Translating Competing Models
of Industrial Relations
Local Bargaining versus Global Rules
in the Swedish Clean Clothes Campaign

Niklas Egels-Zandén
Centre for Business in Society
School of Business, Economics and Law at Göteborg University
Box 600
SE – 405 30 Göteborg, Sweden
Niklas.Egels-Zanden@handels.gu.se
+46-31-7732729 (telephone)
+46-31-7721237 (fax)

Peter Hyllman
Center for People and Organization
Stockholm School of Economics
Box 6501
SE – 113 83 Stockholm, Sweden
Peter.Hyllman@hhs.se
+46-8-7369463 (telephone)
Abstract
Traditionally, industrial relations and workers’ rights issues have been embedded in a national, tripartite, and (collective) negotiation setting. In this paper, we argue that this industrial relations landscape currently is undergoing fundamental change in terms of types of arenas and involved actors. The traditional national industrial relations system is being complemented by an emerging transnational system. The purpose of this paper is to – based on a study of Swedish garment retailers and the Swedish Clean Clothes Campaign between 1996 and 2006 – analyse different actors’ attempts to define and embed firms in this transnational industrial relations system. We argue that the studied actors’ embeddingness attempts could be framed as a competition between a ‘Rules Model’ of transnational industrial relations (promoted by firms and NGOs), and a ‘Bargaining Model’ of transnational industrial relations (promoted by unions). Our study indicate that the ‘Rules Model’ is currently dominating transnational industrial relations, and that this implies a shift from a traditional Nordic form of civicness focused on the participation in social dialogue towards a civicness model focused on preserving, protecting and defending minimum requirements and codified rules.
Introduction

Traditionally, industrial relations and labour and workers’ rights issues have been handled through collective bargaining and industrial agreements between firms and unions, with various degrees of government intervention across different countries (e.g., Emery and Thorsrud, 1969; Hedlund and Otterbeck, 1977; Bamber and Lansbury, 1998). Several comparative studies of industrial relations systems reveal that these three actors – firms, unions and governments – are generally viewed as exclusive to the industrial relations and workers’ rights arena (e.g., Bamber and Lansbury, 1998). Also, many of today’s international institutions, ILO being one notable example, are also tripartite constellations based on these three actors. Similarly, systems of industrial relations have predominantly been based on national legislation and thus been characterised by a high degree of national path-dependence (e.g., IDE, 1981; Piazza, 2002). Hence, industrial relations systems has historically been embedded in a context of national, tripartite arrangements negotiated by actors engaged in ongoing relationships with each other.

In this paper, we argue that this industrial relations landscape currently is undergoing fundamental change. First, the arenas in which industrial relations are being enacted are becoming increasingly transnational rather than national, leading to a diminished role of national governments as authoritative actors. Second, as power has shifted from governments to transnational corporations (TNCs), non-governmental organisations (NGOs) focusing on workers’ rights issues have diverted some of their attention from governments to TNCs. This coincides with workers’ rights increasingly becoming a major part of various NGOs’ agendas, introducing a new kind of actor to the industrial relations and workers’ rights arena. Hence, the industrial relations landscape is currently being redefined both in terms of types of arenas and types of involved actors. In turn, these redefinitions can be seen as reshaping the configuration of social capital, and thus the idea of ‘civicness’ in the industrial relations system.

According to the definition provided by Coleman (e.g., 1988, 1990) and Putnam (e.g., 1993, 1995) social capital is created by individuals through repeated social interaction. Social capital is located in the structure of relations between and among actors and encompasses social norms, trust, networks, obligations, and expectations (Wijkström, 1998). Trust, it is argued, is an essential component of social capital as it “lubricates cooperation” (Putnam, 1993, p. 171). Another important property of social capital is that the denser and more frequently employed the interpersonal networks in which people take part is, the stronger the social capital grows (Coleman, 1990; Putnam, 1993; Wijkström, 1998). Thus, different sectors may have varying levels of social capital, or, in Granovetter’s (1985) terms: stronger or weaker ties, i.e. different degrees of embeddedness. When analysing the development from a national towards a transnational industrial relations system, we will highlight fundamental differences in the configuration of social capital between the different systems. Social capital is also argued to be constitutive of ‘civicness’, i.e. the ways in which members or citizens participate in the political processes in their respective communities, sectors, or organizations (e.g., Putnam, 1993, 1995). One angle of this paper will thus be to explore how ‘civicness’ is affected by the ongoing change in the industrial relations landscape.

Thus, in the ongoing redefinition process of the industrial relations landscape, the relationship between labour unions and workers’ rights NGOs become pivotal, since
these organisations – given the diminishing role of governments – are central to balancing TNC influence. While several authors have highlighted the importance of union-NGO relationships (e.g., O’Rourke, 2003; Braun & Gearhart, 2004; Eade, 2004; Frenkel & Kim, 2004), little research has been devoted to the subject (Egels-Zandén and Hyllman, 2006; Provis, 2006; Egels-Zandén and Hyllman, 2007). The sparse existing research has also been in the form of reflections by practitioners (e.g. Hale, 2004; Ortez, 2004; Simpkins, 2004), or conceptual papers (e.g. Braun & Gearhart 2004; Roman 2004; Spooner, 2004). This has led to a lack of empirically grounded knowledge about the union-NGO relationship, and the current changes in the industrial relations systems. Recently, some micro-level studies have been conducted trying to explore the union-NGO relationship and its effect on TNC responsibilities (Egels-Zandén and Hyllman, 2006; Egels-Zandén and Hyllman, 2007). However, so far, no study has more closely studied the impact of the union-NGO relationship on industrial relations at a macro-level, preventing a more profound understanding of the mechanisms underlying the development towards transnational industrial relations and the impact on the involved actors.

