Cross-Border Collective Bargaining: Restoring Worker Power in a Globalized Economy

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October 2019
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Abstract: Over the last few decades, workers have lost substantial bargaining power as a result of a system of trade and globalization structured to benefit multinational corporations and facilitate capital mobility. This power dynamic has led to lower wages, decreased union density and substantial job loss in many parts of the country. In particular, research shows that workers organizing to form unions became much more likely to face employer threats and retaliation after the enactment of the North American Free Trade Agreement.

To restore bargaining power for workers and raise wages, any future trade agreements should establish protections for workers to engage in cross-border collective bargaining with multinational employers, while eliminating provisions designed to facilitate the offshoring of money, production and jobs. For this system of cross-border collective bargaining to be effective, it must: 1) include clear, specific rights allowing workers to engage in joint collective bargaining and other concerted activities to support those rights; 2) include strong enforcement mechanisms that include robust penalties that take effect rapidly against corporations that violate worker rights; and 3) apply across corporate supply chains. This system should be developed with input from organizations with experience developing cross-border worker solidarity.

Establishing a strong system of cross-border collective bargaining will help end the race-to-the-bottom in wages and standards that has harmed workers both in the United States and abroad.

Introduction

The deindustrialization that has swept the United States over the last few decades has harmed millions of working families, who face futures in which they are denied opportunities,[i] earn lower wages,[ii] their communities are hollowed out,[iii] and substance abuse wreaks havoc[iv] on entire regions. However, the impacts of a system of trade and globalization structured to benefit multinational corporations and facilitate capital mobility go far beyond just those who have lost their jobs. Workers across the country and across a wide range of occupations have seen their bargaining power diminished substantially by this system. Workers overseas likewise routinely face exploitation and abuse under this structure, creating a global race to the bottom for working conditions. To combat this trend, future trade deals should prioritize the interests of workers by guaranteeing workers the right to join together across borders to collectively bargain with multinational corporations.

A Declining Share for Labor

Over the last three decades, the majority of all global income growth has gone to the world's richest five percent--with most of that share going to the richest one percent--according to research by City University of New York professor Branko Milanovic.[v] During that same period, there has also been significant success in alleviating extreme poverty in certain regions of the world, particularly in Asia.

Nearly one billion people globally have risen out of extreme poverty over the last four decades, a large majority of them in China.[vi] Middle earners in China saw their incomes triple between 1988 and 2008;[vii] since then, overall economic growth in China has slowed, but worker incomes continue to advance rapidly, with average monthly wages rising by 263 percent over the last decade.[viii] There has also been tremendous progress in India more recently, as nearly 300 million people have escaped extreme poverty since 2006.[ix]

However, economic growth and poverty alleviation have lagged in other poor countries. For example, the poverty rate in Mexico actually *increased* between 1994 and 2014, while real wages were stagnant.[x] Meanwhile, the human rights and labor rights situations in Central America have deteriorated after the enactment of the Central America Free Trade Agreement-Dominican Republic (CAFTA), a major factor spurring a wave of forced migration northward.[xi]

In sub-Saharan Africa, where the world's concentration of extreme poverty is highest, per capita GDP actually decreased between 1974 and 2003.[xii] Since then, growth has improved, but "without greatly expanding the capacity to deliver" good jobs.[xiii]

Even in China, wage growth has lagged worker productivity due to severe repression of labor rights,[xiv] including a ban on independent, democratic unions,[xv] the detention and arrest of worker activists,[xvi] and widespread exploitation of forced labor.[xvii]

Working class people in developed countries, meanwhile, have yet to see the promised gains of globalization. Since the early 1980s, wages have stagnated for those in the 70-85th percentiles of income globally—in other words, the working classes in wealthy countries.[xviii] Wage stagnation has impacted American workers even more than workers in other developed countries. The labor share of U.S. national income has declined substantially over the last thirty years after decades of stability, with the decline most prominent in trade and manufacturing sectors.[xix]

The Loss of Bargaining Power

Part of trade's role in the decline of the labor share of income is, of course, the shift away from manufacturing jobs that have traditionally paid better wages than many other sectors. Since 2000, the U.S. has lost roughly five million manufacturing jobs, largely due to trade.[xx]

However, trade and globalization also impact a much broader group of workers than solely those who have lost their jobs due to offshoring. Over the last few decades, worker bargaining power has diminished significantly due to employer threats to offshore jobs or source goods and services from overseas suppliers.

