions in IMF-related TNCs in China (AMRC 2007) is largely positive with respect to the working conditions and labor relations at the Beijing Benz-Chrysler Company. This seems due to the fact that the company is unionized by an active union with access to policy makers – a legacy of the company’s state-owned origins. The Report also underscores the influence of German unions. The same Report discusses a Chinese joint venture between a private Chinese company and DaimlerChrysler. While working conditions and labor relations seemed satisfactory there was clear evidence that private companies were not performing as well with respect to labor practices. Moreover, in neither case is there evidence that the employees are familiar with the Daimler IFA or other international labor instruments. This is not unique to this company but seems to be a pattern along all the plants and companies investigated by the AMRC.

Chinese labor relations are an important issue for unions and the views amongst them vary. Limitations on freedom of association in China have been the subject of discussion in recent annual meetings between management and the WEC, reflecting the company’s increasing presence in China. As noted, the company has also participated in a project coordinated by the U.S. Automotive Industry Action Group whose goal was to improve working conditions amongst Chinese suppliers but about which there is no further information (DaimlerChrysler 2007, 16). How Daimler and other companies that have signed IFAs handle their production and supply chains in China and India will increasingly become a testing point for IFAs. One of the most important questions, in the case of China, is how the companies will handle unionization efforts that are autonomous from the state-related unions.

Another country that can shed some light on the tensions that can emerge as companies privilege one union over another is that of Turkey (Nichols, Sugur and Demir 2002; Koçer 2007). Turkey is the origin of the largest number of supplier disputes, including two second tier suppliers. In all of these cases the union seeking recognition was different from the union present in the company’s own facilities. There are allegations that the relationships between the incumbent union and Daimler (as well as other foreign companies) have been based on certain bargains that are not consistent with the principles enshrined in the IFA, and that the company has been partial to that union in some of the organizing disputes affecting its suppliers (more on the disputes in section 4).

While the above examples deal with countries where labor laws and practices are clearly problematic, similar problems emerge in the USA, a country with weak labor laws. Efforts by the UAW to unionize a supplier of the Mercedes plant in Tuscaloosa were put on hold for several years after the union halted the election scheduled for December of 2006, accusing the company of unfair labor practices. On July 31, 2008 the National Labor Relations Board (NLRB) entered into a settlement with the supplier after finding that it had engaged in unfair labor practices. As part of the settlement a Board agent visited the shop floor of the supplier “to read aloud a Notice to Employees, reassuring employees, in the presence of their management, of their rights...” (NLRB 2008, 4). Such readings are reserved for profoundly problematic cases and this was the first one in 30 years for the Resident Office (NLRB 2008, 4). There is no evidence that either local Mercedes management or central management directly opposed unionization as there is no evidence

that the company used its influence with such an aggressive anti-union supplier.²⁶ Accordingly, this case does add strength to the hypothesis that Daimler prefers to avoid unionization in its Alabama supply chain.

3.3 Concluding comments on application and compliance

What do communication application and compliance tell us about the nature of the social dialogue at Daimler? The communication of the IFA to the company's own production and distribution chains has not been as aggressive as it should be. The Company has not adopted a plan of action with respect to its own employees. Its compliance mechanism has the potential of truly internalizing the IFA throughout the company, including its non-unionized elements, and thus broadening participation and deepening content and intensity. There is no evidence, however, that the IFA has received the attention that risk-management has received.

Communication across the supply chain was even less apparent until June of 2008. While the company's communication is now strong and clear there is no action plan associated with the Supplier Guideline on Sustainability. The company's participation in the joint GTZ/GRI project is encouraging, provided that it generates appropriate lessons that can then be applied to other parts of the supply chain. It would seem, however, that the voluntary nature of this project is likely to delay any concrete actions. While any plans of action and compliance will involve costs and are legally sensitive it is worth noting that the company spent \$150 million during 2007 to ensure that key suppliers could continue in operation.

Daimler is a highly unionized corporation. Yet, there is some evidence that the company has, on occasion, adopted strategies of union avoidance, has privileged less democratic and transparent unions, and is eager to promote non-union forms of representation in its new and non-unionized plants. It has also not been proactive with the labor practices of its suppliers and business partners despite the fact that it does so with respect to quality, timeliness and costs. Since supplying Daimler, particularly Mercedes-Benz, is a coveted job, the company is uniquely situated to play a leading role.