This paper addresses this research gap in three stages with the purpose of exploring the underlying causes and consequences of an emerging transnational system of industrial relations as connected to ‘civicness’ in a Nordic context. First, in the following section, we briefly outline the ongoing changes in the general industrial relations landscape. Second, we present a study of Swedish garment retailers and the Swedish Clean Clothes Campaign (SCCC) between 1996 and 2006, outlining a process of developing and attempting to re-embed firms in a transnational industrial relations system. Third, in the last two sections of the paper, we demonstrate based on the results of our study how a transnational industrial relations system is emerging with two distinct types of industrial relations models being promoted and translated by the actors involved: a ‘Bargaining Model’ of industrial relations on the one hand, and a ‘Rules Model’ of industrial relations on the other. These two models are treated as manifestations of different forms of social capital configurations, implying specific types of ‘civicness’ in the industrial relations context.

A changing industrial relations landscape
The current changes in the industrial relations landscape can be summarised in three main trends: i) TNCs’ increased offshoring of production to developing countries and the changed role of national governments, ii) challenges facing unions in the context of developing countries and a new political and economic doctrine, and iii) the increased NGO focus on corporations.

From national governments to transnational corporations
During recent years it has been argued that a process of globalisation is underway, marking a profound shift in economic structures, institutional arrangements and the organisation of work (e.g., Stiglitz, 2003; Bhagwati, 2005; Cohen, 2006). Evidence of this development usually includes increasing competitive pressure, global outsourcing, communications technology evolution, and a homogenisation of consumer tastes and branding (e.g., Klein, 2000). The transnational organisation of production became prevalent during the 1980s and 1990s as European and US-based TNCs started to offshore much of their production to developing countries (e.g., Jones, 2005; Taylor, 2005). This trend was particularly evident in low-skill industries – such as the garment, footwear and toy industries – in which TNCs to a large extent
pursue low-cost strategies (e.g., Christerson and Appelbaum, 1995; Hathcote and Nam, 1999).

Through this offshoring of production, workers’ rights issues in low-skill and other industries continuous move geographically from a European and US setting to a predominantly Asian setting (cf. Frenkel, 2001; Schrage, 2004). In this process, the European and US national arenas where workers’ rights issues traditionally have been negotiated become less relevant and, consequently, the dominant actors in these setting such as national European and US governments loose influence. In contrast, the national settings of developing countries in mainly Asia increase in importance. Many of these countries have fairly stringent labour laws similar to those in Europe and US with countries such as China and Vietnam recently making profound changes in their labour laws (Warner, 1996; Chan, 1998; Ding and Warner, 1999; Cooney et al., 2002). However, there are large gaps between the labour law and corporate practice in these countries – especially in the countries with recently changed laws (Zhu and Fahey, 1999; Lau, 2001; Liew, 2001; Cooney et al., 2002; Chen, 2003; Cooke, 2004; Frenkel and Kim, 2004).

In practice, this means that TNCs that are offshoring production to Asian countries are entering national settings with little labour law enforcement. Since transnational institutions for workers’ rights have not yet developed to balance the offshoring trend and the weak enforcement of Asian labour laws, the workers’ right situation can be characterised as ‘governance without government’ with TNCs, unions, NGOs governing industrial relations (Beck, 1992; Rosenau and Czempiel, 1992; Strange, 1996; Christmann and Taylor, 2002; Frenkel and Scott, 2002; Sullivan, 2003; Frenkel and Kim, 2004; Prieto and Quinteros, 2004). Paralleling this decreasing role of governments in industrial relations is an increase in influence of transnational corporations in general (e.g., Anderson and Cavanagh, 1996; Korten, 2001), and in relation to industrial relations in particular (e.g., Deetz, 1992; Riisgaard, 2005). In this way, TNCs have gained and governments lost in strength in industrial relations.

A weakening state of unions

The trend towards TNC-centred industrial relations rather than state-centred national governance poses a considerable challenge to unions. A strategic response from unions has included the setting up of so-called European Works Councils, based on the 1994 EC directive, an ongoing process which has been made possible by political strategies of labour movements seeking to pursue a legislative underpinning for transnational organising (Gregory and Nilsson, 2004). Yet, Hardt and Negri (2001) conclude that European Works Councils are unlikely to be sufficient in balancing TNC influence as the marketplace expands beyond the European setting. Unions’ legal and political strategies are also made increasingly difficult by the neo-liberal political agenda that dominates Western politics, leading to a decline in unions’ political influence (Wills, 1998; Connor, 2004; Eade, 2004). As suggested by previous studies (e.g., Ramsay, 1997; Weston and Lucio, 1997; 1998; Wills, 1999), Nordic unions have also proven reluctant to transfer any real bargaining mandate to European Works Councils, since they perceive these councils to provide weaker protection for unions than the existing national legislation.

Unions’ roles and influence are also challenged by declining membership numbers in Western countries (e.g. Wills, 1998, 2002), as well as low or virtually non-existent
membership numbers in developing countries (e.g. Chan & Ross, 2003; Valor, 2005). A popular argument supporting this ‘ secular decline’ thesis is that the collectivist ideology of unions has become outdated as work has become individualised (Allvin and Sverke, 2000), roles and identities are being recast around individual service production (Phelps Brown, 1990; Bassett and Cave, 1993), and shaped more by one’s role as a consumer rather than a producer (Giddens, 1991; Lyon, 1999). Statistics on union membership trends during the last twenty years also seem to support this thesis. For Western Europe as a whole, union membership density has dropped from 44 per cent down to 32 per cent between 1980 and 1998 (Beori et al., 2001). A similar development can be observed in the USA (Gregory and Nilsson, 2004). Some countries – such as Sweden, Denmark and Belgium – have been able to maintain a high degree of union membership, mainly due to unions’ role in these countries in distributing state benefits (Huzzard et al., 2004). Whatever the reason for the membership decline, these developments negatively affect the ability of unions to exert influence politically as well as economically (SIPTU, 2000).

