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**Between Boston and Berlin: American MNCs and the Shifting
Contours of Industrial Relations in Ireland.**

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ABSTRACT:

Drawing on detailed qualitative case studies and utilising a national business system lens, we explore a largely underrepresented debate in the literature, namely the nature of change in a specific but critical element of business systems, that is the industrial relations institutions of the State and the impact of US MNCs thereon. Given the critical mass of US investment in Ireland, we examine how these US MNCs manage IR in their Irish subsidiaries, how the policies and practices they pursue have impacted on the Irish IR system, and more broadly their role in shaping the host institutional environment. Overall, we conclude that there is some evidence of change in the IR system, change which we trace indirectly to the US MNC sector. Further the US MNC sector displays significant evidence of elements of the management of IR which is clearly at odds with Irish traditions. Thus in these firms we witnessed the emergence of a hybrid system of the management of IR and the establishment of new traditions more reflective of US business system.

KEY WORDS:

Change; Hybridisation; Human Resources and Industrial Relations; Ireland; MNCs; National Business System; US.

INTRODUCTION:

The significance of multinational corporations is well documented in the extant literature. While global FDI inflows have fallen from the record levels of \$1.1 trillion in 2000, current data indicate that FDI inflows amounted to some \$560 billion in 2003 (UNCTAD, 2004). Such investment is driven by an estimated 61,000 transnational firms and their 900,000 foreign affiliates. Indeed many MNCs are so economically vast that their revenues outstrip the GDP of many nation states. Given the economic dominance of MNCs it is not surprising that there has been significant debate in recent years as to whether they act as ‘nation-less organisations’ (Ohmae, 1990) vis-à-vis the extent to which they “are embedded in larger and wider societal collectivities” (Sorge, 2004:118) and thus must organise their activities in the context of the multiple institutional environments in which they operate. Indeed it has been argued that globalisation is redefining the role of the nation state in managing the economic fortunes of nations (cf. Boyer and Drache, 1996) and further that MNCs may also play a part in constructing the environment in which they operate (cf. Boyer et al., 1998; Streeck and Thelen, 2005b). This latter theme has received comparatively little attention and the literature there is focuses mainly on the German context (cf. Lane, 2000; 2003; Schmitt, 2003; Streeck and Thelen, 2005a).

Drawing on detailed qualitative case studies and utilising a national business system (NBS) lens, we explore a largely underrepresented debate in the literature, namely the nature of change in a specific but critical element of business systems, that is the industrial relations (IR) institutions of the State and the impact of US MNCs thereon. Given the critical mass of US investment in Ireland, we examine how these US MNCs manage IR in their Irish subsidiaries, how the policies and practices they pursue have impacted on the Irish IR system, and more broadly their role in shaping the host institutional environment. Finally we explore the extent to which the Irish government has balanced the trade off between the financial efficiency outcomes of courting further FDI investment (through, for example, a permissive institutional context supportive of these innovations) while at the same time balancing the social equity outcomes for Irish employees (through, for example, appropriate employment legislation) (cf. Kleiner and Ham, 2003)? The study is significant for a number of reasons. Firstly Child’s (2000)

posits that large business organizations may exert influence over not only the structures of host locations but also the policies of institutions in these nation states. In this context he notes that studies in the national business systems tradition have generally focused on the observation and charting of congruence between structures of business organization and other institutions within nations or regions (see also Streeck and Thelen, 2005b). The implicit assumption of these taxonomies is that the “functions performed by [governmental, financial, technological, educational, educational and community] bodies and the regulations or other constraints they impose upon firms, substantially explain the ways that the firms are governed, the range of specialties they internalize, and their philosophies of management” (42). Significantly however he goes on to argue that this approach fails to explain “the extent to which key actors in firms can themselves determine the agendas of institutions through lobbying, co-optation, the threatened withdrawal of cooperation, and so forth”. This paper attempts to explore some of these debates in the Irish context. Secondly, while we acknowledge that while previous work has been carried out on IR in MNCs this largely focused on larger economies (e.g. US, UK, Germany, Japan) and overwhelmingly relied on survey-based methodologies. Thus, this paper addresses the lack of qualitative work on the impact of FDI on the evolution of IR systems and, furthermore, provides insights from a country which is one of the largest per capita recipients of FDI but which has not been the focus of investigation of this nature.

Indeed Ireland represents a fitting site for the study of the behaviour and impact of foreign multinational enterprises. Firstly, the country was a late internationaliser and thus the influence of foreign thought and practice has been relatively recent. Secondly, attracting mobile FDI has for some time been a fundamental plank of economic policy. Thirdly, the apparent success of this policy means that MNCs have attained huge economic significance in the Irish economy. Ireland has recently been classified as the most globalised economy in the world (Kearney, 2002), due to the huge role which MNCs play in Irish economic life. Furthermore, the country continued to attract significant FDI despite the recent global downturn in FDI (cf. UNCTAD 2004; XXX, in press). Ireland was the largest net recipient of FDI in the OECD over the period 1993-2003, recording a cumulative balance of inflows over outflows of \$71billion, making it the world's 11th largest recipient of FDI (XXX, in press). MNCs contribute approximately 80 per cent of industrial exports (O’Higgins, 2002). Further over 49 per

cent of employment in manufacturing is accounted for by those employed in affiliates under foreign control (OECD, 2005). Even allowing its preferential corporation tax rate of only 12.5 per cent, the largest ten foreign MNCs in Ireland contributed €1.3 billion in corporation tax (27 per cent of total annual corporation tax revenues). Indeed a single MNC contributed €510 million, or 10 per cent of the total corporation tax in 2003 (Barrington, 2005). Although the identities of these companies have not been released by the authorities, it is generally accepted that the vast majority are American. It is estimated that that 7.6 per cent of the private non-agricultural labour force are employed by US subsidiaries (XXX, in press). Ireland is thus heavily dependent on FDI and the US is by some way Ireland's largest source of FDI.