²⁶ In late 2008 the supplier employees voted against unionization. Relevant documentation in author's files.

4 Implementation of the Daimler IFA: Enforcement

There are two dimensions to enforcement: one involves long term measures to rectify problems and the other consists of short term interventions in response to disputes. Long term measures may be proactive or reactive. Proactive moves would include the company stepping in and helping its own non-unionized units, business partners or suppliers to address a problem identified during monitoring. Reactive measures would aim at correcting problems that have led to a dispute. With these clarifications in mind I first discuss enforcement within the company followed by enforcement along the supply chain.

4.1 Enforcement within the company

Daimler is a highly unionized company, particularly with respect to its production facilities. There are some gaps, however, such as the Tuscaloosa plant in the USA and smaller subsidiaries elsewhere. On the other hand its Chinese operations are unionized but there exist important debates about the nature of Chinese unions, especially in private companies. As far as I have been able to ascertain there have been no instances, as a result of the IFA, of unionization in non-unionized company plants and subsidiaries. In short, this agreement is not what has been called a 'union recognition agreement' whose aim is to simplify the unionization process and facilitate unionization.

So far there has been no IFA-based complaint raised about labor practices in non-unionized company plants (collective agreements would cover unionized plants). The closest would be the involvement of Daimler employee representatives in the Grob case in Brazil, while the local works council was involved in the case of a German supplier to the company's largest plant at Sindelfingen.

This does not mean, however, that there are no problems in company plants, both unionized and non-unionized, that raise doubts about the enforcement of the spirit, if not the letter of the IFA. According to the media, a union-avoidance specialist advised workers at the Tuscaloosa (Vance) plant that opposed unionization in 1999 and 2006 (emercedesbenz.com 2006; Lehr Middlebrooks Price & Proctor 1999, 1) while an unofficial website that seems close to the company promotes an anti-union approach (emercedesbenz.com). The NLRB has also found that management did monitor union supporters during a 2006 union drive. Equally significant are statements by management that suggest that they see the creation of a "team-oriented environment that promotes open communication", "direct access to management" and competitive wages and benefits as a bulwark against unionization (Williams 2007). Union representatives have told the author that, in Turkey, Daimler (and other companies in the metal sector) actively privileges a more collaborative union during unionization drives. In short, Daimler does welcome and encourage human resource strategies aimed to avoid unions – a practice that raises important questions about its new plants in Hungary, India and other parts of the world where unions may not exist, may be fragmented, or may not be autonomous.

4.2 Enforcement along the supply chain

The company has not adopted long-term rectification measures along its supply chain. Moreover, such measures are not likely so long as there is no monitoring of supplier compliance or demands that suppliers report on their labor practices. There is also no evidence of reactive long-term measures resulting from the most successful part of the enforcement process, i.e., its dispute resolution practices. While the company has stepped in to ensure that targeted suppliers and business partners abide by the provisions of the IFA

there is no evidence that the company has offered to help these suppliers to internalize the IFA. The Transparency in the Supply Chain initiative sponsored by the GTZ and the GRI is limited to reporting, and the participating MNEs are not considering concrete business measures to reward or punish suppliers, i.e., measures that they now employ with respect to non-sustainability criteria. Daimler's Supplier Guideline on Sustainability also does not specify concrete measures for improvement and rectification. Under these conditions, successful dispute resolution may create its own problems by pushing bad labor practices further up the supply chain. This could happen if suppliers that have been targeted correct their own problems but displace any costs to their own supply chain. Even so, the dispute resolution record of this agreement is worthy of close attention.

As of May 1, 2009 there have been nineteen disputes brought to the attention of central management. Seven of them remain open but the rest have been resolved satisfactorily.²⁷ The fact that seven cases remain pending, some for longer than two years, is a cause for concern. An equally serious issue is the fact that problems similar to those resolved seem to have re-emerged in some cases.²⁸

In terms of countries of origin eight have been in Turkey, five in Germany, two in Brazil, one in the USA,²⁹ one in Costa Rica, one in Romania, and one in South Korea. In short, while there are more from the global South many are from the global North and, in fact, Germany. This suggests that contrary to the expectation that IFAs would be useful only outside Germany and the global North this is not the case. Interesting developments have been the fact that the first case from the rest of Europe reached the WEC in April 2008 while the first case from Asia was initiated in October 2008. In short, the geographical origins of these disputes have become more global over time.