A third trend resulting from the increasingly transnational organisation of production is the decentralisation of industrial relations (Gregory and Nilsson, 2004). Recent studies show that most of EU’s member states were characterised by a decentralisation of their bargaining systems (Beori et al, 2001; Ferner and Hyman, 1998). Bamber and Lansbury (1998) concluded in a review of industrial relations tendencies in ten industrial countries that the enterprise level has become a more important locus of dialogue and bargaining between unions and management. Evidence of this development have been found both in a US setting (e.g., Deutsch, 1994; Appelbaum and Batt, 1994) and in a European context; as seen in Sweden (Nilsson, 1999; Hammarström et al, 2004), Ireland (von Prondzynski, 1998), Austria (Traxler, 1998), Italy and Spain (Elvander, 2002). All of these trends have reinforced the move to a ‘governance without government’ model of industrial relations, while most also point to decreasing influence of labour unions in such an industrial relations system.

Rise of NGOs in industrial relations
While governments and labour unions witness declining influence in a shift from a national to a transnational setting, non-governmental organisations (NGOs) are on the opposite trajectory. NGOs within the field of workers’ rights have greatly increased in number and influence during the last decades (e.g., Boli & Thomas, 1999; Braun & Gearhart, 2004; Riisgaard, 2005). This is related to that when TNCs increasingly in search of lower labour costs offshored production to developing countries, they indirectly brought about the emergence of NGOs in the area of industrial relations. Since the working standards were lower in these developing countries as compared to Europe and the US (Chan and Senser, 1997; Chan, 1998; 2000; Lee, 1998; 1999), NGOs (as well as unions) critiqued the offshoring trend on the basis that production could be offshored; corporate responsibility, however, could not (van Tulder and Kolk, 2001; Roberts, 2003; Frenkel and Kim, 2004). This interaction between NGOs and TNCs is a relatively novel phenomenon, since NGOs have historically interacted with governmental rather than corporate counterparts regarding human and workers’ rights (e.g., Hartman et al., 1999; Heap, 2000; Teegen et al., 2004; Åhlström and Sjöström, 2005). In the instances where NGOs previously have targeted the corporate sector, it has been focused initiatives on the informal economy with limited unionisation (Egels-Zandén and Hyllman, 2007). However, there has been a shift in
NGOs’ prioritisation with an increasing number of NGOs choosing corporations, particularly TNCs, as their counterpart (e.g., Hamann and Acutt, 2004; Rondinelli and London, 2003; Sullivan, 2003).

A number of reasons exist for this shift. First, NGOs are increasingly widening the definition of human rights to include workers’ rights. Second, as mentioned above, TNCs have become increasingly influential in the global economy, and consequently become a more relevant counterpart for many NGOs. Third, the governmental retreat from regulating international workers’ rights, have led NGOs to perceive that there are governance gaps to be filled by them. With NGOs shifting from a governmental to a corporate counterpart, they emerge as a second type of representative for workers’ rights alongside unions (e.g., Eade, 2004; Riisgaard, 2005; Spooner, 2004).

**Disembedding and re-embedding industrial relations from a national towards a transnational setting**

Above, we have depicted a movement from a national system of industrial relations towards a transnational system. At the same time, we should be careful not to exaggerate this development. The fundamental change is not the complete collapse of the national model, but rather the gradual emergence of a second alternative model at the transnational level. There are three major differences between the national and transnational systems. First, the arenas on which industrial relations are being enacted are the national versus the transnational arena. This leads to the second difference – the difference in influence of the involved actors. In the national model, unions and national governments occupied central positions in industrial relations, while in the transnational model both unions and national governments influence has diminished. Paralleling the decreases of union and national government influence is an increase in influence of TNCs. Third, in the transnational model a new actor – NGOs – has entered into the industrial relations alongside unions as representatives for workers’ rights. Combined, these shifts make it possible to on a general level argue that we have been, and are, witnessing the emergence of second transnational industrial relations system that is in many ways significantly different from the traditional national industrial relations system.

Based on the trends described above, we can characterise the emergence of a transnational industrial relations system as a process of disembedding and re-embedding a network of social relationships (Granovetter, 1985). When TNCs offshore operations, they leave European and US societies in which they previously have been embedded, and enter into mainly Asian societies in which they need to become re-embedded. However, European and US based NGOs and labour unions are critical of how TNCs are becoming re-embedded, arguing that the national industrial relations systems in Asia are inadequate and that an alternative transnational system needs to be developed. Hence, NGOs and unions want to disembed TNCs from Asian national industrial relation systems, and re-embed them into transnational industrial relations systems. However, since no such transnational system exists, the task is to define what such a system should look like both in terms of content and involved actors. The remainder of this paper is focused on describing this process of disembedding and re-embedding of industrial relations and the translation of two different sets of ideas in shaping a transnational industrial relations system.
Method
To explore how this process of disembedding and re-embedding industrial relations develop, we make use of an explorative case study of the Swedish Clean Clothes Campaign and the Swedish garment industry between 1996 and 2006 (Ählström and Egels-Zandén, 2006; Egels-Zandén and Hyllman, 2006; Egels-Zandén and Wahlqvist, 2006). Our reliance on qualitative research methods is well in line with previously proposed methods for analysing emerging empirical phenomenon (e.g., Marshall and Rossman, 1995; Lee, 1999; Maguire et al., 2004).

Data for the study were collected through interviews and written documentation. Between 2002 and 2006, 52 semi-structured interviews (lasting on average one hour) were conducted with representatives of the union, NGO and corporate organisations involved in negotiating Swedish garment retailers’ responsibilities for workers’ rights at their suppliers’ factories. Those interviewed were all responsible for negotiating workers’ rights in their respective organisation and personally involved in the negotiations related to workers’ rights and the Swedish Clean Clothes Campaign. The written documentation (reports, newspaper articles, and web pages) was mainly used to validate the information obtained in interview. Few inconsistencies were found between the information obtained from the verbal and the written sources.