In presenting this debate we briefly introduce the national business system literature and key debates on the impacts of MNCs on NBS. We then briefly address the literature on change and hybridisation within business systems drawing primarily on the work of Lane (2003). In contextualising our later discussion we then present a summary analysis of the key tenets of Irish IR. After outlining the methodology employed, we present our research findings and finally present our discussion and analysis.

THE VALUE OF THE NATIONAL BUSINESS SYSTEM (NBS) APPROACH

Key to the understanding of the NBS approach is an appreciation of the role of national institutional contexts in shaping the strategies and structures of firms (cf. Hall and Soskice, 2001; Whitley, 1999). The working assumption may be summarised as continued diversity and divergence between firms emanating from different institutional contexts. In this regard firms emerge within a specific business system, whose institutions condition and influence the organisation and operation of the firm. Further when firms expand abroad they must take account of the host business system in configuring their foreign operations.

Apposite to this, a key underlying premise in much of the globalisation debate is that the MNC acts as “a powerful element of change that challenges existing interests and structures in the labour market and at the bargaining table” within the various host countries in which they operate (Weber, 1974: 249). While MNCS are not the only means through which IR innovation may be introduced into a foreign business system (others include management consultancies and business associations), they are arguably

the single most important conduit through which these innovations are diffused from one business system to another (cf. Ferner, 2003). Indeed MNCs have been described as the “foremost ‘innovators’- for good and ill- within national business systems” (Ferner and Varul, 2000: 115). This description highlights the fact that MNCs can have both positive and negative consequences for host countries. A number of studies have found that MNCs continue to display characteristics of their home business system or “country of origin” in the management of their foreign subsidiaries (cf. Almond and Ferner, forthcoming; Ferner et al., 2004; Geppert et al., 2003; Gunnigle et al., 2002; Harzing and Sorge, 2003). Of particular significance to our argument is the finding that US MNCs display strong country of origin effects. For example, in their study of foreign MNCs operating in Europe Gunnigle et al (2002) found that although firms from both the US and differing European countries modified their practices to account for the host context, levels of localisation in US MNCs tended to be lower. Turning to the nature of the determination of human resource management (HRM) policy, Ferner et al (2004) found that US MNCs displayed centralised, standardised and formalised traits in this regard (Almond and Ferner, in press).

In developing this argument in the context of the NBS literature, it is pertinent to examine the nature of change in business systems. Here it is important to introduce two theoretically important constructs: systems change and the emergence of a hybrid system within the NBS (Lane, 2003). The former is conceptualised as the emergence of a radically different institutional framework within a business system. In regard to the latter, the emergence of a hybridised system is conceptualised as changes that occur in a number of organisations within a business system but fail to take root in other firms and hence do not override the traditions of the system more generally (cf. Lane 2003). Lane (2003) further identifies a number of key theoretical questions which must be considered in attempting to explore changes in NBS. Firstly one must consider how one type of change differs from another? How can we determine whether institutional innovation is bounded and within the system versus fundamental system change and the adoption of a new path? In this regard she postulates “system change has occurred when a new logic has replaced the old one, i.e. when it is accepted by most influential actors in the political economy” (Lane, 2003: 84) Secondly, she questions how system change differs from hybridisation, whereby the latter implies the concurrent adoption of different logics within a business system. She notes that in hybrid situations there is

generally not complementarity within the system and thus different parts of the system are dominated by different logics. An important point to note is that if a cumulative change in a key institution has resulted in fundamental changes in the logic which underscores the system combined with support from powerful actors then the longevity of hybridisation is likely to be short lived as the new logic will become dominant and institutionalised. An important aspect of the business system in which to explore this is the industrial relations arena. We now turn our attention to sketching that aspect of the Irish business system, something which will provide a useful context for our later evaluation of change and continuity in IR in our case firms.

INDUSTRIAL RELATIONS IN IRELAND:

Many of the traditional characteristics of the Irish IR system derive from her historical linkages with the United Kingdom, though in recent years the IR trajectories of both countries have shifted significantly. Ireland did not gain independence from Britain until 1922 and there have been close historical and political ties between the two countries for many centuries. By the time of the formation of the Irish Free State in 1922, Irish trade unions shared with their British counterparts an approach to collective bargaining that was termed ‘traditional adversarialism’ (Donnelly, 1999). Although trade unions initially struggled to gain acceptance in Ireland they had gained a foothold in many key industries by the early 1900s. Hence for over a century IR in Ireland has been characterised by a strong collectivist orientation reflected in reasonably high levels of union density and a reliance on adversarial collective bargaining (Gunnigle and Morley, 1993; Gunnigle, 1995; Roche, 2001). While a detailed discussion of the IR system is beyond the scope of this paper, we draw on von Prondznski (1998) whose review of the main tenets of the Irish IR system concluded that these could be characterised thus: *voluntaristic*: it relies on the voluntary commitment of the participants to implement agreements achieved through the bargaining process (Teague, 2005; Wallace, 2003); *antagonistic*: it is underpinned by an acknowledgement of pluralist conflicts of interest inherent in the system reflected in a the prevalence of collective bargaining, a core tenet of pluralism, as a means of regulating the employment relationship (Gunnigle 1995; Roche, 2001); *centralised*: for most of the period since 1970 collective bargaining has tended to be dealt in a centralised fashion, reflected in national level agreements on pay and other aspects of economic and social policy (Roche, 2001; Wallace, 2003); *non-*