This threat of losing work to lower wage competition first became evident in the 1970s, as industries became more vulnerable to foreign competition once a number of countries had reconstructed their economies after the devastation of World War II. Princeton University professor Robert Gilpin wrote a report for the U.S. Senate Committee on Labor and Public Welfare in 1973, which found that, "The real issue is that foreign direct investment [by American corporations] tends to shift the national distribution of income to the disadvantage of blue-collar workers...The United States requires, therefore, a response to intensified foreign competition which does not place such a heavy burden and sacrifice on labor."[xxi]

Soon thereafter, it became increasingly evident that multinational corporations could use the threat of offshoring jobs as a method of undermining worker power. In 1982, the *New York Times* wrote, in an article about the United Auto Workers' bargaining challenges with big auto companies that, "portability of work can become, in effect, a strike-breaking device."[xxii] Jack Welch, the former Chairman and CEO of General Electric, famously said in 1998, "Ideally, you'd have every plant you own on a barge to move with currencies and changes in the economy," suggesting that he'd seek to move work to wherever costs were lowest, which often means low wage countries with weak protections for workers.[xxiii] That same ethos is still prevalent, as former Goldman Sachs executive and President Trump's former National Economic Council Director Gary Cohn said, in 2016, "We hire people [in Bangalore] because they work for cents on the dollar versus what people work for in the United States."[xxiv]

Since the early years of offshoring, a number of factors have made many more workers vulnerable to offshoring threats. At one point, only a relatively small group of primarily manufacturing jobs could be offshored, but technological changes now mean that a wide range of jobs from manufacturing to writing to accounting to customer service can all be done abroad. One study found that approximately one of every four American jobs is now vulnerable to offshoring.[xxv]

Yet, the changes that have exacerbated workers' vulnerability to offshoring also were due partly to policy choices that prioritized the interests of multinational corporations instead of the interests of workers. Specifically, trade and investment agreements enacted over the last few decades have been designed to enable corporations to move money, production and jobs anywhere in the world at a moment's notice, often to countries with low wages, weak standards, and where companies can easily dodge taxes.

The first step in this process was the adoption of a range of policies starting in the 1970s to remove capital controls. By 1973, countries including the United States, Canada, Germany, Switzerland and the Netherlands had all removed capital controls,[xxvi] while the International Monetary Fund was at the same time weakening oversight of capital flows and encouraging countries to liberalize capital markets.[xxvii]

Subsequently, the United States and other countries began to implement trade and investment agreements that contained a wide range of provisions that make it much easier, cheaper and safer to move money and jobs around the globe. The centerpiece of this regime is a special process for multinational corporations to sue governments in special tribunals if they allege that they have been denied broad rights such as a “minimum standard of treatment” or “fair and equitable treatment,” called Investor-State Dispute Settlement (ISDS).

ISDS has been one of the centerpieces of the North American Free Trade Agreement (NAFTA) and similar subsequent agreements based on the NAFTA model, as well as dozens of ISDS-focused Bilateral Investment Treaties (some of which pre-dated NAFTA). While advocates have criticized ISDS for facilitating attacks on public interest protections and wrongly advantaging multinational corporations,[xxviii] one other very significant effect is that the process facilitates the movement of production. Countries with low wages and weak labor protections are often the very same countries that present risky investment profiles.[xxix] As such, providing corporations with strong, far-reaching legal protections and corporate-friendly arbitral panels in which to litigate makes it much easier and more attractive to move production to these countries.

Additionally, these agreements have included provisions that guarantee firms that produce goods or services in other countries access to broad swaths of the U.S. government procurement market, thereby preventing the U.S. from adopting “Buy American” policies for those portions of the market. In practice, the U.S. has opened far more of its government procurement market to overseas producers than have other governments--as of 2010, the U.S. committed to open a total of $837 billion in procurement to overseas competition via its various FTAs and the World Trade Organization’s (WTO) Agreement on Government Procurement, a total far larger than that of any other country.[xxx]

This policy of providing broad access to the American government procurement market has a number of impacts, including potentially undermining responsible bidding policies, like those that prioritize firms that have strong labor and environmental records.[xxxi] One notable implication is that corporations can safely move production abroad while maintaining access to this large and profitable market. So, again, this trade model facilitates corporations' offshoring of production.

