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## ORIGINAL ARTICLE

# The missing link: The significance of institutional interdependencies and dynamics of action for transnational labour regulation in multinational companies

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## Abstract

In recent decades, both academic research and industrial relations practice have been increasingly concerned with whether, and to what extent, transnational forms of labour regulation might constitute a countervailing power to globally operating companies. And although numerous studies have analysed the various instruments and institutions of transnational labour regulation – such as Global Framework Agreements, trade union networks and European or World Works Councils – as yet there has been little in the way of exploration of their dynamics or interconnections. Against this backdrop and based on a comparison of three case studies of multinational companies, we focus on what we consider to be the ‘missing link’ between the dynamics of social action and the interdependencies of institutions in order to explain how transnational institution building can contribute to the development of transnational labour regulation. Specifically, we investigate how different pathways to transnational labour regulation have been the outcomes of actions

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taken by actors in a multinational corporation and how, in turn, these developments shaped the dynamics of subsequent action. The study underlines that those pathways can only be properly understood when seen in terms of social actors, their power resources and their willingness and capacities to deploy them.

## 1 | INTRODUCTION

Transnational institutions that provide for the regulation of employment conditions represent the most important resource available to organised labour in developing forms of countervailing power to multinational companies (MNCs). Since MNCs operate transnationally, they can employ a strategy of regime shopping to shift or threaten to shift, investment and jobs to locations with poorer labour standards and thus exert downward pressure on established national provisions. As a consequence, MNCs are a core arena for those forms of transnational labour regulation that aim to limit the impact of regime shopping on labour standards and ensure a minimum level of working conditions at all an MNC's operations.

Against this background, any assessment of the scope that workers might have to build forms of countervailing power in relation to globally operating companies will require an understanding of the different dynamics through which transnational institution building is able to configure labour regulation within MNCs. In this article, we address the question of how this kind of institution building in MNCs works, focussing, in particular, on the social dynamics initiated by key employee-side actors such as Global Union Federations (GUFs) and unions at MNCs' headquarters, together with the interdependencies that might emerge between different forms of labour regulation within MNCs. The aim is to identify the causal mechanisms that appear to operate in instances where such institution building has led to effective forms of labour regulation and by analysing these mechanisms understand the different pathways through which transnational institution building has occurred in a small selection of case-study companies.

Previous research on transnational labour regulation has tended to work with two, rather different, perspectives. The first has focused on individual instruments or institutionalised actors of transnational labour regulation within or around MNCs. These include Global Framework Agreements (GFAs) between MNCs and GUFs, transnational trade union networks (TUN) and European or World Works Councils (EWC/WWC). Research informed by this perspective has analysed the incidence, origins and characteristic social practices of these phenomena, mainly through case-study investigations intended to illustrate the dynamics through which they have developed. In most instances, however, individual instruments or institutions are rarely linked or examined in terms of how they might interact (for an exception, see Helfen & Fichter, 2013). For example, recent research has looked at the effects of corporate sustainability initiatives and GFAs on labour standards (Helfen & Sydow, 2013; Niforou, 2012) or the role played by TUNs, EWCs or WWCs (for EWCs Hann et al., 2017) but not examined whether these instruments are interdependent or, if so, what the possible consequences of this might be for labour regulation.

By contrast, the second perspective has focused on the interdependencies between various instruments of transnational labour regulation within and beyond MNCs, such as the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the ILO's

Core Labour Standards and corresponding provisions in international trade agreements (for an overview, see Haipeter et al., 2021). Hassel (2008), for example, refers to an emerging 'Global Labour Governance' regime based on market-oriented incentives that encourage MNCs to comply with basic labour standards via voluntary self-regulation. Similarly, Pries (2020) has identified a 'transnational texture of labour and employment regulation' composed of the interplay of different types of labour regulation, ranging from global minimum standards and company declarations and agreements to labels, certification schemes, public campaigns and supra- and transnational governance.

While the first perspective mainly focuses on the dynamics of social action through which regulatory instruments have come about, with little attention to institutional relationships, the second does indeed highlight their interdependencies but pays insufficient regard to the actors' social practices and hence to the dynamic processes that drive labour regulation. This article aims to bridge these two perspectives by focussing on the 'missing link' between the dynamics of social action and institutional interdependencies in order to explain how building transnational institutions for labour regulation actually works. This 'missing link' is the willingness and capacity of social actors to make use of the resources provided by the various forms of institutionalised regulation to implement and strengthen transnational institutions. One example of this would be how strong headquarter unions are able to use their national institutional resources (office space, established union rights, access to management) to negotiate a GFA, which then helps improve the position of transnational employee representation vis-a-vis management (Haipeter et al., 2019).

Our analysis, therefore, focuses on how different approaches to such transnational institution building have emerged from the actions undertaken by actors in MNCs, their consequences, and how these have shaped the dynamics of subsequent actions. In doing so, we shall attempt to outline the causal mechanisms underlying these approaches to transnational institution building and offer some explanations for the variations seen in different MNCs. Our analysis is based on three case studies of MNCs in which transnational institution building for the purposes of labour regulation has taken place. While each of them begins with the implementation of a GFA, the interplay between social dynamics and institutional interdependencies then follows a different path.

The article is structured as follows. The following section (Section 2) discusses the main current research findings on the three strands of transnational labour regulation in MNCs – GFAs, WWCs, and TUNs – and presents a theoretical framework for the analysis. This is followed in Section 3 by an outline of our methodology and the basic features of the three case-study firms. Section 4 describes and discusses the main empirical findings in relation to the question of the approaches to transnational industrial relations that have emerged in these companies. In Section 5, we outline and compare our findings in relation to the causal mechanisms explaining the dynamics of action and interdependencies and the variations between them. Finally, in Section 6, we summarise and generalise the findings and highlight issues for further research.

