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## Working Paper

Beyond the organisation and beyond the nation state...and the employment relationship, same as it ever was? Global value chains and the challenges for Industrial Relations Research

Birmingham Business School Discussion Paper Series, No. 2013-14

### Provided in Cooperation with:

Birmingham Business School, University of Birmingham

*Suggested Citation:* Rainbird, Helen; Robinson, Pamela K. (2013) : Beyond the organisation and beyond the nation state...and the employment relationship, same as it ever was? Global value chains and the challenges for Industrial Relations Research, Birmingham Business School Discussion Paper Series, No. 2013-14, University of Birmingham, Birmingham Business School, Birmingham,  
<http://epapers.bham.ac.uk/1882/>

This Version is available at:

<https://hdl.handle.net/10419/202657>

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# Birmingham Business School

Discussion Paper Series



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Discussion Paper: 2013-14



Beyond the organisation and beyond the nation state ....and the employment relationship, same as it ever was? Global value chains and the challenges for Industrial Relations Research.\*

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\* This paper was presented at the BJIR 50<sup>th</sup> Anniversary Conference entitled 'Across Boundaries: An Interdisciplinary Conference on the Global Challenges Facing Workers and Employment Research' at the London School of Economics and Political Science on the 12<sup>th</sup> December 2011.

**Beyond the organisation and the nation state...and the employment relationship, same as it ever was? Global value chains and the challenges for Industrial Relations research.**

**Abstract**

Global value chain (GVC) analysis (e.g. Gereffi, 1994) has been developed to understand the potential for developing countries and companies to upgrade production processes and capture value. Theoretically pluralist, it provides a methodological framework for posing research questions about the nature of globalisation. For Industrial Relations scholars it raises questions about the role of lead companies in setting standards amongst suppliers in the value chain, the influence of private labour codes and standards, Corporate Social Responsibility policies, forms of supranational regulation, and the role of civil society organisations in pressing for labour standards. New research questions are raised which require looking beyond the traditional components of the Industrial Relations system - the state, employers and unions - requiring inter-disciplinary engagement with debates in Development Studies and Economic Geography, and with researchers from the 'global South'.

Global value chain analysis, labour regulation, public and private standards, Industrial Relations research

Word count 8,575 including one Table

## **Introduction**

Industrial Relations scholars have been slow to recognise the challenges for research and practice posed by the changing nature of global production and distribution processes, and the implications of regulating supply chains for labour standards, Flecker and Meil (2010), Riisgaard and Hammer (2011), and Weil and Mallo (2007) being notable exceptions. The spread of multinational companies (MNCs) and the increased opportunities for firms to delocalise and relocate production across national boundaries limits national capacities to regulate work and employment practices, and as such, there is a need to go beyond the organisational form of MNCs and national institutions. A focus purely on the intra-firm relations of MNCs ignores the influence that other firms have on systems of labour regulation through their dominance of international supply chains.

Global value chain (GVC) analysis (e.g. Gereffi, 1994)<sup>i</sup> has been developed primarily within Development Studies and Economic Geography to understand the changing nature of global production and distribution processes, and the relationships between firms in internationally dispersed activities in different parts of the process of value creation. Initially developed within world-systems theory, as this body of literature developed it focussed increasingly on the role of powerful companies in driving production chains, raising questions about governance in the global economy (Gibbon et al. 2008). A focus on the creation and distribution of value has important implications for labour and labour relations and the share that different stakeholders receive from the creation of value in the production process, especially where power and control are exercised by major players outside the workplace. Many of the authors working from this perspective have focussed on the potential that firms' and countries' engagement in GVCs has for the upgrading of production processes and their ability to capture value. Whilst Barrientos et al. (2010), Knorringa and Pegler (2006), and Palpacuer and Parisotto (2003) have examined their implications for labour in developing countries, these debates have not engaged Industrial Relations (IR) scholars, whose focus is primarily on formal structures and the industrial relations actors in the developed economies. Whilst Economic Geographers such as Herod et al. (2007), have called for geographical space to be made more central to the theorisation of work and employment practices, IR as a field of enquiry and practice has yet to rise to this challenge.

The argument of this paper is not that IR as a field of enquiry has no perspective on the challenges of globalisation for systems of labour governance, within and beyond the nation state. On the contrary, even the most cursory review of the literature since the 1990s demonstrates flourishing of research on MNCs (Edwards and Kuruvalla 2007; Ferner 1998) on cross-national research, particularly within Europe; coverage of industrial relations systems in other nation states, of the emergence of a system of multi-level governance within the European Union, new European level institutions (Marginson and

Sisson 2004). Equally studies have focussed on the challenges for trade union organisation in a global economy (Hyman 1999; Meardi 2010), and the role of international bodies such as the International Labour Office (ILO) and international framework agreements in setting labour standards (Jacobi et al. 2007; Tsogas 2001).

