Weathering the storm? Multinational companies and human resource management through the global financial crisis

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Abstract

This paper examines the impact of the global financial crisis on human resource management (HRM) in multinational companies (MNCs) in Ireland. It focuses on four key areas of HR, namely staffing, pay and benefits, industrial relations and the HR function. Using a variety of data sources it evaluates the extent to which standard economic predictions on the impact of economic downturns on HRM are borne out in this particular instance. It also finds that the MNC sector has outperformed the general economy in terms of employment and export performance.

Key words: multinational companies, foreign direct investment, global financial crisis, human resource management, Ireland

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Introduction

This paper examines the impact of the global financial crisis (GFC) on human resource management (HRM) in Ireland, placing particular focus on the experience among multinational companies (MNCs). Its starting premise is to outline a number of neo-classical economic propositions on the likely effects of economic recession on key aspects of HRM, namely staffing (including recruitment and selection and training), pay and benefits, industrial relations, and more generally on the role of the HR function. It then draws on a range of data sources to test the validity of these propositions in practice and document the responses and actions of MNCs in the face of the GFC. Finally, we assess the extent to which these findings support or question the predictions of economic theory and provide some explanations of the possible reasons for such conformance or digression.

We begin by briefly outlining the rationale for our focus on Ireland and the utility of the Irish case in illustrating the effects of the GFC on the MNC sector. We then summarily document a number of standard propositions as to the predictions of economic theory on how HRM might be impacted by economic crisis, paying due attention to literature on the effect of previous downturns, especially the Asian economic crisis of the late 1990s. Our methodological approach is then detailed, followed by our findings, discussion and conclusions.

The key role of MNCs

The GFC has had different manifestations in different economies, most notably in regard to severity and longevity. Arguably, its negative impact on foreign direct investment (FDI) flows might be expected to have particularly detrimental ramifications for countries such as Ireland, where MNCs account for a disproportionately large amount of economic activity.

Ireland's position as one of the world's most globalised economies is the upshot of a long-standing public policy stance prioritising the attraction and retention of FDI through a combination of incentives, particularly low corporation tax and liberalised trade policies. The success of this policy is manifest in the large numbers of MNCs located there and its status as one of the world's most FDI-intensive economies (Barry, 2007; Rios-Morales and Brennan, 2009). Ireland currently hosts 7 of the top 10 global information and communications technologies companies, 15 of the top 25 global medical technology companies, 9 of the top 10 global pharmaceutical companies, over 250 global financial institutions and a growing social media and gaming sector. Two particular statistics illustrate the importance of MNCs to Ireland – it has the 5th highest ratio of inward FDI stock to GDP in the OECD and the highest ratio of employment in foreign affiliates in both the manufacturing and services sectors (OECD, 2010).

FDI played a key role in the unparalleled success of the Irish economy from the mid-1990s until the onset of the GFC. Exponential growth levels, sometimes exceeding 10 per cent per year, saw the Irish economy become popularly referred to the 'Celtic Tiger'. In 2000, the IMD *World Competitiveness Report* ranked Ireland the world's

5th most competitive economy, achieving particularly strong scores in education, government and technological capacity.

The worst recession in the advanced world

While the economic downturn had been predicted in some quarters, its global scale, severity and longevity has exceeded all expectations. The GFC initially took hold in the final quarter of 2007, and since then the global economy has experienced a downturn unprecedented in scale since World War 2. Global GDP declined by 6% in 2008 having previously experienced uninterrupted growth from 2003 to 2007 (UNCTAD, 2009).

In 2009 the IMF described Ireland's recession as the worst in the advanced world, due in part to Ireland's high level of economic globalisation but also a function of overdependence on construction activity and personal consumption, combined with excessive and reckless lending in the banking sector.

Ireland became the first euro-zone country to enter recession in September 2008. GDP fell from a positive growth level of 6 per cent in 2007 to a decline of 3 per cent in 2008 and a further 8 per cent in 2009. At the same time unemployment increased dramatically, from just 4.5 per cent in 2007 to 6.5 per cent in 2008, 12 per cent in 2009 and 13.7 per cent in 2010 (CSO, 2010a). A broader global consequence of the GFC was the collapse in international FDI flows which fell by 14% in 2008 and a further 37% in 2009 (UNCTAD, 2009 & 2010). Ireland suffered significantly and in 2008 FDI fell by 35%.

The crisis in international financial markets left Ireland especially susceptible to the turbulent changes wrought by the GFC. The *World Competitive Report* (2010) identified Ireland as one of principal "sinners" in terms of the severity of consequences of the downturn on the future economy, which was accentuated by a fiscal and banking crisis culminating in Ireland requesting, and being granted, an €85 billion aid package from the EU and IMF in 2010 (IMD, 2010; Lane, 2011).