## 2 | THE CURRENT STATE OF RESEARCH

Previous studies in this area have tended to view GFAs, WWCs and TUNs in isolation, with only a small number analysing their interplay as actors in transnational labour regulation. In contrast, this article will argue that understanding and explaining transnational labour regulation requires an analysis of these interdependencies and action dynamics at the transnational level, with research on the individual instruments noted above being just of the prerequisite for this.

Research into GFAs has identified some of the key steps that make for their successful implementation in MNCs; these include disseminating information about the agreement, building familiarity with procedural rules and practices, and establishing close cooperation between GUFs and local trade unions (Fichter et al., 2012; Niforou, 2014; Sydow et al., 2014). In short, the route to an effective GFA is active implementation (Fichter & McCallum, 2015). Similarly, the literature has also emphasised the role of active local-level trade unions, committed to enforcing their rights as employee representatives, in securing labour standards (Krzywdzinski & Schröder 2017; Mustchin & Martínez Lucio, 2017; Schömann et al., 2008; Wills, 2002). Other preconditions for the practical effectiveness of GFAs include the existence of implementation mechanisms in agreements (Hadjwiger, 2017); active cooperation between GUFs and national and local trade union organisations (Barreau et al. 2020; Bourguignon et al. 2020); and not least corporate-level management willing to co-operate and support the implementation of GFAs (Bourguignon et al. 2020; Fichter et al. 2012).

Considerably less attention has been paid to the links between these instruments and other forms of transnational labour regulation and their associated actors. One exception is Bourque et al. (2021), which emphasises TUNs as a key organisational and institutional resource for implementing GFA norms. Helfen and Fichter (2013) also highlighted the role that GFAs can play in creating an industrial relations arena within firms that offers a space for TUN. In a study of Daimler, Stevis (2009) emphasised the role of the World Employment Committee in resolving problems encountered in implementing the company's GFA. Haipeter (2019) arrived at a similar conclusion in his analysis of VW, where the WWC made a major contribution to implementing the 'Charter of Labour Relations'. A third institution cited in connection with GFAs is EWCs. Although not global actors, EWCs have been seen as drivers for the negotiation of GFAs (Dehnen, 2013) as well as playing an active role in implementing and monitoring them (Dehnen & Pries, 2014).

Overall, however, the literature has addressed such interconnections only infrequently and with no systematic analysis of how and whether the practice of concluding and implementing GFAs has been influenced by other instruments and actors engaged in transnational labour regulation or under what conditions GFAs might support the development of further instruments and actors. Studies into other institutions involved in transnational labour relations – such as WWCs and TUNs – have started from a similar position, although these are relatively under-researched when compared with GFAs, in particular WWCs. Although the establishment of World Company Councils in the 1960s and 1970s was well documented by the then International Trade Secretariats (Etty, 1978; Reutter, 1996; see Platzer & Müller, 2009), there has been little systematic analysis of these company-based representational bodies. Two exceptions to this are the studies by Rüb (2002) and Müller et al. (2004) that analysed the emergence of transnational industrial relations in global companies.

Despite the fact that these studies identified a variety of pathways through which WWCs were established – including formalising global company committees, creating arrangements for dialogue associated with GFAs, extending the geographical scope of EWCs or founding independent global forums – precisely how such structures might be established was left largely unexplored.

There is also a dearth of current research into how WWCs operate in practice. Although the studies by Rüb (2002) and Müller et al. (2004) broached this issue, both were conducted some time ago. These issues have only been readdressed in the very recent past, as studies by Alexeeva (2021) and Haipeter (2019) illustrate; both deal with only a small number of case studies or even a single instance, however. Based on three case studies, Alexeeva (2021) noted that WWCs were mainly used for information exchange and communication between employee representatives and management not as negotiating forums. Haipeter (2019) came to the opposite conclusion in his study

of the Volkswagen World Group Council, which was found to have exercised a discernible influence on how competition between the company's international manufacturing operations was regulated.

Despite these findings, the interplay between other approaches to transnational labour regulation remains largely unexplored, especially as regards the question as to the extent to which GFAs can contribute to the establishment of WWCs or the role that WWCs might be able to play in implementing GFAs. Although research suggests that company-based representative bodies might play a significant role in this area (Dehnen, 2013; Helfen & Sydow 2013; Schömann, 2011), existing studies focus mainly on the initial negotiating situation for GFAs and the role of EWCs, but do not extend to any consideration of wider global representative arrangements in MNCs.

Research into TUNs has also generally neglected the issue of interdependencies, with only one element highlighted: where establishing TUN has been a part of strategies for negotiating a GFA (Davies et al., 2011). Aside from that, the main focus has been on how individual networks have been developed, together with their incidence, functioning and effectiveness (Lévesque & Murray 2010b). In contrast, the overall number of networks has been seen as a less dynamic phenomenon (Müller et al., 2004, 2006), especially given the limited resources available to GUFs that have confined networks to a few selected MNCs and continue to plague those that do exist with persistent resource problems (Müller et al., 2006; Rüb, 2002).

For Rüb (2004), the development of TUNs depends to some degree on the stance taken by central management as well as GUFs' resource situation. Croucher and Cotton (2009) noted three further factors: the inclusion of network members while networks are being established; the network's capacity to allow members to participate; and support from regional trade union organisations. In line with these findings, Dufour-Poirier and Hennebert (2015) identified five factors influencing collective action in trade union alliances: the resources available to the actors, the presence and stability of sense-making frames, the creation of incentives for mobilisation, the stability or fragility of corporate structures and the influence of the sector. Hennebert (2008, 2014) considered that TUNs were crucial in laying the foundations for building employee countervailing power.

