

# **Multinational Companies and HRM in Ireland during Recession: A Retrospective from a Highly Globalized Economy**

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## **EXECUTIVE SUMMARY**

This paper provides a retrospective investigation of the impact of the recent ‘great recession’ on human resource management (HRM) in multinational companies (MNCs) in Ireland. Ireland represents a particularly fitting location within which to address this topic given its standing as one of the world’s most economically globalized and MNC-dependent economies and also because the country was very severely impacted by the global financial crisis. Using both primary and secondary data from a variety of sources, our analysis considers the impact of recession on HRM in MNCs, with particular focus on employment, pay and benefits, industrial relations and the role of the HR function. The findings suggest that HR practitioners played a central role in implementing a series of initiatives, many of which were operational in nature, to improve business performance. In so doing we argue that practitioners in MNCs in Ireland have behaved as archetypical ‘conformist innovators’ during the recent recession, delivering operational HR responses to improve their organization’s bottom line.

## **KEY WORDS**

Human resource management, multinational companies, recession, industrial relations,  
Ireland.

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## **INTRODUCTION**

In direct result of the 2007 global financial crisis, Ireland officially entered recession in 2008 and technically initiated economic recovery in 2013. As Ireland recovers from the effects of the latest recession, this paper considers its impact on human resource management (HRM) among multinational companies (MNCs). The paper is largely retrospective in nature, revisiting and integrating research dating from the early years of the global financial crisis while also reviewing more recent evidence and scholarly work on the topic.

Ireland represents a particularly appropriate locale within which to address this topic. Firstly, despite having a comparatively small population of approximately 4.6 million people and a somewhat remote location as an island nation on Europe's western periphery, Ireland is one of the world's most economically globalized and MNC-dependent economies. Secondly, Ireland suffered acutely from the global financial crisis, with the *International Monetary Fund* (IMF) describing Ireland's recession at the time as the worst in the advanced world (IMF, 2009). Drawing on a combination of primary and secondary data, our paper considers the impact of recession on HRM in MNCs in Ireland, with particular focus on employment, pay and benefits, industrial relations and the role of the HR function. We begin by summarily discussing the status and influence of HRM and the impact of recessions thereon. We then provide a rationale to demonstrate why Ireland represents a particularly appropriate setting within which to address the impact of recession and its implications for HRM in MNCs. Subsequently we briefly describe our methodology and research context, present our findings, provide some analysis and discussion thereof and finally outline our conclusions.

## **ROLE AND STATUS OF HRM AND THE IMPACT OF RECESSION**

Before turning to the impact of the global financial crisis, let us briefly review some critical theoretical discourse on the role of HRM in organizations and its pertinence in the Irish context. Historically, debate on the organizational role of human resources (HR) has focused on ambiguity (who does HR?) and lack of clarity regarding HR's contribution (how do we know if what they do is good or bad?) (Drucker, 1955; Legge, 1978, 2005; Tyson & Fell, 1986; Watson, 1996; Hope-Hailey et al, 1997; Guthrie et al, 2011). Thus, while some commentators extol the emergence of strategic HRM (Barney & Wright, 2008; Ulrich et al, 2008), we can concurrently point to evidence of fragmentation and erosion of the HR function (Roche, et al, 2011). Indeed, in synthesizing this critical theoretical literature, it appears that HRM has been traditionally bedeviled by a series of dilemmas, as follows:

1. First, HR managers have traditionally lacked sufficient power to effectively participate in strategic decision making, leading to negative perceptions of HR (by managers and employees).
2. Second, HR suffers from the absence of clear criteria upon which to evaluate its organizational performance and contribution. This compounds its low status and in turn restricts the pipeline of people taking up HR roles, further limiting HR's contribution.

So what is the answer? Karen Legge's (1978, 2005) seminal work identifies two potential 'escape routes' from these dilemmas, namely deviant innovation and conformist innovation (also see Teague & Roche, 2014). *Conformist innovation* essentially involves using traditional bottom line organizational performance criteria to evaluate HR's contribution – 'hard metrics' in modern parlance. *Deviant innovation*, on the other hand, advocates the use of alternative and more social measures rather than conventional business or economic values to evaluate HR. Examples here include 'organization development' in previous decades and the 'learning organization' more contemporaneously. Having identified these two potential routes to greater

organizational status and influence for the HRM function, we now move to consider the issue of HRM during recession. We return to this debate in our findings and discussion on the impact of the recent recession on HRM in MNCs and the implications thereof.