participative: given that there has been little evidence of formalised workplace participation schemes, leading Roche (1995) to describe the Irish partnership model as truncated reflecting the lack of diffusion of same to the enterprise level; *non-flexible* reflecting the traditionally high levels of restrictive practices such as highly specified job descriptions and rigid demarcation lines; *institutionalised*: reflecting the reliance on third-party institutions in assisting the resolution of IR disputes (Teague, 2005). To these we add *collectivist*, springing from the legitimacy and influence of trade unions in Irish society, the relative importance of collective bargaining, high levels of trade union density and recognition and the historical absence of a strong anti-union agenda (Roche and Ashmore, 2002).

Before considering our findings, we now summarily outline our methodology.

METHODOLOGY:

This paper uses data gathered from five detailed studies of IR and HRM in Irish subsidiaries of US MNCs. Summary detail on these is provided in box 1. This article draws on the Irish node of an international study involving a large number of researchers from seven universities in the UK, Spain, Germany and Ireland. The overall project consisted of 14 detailed cases. In total some 260 semi-structured interviews were conducted by the project team. These included interviews at corporate HQ, regional HQ and subsidiary level in the case firms and further involved individuals at all levels of the organisational hierarchy. This paper focuses solely on the Irish subsidiaries. Our case study data was generated largely through in-depth interviews with company personnel, employees and employee representatives (including trade union officials) in Irish subsidiaries of 5 US MNCs, while additional information was garnered from company documentation, web sources and observation. We selected the firms based on variables such as union/non-union, time of establishment in Ireland, sector, location in the US, etc. We also drew extensively on secondary data on the case firms. In total the case firms employed approximately 12,000 people in Ireland, a figure which accounts for 13 per cent of total US MNC employment in Ireland. Given this variance and scope of case firms we are confident that the cases provide a reasonably representative picture of HRM and IR practices in US MNCs in Ireland. Further, given the in-depth qualitative nature of our work, we believe it provides substantial and novel

insights in the changing approaches of American towards industrial relations in Ireland and their impact on the evolution of the Irish IR system.

In each case, interviews were conducted with all of the top management team, plus a cross section of middle and front line managers/team leaders, lower ranking employees, employee representatives (shop stewards) and trade union officials. In total some 67 interviews were conducted by the Irish team over the period January 2000 to June 2005. Each interview was conducted by a minimum of two interviewers, tape-recorded and transcribed. Interviewees were briefed in advance regarding the research agenda. All companies are identified through pseudonym and all interviewees identified by their job titles. The data were analysed using QSR NVivo which allowed us to code the data into a number of significant categories (or nodes). Our main findings are outlined below.

TAKE IN BOX 1 ABOUT HERE

FINDINGS:

The following presentation of our findings is organised according to the espoused characteristics of the Irish IR system outlined above. We supplement data from the case firms with information garnered from other sources to provide a broader picture of the current configuration of IR in Ireland. We begin by exploring the evidence in shifts in collectivism in our case firms as we feel this will significantly impact on other elements of the system discussed thereafter.

Collectivism:

In exploring the nature of collectivism in our case firms we consider the extent to which our case firms engage with trade unions to be a key indicator. In this regard there we identify two broad approaches to trade union engagement. Specifically out two ICT companies, Itco and Computerco are staunchly opposed to trade unions and would attempt to maintain this status at all costs. In contrast our other three firms Healthco, Pharmaco and Logistico appear to have a more pragmatic approach to trade union recognition. By this we mean that they have a strong preference to operate on a non-union basis but in if this is not possible then they will engage with trade unions. In this regard the two longest established firms (Healthco and Pharmaco), established their

initial Irish operations (in the late 1960s and early 1970s) on a unionised basis and engaged with Irish IR traditions. These establishments continue to operate on a unionised basis and workplace issues tend to be managed through collective bargaining. In explaining, the decision to establish the Irish plants on a non-union basis, a unique situation in both firms at the time of their establishment, we have pointed elsewhere (cf. XXX, 2005) to the significance of the prevailing institutional environment at the time in explaining the decision to recognise trade unions in both of the firm. Particularly significant in this regard was the advice of government bodies charged with attracting FDI and the employers' organisation, all of whom recommended that the companies engaged with Irish IR traditions and recognised trade unions. Also significant was a highly publicised and failed attempt by another US multinational *EI Ireland* (a subsidiary of General Electric) to establish on a non-union basis around that time.

These firms have more recently however established new operations in the Irish context on a non-union basis. The concurrent operation of sister plants on a non-union basis, termed double-breasting (cf. Beaumont and Harris, 1992) is a novel innovation in the Irish context and particularly worrying for the trade union movement and significant evidence of the erosion of collectivism in Ireland as these new non-union plants are premised on individual relations with employees.