The disputes were brought to the attention of the WEC by various organizations. Nine cases were initiated by the IMF (one with CNM/CUT), mostly involving suppliers in Turkey. This is due to the close working relations between the IMF and the Turkish metalworkers union Birleşik Metal-Is. The IMF also played an important role in the recent case from South Korea. An additional seven were raised by IG Metall, five of them in Germany. The rest were raised by national unions, including one by the UAW. In general, the cases brought suggest the significance of active unions and of networks connecting unions trying to organize along the supply chain.

Of the nineteen cases, twelve involve first tier suppliers (five in Turkey, three in Germany, two in Brazil, one in the USA, and one in Romania), three involve second tier suppliers –an important development (two in Turkey and one in South Korea), one involves a business partner (Turkey), and three involve dealers (one in Costa Rica and two in Germany). In general, ten of the supplier cases are from the South (including Romania) and five from the North .

Thirteen of the nineteen complaints involved a direct violation of the right to unionize. Of these, ten involved a supplier (two in Germany, one in the USA, one in Brazil, and six in Turkey). The others involved a dealer in Costa Rica and a business partner (sales) in

²⁷ It is also possible that one of the seven cases has been settled but there seems to be some disagreement on that.

²⁸ See See CNM/CUT 2008 on continuing issues at Grob (Brazil), IMF 2009 on Sinter (Turkey) and soL English 2009 on Grammer (Turkey).

²⁹ By some interpretation possibly two. This would raise the number of disputes to twenty.

Turkey. Three involved dismissal of works councils members or hindrance of the operation of the works council (two in Germany and one in Turkey). One case involved the dismissal of a union representative (Brazil), one case involved an illegal lock-out and one involved racism/harassment. What is worth noting, finally, is that in one case (Germany) the dispute involved both hindrance of the operation of the works council and a violation of the collective agreement. Seen from a different angle, therefore, the IFA helped to ensure that legal agreements were enforced – probably a use that was not foreseen by any of the negotiators.

The procedure has remained largely the same.³⁰ The claimant brings the case to the attention of the WEC directly or via others, such as the IMF. The WEC ensures that it has enough detailed information, including names and dates. It then transfers that information, along with a cover letter requesting examination and compliance with the agreement, to the company's Labor Law Department. However, "complaints may also be handled by the Business Practices Office and the Business Practices Committee." Management then communicates with the parties involved and asks that they rectify the situation. There is no evidence that central management undertakes its own investigation. There is evidence, however, that some of these disputes have engendered a process of information gathering and exchange involving the various parties. For instance, central management communicates the complaint to local management which may respond in a manner that may require that the employee-side collect and submit additional information. So far most of the disputes that have reached the central level have been solved in response to central management's request. In the USA case, however, management claimed to be awaiting the decision of the NLRB. As noted, the workers voted against unionization. In light of the NLRB's decision regarding the extreme anti-union approach of the supplier, however, it remains to be seen whether the Company will now enforce the IFA more aggressively in the USA. The successful use of this and other IFAs to resolve disputes in the USA will be, in my view, the litmus test for this and many other IFAs.

While central management has been responsive to complaints raised by the WEC, union action has been important in a number of cases. In the view of union leaders the cases involving suppliers in Turkey were strengthened by international collaboration with the IMF, the EMF and IG Metall. However, their unionization efforts would not have been successful in the absence of local union militancy and pressure in the face of a largely silent local Mercedes management. Industrial action was also necessary in other cases. In a Brazilian case, for instance, the union shut down machines at Daimler for 2 hours in order to force the company to exert pressure on the supplier. Eventually the supplier rehired the fired union representative.

In addition to dispute resolution at the central level there is evidence that the IFA has also been used to deal with disputes at the national level, especially in countries where Daimler is well unionized, such as Brazil. Of course the issue becomes more complicated when Daimler is not unionized, as is the case in Tuscaloosa, or where it may privilege one union over another, as is the case in Turkey.

³⁰ There are various statements in recent company publications that suggest that the procedure "for dealing with complaints regarding violations of the principles" was formalized during 2008 (Daimler 2009c, 54). Employee representatives informed me that the process of dispute resolution has not changed. Thus, references to change probably refer to the internal handling of disputes by management.