The collected data were coded and used to construct a chronological representation of the workers’ rights negotiations between 1996 and 2006. The positions adopted by TNCs, NGOs, and unions were then identified at each decision point in the chronological representation of the process. This earlier version of the empirical section was sent to a majority of the interviewed representatives, in order to validate the description of the negotiations. All of the interviewees’ suggested changes (only a handful in all) were incorporated into a final description of the negotiation process.

Industrial relations in the Swedish garment industry

Prologue: Dis-embedding and the international scene (prior to 1996)
In their offshoring of production to developing countries in the late 1980s and early 1990s, TNCs dis-embeeded their operations from a European and US setting and re-embedded them in an Asian setting. However, this re-embedding received critique from Western unions and NGOs, and, in the aftermath of numerous international media ‘scandals’ in the early 1990s, TNCs such as Levi’s, GAP, Nike, and Reebok started to acknowledge an extended sense of responsibility for workers’ rights at their suppliers’ factories (e.g., van Tulder and Kolk, 2001; Roberts, 2003; Braun and Gearhart, 2004; Frenkel and Kim, 2004). Despite this international controversy, few voices regarding TNC responsibility for their suppliers’ workers were raised in Sweden until 1996. Hence, the re-embeddedness of Swedish garment retailers’ operations in Asian countries was largely left uncriticised prior to 1996.

A transnational re-embeddingness process (1996–2001)
In 1996, the recently founded Swedish NGO, Fair Trade Center (FTC), made contact with the Dutch Clean Clothes Campaign and decided to initiate a Swedish Clean Clothes Campaign (SCCC), to pressure Swedish garment retailers to extend their responsibility for workers’ rights at their suppliers’ factories. This was a reaction to that Swedish garment retailers had outsourced almost all of their production to suppliers in developing countries, and that FTC found the working conditions in these
supplier factories unacceptable. Rather than pressuring the suppliers directly or national governments, FTC envisioned that pressure on Swedish garment retailers would be the most effective strategy to achieve changes in working conditions.

The people behind FTC were able to convince seven other NGOs, such as Red Cross Sweden Youth and the SAC Syndicalists, to join the campaign. As with the Dutch campaign, FTC considered the inclusion of unions in this campaign as essential to its success, since Swedish unions have traditionally played a key role in negotiations with Swedish garment retailers regarding workers’ rights. The two unions involved in the garment industry, the Commercial Employees’ Union and the Industrial Workers’ Union, also decided to join the campaign. With the inclusion of the unions in SCCC, the campaign commenced.

At this time, the unions claimed not to have developed a position regarding workers’ rights issues outside Sweden. Also, few resources had been allocated to address these issues, illustrated by the fact that the combined unions had less than one full-time position devoted to them. The unions, however, perceived the cause of workers’ rights to be tightly linked to international issues and sympathised with the aims of SCCC. Inspired by FTC’s enthusiasm, they decided to join the campaign.

Campaign activities started off with a postcard campaign, proposed and directed by FTC, targeting the shoppers at four of Sweden’s largest garment retailers: Hennes & Mauritz (H&M), Lindex, KappAhl, and Indiska. The idea was that consumers would pressure the retailers into extending their corporate social responsibilities to encompass the operations of their foreign suppliers. At the same time, FTC, through SCCC, made contact with the four retailers, with the aim of persuading them to adopt codes of conduct regarding workers’ rights at their suppliers. Its focus on codes of conduct as the way to operationalise retailers’ extended responsibilities was in line with international thinking at this time in both the garment and other consumer industries. Throughout this stage of the process the unions attended SCCC meetings and were part of the core SCCC working group, but remained passive in terms of offering suggestions as to how the campaign should proceed.

By the end of 1997, Swedish garment retailers eventually came to acknowledge an extended responsibility, to be operationalised through codes of conduct. Their rationale for adopting this position was to avoid negative media attention and maintain positive perceptions in the eyes of consumers. To overcome the problems of differences between the retailers’ codes and to achieve credible monitoring, at the end of 1998 the four retailers joined an SCCC project initiated by FTC. The project was later labelled by some, though notably not by the unions, as ‘DressCode’. We will use this label for the purposes of this paper. SCCC initially applied for financing for the DressCode project via SIDA (the Swedish government’s donor agency), but SIDA rejected both financing and participation in the project and eventually the firms financed the project.

The DressCode project had two objectives: i) to formulate a harmonised code of conduct for the four retailers, and ii) to put in place an independent monitoring system for this code. Initially, FTC proposed a code consisting of the ILO core conventions, the UN human rights declarations, and ‘living wages’. The other NGOs and the unions involved in DressCode still remained fairly passive in the process, accepting and supporting FTC’s suggestions. However, the firms were reluctant to accept the
living wages’ concept, and instead argued in favour of ‘minimum wages’. After heated discussion, FTC, the other NGOs, and the unions retreated from their original position and accepted ‘minimum wages’, and a harmonised code was agreed upon.

DressCode’s next step was to develop an independent monitoring system. Over a two-year period the project explored different monitoring systems mainly based on NGO-led monitoring. Based on this experience, DressCode’s project manager proposed the creation of an independent foundation that would own a non-profit organisation that in turn would sell independent monitoring to all interested Swedish garment retailers. The foundation would be founded and co-owned by Swedish NGOs and unions. Most of these ideas were suggested by FTC and the firms.