Although Logistico was established on a non-union basis in Ireland, management have recently agreed to a limited recognition agreement for certain categories of workers. We argue that this decision was as a pragmatic response to a prolonged union recruitment drive. The nature of the agreement provides for trade union representation on individual issues only and does not allow for full collective bargaining

Thus in terms of engagement with trade unions as an indicator of collectivism, our data clearly indicate that over time the US MNCs we studied have, on balance, moved away from trade union recognition and towards engaging with employees on an individual basis. Further, evidence on the emergence of individual performance related pay combined with an increasing emphasis on direct communication with employees further point to a shift away from collectivism and these factors are discussed in detail below.

Voluntarism:

As was noted above Ireland was traditionally classified as voluntarist in terms of the configuration of the industrial relations machinery there. In this regard the voluntary commitment of the participants is key in implementing agreements achieved through the bargaining process. The key direct evidence we unearthed in this regard was the shift towards non-unionism in recent years. This suggest that US MNCs had the capacity to establish new plants on a non-union basis and further indicates the limited recourse for the trade union movement in preventing or mitigating this shift. This is illustrative of broader trends in the US MNC sector more generally. In this regard our cases confirm the growing incidence of the establishment of US subsidiaries in Ireland on a non-union basis (see also, Gunnigle, 1995; Roche, 2001). In this regard Logistico, Computerco and Itco all established their Irish operations on a non-union basis. While both Computerco and Itco continue to operate on a non-union basis, Logistico has recently agreed to a limited recognition agreement for certain categories of workers as mentioned above. We also highlight another worrying trend from a trade union point of view, namely the emergence of so called ‘double-breasting’ noted above. We have argued elsewhere (XXX, 2005) that this may serve to further erode trade union influence in the US MNC sector. This shift away from recognition in US MNCs combined with other research which suggest a that levels of compliance with Labour Court recommendations dealing with trade union recognition were significantly lower than the general pattern of compliance with Labour Court recommendations (Gunnigle et al., 2002) represent significant challenges for the Irish trade union movement.

It thus appears that that US MNCs have both directly and indirectly impacted on the voluntarist characteristics of the host IR system. Specifically we point to the fall in private sector union density, driven in large measure by the US FDI sector. It could be argued that we have witnessed a shift in the trade union movement’s attitude towards voluntarism in response to this trend. In a similar vein to their UK counterparts, the Irish Congress of Trade Unionsⁱ have pursued he provision of statutory union recognition legislation. Although an emerging theme over recent decades, this first came to public prominence in the negotiation of *Partnership 2000* national accord covering the period 1997-2000.

Amid increasing union concern, a 'High-Level Group' was established in 1997 under the terms of *Partnership 2000* to examine the issue of trade union recognition. Comprising representatives of Government, the Irish Congress of Trade Unions (ICTU), Irish Business and Employers Confederation (IBEC), and IDA Ireland, it issued its report within months and recommended the use of voluntary rather than mandatory procedures to deal with recognition disputes. The recommendations of this group were implemented through the introduction of the Industrial Relations (Amendment) Act 2001. This Act was generally regarded as a poor result for the trade union movement in that its provisions provided trade unions with little likelihood of statutory union recognition (cf. Gunnigle et al., 2002; D'Art and Turner, 2005). The Act has since been supplemented by the 2004 Industrial Relations (Amendment) Act. This Act again retains a toothless character with regard to statutory union recognition and simply speeds up some of the largely toothless procedures introduced by the 2001 Act. Nonetheless the union movement have continued to press their agenda with regard to statutory recognition legislation and are likely to continue to do so in the context of declining union recognition.

Antagonistic:

As noted above, the Irish IR system has traditionally been underscored by pluralist IR traditions which was reflected in a general acceptance of collective bargaining as the optimal means of regulating the employment relationship. Indeed this acceptance of host IR traditions appeared to filter through to the earlier waves of MNC investment, (Kelly and Brannick, 1985 etc), as is reflected in both Healthco and Pharmaco, where both companies signed pre-startuo recognition agreements with trade unions and these plants continue to operate on a unionised basis. Although neither firm could be characterised as having high levels of industrial unrest, respondents in both companies reported difficulties with the trade unions from time to time and there was clear evidence of elements of antagonistic relationships between the parties on occasion, particularly in Pharmaco and the a lesser degree in the earlier days of Healthco's operation. Thus these older plants do appear to conform with this particular characteristic of the Irish system.

In contrast the other three firms established on a non-union basis. Respondents in these companies continually emphasised the desire to deal with issues on an individual basis with employees without third party intervention. The following quote is illustrative of the opinion solicited.

It's not an anti-union thing. We have a system of management which says that it is a manager-individual relationship. That's how we operate. It's quicker than any other mechanism, and it works well. In our industry I think you need things like that because you need to do things quickly. It is an alternative, lets say, to a unionised system.