Overall, the literature on TUNs still has a number of gaps. Of these, the most significant is the lack of information about the number of networks, comparative analysis of the circumstances under which they were established, their structures and their qualitative development. In particular, and with just a few exceptions, research has not linked TUNs with other approaches to transnational labour regulation. Moreover, what constitutes a TUN has rarely been clearly defined. In this article, we operate with a provisional definition that regards a TUN as consisting of regular interactions between a defined set of trade unions and their representatives based on established procedures and a common infrastructure within one MNC or several. Given these characteristics, TUNs can be regarded as institutions in the sense stated below.

Our analysis aims to explore the development of transnational institution building in MNCs by focusing on the 'missing link' between the dynamics of social actions in constructing and implementing forms of transnational labour regulation and the interdependencies that might develop between them. Drawing on the notion of the duality of structure (Giddens, 1984), institutionalised regulation is always the outcome of social action and the deployment of actors' capacities and resources. At the same time, creating a regulation will also entail creating the rules and resources that actors can then use to implement it.

Applying this rather abstract concept to transnational labour regulation requires further theoretical specification, however. In terms of *actors* and the dynamics of social action, it will be necessary to identify what resources and capacities the actors need in order to engage in institution



building. Although MNC managements might take some initiatives to promote labour standards, we expect these to be rather limited and assume that the main driving force in establishing transnational labour regulation will be employee representatives. At the heart of these activities will be employee-side actors with access to MNC management at the central or transnational level, such as GUFs, trade unions and works councils at corporate headquarters, or transnational labour bodies such as EWCs and WWCs. By putting issues of transnational labour regulation on the agenda, these actors establish a transnational arena of industrial relations within the company.

At the same time, these actors are likely to have access to different power resources and capacities. As far as transnational activities are concerned, three such power resources have been addressed by the literature (Brookes, 2019): structural power, based on the ability to disrupt operations either directly in production systems or in value chains; institutional power, resulting from the embeddedness of employee representatives in national or transnational institutions; and coalitional power resulting from the embeddedness of employee actors in social networks and coalitions with those from social movements or NGOs. However, these power resources are only a potential; their use requires skills, capabilities and the willingness on the part of social actors to frame strategies and build coalitions (Fligstein, 1997; Lévesque & Murray, 2010a).

Looking at *institutions* and *interdependencies*, transnational institutions for labour regulation can be both a resource for and an end of action. Institutions can be generally defined as rules of social life that promote durable social structures (Scott, 2010). They are also products of, as well as preconditions, for social action in that they impose constraints and provide resources in the form of rights, material endowments or legitimacy (Djelic, 2010). *Transnational* institutions are characterised by the fact that they transcend national borders and constitute rules for transnational arenas of action. At the same time, they have repercussions on and can intervene in the operation of national institutions (Djelic & Quack, 2008). Actors can also become institutionalised, in which case they acquire rights, legitimacy and resources of their own. EWCs or WWCs are examples of transnational representative actors that have become institutionalised in this way.

The aim of our approach is to identify and conceptualise the ‘missing link’ between the social dynamics of action and the institutional interdependencies encountered in processes of transnational institution building in MNCs. Our analysis will, therefore, focus on employee representatives and their power resources and will examine how transnational institutions generated by social action can mutually reinforce each other. This will also highlight the crucial role played by the willingness and capacity of employee representatives to use their resources to strengthen such institutions. Two further considerations follow: first, that the resource position at the beginning of the process is an important variable in explaining the opportunities open to the actors; and second, different trajectories of development can be explained by the differing extent to which actors are able and willing to engage with this process, even where resource endowments are similar.

### 3 | METHODOLOGY AND CASE STUDIES

Our analysis focuses on episodes of transnational institution building in MNCs, using process tracing within each case and cross-case comparison. Process tracing is intended to identify the causal mechanisms operating between entities and their activities – that is, the social action of employee actors – and the outcomes of this in the form of specific pathways of institution building – that is, the development of structures. Cross-case comparison seeks to identify similarities and

**TABLE 1** Expert interviews.

	<b>Global Union Federation</b>	<b>Headquarters trade union</b>	<b>Trade union at subsidiaries</b>	<b>Works council/ EWC/WWC</b>	<b>Management</b>
Pencils	BWI (two interviews)	IG Metall (two Interviews)	Trade union Peru (one interview with three individuals)	Headquarters works council (one interview)	HR Management (one interview with two individuals)
Chemicals	IndustriALL (one interview)	–	–	WWC members (four interviews)	HR Management (two interviews)
Cables	IndustriALL (one interview)	IG Metall (two Interviews)	Trade unions in Tunisia, Morocco and Egypt (one interview in each)	EWC (one interview)	Management (two interviews)

Abbreviations: BWI, Building and Wood Workers International; EWC, European Works Councils; HR, Human Resources; WWC, World Works Councils. *Source:* authors.

differences between the cases in order to identify patterns of social dynamics and institutional developments (Beach & Pedersen, 2019). The overall aim is to be able to offer some generalisations about the processes observed, appropriately contextualised and take a step towards a typological theory of transnational institution building in MNCs (George & Bennett, 2005).