Rather, despite these developments, we do contend that IR scholars need to confront the challenges of the changing structure of production and distribution, and this requires a focus beyond the organisation and beyond the nation state, the archetypal frameworks for examining industrial relations processes and actors. What GVC analysis does is highlight international power relationships both beyond the organisation, beyond the nation state and, in bringing together considerations of production and distribution, beyond the sector. Gereffi's (1994) distinction between producer and buyer-driven value chains is particularly significant here, representing the difference between industrial and commercial capital. This means that powerful players within the value chain can be located in different industrial sectors and different countries from the producers, undermining the basis of traditional forms of international labour solidarity.

The externalisation of processes and functions, often driven by considerations of shareholder value (Gibbon et al. 2008), has implications for employment relations. The ways in which employment is managed across organisational boundaries, whether it is agency workers or a variety of forms of inter-organisational contractual relationships (Marchington et al. 2005) has been explored by a number of authors. These include studies of the relationship between manufacturers and their supply chains, such as components in the automotive industry (Froud et al. 1998; Pugliano 2002) and relationships within the food supply chain (Holgate 2005; Lloyd and James 2008; Wright and Lund 2003). The international dimensions of outsourcing have been well-established in particular forms, such as call centres (Russell and Thite 2008; Taylor et al. 2002), but the wider implications of GVC relationships for labour have been less explored. Whilst Lane and Probert's (2009) study of the clothing industry is exceptional in addressing the institutional characteristics which shape lead firm's engagement in value chains, the wider connections between GVC analysis and social institutions governing labour have yet to be explored (Ramirez and Rainbird 2010).

Economic and political globalisation has a dual impact on collective interest groups. As far as business interest organisations are concerned, globalisation raises questions about nationally based systems of interest representation (Schneider and Gröte 2006:5). The emergence of the EU as a regional political bloc has implications for lobbying in relation to policy-making and for representation at European level. National business interest organisations are also under pressure from multinational firms, whose mobility across borders and ability to lobby governments directly devalues the benefits of membership of nationally based organisations (Schneider and Gröte 2006:8). They engage in international market governance mechanisms, and are increasingly involved in 'trans-national self-regulation' (Coen and Grant 2006:14). In the same way, as outlined above, nationally based trade

union organisations have difficulty in representing workers in internationally dispersed activities and acting in the interest of migrant workers. In their study of international labour sub-contracting on a construction site in Finland, Lillie and Sippola (2011) argue that the structure of the European labour movement is incompatible with a transnationally mobile workforce. Their key point is that a ‘unified concept of citizenship is connected to territorially sovereign states which are being dismantled by the EU’ and that unions are ‘unprepared to contest or to shape this “disaggregation” of citizenship because of their continuing basis as actors in national systems’ (2011:293).

Labour governance systems have shifted towards private systems and practices e.g. labour codes and standards. In consumer product markets, international retailers have an interest in being seen as socially responsible in their sourcing strategies. These retailers depend on overseas production networks, particularly for food products that require certain climatic conditions or for garments which require low-cost labour in order to be competitively priced in the market (Robinson 2010). The power that major brand retailers and supermarkets wield in international supply chains and the ways in which MNCs cut across regimes of national governance has also led to the emergence of new industrial relations actors, e.g. civil society organisations (CSOs) and community based organisations representing labour (Heery and Frege 2006; Pollert 2005), and further highlights the need to adapt the IR framework to the changing nature of labour markets and worker identities (Piore and Safford 2006).

As a consequence, our key argument is that organisational processes have changed to such an extent they no longer fit a framework which focuses only on the IR actors of nation state, trade unions and employers. GVC analysis provides a framework for understanding the complexities, interdependencies and power relationships within international supply chains. It is necessary to consider who rules in GVCs and how this control influences the employment relationship, that is, who is setting the conditions of employment (e.g. types of contract) and labour standards in the extended chain? Whilst GVC analysis requires looking beyond the traditional conceptualisation of what Edwards calls the components of the IR system (2003:8), we would argue that an IR perspective on the employment relationship as a site of conflict and power remains as relevant as ever to understanding labour regulation. In other words, the analytical framework is as valid ‘as it ever was’ but a focus on the nation state and traditional actors is no longer sufficient and we need to go ‘beyond’ them.