(Manager, Technology Facility, Itco)

Likewise in Computerco interviewees pointed to the preference of dealing with employees on a one-to-one basis. Indeed a human resource manager there noted: "They [corporate] wanted very much to deal with employees on a on-to-one basis". In attempting to minimise the risk of union organising drives these management in these subsidiaries are cognisant of the need to minimise the conflictual elements of the employment relationship as these may represent triggers to unionisation. This exhibits elements of the so called "catch 22" of union avoidance identified by Flood and Toner (1997). In their pursuit of non-unionism the firms incurred many opportunity costs, such as increased pay levels and the provision of sophisticated non-union grievance procedures. As the VP of Operations in Computerco noted: "You actually have to work harder [to remain non-union]. You don't have an intermediary to go to. Managers have to work a lot harder to stay non-union."

This is significant because a union official we spoke to confirmed that the greatest opportunity for a trade union to gain a foothold in a non-union establishment arose when management made a significant error. Thus he clearly felt that when management in these firms got it right in terms of managing employee relations, there were few triggers to unionisation. In contrast when an employee felt aggrieved the trade union was often one of their first ports of call.

In attempting to maintain their non-union status, the MNCs utilised a number of techniques. Firstly, management generally claimed to be pro-active in terms of identifying concerns within employee ranks and ensuring the issues are redressed internally without recourse to third party bodies such as trade unions. In this regard annual employee opinion surveys, 'open door' policies and other communications fora,

combined with sophisticated non-union grievance procedures, in both Itco and Logistico in particular, were identified as significant in minimising these conflicts.

I think in general the HR group do a very good job in making sure it [union recognition] does not come up. If they see something as being an issue that can affect the morale or whatever it may be they will take action on it. They have done so over the past couple of years as things have changed.

(Operations Manager, Itco)

A further significant finding was the minimising of conflict around the wage-effort bargain through pitching the reward package at a level above the regional and/or sectoral average and, in some companies, often significantly in excess of that in comparable unionised firms:

The non-pay benefits were always very good. That was one of the ways that they [management] kept unions out. It was a case of- 'well look at all we give you. You won't get any more in a union'.

(HR Generalist 2, Computerco)

Although this was particularly visible in our non-union companies and indeed articulated by a number of interviewees, it also emerged in the unionised companies. Indeed both Healthco and Pharmaco have traditionally paid significantly in excess of the awards due under national pay accord to their unionised employees. Although we have witnessed a shift in this policy over the recent past (we will return to this below) one could plausibly argue that in their unionised establishments US MNCs in Ireland have attempted to minimise the conflictual elements of the employment relationship through conceding above the norm pay settlements. Thus on balance our findings point to a significant degree of variance with host norms in terms of the nature of the employment relationship at least in terms of the level of antagonism between management and employees, reflected in unitarist managerial ideology and the minimisation of triggers to unionisation.

Centralisation:

As noted above, centralised agreements on pay and other aspects of economic and social policy have long been a key characteristic of Irish IR. In line with the voluntarist traditions of Irish IR, employers and trade unions are broadly free to follow, or not, the terms of such agreements.

In the cases we investigated, all of the non-union companies claimed to operate outside of centralised agreements. In these firms it was claimed that pay increases were generally determined at an individual level based on an evaluation of performance, together with a management review of the ‘going level’ of increase based on some analogue of comparator firms (normally on a sectoral and sometimes regional basis). It appeared that these companies were very aware of the terms of centralised agreements and generally ensured that their average level of increase was at or, more often, above that of centralised agreements. Thus centralised agreements provided an external benchmark of the minimum level of pay increases to be awarded. This was also the case for the non-union employees in all three of the companies which had some level of unionisation of employees.

We look next at the unionised firms. As noted above, both Pharmaco and Healthco have consistently agreed ‘above the norm’ pay deals with their unions. We have however witnessed a shift in the degree to which agreements exceed pay norms in recent years. Indeed, in recent years management in both companies have attempted to agree pay increases closer to the levels agreed under national pay accords. In explaining this shift management respondents pointed to the increasing competitiveness for business within the respective firms. For example the Director of HR in Pharmaco noted that the shift in policy was due to: “Change of business. Fighting for volume [within the corporation]...Competition [between plants]”. Even though labour cost only represented a small percentage of total production costs in Pharmaco making savings seems to have become increasingly important in maintaining, and ideally increasing, the mandate of Irish subsidiary within the corporation. Similar views were expressed by respondents in Healthco. Particularly significant however was that a management respondent in Pharmaco hinted at the fact that the traditional high increases awarded under the above the norm deals left little room for performance related compensation. Thus he hinted that the reduction in general levels of increases may allow the company the opportunity to shift the emphasis in compensation towards additional remuneration for higher performing employees, or an element of performance related pay for these workers. In other words he expected annual increase to continue to exceed those due under national accords but to be paid in different ways. He did acknowledge that such payments may have to be on a team basis due to the union issue. Thus although both of these companies have shifted their strategies in recent years and returned to paying only

what was agreed under the national pay agreements, our findings indicate that the national accords provide only an external benchmark of the minimum level of increases, and that their policy is influenced by pragmatic considerations. Specifically we point to market and internal corporate pressures in driving the shift towards pay around the levels of the accords. Further one could plausibly argue that the shift towards payments due under the accords could be interpreted, as an attempt to facilitate performance related elements in the compensation package of the unionised employees. This is a particularly novel finding in the Irish context and how it will play out remains to be seen. Nonetheless the union movement may view it as challenge to their role within the companies.