IMPLICATIONS FOR HUMAN RESOURCE MANAGEMENT (HRM)

The impact of large scale economic downturns on labour markets and management behaviour has been well charted over the decades (Kitchen, 1923; Schumpeter, 1942; Bernanke, 1995; Krugman, 2009). In essence, neoclassical economic analyses suggest that a widespread decline in economic activity on an international scale leads to significant reduction in demand, which in turn reduces demand for labour and concurrently places pressures on firms to effect cost reductions, including labour costs. As demand for labour falls and unemployment increases, there will be downward pressure on pay and benefits. Such significant changes in the external environment of organisations will clearly impact on HRM practice, most notably in the way in which management behave in the face of such economic crisis (cf. Mitchell, 1989; Pinnington & Edwards, 2000). Analyses of the impact of the Asian financial crisis in 1997 on HRM provide some reasonably recent evidence in this regard. Some of the key themes to emerge from this literature include a focus on pay (freezes/cuts; reduced bonuses/variable pay allocations), reducing/controlling headcount (redundancies; recruitment freezes; use of atypical labour), performance management (changes in performance management systems), training and development (more targeted training e.g. greater focus on multi-skilling; shift from

external to in-house and on-the-job training) and industrial relations (undermining of trade unions) (cf. Benson, 1998; Kamoche, 2003; Smith and Abdullah, 2004; Fodor and Poór, 2009; Gennard, 2009).

While generic economic predictions on the likely impact on specific aspects of HRM practice are reasonably clear, individual firm behaviour may also be influenced by factors such as sector, scale, market penetration and coverage that can serve to mediate the impact of external changes such as GFC. In this paper we examine the validity of four standard economic propositions on the anticipated impact of the GFC on HRM practice in MNCs in Ireland, as follows:

- *Proposition 1:* Staffing: There will be a dramatic decline in the level of recruitment and selection as organisations adjust staffing levels to decreased demand while concurrently exploring more flexible and cheaper staffing patterns e.g. short time working, casual/temporary labour, temporary lay-offs and unpaid leave. Furthermore, the scale of training and development activity, and expenditure thereon, will decline.
- *Proposition 2:* Pay and benefits: Levels of pay and benefits will fall as firms seek to achieve labour cost reductions.
- *Proposition 3*: Industrial relations (IR): Management will seek to exploit the weaker bargaining power of trade unions and employees by pursuing a range of changes in terms and conditions of employment and work practices, either through concession bargaining and unilateral management decisions.
- *Proposition 4:* Role of the HR function: The role and influence of the HR function and HR considerations will diminish in strategic importance as financial and operational concerns come to dominate the managerial agenda.

METHODOLOGY

This paper integrates a range of quantitative and qualitative sources in order to provide a representative picture of the impact of the GFC on HRM in MNCs. Mixed methods research has achieved significant credibility and validity in recent years particularly as some of the conceptual and practical issues have been further explored and clarified (Tashakkori and Creswell, 2007). It involves the combined use of qualitative and quantitative data collection and analysis, a *gestalt* approach, enhancing the findings beyond the capacity of either method independently, and is associated with greater added value and contribution to knowledge than mono-method studies, particularly when it is appropriate to the research question (Tashakkori and Teddlie, 2003; Creswell et al, 2004; Molina-Azorín, 2011).

This paper seeks to combine objective information reported on the impact of the GFC on HRM with subjective perspectives on HRM practice within MNCs. Rather than overlapping or contradicting data, the integration of two forms of information provides a complementary representation on the impact of the GFC on MNCs, embellishing survey and statistical data with the unique insights and experiences of key MNC actors. The "yield" of this research (O'Cathain, Murphy and Nicholl, 2007, p.147) lies in the combination of data in the areas collection, findings, analysis and conclusions, where a unique contribution to the topic is offered through the provision of comprehensive description and discussion of a variety of results. In this study data were drawn from four main sources:

Survey of Employment Practice in MNCs in Ireland: The most recent and up-to-date large scale face-to-face survey of 260 MNCs in Ireland. This study covered all major areas of employment practice and provides the first comprehensive portrait of HR policy and practice amongst MNCs in Ireland. While this study was completed before the full impact of the GFC became evident, it provides a useful baseline against which to evaluate contemporary.

MNC Regions Project in Ireland: This ongoing study has two main aims: first, to identify and explore the role of sub-national governance actors in the attraction and retention of MNCs, and second to examine how MNCs' local HR strategies and investment decisions are shaped by the competencies available in local labour markets. Thirty semi-structured interviews were conducted over the period December 2009 to October 2010 with senior HR practitioners (6) and other top management team members (8) within MNC subsidiaries and senior executives in key regional institutions (7) and national development agencies (9).