This paper is divided into three sections. In the first section, we examine the implications of GVC analysis for raising new questions about the regulation of labour and the IR actors of nation state, and the collective organisations of labour and capital. In the second section, we examine the implications for labour regulation and the levers for improving labour standards. The final section draws out the implications for IR research, highlighting the need for inter-disciplinary engagement with debates in Development Studies, Economic Geography and International Political Economy, on the one hand, and with researchers from the ‘global South’ and their perspectives, on the other.



## **Implications of GVC analysis for raising new questions about the regulation of labour and the IR actors**

It is important to emphasise that there is no one unifying theory of GVCs. Rather, Gibbon et al. (2008) argue that the concept has been used eclectically by authors working from different theoretical positions to explore the nature of globalisation. They argue that it is best understood as a methodology, allowing researchers to ask a better class of question.<sup>ii</sup> Attempts have been made to develop the concept theoretically and whether GVCs could be better classified as production networks (Coe et al. 2008). From our perspective, the critical issue does not relate to typologies and definitions, but how an understanding of the international organisation of production and distribution can shed light on power relations and how value is distributed between the actors. GVC analysis represents a methodological tool for exploring power relations within value chains and for identifying the constraints and opportunities for labour agency. Governance in these chains is a process of exercising control through the specification of the product, the quality, the quantity and when it should be delivered. This includes how it should be produced and at what price (Robinson 2010). When firms take this directive position and shape the relations in the chain, they can be viewed as the 'lead' firm. Gereffi (1994) focused on the inter-firm linkages of value chains, in order to assess the degree of coordination and control of firms involved in international business activities. He makes the distinction between two main forms of governance in GVCs, a producer-driven chain and a buyer-driven chain (1994: 97)<sup>iii</sup>. This approach focuses on the role of the lead firm in a given value chain and examines how the firm leverages its position to shape relations with its immediate suppliers (Gereffi et al. 1994). In this regard, first-tier suppliers are expected to ensure standards (chiefly quality, delivery and price) are maintained throughout the chain, which may at times be in conjunction with third-party auditors and certification bodies (Ponte and Gibbon 2005).

In GVCs, power (or control) is mainly associated with a system of coordination across firms, rather than direct ownership within firms. The importance of this approach is its focus on the forms of integration within the chain, as chain coordination allows 'driving' agents to institute measures that reduce costs and risks, whilst maintaining supply and ensuring sales. Market access in developed countries has become increasingly dependent on participation in international supply chains governed by lead firms and consequently, governance is increasingly independent of its institutional context (Humphrey and Schmitz 2002). A key to the definition of governance is how particular firms set, measure and enforce certain parameters under which other actors in the chain operate (Gereffi et al. 2005). The organisational context of lead firms allows a variety of forms of coordination to be identified – market, modular, relational, captive and hierarchy – which range from low to high levels of coordination and power asymmetry (Gereffi et al. 2005:78). Gereffi et al. suggest that governance in value chains develops 'regardless of the institutional context' (2005:99) and as such, power in GVCs is de-coupled from the impact of state regulation and trade regimes. Their analysis of power relations suggests that, as forms of coordination move from market to hierarchy, the degree of power exercised

by the dominant actor in the chain increases. In buyer-driven chains, especially those led by branded retailers and supermarkets, governance is a process of exercising control through the specification of product standards – the quality, quantity and price. This form of governance (characterised as both relational and captive) is most recognisable in fresh produce supply chains, which is largely attributable to the concentration of supermarket retailing and supermarkets' control over market access and market information, e.g. consumer demand (Robinson 2010; Tallontire et al. 2011). Supermarkets use their buying power to coordinate and control the chain to meet their requirements, which enables them to extract higher economic rents/or profits. However, supermarkets are not necessarily the only dominant actor in global value chains. For example, in the banana supply chain there are industrial-scale highly integrated producers whose control of certain activities (distribution and ripening) characterise modular forms of coordination (Robinson 2010). Relationships of a 'market', 'modular' and 'relational' forms of coordination between firms may exist at different points in the same global value chain. These categories refer to inter-firm relations at particular nodes within the chain and do not characterise governance in the chain overall (Ponte and Gibbon 2005).