Another major facet of the international trade regime that policymakers have developed over the last few decades is robust protection of intellectual property rights. Trade deals over this time have included far-reaching and specific requirements for protecting intellectual property, including strengthened penalties for trademark infringement, lengthened patent protections for pharmaceuticals, and heightened copyright protections for digital goods.[xxxii] In practice, one impact of this structure is that, as with ISDS, it makes corporations more comfortable moving operations to countries with weak intellectual property frameworks because it gives them confidence that they'll be able to retain that intellectual property while doing so.[xxxiii]

Meanwhile, the American tax code has long rewarded corporations for moving money and facilities out of the country. In many ways, the 2017 tax law is likely to exacerbate this trend, especially because it provides direct tax deductions for "tangible investments" like factories and equipment that are made overseas.[xxxiv] Preliminary data suggests that these deductions have indeed spurred offshoring of production--in 2018, after the law took effect, pharmaceutical imports from low-tax jurisdictions where these deductions benefit companies have boomed, whereas imports from higher-tax jurisdictions where the deductions have little impact have remained largely flat.[xxxv] While tax policy has not historically been a major part of U.S. trade deals themselves, this type of policy exacerbates those incentives included in trade deals to spur corporations to move work out of the country.[xxxvi]

The upshot of these various policies is that it has now become even easier for multinational corporations to shift production in search of lower wages and standards to decrease costs.

Labor arbitrage that drives down wages and standards for workers is one clear impact of this shift in favor of capital mobility and the offshoring of production, especially because of the particular nature of the trade patterns that these changes have enabled. Imports from low-wage countries have increased dramatically, from 0.7 percent of Gross Domestic Product (GDP) in 1973 to 6.3 percent of GDP in 2016,[xxxvii] and trade deficits with China and Mexico now constitute the majority of the U.S. trade deficit.[xxxviii]

Furthermore, since NAFTA took effect, there has been an explosion in intrafirm international trading—services supplied to affiliates are now a large majority of services exports.[xxxix] In practice, this data is the reflection of corporations' decisions to shift manufacturing jobs abroad (often to lower wage countries)—and then "export" legal, financial and other services to those overseas affiliates, or to license the U.S. company's intellectual property rights to those affiliates.[xl] Thus, massive increases in intrafirm trading indicate that multinational corporations' offshoring of work is an important part of U.S. trade patterns.

There is increasing evidence that this offshoring has played an important role in the loss of U.S. manufacturing jobs. One recent study finds that manufacturing employment has declined disproportionately at multinational corporations. Moreover, after domestic firms become part of multinational corporations, their U.S. employment growth rates dropped far below those of otherwise similar plants, even while their growth rates had previously mirrored those of other domestic manufacturing firms.[xli]

Research confirms that the looming threat of offshoring has directly undermined workers' bargaining power. Most notably, a landmark 1996 study by Cornell University economist Kate Bronfenbrenner analyzed corporate responses to union organizing drives during the years immediately before and after the enactment of NAFTA. Bronfenbrenner found that, after NAFTA was implemented, corporations were three times as likely to close a plant following a successful union election than they had been prior to NAFTA. Even while organizing campaigns were ongoing, NAFTA played an important role—the explicit threat to move operations to Mexico played a part in over 10 percent of organizing campaigns. According to Bronfenbrenner, some employers actually used "media coverage of the NAFTA debate to threaten the workers that it was fully within their power to move the plant to Mexico if workers were to organize."[xlii]

More recent studies have provided additional evidence of the impact of offshoring threats on worker bargaining power. For example, a 2006 study by Johns Hopkins University economist Mine Zeynep Senses found that labor elasticity grew more after 1980 in industries that outsource heavily than in those that don't—in other words, higher compensation became more likely to be linked with job cuts in those industries that could easily move production out of the U.S.[xliii]