A re-embeddedness collapse (2002)
In 2002, the unions decided to reject the suggested code of conduct and monitoring system. This was the first time during this six-year process that the unions expressed a clear and independent opinion and actively affected SCCC processes, rather than simply passively reacting to FTC initiatives. The unions officially presented three main reasons for their withdrawal. First, the unions claimed that the suggested code was inadequate, since it did not encompass all the ILO conventions. This was a quasi argument, since the code did contain all ILO conventions relevant to the garment industry and all organisations involved in DressCode seemed willing to include the remaining ILO conventions in the developed code. Second, the unions claimed that codes of conduct were an unsatisfactory way to operationalise retailers’ extended responsibilities towards their suppliers’ workers. The unions instead opted to enter into binding global collective agreements with the firms. The unions, at this stage, claimed to have initially been too positive towards codes of conduct; they claimed that codes were a convenient way for firms to legitimise their supplier relationships without any union involvement. Third, the unions claimed not to have the mandate to negotiate on behalf of workers at suppliers’ factories in developing countries. The unions said that they had initially wanted to improve workers’ situations without giving the issue of mandate any thought; later, however, the unions argued that local and national unions should negotiate with the firms regarding the terms of the global collective agreements. As well, the unions regarded their participation in the DressCode project as an opportunity to learn about and evaluate the project’s suggested approach, i.e., codes of conduct and monitoring systems. Hence, it seems that the unions discarded codes of conduct as a way to operationalise retailers’ social responsibilities and even came to perceive codes of conduct as inhibiting progress towards improved workers’ rights at TNCs’ suppliers’ operations.

After the unions withdrew from DressCode, FTC and the other NGOs decided not to create the independent monitoring foundation. The organisations were not comfortable creating a code of conduct and monitoring system without the support of the unions. The unions’ withdrawal from DressCode and from the operationalisation of supplier responsibilities based on codes of conduct was criticised by FTC, the other participating NGOs, and the retailers both unofficially and officially in the Swedish media. They argued that the unions had previously supported all the aspects of the programme that they later came to criticise.

The collapse of DressCode meant several steps backwards in terms of specifying the responsibilities of garment retailers. Instead of creating a well-defined code of
conduct and monitoring system supported by NGOs, unions, and firms, the situation nearly returned to its 1995 position, with no clear definition of retailers’ social responsibilities or of how they should be operationalised.

Re-embeddedness anarchy (2002-2006)
Since the collapse of DressCode, the garment industry has lacked a unified policy regarding its responsibility for workers’ rights at their suppliers. The unions tried to persuade the firms to accept their own approach to operationalising responsibility, that is, global collective agreements negotiated and monitored by local unions. However, the retailers were reluctant to accept global collective agreements, arguing that such contracts were unrealistic due to the low membership density and organisational characteristics of unions in the countries in which they operated. Therefore, the retailers continued to work with codes of conduct and monitoring, each firm developing its own code and conducting the monitoring itself.

Additionally, H&M initiated discussions with the Fair Labor Association (FLA) and the Fair Wear Foundation – two initiatives with similarities to the cross-sectoral DressCode project. KappAhl began collaborating with the Norwegian Ethical Trading Initiative (IEH), made SA8000 inspections at some of its suppliers’ factories, and KappAhl and Lindex joined the recently created Business Social Compliance Initiative (BSCI). The BSCI project has since then received wide support with over fifty European firms (in the garment and other industries) joining the project. However, BSCI has been severely criticised both by NGOs, for including a too weak code of conduct and lacking independent monitoring, and by unions, for being focused on codes rather than global collective agreements.

FTC and the other NGOs in SCCC initially after the collapse of DressCode continued arguing in favour harmonised codes of conduct and independent monitoring. However, as time has passed, the NGOs have become more receptive to the unions’ argument with many NGOs in principles supporting global agreements (although being sceptical of the potential to successfully make firms signing agreements). NGOs have also more and more started to recognise the role of local unions in Asian countries, and have begun to aid in the formation of local unions. Still, NGOs view codes of conduct as their main approach to workers’ rights, and spend most of their time trying to enforce this approach.

Competing Models of Industrial Relations

The ‘Rules Model’
After the initial decision to form the Swedish Clean Clothes Campaign as a way to challenge how Swedish garment retailers had become embedded in Asian countries, the above described negotiation process was aimed at creating and implementing an alternative re-embedding based on a transnational rather than national system. During the first phase of this process (1996-2001), the content of this transnational industrial governance system was mainly based on the ideas of FTC and in part on the garment retailers’ ideas. The involved unions passively supported FTC’s suggestions during this part of the process, and governmental organisations decided not to participate in the process.
FTC’s suggestions during the first phases of the process were in the form a code of conduct and monitoring, and the firms input were mainly to argue for lower standards in the code of conduct. The code of conduct approach resides on the idea that trust comes from outcomes in the form of pre-defined minimum requirements (cf. Granovetter, 1985; Egels-Zandén and Hyllman, 2007). As such, definitions of workers’ rights are generally defined and universally determined. Consequently, trust is codified or, in other words, institutionalised as definitions of workers’ rights are lifted from interpersonal relationships and networks into regulatory frameworks. Hence, it is trust in the codified rules and their monitoring that FTC envisioned would embed firms in a transnational system. The rules that in previous research has been argued to convey such trust in relation to workers’ rights is mainly the UN Universal Declaration of Human Rights (and related conventions regarding child labour and women’s rights), the ILO Declaration on Fundamental Principles and Rights at Work, the OECD guidelines for multinational enterprises, and the UN Global Compact (cf. Lozano and Boni, 2002; Frenkel and Lurie, 2003; Egels-Zandén and Kallifatides, 2006). The conducted study confirms this picture with these declarations being central to defining the content of the code of conduct. Monitoring is then to convey trust in that the corporations are following these codified rules. In this way, trust is made measurable and monitorable with any firm following the rules able to make a credible claim to be trusted. Hence, civicness, in this ‘Rules Model’ of industrial relations, is constructed as abiding by the existing and pre-determined rules and regulations.