Markets are dynamic and continuously evolving, which gives relationships in GVCs a temporality and relational nature as firms attempt to reorganise and adapt to meet market requirements (Bair 2008; Coe et al. 2008). This creates a conceptual and empirical challenge for researchers examining labour representation, which is based on nationally bound rule-making principles and procedures. The key problem is that partners in the rule-making process are constantly changing and evolving. This raises fundamental questions of who represents given actors' interests, and labour interests, in particular. This is complicated by the fact that GVCs involve relations between actors in different parts of the world. For example, in the apparel industry value is mostly attributed to design and branding activities, located in the lead firm in the developed country. The assembly of the final garment is outsourced to low costs producers in a developing country (Anner and Evans 2004; Prieto-Carrón 2004). Not only are wages and conditions inferior in developing countries to those where the lead firm is located, but producers may be located in processing zones which are excluded from national systems of labour regulation, such as the *maquiladoras* in Central America (Prieto-Carrón 2004) and Export Processing Zones (EPZs) in South Asia (Gunawardana 2007). As Barrientos (2008:980-1) has pointed out, cost pressures imposed by lead firms on suppliers result in the systematic use of casual and outsourced labour, as suppliers pass risk on to workers. The outsourcing of labour is part and parcel of the strategy of cost reduction and the exercise of power over the supply base, leading Barrientos (2008) to identify contract labour as the 'Achilles' heel' of lead firms' implementation of labour standards to which they are committed through corporate codes of conduct. The need to exercise control over suppliers' quality standards may result in lead firms setting up production sites in such as way as to reduce suppliers' inputs into, and discretion over, the production process. Anner's (2010) research on the segmentation of apparel production in Central America shows that assembly plants were primarily

providing outsourced labour, rather than other inputs such as fabric into the final product. As a result, labour represented a high proportion of the plants' total costs, providing little scope for the firms or for labour to bargain to increase their share of the value produced.

Yet these contradictory pressures for cost reduction and the provision of quality assurance to consumers also create the potential for civil society organisations to exercise countervailing power to the commercial power of buyers, allowing them to identify leverage points to support suppliers and workers as they engage with buyers (Barrientos 2008:983). Despite the commercial logic of cost pressures, lead companies need to maintain consumer confidence and protect brand image. Standards apply not just to product characteristics, but also to process and production methods, including the certification and monitoring of social and environmental standards, through adherence to externally verified labels and codes of conduct (Ponte and Gibbon 2005). Whilst there are limitations to the effectiveness of auditing corporate adherence to codes of practice, Barrientos notes that they allow multiple strategies to be mobilised by civil society organisations relating to their implementation and monitoring in lead firms and targeted contractors, and in mounting consumer and political campaigns, which together provide 'a complex array of positioning and bargaining strategies ....in diverse contexts' (2008:987).

International supply chains are neither linear nor fixed – it is not simply a matter of push or pull – producers and retailers may be in control of different parts of the chain, and as such different power relations exist at the various stages of production and distribution within the same chain. There are different 'pinch points' that impact on the power and the level of control that actors exercise in different value chains (Christopher and Peck 2004; Robinson 2011). Traditional sources of bargaining power at the point of production are one source of leverage and others may be located in the process of distribution. The emerging system of labour regulation, which is largely controlled by private interests, also provides scope for leverage, even if there are limitations to its effectiveness (Barrientos, 2008). We now turn to this emerging system of multi-level governance, in order to identify the levers for labour agency.

### **The implications of GVC analysis for labour regulation and the levers for improving labour standards**

Locating points of influence and control at specific nodes in international supply chains can help identify the levers for improving labour standards. Governance mechanisms within GVCs provide corporations the opportunity to act in a decisive way in the construction and operation of their supply chains. This allows them to capture value by putting pressure on less powerful organisations and employees who work for them. The extent to which these are long-term or more market-type

relationships, and the ease with which the lead firm can replace suppliers by substitutes, affects their ability to extract value from them.

In GVCs there is an international division of labour, with labour in different countries subject to different regulatory regimes. There are a number of well-established approaches to international labour regulation and Block et al. (2001) identify a range of models. These include the legislative model, a more traditional model where labour standards are regulated within a country or within wider jurisdiction and enforcement, such as the EU; the trade sanction model that links labour standards and social clauses to trade agreements e.g. on sugar and cocoa; the multilateral enforcement model which relies on individual countries abiding by their commitments to ILO core conventions. However, during the last decade or so a new model has emerged, the voluntary adoption of labour standards. These voluntary initiatives, which include private labour standards, codes of practice and labelling systems, represent a somewhat novel form of international labour governance due to the degree of coordination required amongst a range of non-state actors and a dependency on different interest groups in terms of their implementation and on-going compliance.