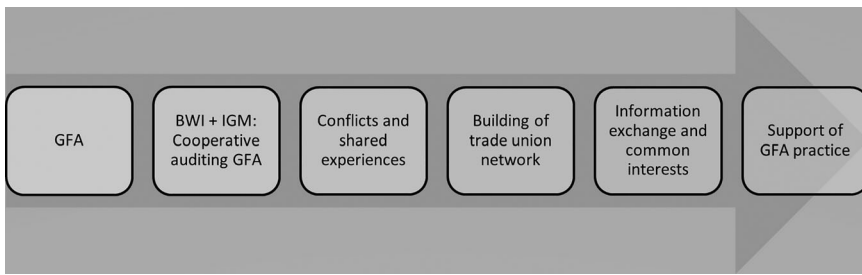
The three case studies were originally part of a wider research project analysing the implementation of GFAs in 12 MNCs financed by the Hans-Böckler-Foundation (see for details Haipeter et al., 2023). Of these, we selected three for more in-depth analysis: ‘Pencils’, ‘Chemicals’ and ‘Cables’. In all three cases, the implementation of the GFA served as a starting point for the episodes of transnational institution building examined. This has allowed us to bring structure and action together in the form of a temporal sequence, starting with a common institutional structure and then looking at the social dynamics that developed from this and led to further institution building.

The main criterion for selecting these companies was the presence of processes of transnational institution building and, as a consequence, of institutional interdependencies. There were variations between them in terms of the dynamics and pathways of institution building. *Chemicals* and *Pencils* represent advanced forms of transnational institution building based on actors’ willingness and capacity to exploit the institutional resources provided by the GFA, with the differences between them largely attributable to the differing constellations of actors at each company. *Cables* exhibits a different dynamic. Here the EWC failed to invest its resources and capacities in implementing the GFA; the problems this created then led to the creation of a TUN by other employee representatives – the GUF and German trade union IG Metall – who invested their own resources in an effort to impart fresh impetus to transnational institution building.

The case studies draw on a total of 23 semi-structured interviews with employee and management representatives: this included representatives of the relevant Global Union, the headquarters trade union, union representatives at operations in other countries, members of workplace representative bodies and central-level management representatives. All interviewees accepted to be cited in an anonymised form. Interviews were transcribed, coded, analysed using content analysis, integrated into case study descriptions and summarised (Table 1). The cases are presented chronologically according to the dates of the episodes considered.

*Pencils* is a long-established company in the woodworking industry, with around 10,000 employees. Headquartered in Germany, the company has operations in South America and





**FIGURE 1** Episodes of transnational institution building at *Pencils*. BWI, Building and Wood Workers International; GFA, Global Framework Agreement; IGM, IG Metall, German trade union representing employees from the areas of metals and electronics, iron and steel, wood and plastics, textiles and clothing, and crafts. *Source:* authors.

Southeast Asia. Several years ago, the company and the relevant GUF – the Building and Wood Workers International (BWI) – concluded a GFA. Although *Pencils* does not have any form of transnational workplace employee representation, such as a WWC or EWC, the GFA has led to the establishment of a TUN as a second pillar of transnational industrial relations.

*Chemicals* is a multinational chemical company. Headquartered in Europe, it operates globally, with more than 20,000 employees in over 100 countries. The process of transnationalisation of industrial relations started with the implementation of an EWC around 30 years ago. Some years later, the international trade union confederation IndustriALL signed a GFA with the company on labour standards and principles for social dialogue. Implementation of the agreement is overseen by a monitoring committee made up of employee representatives from different regions of the world, IndustriALL officials and members of management.

*Cables* is a German-headquartered supplier to the automotive and other industries with a workforce of some 100,000 employees in 32 countries, including North Africa. Although an EWC and a GFA had been in place for some 20 years, these had never had the substantial impact seen in the other two cases. This is particularly true in the MENA (Middle East and North Africa) region, which has emerged as a new production centre for the group.

## 4 | FORMS AND ACTORS OF TRANSNATIONAL LABOUR REGULATION

What all three cases have in common is that in each case a particular dynamic was set in motion by implementing a GFA, which then shaped subsequent practice leading to an interplay between different transnational institutions. For each case, we will trace how transnational institutions evolved as a result of social action and analyse the role of different actors, power resources and institutional rules within these processes.

### 4.1 | The case of Pencils

*Pencils* offers an example of how a GFA can serve to generate a new dynamics of social action that widens the scope of transnational industrial relations through the formation of a transnational TUN. Figure 1 gives an overview on this.

The GFA at *Pencils* was first concluded in 2000 in a process aided by the patriarchal but employee-friendly stance of the then chair of the company's management board. This situation was made use of by the BWI GUF and IG Metall, the trade union at the company's headquarters, and channelled into negotiations over a GFA. In addition to a commitment to comply with ILO Core Labour Standards, the agreement featured a significant innovation: a definition of procedural norms for monitoring working conditions that specified the joint monitoring of labour standards in the company's operations via two-yearly audits by management and employee representatives. These procedures have been institutionalised in the Monitoring Committee that consists of representatives of BWI, IG Metall, and management.

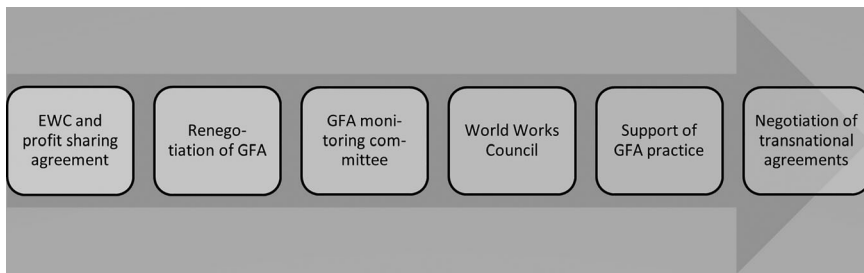
This arrangement ensures that union representatives play an active role as auditors, checking documents and drawing on local union representatives and employees to arrive at as accurate a picture as possible of the local situation. A key test of the scope for trade union rights stipulated by the GFA was a conflict triggered by efforts to set up an enterprise trade union in Peru. The process of setting up the union had begun in the mid-2010s and was initially the work of a small number of activists supported by the Peruvian trade union confederation responsible for the industry. Following initial negotiations over a collective agreement, local management decided to dismiss some union members. This was successfully resisted and the employees reinstated, with a key role played by the BWI and its regional office. Together with IG Metall, BWI contacted the Forest Stewardship Council (FSC) – a significant institution for *Pencils* as it certifies the sustainability of its raw materials and finished products – and raised a complaint about the company, contesting its certification under the FSC scheme. Faced with this challenge, the company then recognised the union, an outcome that was very evidently due to the existence of the GFA in the view of the Peruvian unionist interviewee in our study.