The ‘Rules Model’ of industrial relations was initially proposed by FTC in the studied case and can be linked to two different but related general trends. First, it is linked to the emergent Corporate Social Responsibility (CSR) movement. This movement can be said to have exploded during the last two decades with the aim of expanding corporations’ responsibility for their actions (e.g., Hoffman, 1999; McWilliams and Siegel, 2001; Waddock et al., 2002). A highpoint of the CSR movement was the launch of the UN Global Compact in 1999, when the UN recognised the role of corporations as potential allies in the development of a sustainable world and invited firms to join its voluntary program. The UN Global Compact serves as a good example of the underpinning ideas of the CSR movement. It consists of ten principles in relation to human and workers’ rights, environment and corruption. The idea is that corporations voluntary join and live up to the minimum standards specified in these principles, and report on their progress using a predefined monitoring and reporting guideline. Hence, the UN Global Compact, and the CSR movement, can be described as based on the same ‘Rules Model’ as codes of conduct. The influence of the broader CSR movement on the studied case is evident, since both FTC and the Swedish and international Clean Clothes Campaigns present themselves as part of this movement. Based in the CSR movement, FTC translated the idea of rules based governance into the setting of transnational industrial relations governance proposing a code of conduct and monitoring approach for embedding garment retailers into a transnational system (cf. Czarniawska and Sevón, 1996). In this translation process, FTC was helped by the Dutch Clean Clothes Campaign and other similar campaigns that, implicitly, provided a first translation of the ‘Rules Model’ into industrial relations.

Second, and on a more general level, the initial focus on rules based governance in SCCC can be linked to the so-called ‘audit society’ (e.g., Power, 1997). Several previous studies demonstrate the emergence of a growing number of regulations, rule systems, standards and formal as well as informal codes of conduct governing the
operations of firms, organisations and public authorities alike (e.g., Brunsson and Jacobsson, 2000; Ahrene and Brunsson, 2004). Within the area of workers’ rights, a growing number of suppliers of certifications and standards have also been detected over the last few years (Jutterström, 2006). Audit, it is said, shapes public perception of the problems for which it is the intended solution and is constitutive of certain regulatory style which reflects deeply held commitments to trust (Power, 1997, p. 7). It is believed that audits give off information by virtue of a rhetoric of “neutrality, objectivity, dispassion, expertise” (Van Maanen and Pentland, 1994, p. 54), and as such has the advantage of being potentially universally applicable (e.g., Pollitt et al, 1999).

We can in this way link the code of conduct idea to the general CSR movement, and to the larger trend of a rules and audit based society. Framed in this way, FTC’s rule-based suggestions of codes and monitoring can be seen as translation processes in three steps. First, a translation of the audit ideal into the CSR movement, second, from the general CSR movement into industrial relations by international actors, and third from the international setting into the Swedish setting. One of the effects of defining a transnational industrial relations system based on the ‘Rules Model’ is that processual aspects are downplayed. This is clearly illustrated in our studied case with the code of conduct and monitoring proposed in the first phase of the process (1996-2001) not including any processual aspects of workers’ rights negotiations. Similarly, it was stated by the participating firms that they welcomed a clear and communicated universal definition of responsible operations that could be monitored and would enable the firms to effectively evaluate and communicate their respective performance of workers’ rights. Finally, the logic of the ‘Rules Model’ is evident in the studied case in the way that no local Asian organisations be it unions or NGOs were involved in the definition process. Since trust is envisioned to stem from the codified rules defined by global actors, such as the UN, there is little, if any, need to include local organisations in attempts to implement these rules in the local industrial relations setting.

The ‘Bargaining Model’

While the first phase of the studied process (1996-2001) was characterised by a ‘Rules Model’ of industrial relation, the second phase (2002-2006) saw the emergence of a distinctly different ‘Bargaining Model’ of transnational industrial relations. The basic cornerstones of the bargaining and rules models are distinctly different with the ‘Bargaining Model’ building trust from the process of (collective) bargaining (i.e. the focus is on standardising processes), while the ‘Rules Model’ build trust from codified sets of rules (i.e. the focus is on standardising output) (cf. Mintzberg, 1983). The ‘Bargaining Model’ is representative of the traditional national tripartite industrial relations system involving negotiations and collective bargaining between firms and unions with the state as a more or less passive actor in the background. Virtually all national industrial relations systems has its basis in this model as it is the traditional way in which unions have sought to increase and implement their influence (e.g., IDE, 1980; Bamber and Lansbury, 1998). The ‘Bargaining Model’ is built around certain specific cornerstones. First, the model is primarily focused on bargaining as a process, i.e. definitions of workers rights’ are continuously defined through negotiations rather than being defined a priori (e.g., Emery and Thorsrud, 1969; Huzzard et al, 2004). Thus, relatively few general regulations exist on workers’ rights issues but rather these are determined locally by the parties involved. Second,
within the ‘Bargaining Model’, trust is (re)produced within interpersonal relationships and networks and can thus be said to be socially embedded (Granovetter, 1985). This is an important reason for the bargaining model’s focus on the collective process of bargaining and on locally determined outcomes of such negotiations (e.g., Northrup and Rowan, 1979; Haworth and Ramsay, 1984; Åkerman, 2003). Hence, rather than trust residing in institutionalised codified rules as in the ‘Rules Model’, trust resided in interpersonal relations in the ‘Bargaining Model’. Consequently, civicness, according to the ‘Bargaining Model’ of industrial relations, is constructed as entering into and participating in an ongoing social dialogue between the involved parties.