In reviewing how recessions have historically affected HRM, we find a somewhat mixed picture. Scholars commonly trace the origins of modern HRM to the concept of employee welfare, and what became known as the ‘welfare tradition’ (Niven, 1967). This refers to a series of voluntary initiatives to improve the conditions of factory workers, particularly in relation to pay, working hours and health and safety. The welfare tradition is viewed as a particularly important influence in the development of HRM since it often entailed the appointment of welfare officers, widely viewed as the forerunners of modern HR practitioners (Watson, 1977). The welfare tradition first emerged in mainly Quaker-owned firms in Britain in the late 1800s and gathered traction through the turn of next century. In Ireland, for example, the role of welfare officers - or equivalent - had become established in companies such as *Jacobs* and *Maguire & Paterson* (Monks, 1997). The outbreak of the First World War added impetus to the welfare movement given the need to sustain the war effort and maintain factory production using mostly female employment, older workers and other atypical sources of labor. However, the armistice in 1918 and its aftermath heralded large-scale unemployment, economic recession and a jettisoning of many of the pro-worker welfare initiatives undertaken in wartime (Farnham, 1984). This experience partially aligns with the conventional view that recession negatively impacts on HRM, whereby HR considerations are likely to be relegated in terms of priority, with firms choosing to focus on bottom line financial and operational concerns during economic downturn (Gunnigle et al., 2017).

In somewhat of a contrast, the ‘great depression’ of the 1930s in the United States (U.S.) heralded a major policy shift in the form of the ‘new deal’ aimed at increasing employment, pay and labor standards, and generally seeking to improve the experience of workers.

Interestingly, the new deal also incorporated legislative change to support worker's capacity to organize through trade unions, thus stimulating union growth and collective bargaining, leaving a positive legacy of recession on HRM (Jacoby, 1985; 1997).

Legge's (1987) systematic review of the UK experience during the 1980s recession found that its impact on HRM was less discernable. Thus, while there may have been instances of reduced status, power and influence of HRM, the predominant picture was one of 'business as usual' i.e. the HRM function played a broadly similar role during recession as pre-recession (cf. Roche & Teague, 2012 for broadly similar insights on the Irish experience). This perspective was further supported by the Asian financial crisis of the late 1990s, which pointed to HRM playing an important but largely operational role in implementing pay and benefit reductions, reducing or controlling headcount, changing performance management systems and reviewing training and development provision (Benson, 1998; Kamoche, 2003).

Overall, historical evidence is somewhat equivocal. Some observers argue that recession negatively influences the role and status of HRM, with the organizational focus shifting to operational and financial considerations to the detriment of HR considerations. However, others view recession as a window of opportunity for HR to address the challenges of recession, demonstrate its strategic capacity and positively improve organization performance (Ulrich, 2007).

This paper seeks to enhance and advance understanding on the impact of the most recent global financial crisis, and subsequent recession, on HRM by examining evidence of its impact on MNCs in Ireland. We now consider the research context, namely Ireland and its experience of foreign direct investment (FDI), and summarily describe our methodology.

## **RESEARCH CONTEXT**

Multinationals play a key role in world trade and carry huge economic and political influence. At the onset of the most recent recession, there were over 80,000 MNCs employing

over 77 million workers that account for one third of total world exports (UNCTAD 2009, 2010). In Ireland, the attraction of foreign direct investment (FDI) has been an enduring characteristic of public policy for almost sixty years (Barry & O'Mahony, 2005). Indeed, Ireland punches well above its weight in attracting FDI. MNCs account for approximately 50 per cent of manufacturing employment, compared to an average of 23 per cent for western EU countries (Collison et al, 2017; Gunnigle et al, 2002). The proportion of employment in foreign-owned companies as a percentage of total international trade-related employment is the highest in the world and explains why Ireland is consistently ranked among the top five most economically globalized nations (EY/Economic Intelligence Unit Globalization Surveys, 2010-2016). The U.S. is by far Ireland's largest source of FDI, with U.S. MNCs accounting for almost half of all foreign-owned firms in the country (Annan-Diab & Filippaios, 2017). Collectively, U.S. FDI in Ireland amounted to \$343billion in 2015.

During the 1990s, the volume of FDI inflows into Ireland increased three-fold, with a five-fold increase from the U.S. (OECD, 2000). However, Ireland's economic fortunes changed dramatically with the onset of severe recession wrought by the global financial crisis (2007-2013), resulting in a sudden transition from a high growth economy in 2007 to negative growth from 2008 to 2010, and a slow and painful recovery in subsequent years. The blend of high levels of globalization and MNC dependency, combined with the severity of the economic downturn post-2008, renders Ireland a particularly appropriate setting in which to evaluate the impact of recession on HRM in MNCs. We now briefly describe the methods employed to carry out this latter task.