International regulation has emerged as a response to globalisation, involving nation state and non-state actors. Camerra-Rowe and Egan (2010:404) argue that the emergence of international regulators raises significant questions relating to ‘accountability, transparency, equality, enforcement and the role of the nation state’. The establishment of international bodies and private regulatory initiatives may be driven by nation states, private interests, or established by private interests in response to the threat of state regulatory action. They argue that there is a blurring between public and private authority in mechanisms of international governance. In private initiatives, whether the initiative is taken by a single firm or a business interest organisation, some interest groups may not be represented in the rule-making process and this may influence winners and losers in identifying problems and proposing solutions (Camerra-Rowe and Egan 2010:412). It also makes it difficult to identify the public interest, for example, because of conflicting interests between workers and consumers, between developed and developing countries, and between goals relating to employment generation and labour conditions. It is therefore important that GVCs are analysed not just in terms of the perspectives of researchers and labour interest groups in the northern hemisphere where many lead firms are located, but incorporate the perspectives of researchers and labour interest groups from the global south, where large numbers of producers and suppliers in other parts of the value chain are located, and priorities may differ.

There are separate issues relating to the establishment of labour standards, which may be initially achieved through the campaigning activities of CSOs, and often engage with the corporate social responsibility agenda of lead firms and their adherence to external codes of practice; and their continuing defence and enforcement, which require the on-going engagement of worker representatives with the employer on the ground and the involvement of local enforcement agencies. Other forms of worker representation, particularly in Latin American export-producer chains, include solidarista

associations<sup>iv</sup>. In the case of the Costa-Rican banana supply chain this form of worker representation takes precedent over trade unions following the long and disastrous battles between unions and MNC-producers in the mid-1980s which led to the MNCs relocating to nearby Panama and Colombia (Robinson 2011). Enforcement may also involve community-based popular mobilisation.

New forms of international regulation raise important questions of accountability in the setting of private standards. The existence of private standards has the potential to exclude labour from rule-making. This is especially significant in countries where labour movements are weak or where the establishment of new export industries draws groups of workers without experience of collective organisation into paid employment. Even where codes of practice are adopted, these may be captured by dominant interests. Anner’s (2010) study of apparel producers in Central America demonstrates firms’ selective commitment to workers’ rights. Compliance with clauses relating to child labour was more effective than those relating to freedom of association. This was also the case in Díaz et al.’s (2007) study of labour rights in forestry and salmon farming under the labour clauses of the free trade agreement between Chile and the US. Complete compliance was found with respect to child labour, forced labour and minimum wages, but there were weaknesses in areas relating to the externalisation of labour through sub-contracting, prevention of accidents, the length of the working day and in employers’ failure to promote good labour relations.

Forms of regulation vary by sector and issue, and depend on international business groups’ capacity to act relative to other interest groups. In Table 1, we classify existing mechanisms for regulating international supply chains, identifying which organisations they are accountable to, how public interest is represented and the levers for labour agency. In private codes of practice, the corporation is dominant in setting the code of practice, and although there is scope for CSOs and investors to exert influence by naming and shaming poor practices, employee representation is limited, unless there are voice mechanisms at board level in lead firms. With private collective standards, such as those established by an industry body or trade association, these bodies are only accountable to their memberships. The principal lever for labour is exerted through the campaigning actions of CSOs. With labelling systems, such as the Fairtrade Labelling Organisation (FLO)<sup>v</sup> and Social Accountability International<sup>vi</sup>, which provide independent certification and monitoring, CSOs also represent the main levers for labour agency. It is only with tripartite and bipartite forms of governance, such as the ETI Base Code and IFAs respectively, that trade unions act as the voice of labour.

Table 1: Forms of Governance and Levers for Labour Agency

	<b>Accountability</b>	<b>Public Interest</b>	<b>Levers for Labour Agency</b>
<b>Codes of Practice: private individual</b>	Corporations (Lead Firms)	Market	Civil Society Organisations (CSOs) –

<b>standards</b> e.g. ethical sourcing code		Consumers Labour	social Investor advocacy Employee involvement at board level
<b>Codes of Practice: private collective standards</b> e.g. Athletic Footwear Association, The Tea Sourcing Partnership	Business Associations (Industry-led)	Market Consumers Labour	CSOs – social and environmental
<b>Labelling/Certification Systems of Practice</b> e.g. Fairtrade Labelling Organisation (FLO), Rainforest Alliance	Corporations (Lead Firms) Certification Bodies	Market, international trade governance Consumers – social and environmental Labour	CSOs – social and environmental
<b>Codes of Practice: Workers' rights</b> e.g. Clean Clothes Campaign (CCC), Fair Labor Association (FLA)	Trade Unions NGOs	Market Consumers Labour in international supply chains	CSOs – social Trade Unions (global/regional/local)
<b>Multi-stakeholder Tripartite Agreements</b> e.g. Ethical Trade Initiative (ETI), Social Accountability SA(8000)	Corporations (Lead Firms) Trade Unions NGOs	Market Consumers Labour in international supply chains	CSOs– social Trade Unions (global/regional/local)
<b>Multi-stakeholder Bipartite Agreements</b> e.g. International Framework Agreements (IFAs)	Corporations (Lead Firms) Trade Unions	Market Consumers Labour in international supply chains	Trade Unions (global/regional/local)