Key informant interviews: Five semi-structured in-depth interviews were carried out with leading senior HR practitioners and trade union officials to assess the tangible impact of the GFC on HRM within MNCs an on MNC activity in Ireland and on.

Secondary data analysis: In addition to these empirical sources, a systematic and detailed analysis of selected key secondary sources was undertaken using the following resources to provide an objective, up-to-date representation of the impact of the GFC on HRM in MNCs: (a) *Industrial Relations News*; (b) *European Industrial Relations Observatory,* and (c) the *European Restructuring Monitor (ERM).*

FINDINGS

In firstly looking at the overall impact of the GFC on MNCs in Ireland, we find extensive evidence to indicate that MNCs have been in the vanguard of organisations engaging in multidimensional restructuring programmes in response to the GFC, incorporating many initiatives in the domain of HRM. While we consider the detail of these HRM developments later in the paper, Table 1 provides a representative snapshot of MNC responses through the GFC to date, and serves as an important base for our subsequent analysis and discussion.

Table 1: MNC responses to the Global Financial Crisis

Aer Lingus: 'Leave and return' plan whereby employees receive lump sum severance payment and leave the company before returning on reduced pay & conditions; lower new entry pay rates, voluntary redundancies and changes in working conditions. Union led.
AXA: voluntary redundancies, early retirement, new pay scales and a revamped profit share scheme. Agreed with Unions.
Bausch and Lomb: voluntary redundancies; short time work for remainder. Agreed with Unions.
Coca-Cola: outsourcing of distribution & warehousing inc.redundancies for relevant staff. Unions opposed.
Independent News and Media: series of new working time arrangements and pay cuts. Unions opposed.
Dell: loss of over 2,000 jobs through off-shoring and internal restructuring. Non-union company (but led to creation of employee representative association).
D.A.A.: redundancies, a pay freeze and 'Employee Recovery Investment Contribution' (ERIC) scheme (which provides for a 'repayment of savings' to employees if strict profit targets are achieved). Unions opposed.
Element Six: short-term working with voluntary and, possibly, compulsory redundancies. Unions opposed.
Kingspan:- reduction in shift premium, elimination of 11% flexibreak, abolition of an incremental scale for clerical staff, e removal of profit-share scheme, reduction in overtime rate and a pay freeze. Unions opposed.
Pfizer: closure of one of its plants. Unions opposed.

Sources: Dobbins (2008a); European Restructuring Monitor (2010); Farrelly (2010)

Staffing

The first proposition that we investigate relates to staffing. As previously noted we would expect a dramatic decline in the level of recruitment and selection and a concurrent growth in initiatives to adjust staffing levels downwards in line with depressed trading conditions, such as redundancies, short time working, temporary lay-offs and unpaid leave.

Investigating MNC responses to the GFC at the organisational level, we find that a variety of actions have been pursued. The *European Restructuring Monitor* (ERM) provides an overview of the scale and types of restructuring being undertaken. Whilst it monitors restructuring in general, the vast bulk of recorded cases relate to MNCs. Between 2008 and 2009 some 166 cases of restructuring were recorded in Ireland (see Table 2). Somewhat surprisingly, this table demonstrates that almost a third of companies expanded their business or planned to do so. The ERM further estimates that 14,546 jobs were created while 27,317 jobs were lost. This finding is consistent with *Forfás Annual Employment Survey* (2010) as illustrated in table 3.

Table 2: Types of Restructuring in Ireland 2008-2009

Type of restructuring	Number of cases (%)
Internal restructuring	58 (35%)
Business expansion	49 (30%)
Bankruptcy/Closure	35 (21%)
Offshoring/Delocalisation	15 (9%)
Relocation	6 (4%)
Merger/Acquisition	1 (1%)
Outsourcing	1 (1%)
Other	1 (1%)

Source: European Restructuring Monitor (2010)

Table 3: Job losses & gains in MNCs in Ireland (full time employment), 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gains	25,026	15,172	11,758	9,923	12,020	12,816	12,885	10,929	10,124	4,863
Losses	9,885	19,098	18,083	14,848	12,018	10,803	9,826	11,296	11,456	20,039

Source: Forfás, 2010.

The data suggest that job growth remained consistent from 2001 to 2008 with a dramatic drop in 2009. Whilst growth declined in 2009 from previous years, we find that some MNCs continued to grow employment during the GFC, albeit at a much lower rate than heretofore (cf. Barry & Bergin, 2010). Overall, employment has held up better in the MNC sector than in the broader economy. Between 2008 and 2009 full-time employment fell by 9.8% in foreign-owned companies as compared to 15.4% in the general economy (Forfás, 2010). This is largely explained by the fact that MNCs in Ireland are overwhelmingly export oriented and exports have performed impressively through the GFC. Provisional figures for 2010 indicate that exports grew by 7 per cent leading to a record trade surplus of €44.7 billion (CSO, 2011).