## **METHODOLOGY**

This paper is essentially a retrospective investigation in which we revisit research dating from the early recession years while simultaneously reviewing more contemporary data and

literature on the impact of recession on HRM. In so doing, we draw on primary and secondary data sources to evaluate the impact of recession on HRM in MNCs (see Table 1).

**Insert Table 1 here**

The main sources of primary data were gathered from three studies. First, qualitative field research was undertaken with a number of MNCs across Ireland during the most difficult phase of the recent Irish recession, 2009-2011. Semi-structured in-depth interviews with key informants - both senior HR practitioners and senior trade union officials - were conducted to assess the impact of recession on HRM in MNCs, and on MNC activity in Ireland more generally. These interviews were conducted face-to-face, lasting between 1.5 and 2 hours on average. A key objective in conducting these in-depth interviews was to better inform the insights gained from more quantitative sources and thereby provide a more rounded perspective on the topics under investigation. All of these digitally recorded interviews were transcribed verbatim and manually coded along thematic lines, namely employment, pay and benefits, industrial relations and the role of the HR function. Second, we integrated the findings from a survey of HR practice in 260 MNCs in Ireland collected over the period 2006-2009 (Lavelle et al, 2009, see Table 4). This work thus provided a baseline study of employment practices in MNCs (cf. Edwards et al, 2013), thereby allowing us to explore areas of change resulting from recession. Finally, insights were drawn from interviews with sub-national level governance actors engaged in the attraction and retention of MNCs in Ireland to consider the localized impact of foreign investment (Monaghan et al, 2014). As with the above qualitative data, these interviews were transcribed and coded along the main themes of the study and were crosschecked by all authors.

To help further contextualize this primary data, we also integrated contemporary findings from both national and European level research on the impact of recession on aspects of HRM. As listed in Table 1, we identified important studies on the impact of ‘crisis’

(recession) on working conditions and employment security. Research by the *European Foundation for the Improvement of Working and Living Conditions* (EuroFound, 2013), a report on precarious employment in Europe (Broughton et al., 2016) and data from the *European Social Survey*, the *National Workplace Survey in Ireland* (O’Connell et al, 2009) and the *European Restructuring Monitor* were imperative to enrich our insights. Though not all explicitly focused on MNCs, this European and Irish data carry undoubted resonance for MNCs in Ireland, given that MNCs account for over 50 per cent of manufacturing employment and a large share of employment in private services, proportions that are well above the European average and indeed above that of much the developed world.

To supplement these empirical studies, we also conducted a rigorous literature review to identify secondary sources of intelligence on the impact of recession on HRM in MNCs. In this regard, a *University College Dublin* study on the impact of recession on HRM/workforce management was particularly insightful (cf. Roche et al., 2011; Roche & Teague, 2012, 2015). Finally, we also reviewed more recent reportage of HRM in recession in *Industrial Relations News*, a publication widely acknowledged as providing the most comprehensive independent weekly coverage of HRM and industrial relations issues in Ireland.

## **THE RECENT ‘GREAT RECESSION’ IN IRELAND AND IMPLICATIONS FOR MNCs**

Turning now to the recent global financial crisis dating from 2007 (or 2008 depending on the country), we see that this so-called ‘great recession’ (Teague & Roche, 2014) precipitated a global decrease in FDI (UNCTAD 2009; UNCTAD 2010). In the period prior to this recession, Ireland had become one of the most expensive countries in the Eurozone due to the sharp levels of economic development since the late 1990s (National Competitiveness Council, 2014). Thus while restructuring among MNCs was already underway before recession, the onset of recession dramatically accelerated this process. In this first section on



our findings, we begin by addressing the impact of the great recession on employment. Following this, we look at the specific implications for HRM, namely the effects of recession on pay and rewards, industrial relations and the role of the HR function.

### **RECESSION AND EMPLOYMENT**

As alluded to earlier, a predictable impact of recession on economies is a decline in production, growth and employment. In September 2008, Ireland became the first Eurozone country to enter recession; the impact of which was immense (Central Statistics Office [CSO]), 2008). Ireland's recession has been described as the costliest since the Great Depression of the 1930s in respect of the economic and social devastation wrought, while the Irish banking crisis has been ranked among the world's 'Top 10' worst banking catastrophes (Laeven & Valencia, 2012). At the time, the IMF described Ireland's recession as the worst in the advanced world, due in part to Ireland's high level of economic globalization but also a function of domestic factors principally overdependence on construction activity, a real estate boom and personal consumption, combined with excessive and reckless bank lending. As one senior trade union official observed, the onset of recession saw "*... a relentless tsunami of closures, job cuts, restructuring and bad news*".