4.3 Concluding comments on enforcement

Because the dispute resolution process lacks legal sanction it has allowed for flexibility while its frequent use points to deepening institutionalization. As the number of cases grows there will be a need to combine flexibility with standardized procedures that can be used in difficult cases, such as the one involving the supplier to the Tuscaloosa plant. The record with respect to grievances offers an example of best practice but there are reasons to think that the solutions have not proved long-term in some cases while there is also evidence that disputes take longer to be resolved. Moreover, as the external reviewer of the employee section of the 2008 Sustainability Report points out “a special review of how to adhere to the principles and the obligations they stipulate toward second and third tier suppliers has yet to be conducted” (Daimler 2008e, 61).

In general, this IFA’s dispute resolution record provides compelling evidence that IFAs can produce positive results that can help promote global industrial relations, particularly where there are strong national unions and international networks and a process by which to bring the issue to the attention of the company in a timely manner. A longer-term approach that seeks to improve labor relations amongst suppliers, rather than respond to crises, is now necessary. Delays in solving disputes, coupled with the re-emergence of problems considered solved, will challenge the legitimacy of the dispute resolution process –the most prominent element of the Daimler IFA.

5. Evaluation

Management reports to the WEC annually on the implementation and enforcement of the agreement. While the meetings between the WEC and management cover more than the IFA, this reporting is a regularized process that allows the WEC and the unions represented on it to take stock of IFA-related developments. During these meetings the WEC can also identify and communicate to management the aspects of the IFA that require further attention, such as the need for more communication or training. On balance, then, there is a regularized system of communication and discussion over implementation and enforcement issues between management and the WEC.

There is no systematic process, however, to ascertain what the impacts of implementation and dispute resolution have been. This is consistent with what the company has reported to the GRI regarding its inability, so far, to monitor whether suppliers are conforming with the IFA. Moreover, as I have noted above, it would be unfortunate if successful dispute resolution were to actually drive compliance problems further up the supply chain. Given the significant record of the company with respect to dispute resolution, the developments with respect to compliance, and its prominent initiatives with respect to Sustainability it would be useful to take stock of the record of the IFA as we complete seven years after its inception.

General Conclusions: The Trees and the Forest

I noted in the introduction that the Daimler IFA offers a number of examples of good practices and that its institutionalization raises important lessons for the future of the global social dialogue and industrial relations that is emerging as a result of the IFA strategy. Here I want to elaborate on these two suggestions in light of the evidence provided, moving from the specific to the more general.

Good Practices. One of the major goals of unions has been the creation of corporation-wide employee organizations and networks. The World Employee Committee does certainly qualify as such an organization and network. While it does not include representatives from all countries it does represent the major countries where Daimler is operating.

The fact that this is an employee organization, rather than a union organization or network, raises important questions about the relations between employee organizations and unions and about the broader implications of this case, and other similar ones, for global social dialogue. One can envision, for instance, strongly institutionalized social dialogues at the level of individual corporations with strong employee organizations which do not translate into broader global social dialogue between management and workers. The strength of the General Works Councils and the indirect role of the IMF lends support for this possibility in the case of Daimler.

The integration of the IFA into the company's Integrity Code is, potentially, an example of good practice. Treating IFAs as auxiliary to the core culture and operations of the company suggests that the IFA can be easily jettisoned since it may have not required the approval and commitment of the company at all levels. Because the company has had to face and is facing some important legal issues not related to the IFA, it has prioritized implementation of and compliance with the risk management provisions of the Code. While such prioritization is necessary there is evidence that the IFA has received no or very limited practical attention at the implementation and compliance levels, even though the mechanisms are now there to do so.

While the potential for more profound implementation and compliance with respect to the company's own operations is there, this is not the case with respect to the supply chain, despite the promulgation of the Supplier Guideline on Sustainability. Participation in the Transparency in the Supply Chain project of the German development agency and the Global Reporting Initiative seems largely informed by the company's CSR approach rather than the more profound commitments implied by the IFA. The company's accomplishments with regard to the economic part of its supply chain suggest that, while challenging, the integration of the labor provisions is not prohibitive. This is also underscored by its more aggressive approach to the implementation of the EU's REACH policy.

One of the most prominent best practices associated with the Daimler IFA is that of dispute resolution. Through collaboration between the WEC and central management, and openness to parties along the supply chain, the case here exhibits an admirable record. If this record were to be combined with longer-term initiatives to avoid pushing labor violations up the supply chain it would truly make this a path-breaking agreement. Seven years into the IFA's operation, however, no such initiatives have been developed nor is there evidence that any will be in place in the near future.