While the ‘Bargaining Model’ in some form underlies most, if not all, union-based industrial relations systems it might be said to be a particular feature of the Nordic context. For example, Jacobsson (1987) demonstrated how a number of decisions and choices were determined neither on the market, by individual agents adapting to changes in the market, nor through autonomous decision-making by public authorities, but rather via institutionalised negotiation between the relevant interested agents. The term coined by Jacobsson (1987) for this phenomenon was ‘forhandlingsekonomi’ which is perhaps best translated to ‘Negotiated Economy’, a concept with a Norwegian origin (e.g., Hernes, 1979), and frequently used in Scandinavian studies (Nielsen and Pedersen, 1988; 1991; Berrefjord and Nore, 1988; Midttun, 1988; Pestoff, 1988), and studies in other countries (Devine, 1988; Moore and Booth, 1989). Nielsen (1992, p. 333) defines a ‘negotiated economy’ as a “structuring of society where an essential part of the allocation of resources is conducted through institutionalized negotiations between independent decision-making centers in state, organizations and/or corporations”. Thus, the concept of bargaining has become an embedded part of the traditional Scandinavian, Nordic, and Swedish industrial relations system, and the ‘Bargaining Model’ may thus be viewed as a specific trait of the Nordic industrial relations landscape implying a certain kind of ‘Nordic’ civicness.

Empirically, the ‘Bargaining Model’ enters into the process with force in the unions’ argumentation for leaving the DressCode project (in 2002). In leaving DressCode, the unions claimed that codes of conduct were an unsatisfactory way of operationalising workers’ rights, and that global collective agreements should be promoted instead. In doing so, the unions actively tried to prevent the re-embedding of industrial relations at the transnational level according to the ‘Rules Model’ in favour of the ‘Bargaining Model’. Likewise, the unions’ presented argument that the Swedish unions do not have the mandate to negotiate on behalf of workers in developing countries highlights their focus on locally determined definitions of workers’ rights rather than universally determined definitions. The unions also claimed that codes of conduct were a convenient way for firms to achieve legitimacy without any union involvement. This shows that the unions put little trust into the codified rules themselves, but rather put their trust into the union involvement in the negotiation process.

All of this critique towards the ‘Rules Model’ as proposed in DressCode, is based on the unions attempt to translate the ideas underpinning national industrial relations systems into the transnational setting. As in most translation processes, some adjustments are made to the original idea (e.g., Callon, 1986a, 1986b; Czarniawska and Sevón, 1996). The most central adjustment in our studied case is that the bargaining mandate in global agreements is shifted away from national unions to the
global unions of which the national unions are members (Hammer, 2004; Egels-Zandén and Hyllman, 2006). A consequence of this is that global agreements provide a partial disembodiment of industrial relations from a national setting to a re-embedded transnational system with agreements between single TNCs and the relevant global union. Hence, the role of government and national legislation is downplayed in global agreements as compared to the traditional national ‘Bargaining Model’. Evidently, the role of NGOs is also downplayed in global agreements, since these agreements are signed by TNCs and global unions without any NGO involvement.

**Dominance, compromise or integration? – Implications on ‘civicness’ in industrial relations**

The debate between the bargaining and rules models show that two main workers’ rights representatives stand out in attempting to define the basis for trust in transnational industrial relations: unions, struggling to preserve the traditional ‘Bargaining Model’ of industrial relations, and workers’ rights NGOs, proposing a ‘Rules Model’ of industrial relations. Upon the union withdrawal from DressCode, FTC and the other NGOs were not comfortable in launching the code of conduct system rooted in the transnational ‘Rules Model’. The union support was by these actors seen as essential for gaining trust in a transnational governance system of workers’ rights. Hence, it appears as if the traditional way of gaining trust through local bargaining processes was stronger than the alternative model focused on rules. However, while it is true that the unions blocked the embeddedness of garment retailers into the rule-based industrial relations system proposed by DressCode, the unions did not manage to convince the firms and the NGOs to support the ‘Bargaining Model’. Instead, unions entered into a conflictual situation with TNCs and NGOs regarding the formation of a transnational industrial relations system. Thus, it would appear as if the ‘Bargaining Model’ and the ‘Rules Model’ are two competing sets of ideas struggling for dominance over industrial relations governance, a struggle that so far appears to be won by the ‘Rules Model’ with a vast majority of large TNCs adopting codes of conduct (e.g., Schlegelmilch and Houston, 1989; Sethi, 1999; Guillén et al., 2002; Nijhof et al., 2003). With the ‘Rules Model’ becoming standard in the transnational setting and TNCs continuing to offshore production from Europe, the Nordic civicness embodied in the national ‘Bargaining Model’ will slowly deteriorate in favour of a codified and formalistic perspective on trust inherent to the ‘Rules Model’.

Another interpretation of events is provided when considering that the number of TNCs signing global agreements, thus adhering to the ‘Bargaining Model’ logic, is steadily increasing (e.g., Hammer, 2004; Riisgaard, 2005). Particularly TNCs based in countries with a strong tradition of a national ‘Bargaining Model’ such as Sweden, Denmark, Germany, and the Netherlands (e.g., Piazza, 2002), seem willing to sign global agreements. At the same time, as shown in our study, workers’ rights NGOs are becoming more open to global agreements, and slowly moving from a ‘Rules’ towards a ‘Bargaining Model’ of industrial relations. However, even if the future holds a shift from codes of conduct to global agreements, the focus of global agreements is one of centralised negotiations between TNCs and global unions rather than negotiations between national unions and TNCs (cf. Wills, 1998; 2002). Hence, as global agreements transfer bargaining power from national unions to global unions at industry level and local unions at the TNC level respectively, this signifies an important compromise on behalf of the unions when adapting to an emerging
transnational governance structure. This centralisation of negotiations implies that the content of the global agreements becomes focused on the basic conventions on workers’ rights (Riisgaard, 2005; Egels-Zandén and Hyllman, 2007), since global unions seldom have local knowledge of specific workplaces (e.g., Fairbrother and Hammer, 2005). The legal enforceability of these agreements is also doubtful as the necessary legal infrastructure is lacking (Christmann and Taylor, 2002; Sullivan, 2003; Frenkel and Kim, 2004; Prieto and Quinteros, 2004). Consequently, even if both unions and NGOs adopt a position based on *compromise* regarding their preferred industrial relations model and adopt global agreements, the adoption of global agreements signals a move away from the Nordic form of civicness implicit in the traditional national ‘Bargaining Model’ towards a ‘Rules Model’-based form of transnational civicness focused on minimum requirements rather than on entering into social dialogue.