Gross domestic product (GDP) underwent a cumulative decline of 17 per cent between 2008 and 2010, while unemployment rose from 4.5 per cent in 2007 to 15 per cent five years later in 2012. Figures 1 and 2 outline the pattern of employment in the Irish economy from 2007 to 2015 and specifically in foreign-owned MNCs (CSO, 2017; Department of Jobs, Enterprise and Innovation [DJEI], 2016). Looking at total employment in Ireland (Figure 1), we find that this peaked at over two million just prior to recession and then declined to approximately 1.8 million in 2012 (CSO, 2017). In 2015, it subsequently recovered to 1.9 million.

**Insert Figure 1 here**

Employment in the multinational sector (Figure 2) illustrates that while this had been declining marginally in the immediate pre-recession years, it experienced a dramatic decline in 2009 before recovering comparatively quickly in 2011 (DJEI, 2016). This trend has continued to date with employment in MNCs peaking at an all-time high in 2015.

**Insert Figure 2 here**

This pattern of reasonably resilient employment performance in the MNC sector through most of the recession years is further illustrated in Table 2, which presents data on job creation and job losses in MNCs in Ireland between 2007 and 2016 (Forfás and IDA Ireland Annual Reports; [www.forfas.com](http://www.forfas.com); [www.idaireland.com](http://www.idaireland.com)). It highlights that the MNC sector in Ireland experienced a small net decline in employment immediately prior to the onset of recession with a major loss of employment in 2009. However, the following year (2010) saw a small increase in employment, and this pattern of incremental job growth continued through the recession years leading to peak levels of employment in the MNC sector in 2015.

Overall, it is evident that employment creation among MNCs out-performed the broader Irish economy, in terms of the degree of employment decline. If we look at the depth of recession in 2008-2009, we find that full-time employment in MNCs fell by just under 9 per cent, compared to decline of approximately 15.5 per cent in the general economy (Forfás, 2010). This contrast in employment fortunes is most likely explained by the largely export oriented focus of a substantial proportion of Irish based MNCs and their location in economic sectors less impacted by recession, e.g. pharmaceuticals, chemicals and medical devices. The observation below from one of our in-depth interviews with a HR director helps illustrate this point.

*“I’m not saying we’re bullet proof but the crisis is more part of the discourse in the canteen ... than it is actually in management meetings or any kind of communications we are getting from corporate”*

(HR Director, MNC Chemicals and Pharmaceutical Sector).

**Insert Table 2 here**

In the absence of precise empirical data, it is difficult to assess specifically the effects of recession on employment or job security among MNCs in Ireland. However, we can, deduce from broader studies and data on employment practice, particularly work undertaken at a European level, that recession negatively affected employment security. In fact, the recession has been an important catalyst in the growth of so-called atypical employment contracts.

A recent study of employment practices in the European Union (EU) conducted by the policy unit of the European Parliament found that the financial crisis and its aftermath had been an important driver in increasing the risk of precarity of employment in Europe (Broughton et al, 2016; see also O’Sullivan et al, 2018 on precarious working in Ireland). This work found that increased use of atypical employment forms has led to significantly increased job insecurity in a number of EU countries, specifically Ireland, Greece, Latvia, Portugal and Spain. With the exception of Latvia, all of the other countries were those most severely impacted by recession. A study by the *European Foundation for the Improvement of Living and Working Conditions* (EuroFound, 2013) also points to a broad based decline of standard full time employment contracts and a concurrent growth in so-called atypical employment contracts. This work found that recession had a significant adverse effect on working conditions in Europe, including negative effects on employment security.

Specifically focusing on Ireland, the *European Quality of Life Surveys* tracked changes in levels of job insecurity between 2007 and 2012, where Irish workers reported an increase of 12.5% in levels of job insecurity (EuroFound, 2013). The *National Workplace Survey in Ireland* (O’Connell et al, 2009) noted a similar trend of reduced employment security amongst workers, particularly in the private sector. Overall, though not specifically focusing on MNCs, this EU level data suggests that the recession has contributed to increasing levels of

employment insecurity and the risk of precarious working, with new jobs increasingly taking the form of temporary and marginal part-time contracts.

The issue of employment/job insecurity in MNCs in Ireland can be further explored with data from the *European Social Survey*. In the 2010 round of data collection, two years after the onset of the global financial crisis, employees were asked whether they had experienced changes in job security in the last three years. After extracting data for private sector employees in Ireland, and using employment size as a proxy for identifying companies as MNCs (cf. Edwards et al, 2013; Lavelle et al, 2009; Author, 2013), our findings (presented in Table 3) illustrate that workers in MNCs were significantly more likely to experience reduced job security compared to employees in smaller organizations. In fact, in 2010 just over half of employees in MNCs (51%) indicated that they had experienced a reduction in security in their job in the last three years.