The following quote is illustrative of developments in such MNCs while table 4 below uses ERM data to identify notable job expansions and losses during the GFC:

> "We've swung the other way in the last few years. Employment has gone up. I think there were about 198 employees last year and now there are almost 250. It has bucked the trend of the recession."
>
> HR Manager, Aquaculture MNC

Table 4: Notable job creation and loss in MNCs during the GFC

Job expansion	Job loss	Job Churn*
Aldi – 650 jobs	Dell 1900 – jobs	Hewlett Packard - 133 / + 500
Ikea – 500 jobs	SR Technics – 1100 jobs	IBM -120/+100
Hewlett Packard – 500 jobs	Intel – 300 jobs	Option Wireless – 150/+145
IVAX Phara – 165 jobs	Hibernian – 600 jobs	Pfizer -180/+100
Pfizer – 100 jobs	Tyco – 320 jobs	
IBM – 100 jobs	Waterford Crystal – 250 jobs	

* + = job creation & - = job loss

It appears that one important impact of the GFC is to have significantly accelerated the pace of restructuring in the MNC sector. This does not necessarily mean MNCs closing/moving elsewhere but also may be a 'within company' phenomenon, involving concurrent job cuts and creation or what is often termed 'job churn'(see Table 4, column 3).

Turning to the issue of working time, aggregate data for the general economy indicates that average working hours per week fell 3.3% in the year to end June 2009

(CSO, 2010b). Finding reliable data on the extent to which companies have used short-time working, temporary leave and related measures is extremely difficult. However, we do find a clear consensus that such measures have been particularly popular in the MNC sector (Dobbins, 2008a, 2009, Higgins 2010a). Dobbins (2008a) argues that company-level initiatives to improve both wage and working time flexibility are more common in Ireland in part possibly because of the severity of GFC there but perhaps also as a means of retaining staff in anticipation of better times ahead. Survey data from Mercer (2009) also reported that 29% of respondents had reduced working hours. Some examples from the MNC sector include:

- *Waterford Crystal* – closure of the plant for three weeks during (Dobbins, 2008b).
- *Bausch and Lomb* – workers take unpaid leave of one week per month for six months (Farrelly, 2009).
- *Element Six.* – some workers placed on a three day week, others working every three weeks in four (Higgins, 2009a).

We also consider evidence on the extent of part-time/temporary working in MNCs. Drawing on survey data we find that foreign-owned MNCs reported relatively small numbers of part-time and temporary employees prior to the GFC (Lavelle, et al, 2009). This does not appear to have substantially changed during the recession. In fact, according to Forfás, there has been a significant decline (15.5%) in the use of these employment forms in MNCs between 2008 and 2009 as compared to a pattern of growth (8.2%) in the general economy (Forfás, 2010).

A key issue in assessing the impact of the GFC on staffing is labour availability. During the 'Celtic Tiger' boom years there were pronounced labour shortages across many employment categories (Irish Management Institute, 2008). Clearly one positive aspect of the GFC for employers is the dramatic expansion in labour supply to the point where labour availability across several employment categories is no longer a major concern for MNCs:

> "So across the board, all FDI companies are telling us…where skills availability was the biggest problem before, that's moved down the list now and… skills are readily available".
>
> Department Manager, National Policy Advisory Body

A final important dimension of staffing is training and development (T&D). Our proposition posits that T&D expenditure will decline due to the challenges presented by the GFC. Available data prior to GFC suggests that the majority of MNCs spend between 1% and 4% of their overall budget on T&D (Lavelle et al, 2009). However, Barney and Wright (1998), among others, acknowledge that during economic downturn spending on T&D is highly susceptible to cuts and changes as priorities become focused on organisational survival. This was indeed the general view which emerged from our interviews, where respondents pointed to substantial cuts in spending.

> "Training and development budgets have been cut and numbers trained reduced but this largely relates to operational type training"
>
> HRD Director, Financial Services MNC

However, we also find evidence of continued investment in T&D on a more targeted basis especially that focused on management and leadership training:

> "Strategic (T&D) initiatives have survived particularly those aimed at senior managers involved in managing change …so called 'Change Leaders'"
>
> HRD Director, Financial Services MNC

In sum, our evidence is in line with expectations and confirms that T&D expenditure has been subjected to substantial expenditure cuts, a finding supported by recent International and UK survey evidence (CIPD, 2010; Hay Group2010). Consequently, T&D activity and expenditure is becoming more systematic and targeted than heretofore with discretionary costs being curtailed. The main 'victim' is basic training (e.g. induction and health and safety training) due to the fall in recruitment and selection activity. There remains, however, a strong strategic focus within some MNCs on particular types of management and leadership training. This is in line with Lepak and Snell's 'HR architecture' perspective which advocates that differing HR strategies and modes of employment contract be applied to different employee categories (cf. Lepak and Snell 1999, 2002).