With the GFA, the firm is obliged to dialogue, they have to listen to us. In other firms where there are no social charters, the firms attack their unions, and the relationship is completely different, it is cold and hard, without dialogue. (*Pencils*-trade union-subsidary)

The procedural norms of the GFA provided the institutional resources – formal acceptance of core labour standards by the company, joint monitoring and contacts with the local trade union – that BWI Global Union and IG Metall could draw on in negotiations with the central management.

However, the GFA not only functioned as the main instrument through which employees were able to secure their interests in accordance with ILO Core Labour Standards, in this case in Peru but also then served as an important institutional resource in the subsequent extension of transnational employee representation when a transnational TUN was established. The main impetus for this came from the strong links between BWI and IG Metall that had been formed through the shared experience of monitoring and auditing the GFA. One further precondition for the TUN was the existence of deep relationships between local trade unions, IG Metall and the BWI that had been built up as a result of participation in the local audits.

Based on this, BWI and IG Metall pooled their organisational resources and developed the idea of organising a meeting of trade unions at the company's headquarters. This got the network underway and was continued via online meetings during the pandemic. In addition, BWI and IG Metall set up a social media group for union representatives at the company's operations worldwide. A number of individual representatives were given responsibility for their own continent, creating an organised underpinning to sustain communication and consolidate the network. This form of communication proved especially important during the pandemic as it provided a



**FIGURE 2** Episodes of transnational institution building at *Chemicals*. EWC, European Works Councils; GFA, Global Framework Agreement. *Source:* authors.

seamless means of disseminating information about difficulties at the company's operations to colleagues elsewhere.

At the same time, the network also affected the GFA's procedures as it has now become the main forum through which the employee side exchanges information about problems at the company's operations. This is an illustration of how institutional interdependencies have developed between GFA and TUN, with resources released to enable actions that have created a new and transnational dynamic in the development of employee representation at *Pencils*.

## 4.2 | The case of Chemicals

The GFA was also an important starting point for a new dynamic of transnational institution building at *Chemicals*. In this case, the GFA paved the way for the establishment of a WWC, which then became an important driving force for further institutionalisation.

As the overview in Figure 2 shows, the establishment of the WWC at *Chemicals* had its origins in two global agreements: on profit sharing and a GFA that had been in existence for several years but had been renegotiated and extended. The WWC itself was established through dialogue between corporate management and representatives of the existing EWC with the specific aim of creating a signatory for a global profit-sharing agreement. The WWC's role was initially confined to serving as the formal sponsor of this agreement. The situation changed shortly after when a new provision was inserted into the renegotiated GFA that provided for the establishment of a WWC for a 2-year transitional period. The GFA also provided the basis for determining the composition of the WWC, using the same approach adopted for the Monitoring Committee that had been established under the GFA, with employee representatives drawn from the various world regions. These three episodes – concluding the profit-sharing agreement, renegotiation of the GFA and existing experience with the GFA Monitoring Committee – were decisive in the establishment of the WWC at *Chemicals*. Following the 2-year transitional period, a separate agreement was concluded for the WWC specifying the details of the body, its procedures and the resources it would have available.

We all – IndustriALL, the EWC, myself – said ‘Gosh, why haven’t we got a [WWC]’. We go on these missions [plant visits to implement the GFA] and it would be great if IndustriALL didn’t just take people along that they’d just called in but if there was a proper institution. So, we did that and it was also supported by the then CEO – he was in favour of social dialogue (Chemicals-World Works Council).

The global representative body at *Chemicals* currently comprises nine employee representatives, of which four are members of the EWC secretariat and five are union members from various global regions. The fact that the EWC secretary sits on the WWC has also led to deeper integration between the two international bodies in the group.

At the same time, the WWC is closely connected with the GFA monitoring body, the GFA Monitoring Committee, as many of its members have overlapping functions. In this sense, those employee representatives with dual membership of both the WWC and the Monitoring Committee are institutionalised in a double way and can benefit from the resources and rights each of these respective institutions can provide.

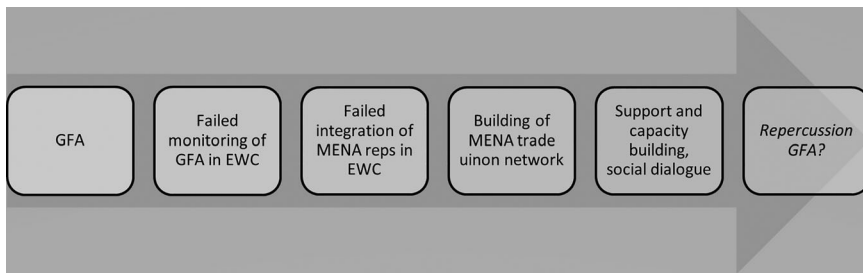
The WWC currently meets physically once a year at the company's headquarters, with a management representative and a representative of IndustriALL also in attendance. An internal video conference for WWC members is also held every 3 months. According to our interviewees, the WWC is an important forum for exchange between representatives from different global regions – something they considered to be especially important given the *Chemical's* global positioning.