### **Insert Table 3 here**

The preceding sections have demonstrated the impact of recession on general employment trends in Ireland. We now turn our attention to HRM in MNCs, placing particular focus on HR practice during recession with specific emphasis on pay and benefits, industrial relations and the role of the HR function.

### **IMPACT ON HRM**

In looking at the organizational impact of recession in Ireland, we find evidence of extensive MNC engagement in multidimensional restructuring strategies to help alleviate the effects of the downturn. These included numerous initiatives within the province of HRM, such as headcount reduction, reviews and changes in remuneration and rewards, and conditions of employment (McDonnell & Burgess, 2013; Zagelmeyer, 2013). In effect, recession led to aggressive re-structuring in many MNCs.

The first and most obvious change regarding HRM was that - as during previous recessions in the 1980s and 1990s (Benson, 1998; Fodor & Poor, 2009; Gennard, 2009; Kamoche, 2003) - much operational HRM activity focused on cost reduction, including organizational restructuring and, in many cases, downsizing. Within this, management used a number of related activities such as managing layoffs, redundancies and outsourcing programmes to restructure their organization. However, there is also evidence of implementing measures that might protect jobs, including redeployment, changing working time/rosters, overtime bans, wage cuts or freezes, benefits reduction, sabbatical/unpaid leave, recruitment bans and enforced shutdowns (Dobbins 2008). In unionized firms, this often involved negotiations with trade unions, generally in the form of ‘concession bargaining’ (Roche & Teague 2015). We illustrate the various types of HRM activity prevalent in MNCs in Ireland during recession in Table 4.

**Insert Table 4 here**

With regard to specific HR activities, recession brought about a sea change concerning *recruitment and selection*, especially when compared to the boom years of the late 1990s and early ‘noughties’ where rapid economic growth and effective full employment often created extensive labor shortages for firms (author, 2017). In contrast, the onset of recession resulted in high unemployment leading to a very ‘loose’ labor market, signalled by an abundant supply of labor across many categories of employment. Related changes included a substantial fall in employee turnover, with one prominent U.S. MNC reporting a fall in employee turnover from an average of 20 per cent pre-recession to approximately 4 per cent in 2010. Training and development activity and expenditure also experienced reduced investment by MNCs: a trend related to the dramatic decline in recruitment. As companies sought to shed labor, they inadvertently eliminated the need for induction or other forms of basic training (e.g. health and safety).

Regarding *pay and benefits*, it should firstly be noted that prior to the recent recession pay fixing in Ireland had historically been determined through centralized (national level) agreements involving employer associations, trade unions and government (Roche & Gormley, 2017). This process of ‘social partnership’ lasted from 1987 until the onset of recession in 2008. However, social partnership was arguably the first major institutional casualty of the Irish recession. When the downturn first ‘hit’, a prevailing national agreement (*Towards 2016: Review and Transitional Agreement 2008 –2009*) was in place. This agreement, which had been finalized in September 2008, provided for a 6 per cent pay increase over twenty-one months. As recession quickly deepened, the country’s largest employer association, the *Irish Business and Employers Association* (IBEC), abandoned social partnership. The government also withdrew in 2009, deployed unilateral pay cuts for public sector workers and introduced what was termed a ‘Universal Social Charge’ (effectively a mechanism to increase personal taxation). The import of these various measures is aptly captured in the observation of Wallace et al (2013: 297) that this effectively ‘...spelled the end of the low-tax model on which the wage restraint of Irish social partnership was based’. During the early years of recession (2008–2010), the great majority of private sector employers implemented pay freezes, with only a small minority conceding any element of pay increase (Regan 2013). Over this period, IBEC (2009, 2010) estimated that most employers (approximately 70 per cent) implemented pay freezes, while approximately one fifth implemented pay cuts. As such, just 10 per cent of private sector employers conceded pay increases (cf. Regan, 2013).

When we look closer at pay trends, it is evident that MNCs – particularly unionized MNCs - were disproportionately represented among the minority of organizations that conceded increases, averaging around 2 per cent per annum (author, 2013; Roche & Gormley, 2017). This phenomenon was particularly clear amongst MNCs operating in the pharmaceutical, chemicals and/or medical device sectors. These sectors are widely viewed as

being more ‘recession proof’ than many other sectors, like retail and hospitality and other areas of the service sector, which severely suffered in line with the collapse of personal consumption. Thus, we find limited evidence of extensive pay cuts in the private sector, with employers often choosing to secure savings through reductions in working hours (Bergin *et al.* 2012). This finding stands in stark contrast to the public sector, where employees experience unilaterally imposed pay cuts averaging at 14 per cent (Roche 2013), though some estimates put this as high as 18 per cent (Regan, 2013).