Pay and Benefits

Our second proposition looks at pay and benefits. We firstly consider macro level responses, specifically the role or otherwise of national level ('social partnership') agreements in determining pay and benefits. We then review company level responses, especially in terms of distributive aspects, notably measures aimed at achieving reductions in labour costs and/or improvements in productivity e.g. redundancies, lay-offs, more flexible working.

While collective bargaining in Ireland has oscillated between national and establishment level bargaining (including levels in between), there has been a pronounced trend towards centralised (national) bargaining over recent decades. Since 1970 pay increases have largely been determined through some form of centrally bargained agreement between employer associations and trade unions. Since 1987, this has taken the form of tripartite national social partnership agreements covering pay and a range of employment-related issues. The most recent 10-year agreement "*Towards 2016"* was concluded in 2006. Within its framework a maximum three year pay deal (called *Towards 2016 Transitional Agreement*) was agreed in 2008 providing for pay increases in the public and private sectors of approximately 6% over 21 months (Sheehan, 2008). However, we now find that while a small proportion of employers have paid some element of the *Transitional Agreement*, a somewhat greater proportion have implemented pay cuts, while the great majority have implemented some form of pay freeze (Dobbins 2008a, 2009; Carley & Marginson, 2010; Higgins, 2010a). A number of surveys underpin this conclusion:

- The Hay Group (2009) reported that 53% of companies were freezing pay, 7% cutting pay and 7% paying increases, whilst 27% don't know (more than likely explained by the issues noted above with regard to the current social partnership agreement).

- Mercer (2009) (which mostly included MNCs) reported that 47% of companies are freezing pay, 25% deferring pay increases and 9% reducing pay .
- IBEC (2009) found that 59% of companies were freezing pay, 21% cutting pay and 11% increasing pay.

MNCs are well represented among that grouping of companies who have bucked the majority trend of pay freezes or cuts and implemented pay increases in line with the terms of the now putatively defunct national agreement. By far the largest sectoral group of MNCs 'paying up', as it were, come from the pharmaceutical and healthcare/medical devices sectors, including well known names such as *Bausch & Lomb, GlaxoSmithKline, Janssen, Merck, Sharpe & Dohme, Pfizer, Roche* and *Schering Plough*. However, this listing also includes MNCs in other sectors such as electronics (e.g. *ABB, Analog Devices & Apple Computers*), financial services (e.g. *Allianz, AXA & Hibernian Aviva*) and food and drink (e.g. *Coca Cola, Pepsi, Diageo).* The fact that the pharmaceuticals and health care sectors are generally seen as more 'recession proof' than other sectors (e.g. areas of the service sector such as retail and hospitality) helps explain their dominance in the group of companies conceding pay increases through the GFC. The following quote is illustrative:

> "We also decided not to have pay cuts or pay freezes even though we could probably get away with it. We are looking at a 2.5% increase next year… We could give no pay increase but that's a short term tactic – we can pay and we need to be fair"
>
> HR Director, Healthcare MNC

However, we also find important differences within sectors. In financial services, for example, most of the firms conceding increases were MNCs in the insurance sectors, while banks were, unsurprisingly, far more likely to pursue pay freezes or cuts:

> "The power of unions in banks is greatly diminished – the pay element of *Towards 2016* is dead"
>
> Industrial Relations Manager, Financial Services MNC

As well as changes to pay, companies are also making changes in relation to their benefits schemes, particularly pension plans and profit-sharing schemes. Survey evidence from a number of sources identifies these changes:

- 75% of companies awarded smaller bonus payouts in 2009 with just 9% granting higher bonus payments. 57% reported making changes to their compensation and benefits plan with defined benefit pension plans receiving most attention (Mercer, 2009).
- Bonuses, incentives and profit sharing payments were below target in 2008 and 2009. Companies are now looking to change such schemes including almost half reviewing their performance management system (Hay Group, 2009).
- 48% of companies paid lower bonuses and 35% claimed they will not pay any bonuses in 2009. 55% of companies report they are updating their

performance measures to take account of the GFC while just over 20% are changing the bonus target (Higgins, 2009b).

Table 5 provides some examples of changes to pay and benefits within MNCs.