One core aspect of this is the WWC's role in monitoring the GFA, highlighting the interdependencies that have underpinned the new dynamic of transnationalisation at the company. Annual meetings of the WWC include a report on the implementation of the GFA, with the global body also operating as a standing global information and communication network that enables it to raise any problems encountered in implementing the GFA. WWC representatives from the global regions can report on problems and, where appropriate, escalate these to group management; in turn, they pass on information from the WWC meetings at group headquarters to trade unions at national and local level. In this respect, transnational representative bodies are not only significant as negotiating forums for GFAs, as suggested by the research literature (see above), but that the GFAs themselves can directly contribute to developing and consolidating new forms of transnational company-level industrial relations.

The WWC also offers a direct channel of communication to top management, highlighting how establishing the WWC has created new resources for employee-side actors. This is especially important for representatives from outside Europe who lack comparable access to this level of management.

If I have issues, I do have a contact to top management, I e-mail [the CEO] at times and so we have got an open line of communication there. [...] I mean it gives us people out here around the world in different work sites, that we have the ability, if they are issues, we have the necessary contacts and tools to at least bring it to someone else's attention, ask for some resolution, to address the issue. (Chemicals-World Works Council)

In practice, the WWC not only fulfils a networking and information role but has also developed a negotiating capacity vis-à-vis group management. In this respect, global agreements have not only laid the institutional basis for the WWC but, in turn, the WWC has stimulated the conclusion of further agreements in a self-reinforcing process. One significant example is the agreement negotiated on global minimum labour standards and improved social protection for employees. Under this, the company has established a programme for maternity and paternity leave on full pay for all employees worldwide together with medical services and benefits in the event of invalidity or death. In contrast to the GFA, this agreement specified substantive material and financial provisions for all employees.



**FIGURE 3** Episodes of transnational institution building at Cables. EWC, European Works Councils; GFA, Global Framework Agreement; MENA, Middle East and North Africa. *Source:* authors.

However, the functioning of the WWC was not only a product of the GFA but also flowed from other interdependent institutions such as the EWC, which plays a key role for the WWC because of its resources, legally enshrined information and consultation rights, long-standing relationship with group management and its role as the initiator of group-level negotiations. This was recently underlined by a new agreement on managing digital transformation negotiated by the WWC and EWC. The idea for this agreement was originally developed by the EWC but then co-signed by the WWC, ensuring its provisions could apply globally. While the WWC had its origins in global agreements negotiated by the EWC, it now constitutes a foundation for negotiating further agreements that expand and deepen transnational institution building in its own right.

### 4.3 | The case of Cables

Developments at *Cables* have followed a somewhat different course. Rather than the stepwise development towards higher levels of transnational institution building seen in the previous two cases, as Figure 3 shows the formation of a TUN, with a regional focus on North Africa, followed the GFA with a considerable lag and was a response to the shortcomings in how the GFA had been implemented, albeit building on some of the institutional resources provided by the GFA.

These weaknesses were starkly revealed in a number of episodes. In the first instance, several labour disputes broke out at the company's North African (MENA) operations that could not be resolved at the local level, leading to numerous wildcat strikes and, in some cases, major production losses, especially in Tunisia. This led the Tunisian metalworkers' union to contact IG Metall – which had got involved in Tunisia at the behest of IndustriALL – with requests for support.

Second, the fact that the GFA had had little practical impact to that point meant that it was not possible to deal with the MENA region's problems at a higher level of representation within the company. Under the agreement, the EWC was responsible for the GFA on the employee side, based on the fact that it had been specified as the body that management was required to submit an annual report on GFA implementation. However, the EWC was neither willing nor able to assume an active role in monitoring labour standards or dealing with breaches.

Third, although employee representatives from the MENA region were invited to attend EWC meetings, there was no close cooperation between the two as there were differences of interest between representatives from Europe and those from the MENA region over jobs and investments. This proved a challenge to both groups of representatives and was the reason why joint meetings were eventually abandoned.

These problems led IG Metall and IndustriALL to establish their own network for the MENA region in parallel to the EWC both to improve the implementation of the GFA in this region and foster the integration of local trade unions. And although the implementation of the GFA had many weaknesses, it did serve as an important institutional resource in negotiations with management in that it helped legitimise the request to establish the TUN.

This would have been inconceivable without the global framework agreement, that's for sure. There would have been no basis for discussions. (Cable-IG Metall-DE)

However, organisational resources were important as well. The strong commitment of IG Metall – with the experience and engagement of one particular official playing a key role – and the financial and organisational resources of the German Friedrich Ebert Foundation (FES) were crucial in establishing the network.

The MENA network comprises three representatives each from Egypt and Morocco, four from Tunisia and two from Germany (the trade union coordinator responsible for the EWC, and a member of both the central works council and the EWC). Members of the network meet once a year for 2 days in the MENA region, and the company has agreed to fund a meeting every 2 years. FES provides additional human and financial resources to enable an annual meeting to take place. One of the main objectives is to develop social dialogue, with top management reporting on compliance with social standards. At the time of writing, two MENA network meetings had been held.

The network has also had an impact on the monitoring and implementation of the GFA. First, network meetings are used by IG Metall to gather information from local trade unionists about how the GFA has been implemented in the MENA region. If the MENA representatives report violations, strategies to resolve any conflicts can be developed with country representatives. Should no resolution be possible at the MENA-regional level, German employee representatives can use the links between the various representative bodies as well as their connections to top management to address the issues related to the conflict. Having access to this communication channel to top management is, therefore, an important resource for employee representatives in the MENA region.