In Logistico, where partial recognition (see above) which did not cover pay was recently was afforded to the union, we found that management did not directly follow the national pay accords in determining increase for any employees. Annual increases were determined on the basis of individual performance. However a union official who we spoke to indicated that Logistico were ‘intelligent’ in how they managed the process and the no employee got less in annual pay increases that what they would have under Sustaining Progress. This is significant because the Labour Court recently determined that “whether the Company increases pay as a result of market based assessment and/or a performance based system is of no concern, as long as the value of these increases has due regard to the value of increases provided by national partnership agreements” (cf. Higgins, 2004 a and b). Thus it would appear that all employees, regardless of whether their company signed up to the agreements or not are entitled, to the increases due under the national pay agreements. This finding has been tempered somewhat by a more recent Labour Court case which found that once an individual’s cumulative increases over a specific reference period equated to the total due through national agreements over the same period that it could happen that an individual may not be awarded an increase in a given year (Higgins, 2005). In other words if an employee received a total of 10 per cent in pay increases over a three year period but no increase in one of those years, and the total due over the was 10 per cent or less then the company was within its rights not to award an increase in that year.

Thus we find that the impact of centralisation in Irish IR had a limited impact on our case firms. Pay increases for non-union employees were generally determined on the

basis of a combination of some measure of performance and a management pay adjustment based on cost of living increases and pay trends in comparable firms. Further, the unionised companies did not directly follow the terms of national pay accords, a factor which allowed them some flexibility in terms of the negotiation of pay increases, sometimes linked to productivity agreements and more laterally towards some element of performance.

Participation:

Earlier we noted that Irish IR has traditionally been characterised by low levels of employee participation at workplace and enterprise level. The primary evidence we unearthed on this issue was in relation to European Works Councils (EWCs). All of our case companies had established EWCs. While these Councils may potentially represent a significant form of employee participation, our findings suggest that in the Irish context they represent a somewhat toothless form of participation to date. While Irish representatives in all of the firms did attend regular EWC meetings and reported back to employees in some form or other, the general theme of our findings was that the EWC agenda in the various companies tended to be dominated by the concerns of representatives from countries where collective employee representation at workplace level was strongest, such as Germany and France. Interviewees suggested that most employees in the subsidiaries, were ‘not that interested’ EWCs and rarely asked their representatives to pursue any particular agenda. The following quote is illustrative of the opinion solicited:

I’ve always felt that I need to be going to them [co-workers], I really need to be going to them and sitting down [and asking for their inputs] and...no one has come to me and told me there’s an issue

(EWC Representative Logistico)

We therefore conclude that the impact of EWCs has been quite benign among American MNCs operating in Ireland. On balance our findings suggest that EWCs fail to represent a progression of employee participation as they were originally conceptualised, at least thus far. Thus, with regard to the non-participative characterisation of the Irish IR system, it appears that the US MNC sector conforms with the traditional picture. This is not unexpected however given the preference for direct relations with employees and the relatively benign employer legislation in this regard in the Irish context.

Flexibility:

The characterisation of the Irish IR system as inflexible relates to the argued high levels of demarcation and need to negotiate the introduction change initiatives with trade unions (Von Prondzynski, 1998). We found some evidence of strong demarcation lines in the older unionised companies. In Pharmaco the extent to which demarcation prevailed led a HR Manager to describe the pharmaceutical sector as the “last bastion for unionisation”, while a production supervisor summarised the situation thus:

I think the lines are fairly clearly drawn. If someone says that a particular task is not their job and we don't agree then we are going to try to challenge that in some format. But to be honest about it the lines are clearly drawn and we know what's allowed and what isn't

Although the issue of flexibility was not as prominent in Healthco in recent years, similar views were expressed about the earlier years of Healthco's operations in Ireland. Overall it would appear that IR practice in Pharmaco's and Healthco's older (unionised) plants is characterised by demarcation and some union imposed strictures in regard to changes in work practices. In contrast however their newer (non-union) plants appear to be characterised by increased management prerogative with regard to changing work practices and higher levels of functional flexibility among employees. Indeed increasing prerogative and flexibility was frequently raised by management interviewees as the one of the major reasons for union avoidance in newer sites. Thus it was not that management in either firm reported extensive difficulties in their interactions with unions but rather they sought the greater prerogative and enhanced levels of flexibility which non-union status conferred. This was particularly the case in Healthco. Here managers broadly acknowledged their good working relations with the trade unions while simultaneously expressing their preference for the additional flexibility accorded to management through establishing new plants on a non-union basis: “It is not a huge issue though, just a preference. We don't have militant unions here. We get on fine. Going non union is less hassle”.

In a similar vein the VP of HR in Pharmaco indicated that: “they [corporate] felt in the long run it [establishing the new plants on a non-union basis] would give them better, greater efficiency and greater flexibility.” This perception was confirmed by a union

official who we spoke to he noted that the desire to set up on a non-union basis was driven by a desire for:

Immediate change without a grievance procedure to discuss it. When management want to change they don't want to have anyone and particularly a union coming in a saying wait you have to discuss that with us.

(Union Official 2, Pharmaco)

Among our ICT firms managers continually emphasised the need for change and high levels of flexibility, particularly functional flexibility but also, in some firms, numerical flexibility:

It's [non unionism] quicker than any other mechanism, and it works well. In our industry I think you need things like that because you need to do things quickly.