A 2018 study by International Monetary Fund economists found that, when countries have decreased restrictions on capital mobility, the labor share of income has dropped significantly more in high-layoff industries, where threats to offshore jobs are likely to be more credible.[xliv]

Moreover, a range of more theoretical research also confirms this same dynamic. According to an analysis conducted by University of Massachusetts-Amherst economist Gerald Epstein, "[T]he mere threat of moving a factory to a different location may have a significant impact on wages or institutional variables such as unionization rates, even in the absence of any movement by companies. These threats may generate a magnification effect of the impact of flows on inequality and government behavior in the sense that the impact of openness may be larger than may be attributed to the flows of goods, services or capital themselves."[xlv]

Restoring Worker Power and Raising Wages and Standards

The explosion in income inequality over the last few decades has many causes, but the erosion of worker bargaining power created in no small part by a trade and globalization system focused on facilitating capital mobility is a key challenge. Going forward, U.S. policymakers should certainly stop advancing proposals that benefit multinational corporations at the expense of workers and other stakeholders who care about good jobs, a clean environment, and strong consumer protections.

However, given the far-reaching supply chains and the intricate web of international agreements that facilitate capital mobility, unwinding this system would be extraordinarily challenging and fraught with logistical and economic complications. Therefore, the best way to restore power to workers in the face of corporate globalization is to enact legal protections for workers across borders to bargain jointly with multinational employers.

Cross-border collective bargaining enhances workers' bargaining power in multiple ways. Most directly, it would allow workers to secure contracts that provide for minimum standards across a corporate footprint. For instance, workers in different countries could often agree on joint demands to improve workplace safety and health, to establish fair processes for work scheduling, to enhance whistleblower protections, to strengthen job security, and even possibly to raise wages for all workers at the company.

Paradoxically, cross-border collective bargaining can also directly increase workers' job security in each country in certain situations. Unionized workers in a number of industries often push for contractual guarantees that their membership will handle certain types or volumes of work. Yet, that demand is often one of the most difficult for workers to win. In some situations, workers engaged in cross-border collective bargaining could jointly demand that specific functions be handled in particular locations, thereby enhancing job security for workers in each country.

Finally, cross-border collective bargaining could dramatically strengthen workers' ability to fight back against the most egregious instances of corporate wrongdoing. Corporations and their allies routinely subject union activists to firing, threats of violence, detention or even actual violence in a number of countries that are major U.S. trading partners or have enacted FTAs with the U.S. In China, the government arrested dozens of workers and labor rights supporters seeking to form an independent union at Jasic Technology Co. last year.[xlvi] Paramilitary operatives, meanwhile, have murdered dozens of union activists in Colombia since the U.S.-Colombia FTA took effect.[xlvii] In Mexico, Napoleón Gómez Urrutia, leader of the independent Mineros union and now a Senator, was until last year forced into exile due to death threats and falsified corruption charges emanating from his leadership of a protest against inaction following a deadly mine disaster.[xlviii]

In the U.S., anti-union actions are less dramatic, but corporations still engage in extreme activities to break unions. For example, workers engaged in organizing campaigns are illegally fired for their union activity in an estimated one-third of organizing campaigns.[xlix] Furthermore, corporations often make low-ball offers to unionized workers whose contracts have expired and then shift work to contractors (often low-wage overseas contractors) if workers go on strike.

To combat these sorts of attacks, cross-border bargaining rights would allow workers to engage in joint strikes and other joint work actions across a company's global footprint. The joint nature of these actions would make them much more effective than domestic actions, given the ability of many corporations to simply shift work in the event of a work stoppage in one location.

While, to date, no U.S. laws or agreements have guaranteed workers cross-border bargaining rights, workers have often established arrangements to bargain jointly or engage in other mutual support across borders. For instance, the United Steelworkers and the British union Unite have formed a global union project, Workers Uniting, to both engage in joint bargaining with common employers and to conduct coordinated member education and strategic training.[l]

A number of global union federations like the Union Network International (UNI) have secured International Framework Agreements (IFAs) in which multinational corporations commit to meeting basic working conditions worldwide, including respecting workers' right to organize.[li] In some instances, these IFAs have facilitated real improvements in working conditions, but implementation has been inconsistent and many IFAs include only limited commitments.[lii]