Table 5: Changes to pay and benefits in MNCs

- *Ulster Bank* (owned by *Royal Bank of Scotland*) closed their defined benefit pension scheme to new entrants, as well as freezing pay.
- *Eircom* - reduced mileage and subsistence rates, no bonus payments for certain bonus schemes/graded staff, no performance related pay and pay freeze, some voluntary pay cuts.
- *Dublin Airport Authority* – no pay increases and discretionary bonus payments until 2012, new terms for new entrants, changing terms for certain categories of staff, reduced sick pay, bank holiday, overtime and shift premiums and a move towards performance-related pay systems.
- *Axa* - reductions in terms and conditions, no pay increases over and above the cost of living, changes to pay scales, performance-based pay system, attendance bonuses and the profit sharing scheme.
- *Hollister* – changes to defined contribution pension scheme.
- *Irish Life and Permanent* – major reductions in bonuses including no bonuses for chief executive, directors and senior managers and a 75% reduction in bonuses for all staff.
- *Kingspan* – removal of profit sharing scheme.

Source: Sheehan (2009a, 2009b, 2009c, 2009d, 2009e); Higgins (2010c); Farrelly (2010)

Overall the area of pay and benefits illustrates a nuanced response to the GFC in the MNC sector. In regard to pay increases for instance, we find that while the bulk of firms have reacted by freezing or cutting pay, the MNC sector has been disproportionately represented in the minority of firms in Ireland who have conceded pay increases through the GFC. Looking within the MNC population, we find that this may largely be explained by sectoral location of MNCs. Most firms continuing to pay increases tend to be located in sectors less effected by the GFC, particularly in healthcare and pharmaceuticals, but also in certain areas of international financial services (e.g. insurance), electronics and the food and drink sector. Most such firms also have exceptionally limited exposure to the extremely negative effects of the GFC on Ireland given that their operations there are almost exclusively export oriented.

Industrial Relations (IR)

Our third proposition addresses the prospect that management in MNCs will seek to exploit the weaker bargaining position of trade unions and employees to secure some combination of reductions in terms and conditions of employment and changes in work practices to effect cost reductions and improve managerial prerogative. This is not only in line with neo-classical economic theory but also with much IR/collective bargaining literature which argues that changes in the balance of power between IR actors will be reflected in both the outcomes of negotiations and also in the ways in which decisions are made, particularly the extent to which collective bargaining is used or not (cf. Crouch, 1982; Kochan et al, 1986).

Pay and benefits are generally seen as the most important substantive outcomes of IR interactions and findings in this domain have been outlined above. Here we focus

more specifically on the ways in which IR actors have responded to the GFC, particularly as this applies to MNCs. Thus our primary focus is on exploring issues of IR process, particularly the role played by organised labour.

Turning first to the implications of the GFC for the IR 'system' more generally, we should note that while social partnership has been the main development at national level, the past three decades have also witnessed the development of parallel and differing patterns of IR systems at firm level. In the MNC sector in particular, this is characterised by large scale union avoidance (Gunnigle, et al, 2009). However, a number of older MNCs, particularly those in the pharmaceutical and healthcare sectors, retain a strong union presence with the consequence that any changes sought as a result of the GFC must normally be negotiated with trade unions. It would however appear that the strength of union engagement is becoming weaker and also that the GFC may have accelerated the decline in union influence and power within MNCs. An example in the pay domain was provided earlier where we found that many firms had only paid part of the pay increase due under the current national agreement. In our discussions with union representatives it appeared that unions have attempted to be innovative in their opposition to pay cuts or freezes in MNCs but also that they possess very limited capacity to prevent them:

> "A minority of pharmaceutical firms and [*Retail MNC X*] have refused to pay all or part of the T2016 agreement. However, we have been reasonably successful in resisting this, largely on the basis that many of these companies were seeking redundancies/rationalisation. We use paying the agreement as a condition to agreeing to redundancies. A number of employers are very bullish regarding agreements, arguing that 'partnership is dead.
>
> Senior trade union official

> "Most banks have only paid part of the (*Towards 2016*) national agreement but unions are reluctant to tackle this. Furthermore, unions will be unable to stop job cuts/reductions"
>
> Industrial Relations Manager, Financial Services MNC

The GFC has also demonstrably impacted on the IR climate in workplaces with managers reporting a greater willingness among - and possibly pressure on - employees to accept changes in working conditions (e.g. greater flexibility), as firms and workers seek to protect business and employment:

> "I visit the Irish plants two or three times a year and certainly have seen a shift [in the industrial relations climate]. We were suffering 20% turnover for five or six years – it's now down to 3% or 4% and falling. Local managers report a big change; people are willing to give a lot more flexibility and are putting a high value on jobs."
>
> (US based) Corporate HR Director, Healthcare MNC

However, there may clearly be an element of opportunism in such management behaviour. It seems that firms that may have long wished to initiate organisational change or terminate employment are now better able to do so under the guise of

recession, even though their motives are not exclusively, or even partially, recession based. A recent study found that that 41% of HR directors consider the GFC has provided the opportunity to get rid of poor performers (Sheehan, 2009f). The fact that trade unions are in a weaker position renders them less able to resist such management action.