(Manager, Technology Facility, Itco)

More generally an important finding was the large numbers of managers who indicated that their companies were involved in lobbying government and European regulators in their effort to influence that shape of emergent employment legislation and application of EU directives, etc. A senior executive in Computerco cited this as one of the key reasons it had taken up membership of Ireland's largest employer association, IBEC. This lobbying function appears to be on of the key services which IBEC provides for US MNCs. This is particularly significant in the European context where much of the innovation in national level employment legislation is driven by EU directives. In transposing this into national legislation, governments are afforded a degree of latitude as to the final provisions of the act, thus lobbying by interest groups can impact on the extent to which the final legislation fits with their particular agenda. In this regard we found that Itco strongly lobbied the government through the employers organisation on the implementation of the European Information and Consultation Directive.

We made a submission via IBEC on the information and consultation directive...[our desire is] in some way to make it [the final legislation] as flexible as possible...Not to be too prescriptive I suppose about how they want it to implement. They have to do this. That's it. But its to make it as flexible within the establishment should be taking or whatever that we can actually decide within the business how we're going to do it.

(Employee Relations Manager, Itco)

This trend was also evident in Computerco where in regard to application of the European Works Council directive, the VP of HR stated:

Our strategy is to, where possible, influence and lobby the Government to make sure that the legislation that is enacted is as user friendly as is possible, particularly for cultures and environments where you have non-union organisations... We have submitted to government on several initiatives around it where we would lay out our two party culture, our communications framework and believe that that is goodness in its own right.

He further noted that Computerco also articulate their views to government through the American Chamber of Commerce (Amcham). He noted that the organisation comprised representatives of most key American MNCs in Ireland. The influence of Amcham is evidenced in the fact that they had met with the Tainaiste (Assistant Prime Minister) twice and the Taoiseach (Prime Minister) once in the six months prior to our interviews. These meetings coincided with the drafting of the 2001 Industrial Relations Amendment Act (dealing with trade union recognition) and although this was not the only agenda item our evidence suggests it was very high up the agenda. In a similar vein a union official related a conversation which he had had with a senior representative of the national representative body of the Irish Congress of Trade Unions who attributed the delay, in part, in the transposition of Working Time Directive to the Government's consultation with Amcham.

On balance our findings would suggest that with the exception of some of Healthco's and Pharmaco's older plants our cases do not conform to the characterisation of IR practice in Ireland as inflexible. Indeed quite the contrary: most of our case firms seemed to be characterised by high levels of functional flexibility. We also saw how most of these firms had been involved in lobbying national and supra-national Government or agencies to ensure the Irish regulatory continued to allow firms achieve the highest possible levels of flexibility.

Institutionalised:

In considering the extent to which IR in our case firms are 'institutionalised', we detected some elements of change in this regard. This was particularly evident in relation to the use of third party institutions in mediating or arbitrating on IR issues. In particular we found evidence of increased use of so called 'alternative dispute resolution' (ADR) mechanisms, where ADRs are defined as alternatives to progressing disputes through the legislature in preference for the intersession of a neutral and objective third party (Brown and Marriot, 1999). This was particularly evident among

the newer established US MNCs we studied, who appeared to have a reluctance to engage with the normal third part referral agencies operated by the State in resolving disputes, although clearly the older unionised companies have done so traditionally, while this happened it the newer firms on occasion also. In explaining this preference a union official we spoke to indicated that the firms he represented would regard it as somewhat of a failure if a dispute found its way into the state's IR dispute resolution machinery:

Logistico have asked us [about ADR] now because we have this JCC [Joint Consultation Committee]. But we don't have an independent chair which should be something we should consider ...With [another US MNC], they have suggested bringing in an independent arbitrator as opposed to running to third parties. Logistico have touched on it because when we had a disagreement with them recently on the starting time of the drivers, I said 'lets just throw it to a Rights Commissioner'ⁱⁱ and they see that as a bit defeatist. They'd prefer that we could try and have an independent mediator.

(Union Official, Logistico)

We also consider the desire of the non-union firms to avoid engagement with IR institutions largely associated with collective IR and trade unions as significant in explaining this trend.

Although we consider this to be an emerging trend we feel it has important implications for IR in Ireland, as it represents a further challenge to the traditions of the Irish IR system, a shift away from the institutionalised IR heritage there. In explaining this development we would identify a number of potential explanatory factors. Firstly, it avoids the prospect of the state's IR institutions making determinations against these firms which inevitably appear in the public arena. Secondly, and it effectively keeps issues of workplace disagreement 'in-house'.

DISCUSSION AND ANALYSIS:

In synthesising the import of our findings we can point to a number of noteworthy trends. Firstly, we argue there is evidence of system-wide change in some elements of the Irish IR system. More definitive however is the evidence of the emergence of an essentially hybrid system in the US FDI sector. We begin by discussing the former.