Unions have also established alternative partnerships such as the joint organization "T-Mobile United," formed by the Communications Workers of America and the German union federation ver.di, to publicly pressure companies utilizing existing legal structures like the OECD Guidelines for Multinational Enterprises to advance workers' rights. CWA, like many other unions, has also engaged in ad hoc solidarity efforts with overseas worker organizations. For example, after Filipino call center workers staged solidarity actions while CWA members were on strike at Verizon in 2016, CWA formally committed to "support global organizing efforts"[liii] and has joined the Filipino BPO Industry Employees Network (BIEN) in advocacy work to strengthen Filipino labor laws protecting call center workers and close loopholes[liv] created for companies operating in "special economic zones" that have long allowed worker abuse.[lv]

Clearly, workers often understand how important global solidarity is in a globalized economy and they have achieved real, tangible gains through these efforts. However, these accomplishments are inherently limited for several reasons. Most notably, corporations can simply disregard these efforts and, with the exception of IFAs with robust internal compliance procedures, there is no formal legal mechanism to ensure that workers' rights are protected globally.

In order to establish a workable mechanism to ensure that workers have a legitimate opportunity to engage in cross-border collective bargaining, an explicit right to cross-border collective bargaining should be included in all future trade and investment agreements.

Past trade agreements have primarily established obligations for member countries to adopt, maintain and enforce labor laws, including the right to bargain collectively. This structure is inherently limiting--no penalties can take place until *after* enough time has elapsed and evidence has been gathered to demonstrate that a country is not, in fact, making a good faith effort to enforce its own laws. Particularly given the lack of consistent political will to protect worker rights in many low-wage countries, direct worker action is much more likely to secure remedies in a timely way.

Moreover, structuring labor rules as obligations on individual countries fails to resolve the problems identified earlier in this paper. Even if the rules were adequate to raise wages and standards in an individual country, corporations could then again shift production to a country without those improved standards. Indeed, while the downward pressure on wages and standards emanating from offshoring first impacted high wage countries, it has since come to also impact developing countries once their wages and standards have improved.[lvi]

Yet, it is already the case that companies are required to respect workers' right to organize and bargain collectively--the problem is simply that the enforceable obligation is at the domestic level. The National Labor Relations Act (NLRA) prohibits employers from "refus[ing] to bargain collectively with the representatives of [their] employees," and from engaging in a range of other acts to interfere with workers' choices on whether to form unions. Notwithstanding some weaknesses of the NLRA, that obligation is one that already applies to the overwhelming majority of U.S. private sector employers who are covered by the NLRA. The NLRA, of course, only applies to workplaces in the U.S., so it does not provide any guarantees for cross-border collective bargaining.[lvii]

Also, given the many benefits that trade agreements provide to multinational corporations, it is perfectly reasonable to assign the responsibility to serve as a good actor in exchange for those extensive rights.

In specific, trade agreements should establish a right for workers employed by a common employer to form joint unions or coordinated collective bargaining committees. U.S. unions already have coordinated bargaining committees in which multiple unions negotiate jointly with an employer, such as the General Electric Coordinated Bargaining Committee, which includes seven unaffiliated unions that bargain together with GE.[lviii] The unions that comprise the cross-border entity must, of course, be democratic and independent, so state-run unions or "protection unions" set up by companies to protect their own interests could not participate (and should be banned more generally under the trade agreements).

These joint unions or coordinated collective bargaining committees should have the authority to negotiate binding collective bargaining agreements that apply to all of the company's facilities in the countries covered by the agreement. As under the NLRA, the bargaining unit should be permitted to make proposals on any subject concerning wages, hours or working conditions, and the company should be required to negotiate regarding those subjects (and vice versa). Also, as per the NLRA, both sides should be permitted to make proposals on other subjects, like the makeup of a company's board of directors or internal union matters, but without a requirement for the other side to negotiate on those topics. Clearly, these agreements cannot be permitted to violate the domestic law of any country covered by the agreement, such as by setting a starting wage for workers in a country below that country's minimum wage.