Second, the meetings provided an opportunity for IG Metall officials to train MENA representatives about the basics of trade unionism, the function of cross-border TUN and relations with management (including escalation levels). They were also introduced to the content and function of the GFA. IG Metall's aim is to enable MENA representatives to resolve conflicts independently in order to reduce the strain on IG Metall's limited resources caused by the difficulties experienced by local unions in dealing with conflicts in the region.

Nevertheless, according to IG Metall and IndustriALL, the results achieved at the local level and via the MENA network can be considered a success given the difficult initial conditions in the region. For example, the GFA has enabled local training sessions with IG Metall and joint meetings with local management to be held. Social dialogue has been initiated in Tunisia, enabling conflicts to be resolved locally. And although no social dialogue has as yet been developed in Morocco and Egypt, the company-level unions have been able to gain acknowledgement from local management. By drawing on the German members of the MENA network, it has also been possible to establish horizontal links between the network, the EWC and employee representatives at the company's headquarters. In this respect, the network has also helped to resolve some of the issues surrounding the GFA and the EWC, albeit without the deeper interdependencies observable at *Pencils* and *Chemicals*.



## 5 | ANALYSIS AND COMPARISON OF THE THREE CASES

As our analysis shows, one of the most critical factors in determining the course of transnational institution building, and a key element in explaining the commonalities and differences between the three cases under consideration, is whether employee representatives are able and willing to make use of the organisational and institutional resources provided by their GFAs.

At *Pencils*, the process of building transnational employee representative arrangements and, with these, institutions of labour regulation within the company was triggered by the GFA and in particular the foundation this provided for joint auditing. Regular auditing created trust both between the BWI and IG Metall and with local trade unions. The dispute over trade union recognition in Peru proved to be a crucial episode, prompting employee representatives to extend and deepen transnational institutions implement the TUN. From the outset, and in contrast to *Chemicals*, works councils did not play a decisive role in this. Rather, the key actors were the GUF and IG Metall who initiated negotiations on an agreement, sat on the Monitoring Committee – the transnational body that took action within the company – and supported local auditing. They also constituted the organisational core of the TUN, which has now become the main platform for communication between trade unions within the company.

Resources, and the willingness and capabilities to make use of them, were the crucial causal mechanisms at *Pencils*. Both organisational and institutional resources were important and, in common with the other two cases, coalition resources with non-union actors did not play a role. The main organisational resources injected by the GUF were the provision of the coordinator and the good relationships already forged with the local unions. IG Metall's resources consisted of its relatively strong organisational and institutional power at the company's headquarters, enabling it to obtain management acceptance and fund network meetings. Finally, the GFA itself and its procedural norms proved an important resource in terms of institutional power, facilitating joint auditing and securing a strong position for employee representatives in the monitoring of the agreement.

The dynamics of the transnationalisation of industrial relations at *Chemicals* took a quite different course. This can be explained by the different causal mechanisms at work. At *Chemicals*, the process was driven by the transnational employee representation bodies – the WWC but also the EWC, whose secretary was also integrated into the WWC – and a management that was interested in developing in transnational arrangements. There were also close links with the GFA, which had provided the basis for institutionalising the WWC. The WWC then became a key actor in negotiating new transnational agreements that further expanded the scope and institutional base of the transnational arena of labour relations at the company. As with *Pencils*, concluding and implementing GFA created rules and resources that were used by employee representatives to develop industrial relations arrangements at the transnational level. However, the pace of transnationalisation at *Chemicals* exceeded that observed at *Pencils*, with a self-reinforcing process of transnationalisation via the negotiation of new agreements.

This development was facilitated by the transnational composition of the EWC and the WWC. By establishing communication links between central and local actors, the WWC has served as a functional equivalent to the TUN at *Pencil*. At the same time, the EWC and WWC have access to central management and can deal with issues of transnational relevance. At *Chemicals*, however, the organisational and institutional resources of the headquarters trade unions have not been relevant for transnational institution building. In this respect, trade unions – the global unions and the headquarters unions – and the WWC can be seen as functionally equivalent actors in transnational institution building.

Finally, at *Cables*, the key players were the global and headquarters trade unions. Here, the development of transnational industrial relations was centred on the MENA regional network. This has been able to create new resources for action, enabling the GFA to become better known in the MENA region and giving the network's members access to training in building trade union organisation at local, national and transnational levels. The network has also helped to strengthen links between employee representatives at different levels. These links can now be used to monitor how the GFA is implemented in the MENA region.

However, in contrast to *Pencils* and *Chemicals*, this new stage in the transnationalisation of employee representation did not build on a deep level of interdependence between the industrial relations institutions but was rather an attempt to rectify their deficiencies. This is the main factor explaining the differences between this case on the one and *Pencils* and *Chemicals* on the other hand. At *Cables*, the EWC was neither willing nor able to make use of the institutional resources available; GFA implementation was unsatisfactory, and MENA trade unions were not integrated into transnational activity. IndustriALL and the IG Metall then stepped in to develop another way to strengthen cooperation and to reduce competition between trade unions. By their using the GFA as a lever and investing their organisational resources to create the MENA TUN, it became possible to develop interdependencies between the two transnational institutions, albeit at a much lower level than at *Chemicals* and *Pencils*.