More generally, the Irish recession appears to have contributed to an ongoing decline in *trade union density*. For example, just before the onset of recession in 2007, close to one-third (32 per cent) of employees were trade union members. There was a brief increase in density during the early recession years, reaching 34 per cent in 2010. However, density quickly fell back to 33 per cent in 2011 and this pattern of decline has continued, with union density falling to 27 per cent in 2015 (Walsh 2015), a fact acknowledged by a senior trade union official in one of Ireland’s largest trade unions:

*“In terms of union membership the economic crisis hit the union very hard, we lost the equivalent of 30,000 members which in Ireland’s trade union membership density terms is the same as losing an average size trade union”*

(Senior Trade Union Organizer).

The recession has also perceptibly affected the workplace industrial relations ‘climate’, with managers reporting greater success in driving through changes in working conditions and related areas (Roche et al, 2013; author 2013). Most probably, this was a function of increased pressure on employees to accept change (e.g. new roster, greater flexibility, etc.), and organizational drives to improve efficiencies and avoid redundancies. We also identified a discernible level of opportunism in management behaviour, where firms often used recession as a pretext to secure desired changes in workplace practice that might have been more difficult

to achieve heretofore. As noted above, this is arguably related to heightened levels of job insecurity among workers resulting in greater acquiescence to employer demands for workplace change. Equally, trade union weakness, and indeed their absence in many MNCs, was undoubtedly a contributory factor in explaining managerial success in securing workplace change.

Turning finally to the impact of recession on the *HR function overall*, we previously outlined that a traditional hypothesis on the impact of recession on HRM was largely negative in perspective, suggesting that HR considerations are likely to be side-lined as organizations prioritize corporate survival and – as a consequence – bottom line financial and operational performance.

However, based on the experience of MNCs in the Irish recession, we find that the HR function has played a very important role as a key delivery agent for organizational reform and related organizational responses to the downturn. Thus, rather than side-lining the HR function, we find that HR was central in addressing many of the key challenges facing MNCs during the recent recession, specifically pressures to reduce costs, improve productivity and generally ride out the anticipated period of economic turbulence. One need only briefly review the pattern of managerial and organizational responses outlined earlier, such as redundancies and changes in pay and benefits, to conclude that much of the re-structuring activity enacted by MNCs during recession fell within the domain of HR.

One might argue that this supports the view that recession offers the opportunity for HRM to contribute strategically in addressing the challenges posed by economic crises (cf. Ulrich 2007). However, while our evidence indicates that HR played an important role in helping MNCs navigate recession in Ireland, this was largely reactive and perhaps somewhat opportunist in character, focusing on the immediate operational challenges faced by MNCs, with limited evidence of a more strategic orientation that might better align managerial



responses with long-term business strategy or objectives (cf. Roche 2011; Harney et al. 2014). This reactive positioning often resulted in a higher rate of pressure on the performance of HR within the firm. For example, we noted increased use of metrics to evaluate and measure HR performance. This often led to a consequential reduction and rationalization in the scale of the HR function within an organization.

*“HR is taking a 25 per cent headcount cut. There is a big move to shared services and some off shoring. Everything [in HR] is now measured and [regular] climate surveys are very important”*

(HR Director MNC, Financial Services).

Two short anecdotal examples illustrate this reality. Firstly, an MNC in the services sector reported a 25 per cent cut in numbers employed directly in HR, while a well-known US pharmaceutical MNC experienced a 20 per cent cut in HR headcount. A related and complimentary development was increased utilization of information technology in HR administration, notably a shift towards HR Information Systems (HRIS) and HR Shared Service Centers (HRSSCs). These initiatives facilitated a reduction in numbers employed in conventional HR roles. While this phenomenon was certainly not instigated by recession, our findings in the MNC sector suggest that recession helped accelerate their deployment.

## **CONCLUSIONS AND IMPLICATIONS**

In reflecting on the impact of the recent recession on HRM, our research on MNCs in Ireland finds little evidence to support the suggestion that when times get tough, organizations prioritize financial/bottom line considerations to the detriment of ‘softer’ areas of managerial activity, namely HRM. Rather, we find that HR practitioners played a central role in implementing a series of initiatives, many of which were short term in nature, to improve business performance. Moreover, we find that the Irish experience regarding MNCs does not

offer support of any widespread diminution in the role and status of the HR function or of any substantial change from that pertaining before the onset of recession.