> "It's an opportunity to cut deep and to clear out poor performers. The weakness of the unions helps here".
>
> HR Director, Healthcare MNC

> "One of the biggest issues I have seen is the increased use of disciplinary procedures against workers, e.g. taking action against people on long term sick leave which would not have happened before – being told to come back or they will lose their job…. Now there is a rush to discipline or to engage the disciplinary procedure at a more severe level."
>
> Senior trade union official

On the flip side, it seems that the diminution in pay and working conditions instigated by employers has increased worker interest in joining trade unions. Allied to worker frustration and indeed anger with regard to the banking crisis in particular, and a consequent feeling of powerlessness, the GFC may therefore represent a rare window of opportunity for unions to increase membership and consequently enhance their legitimacy and, possibly, their bargaining power.

> "The recession is driving some (workers) towards unions but we have lost membership this year because of redundancies. However, we have secured the T2016 deal in most companies I deal with and this encourages non-union workers who may not have got the deal to see the benefits of unionisation and to join…it's a creeping rather than a huge trend."
>
> Senior trade union official

However, this development may represent something of a double edged sword for trade unions. On the one hand our findings indicate that management prerogative has increased substantially and this change in the balance of power is been used in MNCs to push through restructuring initiatives and changes in terms and conditions of employment, some but not all of which are directly related to the GFC. On the other hand employee dissatisfaction and discontent has increased worker interest in joining trade unions and therefore offers the prospect to the labour movement of reversing (at least partially) the decline in membership. However, despite growth in union popularity among employees, the power of unions themselves (in their interaction with organisations) appears diminished. While many MNCs have engaged in significant restructuring and downsizing, trade unions possess limited room for manoeuvre in preventing job cuts. In effect, unions pursue two principle objectives in the face of prospective job loss: (a) they seek to ensure that any job cuts are voluntary and consequently resist compulsory redundancies and (b) they seek to negotiate satisfactory redundancy terms above the legal minimum.

Beyond these responses, the capacity of unions is limited and thus places a question mark over the ability of unions to respond to the expectations of new members that

they may attract as a result of the GFC. Again, this varies according to sector (in particular) and union strength. Traditionally, high levels of union density in the pharmaceutical sector and certain segments of the medical devices sector afforded unions there greater scope to secure pay and working conditions above the national norm. While pockets of strength remain, they are under considerable severe challenge as even highly unionised MNCs, who have traditionally conceded 'above the norm' terms and conditions of employment, are now using the rationale of GFC to engage in concession bargaining and significantly row back on these terms and conditions.

Implications for the HR function

In this section we consider the implications of our findings for HR practice and specifically for the role of the HR function in MNCs. In so doing we address our final proposition, namely that the role and influence of the HR function and HR considerations will diminish in strategic importance as financial and operational concerns come to dominate top management's agenda in the context of the GFC.

In effect, our evidence identifies two potentially contrasting directions for the HR function. On the one hand, it is evident from our earlier findings that the HR function acts a principal delivery agent of changes in management practice wrought by the GFC. One need only summarily review the main types of MNC responses to see that much if not most of the re-structuring activity engaged in by MNCs falls within the domain of HR, notably downsizing, reductions in working time, lay-offs, concession bargaining and related changes in reward systems and working conditions. Thus the GFC would appear to have brought the HR function to centre stage in addressing key strategic challenges facing MNCs, most notably pressures to reduce costs and enhance productivity:

> "The HR focus in [large financial services MNC] has changed to cost issues and managing structural change. The need to manage, meaning reduce, costs is much greater now than before – it's a necessity incorporating restructuring the business. And with regard to restructuring, HR's advice and input is being sought."
>
> Industrial Relations Manager, Financial Services MNC

> "Ok, there is less focus on what I call the sunshine side of HR – your L&D, your OD, being flathulach[i] with the comp and bens….. but a massive demand on the other side….for skills on negotiations, redundancies and severance packages and the administrative and logistical support...needed to process large pools of people who are exiting the organisation"
>
> HR Director, Pharmaceutical MNC

This would also seem to have penetrated corporate level where HR may potentially play an important strategic role in informing key strategic decisions such as those related to investment:

> "This (HR) is an increasingly strategic role as it essentially involves working with other key managers, specifically divisional VPs (e.g. supply chain, engineering) in evaluating sites, deciding on investment/divestment, outsourcing, evaluating labour costs, etc…For a company such as us [large US

> Healthcare MNC] in a strong position and cash rich, the time have never been better for acquisition. HR plays a key role in acquisitions".
>
> Corporate HR Director, Healthcare MNC