Thus, *dominance* and *compromise* are two modes in which the ‘Bargaining Model’ and the ‘Rules Model’ of industrial relations may interface with clear and present implications for Nordic civicness, since both dominance and compromise imply a move towards a rule-based rather than a dialogue-based definition of civicness. The remaining question is then whether the properties of the ‘Bargaining Model’ are at all applicable to the governance of a transnational industrial relations system. While most current trends would suggest otherwise, there is some recent attempts by unions and NGOs in promoting a transnational industrial relations system based on the ‘Bargaining Model’ through the formation of local unions. One example of such an attempt is presented in a study of Trelleborg’s operations in Sri Lanka (see Egels-Zandén and Hyllman, 2007). As workers at Trelleborg’s factory in Sri Lanka attempted to start a local union they were prevented to do so by Trelleborg’s local management who argued that unions in Sri Lanka were too militant. The local union was able to point at the code of conduct adopted by Trelleborg that included a paragraph that workers were free to start their own local unions. Trelleborg was thus in breach of their own code of conduct but still refused to recognise the local union. A coordinated effort then followed including a wide variety of workers’ representatives. The workers and members of the local union went on strike, the global union addressed Trelleborg’s management and added pressure on Trelleborg by reporting their infraction to OECD, the NGOs active in the sector launched campaigns in both Swedish and international media, and the Swedish union communicated with Trelleborg’s group management who took measures to address the situation in Sri Lanka. Days later, the local union in Sri Lanka was recognised by Trelleborg. With this approach, unions and NGOs are able to uphold local bargaining with a TNC, combining codes of conduct with the formation of a local union. The local union is embedded into a network of relationships consisting of representatives from global unions, Swedish unions as well as NGO activists. This is achieved through an integration of the national and transnational level by localising the bargaining process at the TNC level rather than at the national or sector level. Through this *integrative* approach, many of the vital elements of the Nordic ‘Bargaining Model’ is included into the (re)formulation of the transnational industrial relations system. Adopting such an approach would however require unions and NGOs to rethink their traditional way of managing globalisation.
Concluding discussion

So far, we have shown that there is emerging a transnational industrial relations system as a response to TNCs’ offshoring of operations to mainly Asian countries. We have also shown that in shaping this transnational system two conflicting models of industrial relations are being presented by the involved actors. On the one hand a ‘Rules Model’ of transnational industrial relations translated and promoted by NGOs and TNCs, and on the other a ‘Bargaining Model’ translated and promoted by unions. Currently, the rules anchored approach of codes of conduct proposed by NGOs and TNCs is dominating the transnational system, but there are tendencies that the unions’ approach of global agreements including elements of bargaining are gaining in influence. However, both approaches involve a move towards a ‘Rules Model’ as compared to the traditional national bargaining model of industrial relations prevalent specifically in the the Nordic countries. Hence, both approaches imply a shift from a Nordic form of civicness focused on participating in social dialogue to a an emerging civicness model focused on preserving, protecting and defending minimum requirements and codified rules.

An alternative, integrative approach is outlined by us on a way to extend the Nordic ‘Bargaining Model’ into the arena of transnational industrial relations. It focuses on integrating the national and transnational levels by localising bargaining at the TNC level rather than the national level. However, such an integrative approach requires shifts in both unions and NGOs strategies. Unions need to strategically shift focus from negotiating on a national level to negotiating on a firm level. Currently, there are few indications of unions being willing to make this change (e.g., Ramsay, 1997; Weston and Lucio, 1997, 1998). Additionally, unions will need to reconceptualise the union organisation in developing countries that currently is seen as a ‘charity’ part rather than an integral part of unions’ operations (e.g., Prasad and Snell, 2004). With negotiations located on a firm level and firms being transnational, unions based in Europe and US will need partnerships with unions in developing countries. Since union presence in developing countries is virtually non-existent, the union movement need to invest heavily in creating a network of local unions in developing countries.

In similarity to shifts in union strategies, NGOs need to continue the move from promoting a ‘Rules Model’ to appreciating a ‘Bargaining Model’. This involves strategically emphasising and aiding in the formation of local unions in mainly Asian countries. As seen in the case of Trelleborg in Sri Lanka (Egels-Zandén and Hyllman, 2007), NGOs can play an important role in aiding in the formation of local unions by pressuring firms through, for example, media and consumer campaigns. There are some signs that NGOs are willing to shift their focus, but they still put too much emphasis on codes of conduct to allow for a move towards an integrative approach. Consequently, both unions and NGOs will need to change their strategic perspectives, otherwise we will continue to witness a gradual shift towards a rule-based definition of the transnational industrial relations system.
In total, H&M, Lindex, KappAhl, and Indiska had a turnover of SEK 64,000 million in 2004 (approximately USD 9,000 million) and directly employed over 35,000 people worldwide, plus many thousands indirectly in their supply chains.

See, for example, the opinion poll in *Expressen* (1998-01-15), ‘Var tredje svensk nobbar H&M’ (translated: Every third Swede is boycotting H&M).

A ‘living wage’ is the wage level covering all basic needs, though who is to define this level is a matter of considerable debate.

‘Minimum wage’ is the lowest legal salary level in a country.
References