Returning to our opening theme on the perennial challenges of HR in securing organizational influence and status, we find HR practitioners in MNCs in Ireland have behaved as archetypal ‘conformist innovators’ during the recent recession (Legge, 1978 & 2005; McDonnell & Burgess, 2013), delivering operational HR responses to improve the bottom line. In so doing, the HR function demonstrated its effectiveness in terms of orthodox business and financial performance metrics, focusing largely on reducing operating costs and contributing other operational efficiencies. Nonetheless, this did not mean that ‘soft HRM’ activities were abandoned (Truss et al., 1997). Rather, as Roche (2011) demonstrates, organizations deployed hard and soft HRM practices concurrently - the former focused on reducing direct costs and the latter on maintaining employee motivation and commitment in the face of recession, using various forms of communications and employee engagement to convince employees of the rationale behind specific austerity measures (cf. Teague & Roche, 2014). This mix of approaches to HRM in recession is aptly captured in Roche and Teague’s (2012: 1333) observation that HR managers in Ireland simultaneously operated as ‘business partners’ while concurrently ‘working the pumps’.

Overall, we conclude that recent recession in Ireland saw the HR function in MNCs play an important role in delivering key organizational responses. As these, largely operational, responses focused on improving organizational performance, effectively accepting organizational success as the key measure of HR’s contribution, this role underscores HR’s alignment with management and managerialism (Delbridge & Keenoy, 2010). Nonetheless, we might add the caveat that the repercussions of the recent recession continue to unfold as Ireland, and numerous other countries, address the challenge of recovering from the huge downturn in

economic activity. Thus, the jury remains out regarding the overall impact of recession on HRM and its evolution.

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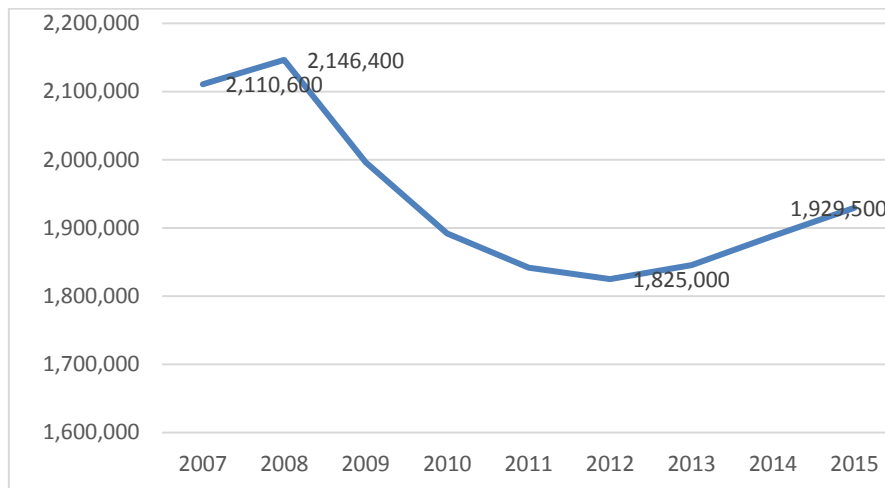
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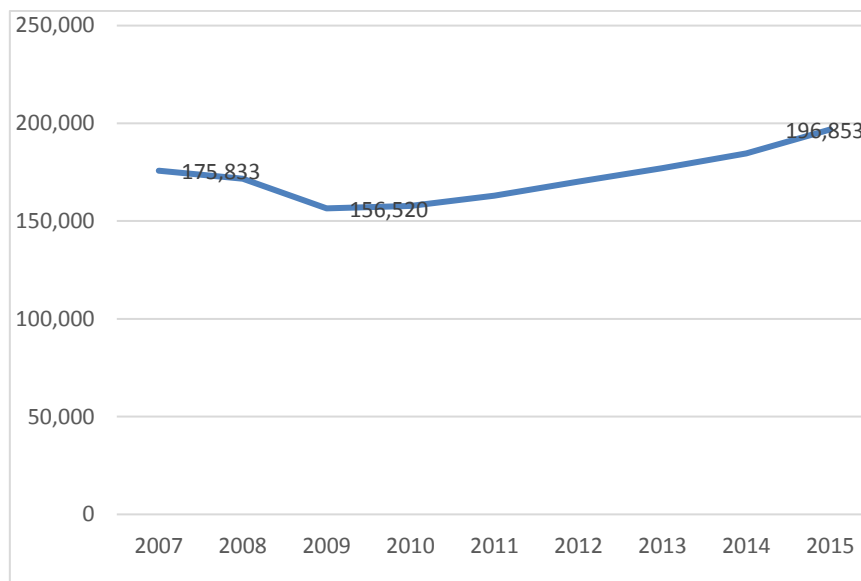
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**Figure 1: Employment in Ireland (total) 2007-2015**



Source: Central Statistics Office (CSO), 2017.