What we have done here is to outline the different elements which make up the regulatory system as a means of understanding who the actors are in a given supply chain, what the bargaining power of labour is and its capacity for alliances with other actors. What is clear is that extension of collective bargaining through international framework agreements and legal regulation at national or supranational level is only part of the picture. Firstly, this is because they are constrained by the sectoral basis of trade unionism and poorly equipped to deal with cross-sectoral coordination. Secondly, much of the rule-making which is taking place is beyond the control of trade unions and,

indeed, nation states. This raises fundamental questions about the representation of labour interests in international rule-making bodies and the extent to which they are subject to regulatory capture by private interests.

To provide an illustration of how this framework might be applied to a particular GVC, we identify the forms of regulation in the banana value chain, drawing on research conducted by one of the authors (Robinson 2010)<sup>vii</sup>. Due to increased concentration in the world of food retailing, the three largest supermarket groups: Wal-mart Inc., Carrefour S.A. and Tesco PLC hold considerable influence over the production link in the chains that serve them. Their market position empowers supermarkets to insist upon adherence to their CSR policies and demand that certain standards are applied by their suppliers and producers. In many instances, the campaigns of consumer and labour rights groups have made supermarkets more sensitive to the issue of poor employment conditions in international supply chains and this has led to a number of voluntary labour initiatives being adopted in the banana value chain. However, this chain is not a typical buyer-driven chain. The banana is a highly perishable fruit and as such the global export business of bananas relies on a sophisticated supply chain, including refrigerated shipping, ripening centres and distribution facilities in importing countries. It is a vertically integrated, very capital-intensive chain, and is dominated by three large US agribusinesses: Dole Food Company Inc., Chiquita Brands International Inc. and Fresh Del Monte Produce Inc. Together these three MNC producers control approximately 80 per cent of the bananas destined for Northern-based retail markets by owning or subcontracting supplies from Latin American countries.

Nevertheless, many of the forms of governance highlighted in Table 1 above can be found in the banana value chain. The majority of supermarkets, including the three largest groups in the world, which source bananas from the MNC producers, have their own private codes of practice premised on their CSR policies. Tesco, as well as being a member of the ETI, has a 'trading fairly' sourcing policy that supports equitable relations in the supply chains it sources product from. There are also a number of labelling and certification systems of practice across the EU and the US, including Fairtrade and Rainforest Alliance. During 2007, the third largest supermarket group in the UK and a member of the ETI, Sainsburys PLC, committed to only sell bananas that had been certified by the Fairtrade Foundation, the UK arm of FLO.

The multi-stakeholder tripartite agreements that apply in the banana chain are the ETI Base Code and the SA8000 Standard. Both the ETI and SA8000 agreements draw on the ILO core conventions, although they have differences in the way they are implemented and administered. A key criticism raised against these forms of labour governance is the fact that they represent corporate self-regulation. The monitoring process for compliance to the ETI code is conducted by the corporate members with little involvement of the other member groups (trade unions and NGOs), and the SA8000 standard is audited by independent third-party organisations, which in essence is one corporate entity checking another. There is also a multi-stakeholder bipartite agreement in the banana value chain, an

International Framework Agreement (IFA) signed in 2001 by Chiquita, the global union federation the International Union of Foodworkers (IUF) and the Central America trade union COLSIBA (Coordinadora Latinoamericana de Sindicatos Bananeros) (Robinson 2011). However, whilst IFAs set minimum labour standards that MNCs are obliged to abide by (often including subcontractors), and trade unions are involved in a review committee that monitors compliance and ensures labour rights, this approach has been viewed as less effective than collective bargaining agreements. Largely this is because the IFA applies only to plantations in Latin America and not along the whole of the Chiquita supply chain. Also, the failure by trade unions to enlist others to adopt an IFA amidst producers' claims that their commitments to ETI and/or SA8000 and the small number of union members on their plantations make this additional level of labour governance unnecessary, has led to a devaluation of IFAs in the banana chain.