In practice, it is likely that many of these cross-border agreements would only cover certain subjects, while localized agreements would address a more comprehensive set of issues, especially for agreements covering countries with very different standards of living and labor practices. Even so, cross-border collective bargaining agreements could set very important standards that could help mitigate downward pressure on wages and standards, and help restore worker power. For example, many countries lack robust standards for occupational safety and health, meaning that workers are exposed to numerous unacceptable risks, even while the system drives down costs for corporations.[lix] Likewise, employers often deny legally obligated overtime pay to workers in some countries.[lx]

Along with the right to collectively bargain, joint unions or coordinated collective bargaining committees must be permitted to engage in strikes and other concerted activities, such as circulating petitions or talking to the government or the media about workplace problems, to protect their rights. These activities are critical to ensuring that workers can exercise their rights under domestic law, and likewise would be crucial in an international context.

These rights must be protected across companies' supply chains, as much of the modern global economy depends on complex supply chains in which various contractors and subcontractors are responsible for major workloads. According to the International Labour Organization, over 450 million people globally work in supply-chain related jobs, meaning that effective protection of rights depends on consistency throughout the supply chain.[lxi] The United Nations has already recognized the importance of protecting workers' rights across supply chains in its "Guiding Principles on Business and Human Rights," which urge companies to "prevent or mitigate" human rights abuses even when those abuses are not directly overseen by the companies themselves, yet these workers need stronger, legally-binding rights.[lxii] Corporations that contract out a range of tasks from call center customer service work to parts manufacturing often have indirect control over the terms and conditions of workers' employment, so they should therefore be held accountable for violations of those workers' rights (a problem that has likewise created problems for a growing number of U.S. workers under the NLRA[lxiii]).

Finally, it is crucial that workers' rights to bargain collectively across borders be effectively enforced. While workers themselves have some power to protect their own rights through concerted workplace activity, it is much harder to do even that if workers are unable to organize in the first place, either due to employer intimidation or to the presence of a dominant undemocratic union that fails to protect worker interests.

As such, trade agreements must include robust enforcement mechanisms that ensure that corporations who violate workers' rights, including to cross-border collective bargaining, face meaningful penalties. Unfortunately, in the past, U.S. trade deals have been incredibly ineffective in enforcing provisions to protect workers' rights--the U.S. has never won a single labor dispute under any of its FTAs.[lxiv] There are a variety of reasons for this, including vague standards and rampant loopholes, the totally discretionary nature of enforcement in the hands of the U.S. Trade Representative, and a lack of meaningful penalties that would make pursuing enforcement more worthwhile.

Several changes are needed moving forward to ensure that workers' cross-border collective bargaining rights are swiftly and robustly enforced. Agreements must include specific rights and obligations to ensure that corporations are not able to evade accountability through loopholes.

Also, worker organizations and other independent advocacy groups must have a private right of action to bring cases to an independent panel that consists of adjudicators with expertise in labor rights.[lxv] This private right of action will fix the problem that arises when an administration that deprioritizes labor rights acts slowly or ineffectually.

That same panel must also have access to a roster of labor inspectors who would be guaranteed the ability to inspect worksites and talk independently with workers to help the panel determine if any violations have occurred.

Finally, corporations that interfere with workers' rights to engage in good faith cross-border collective bargaining must face stiff penalties to deter violations. The range of penalties must include preventing the company's goods from being exported between the countries involved in the agreement, as well as being denied the ability to participate in the government procurement market. These sorts of penalties are already applied to violators of other major laws, such as terror financing and wildlife trafficking.

Conclusion

Efforts to maintain and raise standards for American workers have consistently faced major hurdles in recent decades due to the strong leverage that multinational corporations are able to wield by virtue of how easy it is for them to shift money, production and jobs across the world at a moment's notice, usually to countries with low wages and standards, with few protections for workers or the environment. Addressing this power dynamic is crucial to the success of efforts to raise wages and create good jobs. Because of the technology and supply chains that have developed in this most recent era of globalization, it is unrealistic to envision totally foreclosing the ability of corporations to move work.

Instead, the solution to protect the interests of workers in a globalized economy is to enable workers to work together to protect their interests across borders. Cross-border collective bargaining will allow workers to protect their joint interests and prevent corporations from pitting workers against one another in the global economy. Establishing clear legal protections for these rights should be a primary function of U.S. trade and investment deals moving forward.

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