Global Social Dialogue. Is the Daimler IFA an example of global social dialogue that reflects the principles of the ILO and the MNE Declaration? I believe there is evidence that the social dialogue associated with this particular IFA has not stopped with its negotiation. As noted, the WEC reflects an important institutional development at the level of Daimler and provides an example of a new generation of global labor organizations. What is significant here is that the institutionalization of the WEC is based both on the national industrial relations of the country of origin and the dynamics between management and the WEC that have developed since.

While there is evidence of social dialogue between management and employees there is no compelling evidence that unions and management in the supply chain have entered this dialogue. This is not to say that there are no elements of global industrial relations emerging as a result of the dispute resolution process. Rather, that unions and management along the supply chain do not have direct voice in this global dialogue. Such a situation could be rectified somewhat with a stronger role by the IMF or the EMF (European Metalworkers' Federation). It could also happen through a dramatic, and less likely, reconfiguration of the WEC to reflect the actual footprint of the company along its supply chain.

So long as Daimler remains incorporated in Germany the WEC's continued existence will be supported by understandings and compromises between the General Works Council and IG Metall, on one side, and management on the other. In this and other cases, we should not underestimate the global shadow of domestic industrial relations. Even so, there are various scenarios that would upset this balance. One would be the dismantling of the German co-determination system. Somewhat more likely would be the incorporation of Daimler at the EU level, although the company has not made any statements to that effect. A third would be the aggravation of labor-management conflicts within Daimler as a result of the crisis. The recent decision to cut expenses via a shorter workweek may well undermine the 2004 agreement on redundancies (Dribbusch 2009) and may lead to major problems for IG Metall and the GWC. A fourth, and related scenario, would be that of strong disagreements between key unions along the company's global production network, conflicts that can very well be exacerbated by the current crisis.

This crisis has affected Daimler, if less so than USA companies. For instance, it has led to the suspension of production in some plants as well as an agreement between management and the General Works Council on salary reductions. Yet, Daimler states that it will stay its sustainability course, which includes the IFA, and is investing resources in countries it considers pivotal. These 'internal' developments indicate that while the crisis is

having serious impacts, the responses are strategic and, thus, variable. I believe that the outcomes of this crisis on the automobile sector will be momentous but I hesitate to explain every aspect of the future in purely economic terms. Political choices are also likely to play a pivotal role, whether these involve state intervention to protect jobs and national companies and/or prevent the resolution of the crisis by further weakening industrial relations (Schwartz 2009; Maynard and Bunkley 2009).

The institutionalization of the IFA also depends on the dynamics that have developed since the formation of the WEC and the negotiation of the IFA. Both management and employees feel committed to sustained dialogue, with management emphasizing the “good global labor relations” aspect while employees the negotiation aspect of the dialogue. It is possible that this social dialogue will never cross the threshold to some form of legally or socially enforceable agreement. But it is also very possible that it will do so in a manner that the participants themselves may be able to identify only with hindsight. This is so because ever since the signing of the IFA employees and management have been engaged in ongoing low level ‘negotiations’, particularly with respect to the resolution of disputes. The fact that this is a dialogue between a global employee organization and management, with limited participation by the IMF, does raise an important question as to whether its further institutionalization will contribute to a patterned form of global social dialogue between workers and employers. In closing, one of the characteristics of IFAs that is both apparent and underappreciated is that they are the only example of negotiated instruments of any kind between unions or employee organizations and corporations at the global level, with the exception of an International Transport Workers’ Federation collective agreement (Lillie 2006) and, perhaps, the Health and Safety agreement with ArcelorMittal (USW et al 2008). IFAs are not one type of global negotiations amongst many: they are the only type. That automatically differentiates them from other negotiated multistakeholder arrangements. The difference is not a formal one. Both IFAs and a number of other codes are negotiated. The difference can be appreciated only in the light of the long resistance of corporations to negotiate with transnational and global unions.

The under-appreciation of IFAs, however, is based on real concerns about their potential. Can IFAs move global social dialogue beyond the new generation of multistakeholder corporate social responsibility, best reflected by the Global Compact, the GRI and the ISO? Or, do they have the potential to move us in the direction of stronger global social dialogue and social accountability? As noted in the introduction, IFAs are an important battleground for these two visions. The future will show which of those two visions will prevail and, more likely, what hybrids will emerge. Anticipating these outcomes will require that we pay close attention both at the social contexts of the IFAs as well as the dynamics of their implementation.

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