Hence, the role of supermarkets as key actors in the chain persuading their supply base to adopt better employment policies and practices has to be balanced by the degree of power the banana MNCs have in terms of managing labour relations to their own dictate. As a consequence of this and the structural nature of the industry, there are several different forms of governance at play in the banana value chain. This exemplifies the point made by Gibbon and Ponte (2008) – that one form of governance cannot be assigned to the whole of the chain. For instance, the banana industry has suffered from overproduction and oversupply in the market for some years, and subsequently the switching costs from one source of supply to another are low, which largely benefits the supermarkets. Yet due to increased demands for lower prices, made by the supermarkets both in the EU and the US, producers have also switched sources of supply by transferring some of their production from higher-cost countries with greater labour protection, in the form of minimum wages and Labour Laws e.g. Costa Rica, to low-cost, less well legislated operators in West Africa (the Ivory Coast and the Cameroon). These could be considered as market forms of governance (Gereffi et al. 2005). There is also the example of a modular form of governance, whereby producers adopt the supermarkets' specification as regards quality standards and supply arrangements (JIT), as well as labour standards such as those specified in the ETI base code. The 'relational' form of governance where more complex interactions between sellers and buyers take place, often with a high degree of mutual dependency (Gereffi et al. 2005) is also prevalent in the banana chain. Relationships between producers and supermarkets tend to be embedded more than in other value chains, which in part can be attributed to the development of an international multi-stakeholder forum during the last decade. The forum, which involves representatives from corporations, trade unions, CSOs, governments and trade organisations, is pertinent to the way that various actors engaged in the chain are attempting to work together. The rationale behind the creation of this forum, namely the World Banana Forum<sup>viii</sup>, is to ensure a sustainable banana industry for the future – a key part of which is good labour practices.



Nevertheless, the organisation of the chain – the supply route and the forms of control within it – are important for labour and their representatives, as this understanding will identify the pinch points in the chain and help determine the most effective place to exert pressure. When producers and retailers are challenged by other social actors in the chain, e.g. trade unions and CSOs, there is an opportunity for leverage. For instance, Antwerp, in Belgium, is the biggest receiver port for the onward distribution of bananas in the EU. Located in the middle of the European consumer market the majority of Latin American bananas destined for supermarkets in the region pass through this link in the chain. By strategically targeting such a link, trade unions have an opportunity to reassert their position in GVCs and influence the forms of labour regulation therein. Equally, trade unions representing port and transportation workers are able to orchestrate coordinated action at this key link – a pinch point – on behalf of labour interests in other parts of the chain, e.g. plantation workers. Halting or stopping the flow of a highly perishable product like bananas jeopardises the supply to supermarkets of their biggest selling grocery item. Hence, the port becomes a ‘choke’ point in the banana chain and provides unions with greater leverage to secure a degree of presence or influence over the organisational and operational activities of MNCs.

In this section, we have identified how the international division of labour raises questions about labour regulation at the supranational level and how governance mechanisms within the value chain impact on labour. Whilst it is possible to identify a range of public, private and voluntary mechanisms at the supranational level, how they intersect with power relations in a particular value chain requires empirical investigation, as demonstrated in the example of the banana value chain. In other words, to identify the levers for labour requires understanding how multi-level regulatory, monitoring and enforcement systems intersect with governance mechanisms within value chains. It also requires understanding how solidarity can be built between workers in different parts of the GVC, who have different capacities to organise, and bargaining power vis-à-vis their immediate employer. This may require considering regional forms of organisation amongst suppliers. Yet it may also require organisation along the production chain as in the case of the construction industry in Wright and Brown’s (2011) study; or mobilising worker solidarity across the process of production and distribution, given the significance of transportation to the entire functioning of GVCs.<sup>ix</sup>

## **Conclusion**

The starting point for this paper is the idea that globalisation presents significant challenges for IR scholars which requires them to go beyond the normal frameworks of analysis of the organisation and the nation state. We have tried to demonstrate the way in which global value chain analysis can raise new research questions and identify new methodological challenges for IR researchers. In an increasingly globalised economy, international coordination between unions representing workers in multinational companies and international framework agreements are clearly significant to defending labour’s interests. Nevertheless, GVC analysis suggests that power relationships are defined by



relationships between firms that cross international and industry boundaries and are driven by corporate interests. The employment relationship needs to be viewed in the context of the governance relations between firms in global value chains and the ways in which relationships in these chains can structure and constrain the bargaining power of labour. In a context of multi-level public and private governance of labour standards, questions concerning the setting of these standards, the accountability of standard-setting bodies and the definition of public interest are significant. Although a perspective on the employment relationship is as central as it ever was to understanding the nature of labour agency, it becomes apparent that access to standard setting and the ability to exert pressure may be achieved through alliances with a range of civil society organisations, ranging from advocacy groups and non-governmental organisations, to consumer and environmental groups. This means that the traditional industrial relations actors of the state, employer and labour interest organisations need to confront not only corporate dominance in defining the rules for labour regulation in specific GVCs, but also lead firms' dominance in international rule-making and rule-breaking. To use Hobsbawm's turn of phrase to describe another situation in which the stakes were stacked so overwhelmingly in favour of dominant interests (1969:43), '(f)ew gamblers have had the luck to toss two-headed coins so consistently'.