The contrasting, though not necessarily counter-intuitive, evidence on the HR role points to increased 'hard' metric based evaluation of HRM structures and performance, and reductions and rationalisation in regard to the scale and organisation of the HR function. This is perhaps best illustrated in the following two excerpts from interviews with senior HR executives in medical devices and pharmaceuticals MNCs:

> "We have recently moved from a decentralised regional/local (HR) structure to a more centralised 'call centre' model. For example, in [large US city] I have one HR manager responsible for 1000 people here and another 100 on the west coast plus a call centre – that's 1 HR person plus a call centre for 1100 people and of course that call centre also caters for other [name of MNC] employees in the US."
>
> Corporate HR Director, Healthcare MNC

> "…as part of this cost agenda people in [US Corporate HQ] have said 'well hang on a second, we are not just going to be squeezing the production people and the engineering people… we need to start looking at the enabling functions, like HR, finance, IT, legal… we need to start squeezing you'. They are moving to the centres of excellence model which is driving redundancies within HR. I had eight people working for me when I started in this job; now there's me and one other… there were [HR] redundancies – about 20%. If you have a HR issue, it has gone to the Shared Services model...it [HR] has been stripped down to the bare bones. It has thrown up a huge challenge …and behind all this is cost - to drop the numbers, push more work back to the line"
>
> HR Director, Pharmaceutical MNC

In evaluating the import of our findings for the role of the HR function, we did not find any widespread evidence to suggest that as financial and cost concerns take centre stage, HR's role and influence will be relegated to the periphery *vis a vis* that of other management functions such as finance and operations. Indeed, quite the opposite was the case. The HR function appeared to play a key role in 'delivering' the results of the GFC within MNCs. Key MNC responses such as restructuring, downsizing and changes in pay and benefits were generally managed through the HR function. In taking a lead role in this regard, the HR function would appear to be assuming a classic 'conformist innovator' role (cf. Legge, 1978) by demonstrating expertise and delivering tangible financial benefits in critical management domains with important implications for firm performance, thus enhancing its status and legitimacy. At the corporate level the HR contribution was also evident, particularly in regard to acquisition and mergers where HR played an important role in due diligence work with other key managers, particularly operational level managers (e.g. logistics) in evaluating sites, deciding on investment/divestment, outsourcing, evaluating and addressing labour costs, etc. On the other hand, we find evidence of significant re-structuring of, and financial pressure on, the HR function itself in

MNCs. These were generally manifested in cuts in HR personnel. More often that not, these pressures to slim down the HR function were linked to a shift to shared services centre (SSC) provision, and sometimes to 'off-shoring' of such provision. This growth of HR SSCs was a phenomenon identified in a large scale survey of HRM in MNCs in Ireland conducted just prior to the onset of the GFC (Lavelle, et al, 2009). It appears that the GFC is serving to significantly accelerate this development. A potentially broader implication of these latter developments is to place question marks over the viability of so called 'high commitment' (soft) HRM models and indicate a growth in uptake of more transaction cost based 'harder' HRM approaches (De Cieri & Dowling, 2006).

CONCLUDING COMMENTS

Together with Iceland and Greece, Ireland is arguably the developed economy that has suffered most from the GFC. Given the country's exceptionally high dependence on MNCs and thus on international trade, one might expect that the fall in FDI activity through the GFC to have detrimentally impacted on the MNC sector in Ireland and on HRM therein.

However, it appears that the MNC sector has outperformed the general economy, particularly with regard to exports and employment. Indeed, employment performance in the MNC sector has helped partially buttress the economy against the worst effects of the GFC. It is also clear that the MNC sector has witnessed a high level of 'job churn', i.e. concurrent job losses and job creation. We would argue that this is to be anticipated as the profile of foreign-owned companies' changes – Ireland tends to have disproportionately high numbers in manufacturing but much recent FDI activity has been in the services sector. Thus parallel MNC investment and divestment is to be expected as the sectoral distribution of MNC activity shifts

Somewhat ironically, changes wrought by the GFC, most notably the substantial fall in unit labour costs, have partially helped restore the country's attractiveness as a location for inward FDI, a fact confirmed by its strong performance in attracting new FDI in 2009 and 2010 We also find that MNCs have been to the fore in engaging in complex restructuring programmes incorporating *inter alia* downsizing, outsourcing and changes in areas such as working time, reward systems and conditions of employment. Most of these initiatives involve a strong HRM dimension. However, we feel the jury is still out regarding the overall impact of GFC on HR role and influence. While many of the operational responses to the crisis involve a strong HR dimension as may some higher order strategic responses, we also see extensive evidence of the slimming down of the HR function and increases in shared service modes of HR delivery.

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ENDNOTES

[i] Irish word meaning very/over generous in this particular context.