Variations between the cases can also be explained by a second, albeit weaker, causal mechanism, namely the composition of the employee-side actors. In one variant, represented by *Pencils* and *Cables*, the GUF and the trade union at the headquarters country formed a coalition and were the driving forces on the employee side, based mainly on the organisational and institutional power of the national trade union. In the second variant, represented by *Chemicals*, it was transnational and institutionalised company actors, such as the WWC, that assumed this role. At *Pencils* and *Cables*, the coalition of trade unions even invested additional organisational resources in order to create TUNs, which then served as a complementary transnational institution supporting the implementation of the GFAs. This fostered strong linkages with the local unions which have proven to be a key institutional resource for improving the monitoring of labour standards via institutional interdependencies. In contrast, at *Chemicals*, the WWC and EWC, as institutionalised company-level employee representative bodies, could rely on linkages to local interest representations from the outset as they were both composed of representatives from different countries and regions.

In this respect, trade union coalitions and company-level representative arrangements are functional equivalents. However, the fact that the WWC and EWC at *Chemicals*, as recognised institutional actors, could deal directly with their company managements gave them an additional institutional resource beyond that provided by the GFA. This resource was then actively deployed to negotiate further transnational labour regulations. This is why transnational institutional building, and institutional interdependencies, in this case are more extensive than in the two others.

## 6 | CONCLUSIONS AND PROSPECTS

The focus of this article was on transnational institution building for the purposes of labour regulation in MNCs. Our argument is that the process of institution building has been driven by an interplay between the dynamics of social action on the part of employee-side actors and the interdependencies that exist between transnational institutions within MNCs; further, that this

interplay is based on the willingness and capabilities of employee actors to invest the resources available to them to strengthen and develop activities that enable transnational institution building. We analysed these processes in three case study companies and via cross-case comparison. All three MNCs had a GFA as a starting point but arrived at different forms of transnational institutionalisation.

Two main causal mechanisms appear to explain commonalities and differences between the three MNCs. The first is the way employee-side actors used the resources provided by the GFAs, which were the starting point in all three cases. At both *Pencils* and *Chemicals*, labour representatives used these resources to develop transnational institution building, either in the form of a TUN or to set up a WWC. This also required them to invest organisational resources. This willingness and capability were absent at *Cables*, where the GFA made fewer resources available for the actors and, more importantly, where the EWC had neither the capacity nor the willingness to assume an active role in monitoring the agreement. Transnational institution building took place only when the GUF and the headquarters trade union decided to create a TUN, partly using the company's resources and partly their own.

The second, albeit weaker, causal mechanism is the composition of employee-side actors. Two predominant constellations characterised our cases: a coalition between GUF and headquarters trade unions, represented by *Pencils* and *Cables*; and the dominance of transnational and institutionalised company actors, such as the WWC at *Chemicals*. Both constellations are functional equivalents to a certain degree. However, the WWC and EWC at *Chemicals*, as recognised institutional actors at their companies, had access to the additional resource of being able to deal directly with their company managements, allowing them to negotiate additional transnational regulatory instruments. This is why the dynamics of transnational institution building are greatest in this case.

Our findings also suggest some perspectives of relevance for institutional theory. First, in line with Djelic (2010), they show that transnational institution building is an iterative and long-term process. Institution building is not a process in which solitary actors impose new solutions or simply copy solutions from other models. Second, institutionalisation is driven by employee-side actors who face particular challenges and obstacles in globally operating companies but can also demonstrate a willingness and capacity to extend or add institutions to deal with these. Once transnational institutions have been created, even if on a voluntary basis, they constrain the future choices of actors, motivating them to find new solutions compatible with existing institutional rules. It, therefore, makes sense to speak of institutionally embedded actors. Third, this does not mean that actors are deprived of freedom of action; indeed, institutional embeddedness at the transnational level is fragile because of its voluntary nature. As our findings have suggested, employee-side actors in transnational companies have to negotiate these institutions and are dependent on an underlying consensus with management, based on the latter's willingness to come to an agreement. Institution building through conflict and struggle alone does not appear feasible at the transnational level, as managements have too many strategic options to respond, such as business reorganisation, relocation or disinvestment. Fourth, employee-side actors' ability to act transnationally depends on the resources that transnational regulatory institutions make available. And consequently, aside from formalised regulations, norms and cognitive patterns, as constitutive and indispensable elements of transnational institutions, also represent institutional resources, available for use by actors with the appropriate willingness and social skills.

Taken together, our findings highlight the incremental quality of institution building, the fragile nature of institutional embeddedness, and the need for consensus. They suggest taking a closer look at how institutional resources are and can be used by skilled actors. The findings have also

uncovered several new aspects for further research on GFAs, WWCs and TUNs. With regard to GFAs, more attention should be paid to the procedural norms they establish and how these are implemented, as such norms represent core institutional resources for employee representatives in their dealings with GFAs. Looking at WWCs, our findings highlight the important role that these institutionalised forms of employee representation can play. Finally, TUNs appear to be an important step in transnational institution building as an additional element in GFAs. However, given the resources required, TUNs seem to have little chance of success if actors lack the institutional and organisational resources to sustain them.

At the same time, the exploratory and case study nature of this study, with only three companies considered, highlights the need for further research into the interplay between both the instruments and actors involved in transnational industrial relations. First, there is a need to determine whether such processes are characteristic of a particular type of MNC and what might explain this. Our research suggests that transnational industrial relations are mainly observed in MNCs headquartered in Europe and are, therefore, confined to a specific group of firms: further case studies would be required to arrive at a more precise assessment of such influences. Second, research should look more closely at other independent variables, such as labour relations and the role of management. Since we have mainly focused on employee representatives, this has inevitably overlooked the role of management as either an obstacle to or a potential sponsor of transnational institution building.

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## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

## ETHICS STATEMENT

Non applicable.

Apart from that we confirm that the persons interviewed in our study were treated according to ethical standards.

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