The insights from GVC analysis allow three further consequences to be drawn for the future of Industrial Relations as a field of enquiry. The first concerns the need for inter-disciplinary engagement, the most obvious disciplines being Development Studies, Economic Geography and International Political Economy. This is a view shared by researchers working on the consequences of globalisation for international regulation in other disciplines. Camerra-Rowe and Egan (2010: 419) argue that problems of coordination in governance structures across networks, institutions and agencies requires the integration of different strands of research on 'business management and corporate social responsibility, regulatory agencies as coordinating mechanisms for international governance, private governance and voluntary standards as complements for international rule-making by states, and the diffusion and internationalisation of regulatory rules'. Secondly, research designs and methods are needed which can address the international scope of governance structures in specific GVCs, multi-level regulatory frameworks and the problem of labour agency. Not only does this require the capacity to gain access to corporations, but also to understand a range of different institutional contexts, including their historical, cultural and linguistic underpinnings. Finally, researchers, civil society organisations and labour activists in different parts of the world may have different perspectives on how labour interests are defined. In the same way that the project of the Single European Market required IR researchers of an earlier generation to Europeanise their research methods and research questions, so the current phase of globalisation requires an engagement with researchers and labour and civil society interest organisations from the 'global South' and the co-construction of research questions to take account of their interests and perspectives.

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## Notes

<sup>i</sup> We recognise that there has been a change in terminology from the global commodity chains (GCC) framework developed by Gereffi in 1994. Initially, Gereffi's (1994) GCC model focused on the 'vertical' relationship between buyers and sellers and the movement of goods from producer to consumer, but the recent work by Gereffi and others (2005), has helped to advance the model. According to Ponte and Gibbon (2005), empirical and theoretically based discussions on global value chain (GVC) analysis, which focuses on the changing aspects of chain coordination and policy-related upgrading in supply chains of developing countries, have together created the environment for a refinement of governance structures in global supply chains, and subsequently the term GVC is a more recognised term in such discussions.

<sup>ii</sup> We are grateful to Paul Edwards for making this point.

<sup>iii</sup> The producer-driven chain is defined as a highly centralised system in which MNCs play a central role in controlling the production system. Gereffi (1994:97) characterises a producer-driven chain as typical of sectors where production is capital-intensive and technology-intensive, and where companies controlling technology and production facilities, such as in automotive, heavy machinery and electronic components, exercise governance. The buyer-driven chain is defined as a highly decentralised administrative structure where large retailers, buyers and trading companies take a leading role in shaping the production network without actually owning it (Gereffi 1994: 97). Buyer-driven chains are generally found in sectors where production is more usually labour-intensive, but in which design and marketing play an important role, and where brand-name companies and retailers exercise key governance functions. In this respect, buyers determine what to produce and when, without actually producing the goods themselves and consequently buyer-driven chains are more typically found in consumer industries, such as apparel and food (Gereffi 1994).

<sup>iv</sup> The Solidarismo Movement was based on the concept of solidarity as espoused by the Catholic Church and supported by many nation states in Latin American. The movement prompted the development of solidarista associations, whose key objectives were to help employers and employees 'work in harmony' and to invoke 'a spirit of solidarity' in order to increase production and equality 'within the standards of economic efficiency and social justice' (Movimento Solidarista 2006: 1).

<sup>v</sup> Fair Trade Labelling Organisation International (FLO) is an umbrella organisation that oversees labelling initiatives in twenty-one countries and represents Fair Trade certified producer organisations in Latin America, Africa and Asia (FLO 2010).

<sup>vi</sup> Social Accountability International (SAI) introduced the SA(8000) standard in 1997, which is an audited management system that seeks to verify the social accountability of corporations. The SAI advisory board includes corporate, NGO and trade union representatives (SAI 2001).

<sup>vii</sup> This assessment is based on one of the author's research studies conducted in Costa Rica, February-April 2006, subsequent discussions and an on-going dialogue with representatives from supermarkets, producers, trade unions and CSOs.

<sup>viii</sup> The mission of the World Banana Forum is to inspire collaboration between stakeholders that produces pragmatic outcomes for the betterment of the banana industry, and to achieve an industry-wide consensus of best practices regarding workplace issues, gender equity, environmental impact, sustainable production and economic issues (WBF 2012).

<sup>ix</sup> We are grateful to Jeremy Anderson of the International Transport Workers' Federation for making this point.



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