**Figure 2: Employment in foreign owned MNCs in Ireland, 2007-2015**



Source: Department of Jobs, Enterprise and Innovation (2016) *Annual Employment Survey 2015*.

**Figures 1 & 2 RAW DATA (if needed)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Employment	2,110.60	2,146.40	1,996.40	1,891.90	1,841.80	1,825.00	1,845.60	1,888.20	1,929.50
MNC Employment	175,833	171,736	156,520	157,763	163,074	170,206	177,135	184,630	196,853

**Table 1 Sources of Data**

<b>Reference</b>	<b>Title</b>	<b>Data Source</b>	<b>Time</b>	<b>Focus</b>
Data Collection	Semi-structured interviews with key informants (senior HR practitioners & trade union officials)	Primary	2009-2011	Assesses the impact of the recession on HRM in MNCs
Lavelle et al. (2009)	Representative survey of HR and employment practices in 260 MNCs in Ireland	Primary	2006-2009	Provides evidence of baseline employment practices within MNCs pre-recession
Monaghan et al. (2014)	Investigation of the role of subnational governance actors on attraction and retention of FDI in Ireland	Primary	2009-2011	Explores the localized impact of the recession on HRM in MNCs
EuroFound (2013)	<i>European Foundation for the Improvement of Working and Living Conditions</i>	Secondary	2007-2012	Considers the impact of ‘crisis’ on working conditions and employment security
Broughton et al. (2016)	<i>Precarious Employment in Europe</i>	Secondary	2002-2015	Explores precarious employment, its patterns,

				trends and policy strategies in Europe
European Social Survey	<i>European Social Survey</i>	Secondary	<i>ongoing</i>	Maps the attitudes, beliefs and behavior patterns of the various populations in Europe
O'Connell et al. (2009)	<i>National Workplace Survey in Ireland</i>	Secondary	2003-2009	Traces worker behavior and opinion during recession
European Restructuring Monitor	<i>Restructuring Events Database</i>	Secondary	<i>ongoing</i>	Reviews large-scale restructuring events
Roche et al., 2011; Roche & Teague, 2012, 2015	Human resources in the recession: Managing and representing people at work in Ireland	Secondary	2010	Explores major themes of HR in the recession from HR managers' and union officials'
Industrial Relations News	Industrial Relations News	Secondary	<i>ongoing</i>	Provides coverage of all industrial and employee relations issues

**Table 2 Jobs Created and Lost in MNCs in Ireland (full time employment) 2007-2016**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<i>Jobs Created</i>	10,929	10,124	4,863	10,897	13,381	12,722	13,367	15,012	18,983	18,627
<i>Jobs Lost</i>	11,296	11,456	20,039	9,547	7,447	6,125	6,296	7,881	7,150	6,745
<i>Net</i>	-1,699	- 1,332	-15,176	+1,350	+5,934	+6,570	+7,071	+7,131	+11,833	+11,842

Source: Forfás & IDA Ireland Annual Reports ([www.idaireland.com](http://www.idaireland.com); [www.forfas.com](http://www.forfas.com) )

**Table 3 Employment (Job) Security in Irish Organizations by Size**

	<b>Employment Size</b>					
	<i>Under 10</i>	<i>11 to 24</i>	<i>25 to 99</i>	<i>100-499</i>	<i>500+</i>	<i>Total</i>
Reduction in job security (over past 3 years)	37%	33%	36%	29%	51%	36%

European Social Survey [www.europeansocialsurvey.org/](http://www.europeansocialsurvey.org/)

**Table 4 Illustrative Examples of HRM Practice in MNCs during Recession**

<i>AXA</i>	Voluntary redundancies, early retirement, new pay scales and revisions to profit sharing scheme. Agreed with Unions.
<i>Bausch &amp; Lomb</i>	Voluntary redundancies and short-time working for remaining staff. Agreed with unions
<i>Coca-Cola</i>	Redundancies and outsourcing Trade unions opposed.
<i>Dell Computers</i>	All manufacturing activity transferred abroad with loss of approx. 3,000 jobs. Non-union
<i>International Airlines Group (IAG)/Aer Lingus</i>	‘Leave and return’ plan: trade union negotiate a severance plan for employees who then formally ‘leave’ the company and then ‘return’ on reduced pay/less favorable terms and conditions of employment e.g. lower pay rates for new entrants. Trade union led & agreed with unions
<i>Pfizer</i>	Closure of one plant/changes to terms and conditions of employment. Trade unions opposed

Source: Dobbins, 2008; European Restructuring Monitor, 2010; Farrelly, 2010; Gunnigle et al., 2013; 2017 & *Industrial Relations News* reports of the period.