In considering the emergence of system-wide change, we point to two significant shifts in the Irish IR system which can be traced largely to the US FDI sector, namely-decreasing voluntarism and increased flexibility. In this regard we argue that the effect of the MNCs is indirect rather than direct, but very significant nonetheless. Indeed in their recent submission to the Government on the transposition of the European Union Information and Consultation Directive, Amcham argued that the directive should accommodate voluntarist industrial relations traditions in Ireland (Dobbins, 2005c), thus highlighting that in many ways the voluntarist traditions of the system facilitates managerial discretion in managing the employment relationship, as third party intervention is minimal under this model, and hence may be preferable to managers of MNCs. Specifically, the shift away from voluntarism, primarily evidenced in terms of campaigning for statutory union recognition legislation has been largely driven by the trade union movement. The union movement's action is however premised on falling levels of trade union density and increasing opposition to union recognition. Indeed this resonates with the British experience and Towers (2003) notes that while voluntary recognition worked well for the UK trade unions in conditions of high membership, government favoured unionisation and the extension of collective bargaining, the unions reversed their attachment to voluntarism when membership began to fall in the 1980s, in conditions where employers were increasingly in a position to deny membership. While these trends are not exclusive to US MNCs in Ireland it was a number of key large US MNC subsidiaries who were in the vanguard in jettisoning the established practice of MNCs recognising trade unions and engaging in collective bargaining (cf. Gunnigle, 1995; XXX., 2005; Roche, 2001; Wallace 2003). It is clear that the traditional voluntarist underpinnings of the Irish system have been severely eroded in recent years. While much of this shift has been driven by the implementation of the burgeoning volumes of European legislation which has increased the level of legislative regulation of the employment relationship, a development which is clearly at

odds with Ireland voluntarist traditions, it is reasonable to argue that the trade union movement's recent and prolonged campaign for statutory union recognition legislation is one of the clearest indicators of the shift. The union movement appears to have shifted its position with regard to the need for legislative control of key IR issues and without question the impact of the US MNC sector on the shift is significant in explaining this trend.

The second system-wide shift is with regard to increased management prerogative with regard to workplace level change and increased functional flexibility, where the US MNC sector has again been very much to the fore. A number of our case firms placed a significant emphasis on lobbying the government on new IR legislation and on the transposition of EU directives to ensure that firms retained high levels of management prerogative and flexibility in managing the employment relationship. It would appear that the US MNC sector has been particularly successful in pursuing this agenda. The high level of access *Amcham* to senior Government officials is reflective of the significance of FDI, and particularly US FDI, to the Irish economy and the importance which Government places on this sector. This influence is arguably reflected in the actual transposition of many EU directives in the Irish context. It is plausible to argue that most of these directives have been enacted along lines which are broadly pro-business and tend to impose the minimal possible restrictions on business and management. The transposition of the recent Information and Consultation Directive provides a prime example in this regard. Indeed it has been argued that employers have been far happier with its transposition, through the Employees (Provision of Information and Consultation) Bill 2005, than their trade union counterparts (Dobbins, 2005b). Specifically, the Bill is posited on an 'opt-in' rather than an 'opt-out' principle, which means that employees will not have an automatic right to formalised representative structures. Rather 10 per cent of the workforce (subject to a minimum of 15 employees and a maximum of 100) must request formalised representative structures before employers will be required to develop such structures (Dobbins, 2005b). A recent *Industrial Relations News* report argued that *Amcham* has left an indelible mark on the Bill (Dobbins, 2005c). While acknowledging a varied response to the Directive among US MNCs, Dobbins posits that the significance of the US FDI sector meant that *Amcham*'s submission carried significant weight in Government circles and that this was reflected in the final drafting of the Bill. The Irish Congress of Trade Unions'

(ICTU) has been vocal in its dissatisfaction with the Bill however and it is likely that the legislation is likely to form a key discussion point in the negotiations for a successor to Sustaining Progress (Dobbins, 2005b) which this could potentially lead to amendments to the legislation moving forward.

It is therefore clear that the US MNC sector carries considerable political clout as reflected in their success in ensuring the Irish IR system is as permissive and flexible as possible. Indeed in recent years, the Tanaiste (Deputy Prime Minister) stated that it was in Ireland's best interests to be "a lot closer to Boston than Berlin" reflecting the desire to create a business environment which was more reflective of the US free market ideology than the European social market. Our evidence suggests that this has certainly been the case in the Irish context.

Secondly, we also argue that there is clear evidence of a hybrid system, substantiated by the lack of centralised influence on IR in the case firms, the shift away from traditional industrial relations institutions of the State in settling IR disputes and their pursuance of collaborative and non-antagonistic employment relations, largely premised on unitarist principles. The configuration of IR policy and practice in these firms differed on number of significant characteristics of the archetype of the Irish IR system identified above. The configuration of IR policy and practice in these firms differed on number of significant characteristics of the archetype of the Irish IR system identified above. This hybrid system was particularly prominent in the management of employees in the non-union companies and the non-union employees in the unionised companies. We consider the hybrid system apparent in our case firms to be indicative of the picture in a large percentage of the US multinationals operating in Ireland. Although our findings are based on a small number of companies, they differ in terms of sector, length of operations and other characteristics. We further suggest that a very high percentage of US MNCs in Ireland are likely to conform to this non-union model as the level of workforce density in the FDI sector is estimated to be as low as 11 per cent, compared to approximately 38 per cent in the country more generally (Dobbins, 2005a; Wallace, 2003). Further many of the characteristics we identified in the firms resonate with home country preferences and thus one could plausibly speculate that they represent a country of origin effect (Almond and Ferner, in press) and thus are likely to be indicative of the picture in other

US subsidiaries in Ireland. The emergence of this hybrid system is particularly significant because of the high percentage of private sector employment in this sector.

In evaluating the configuration of IR policy and practice in our case firms we found a number of points of variance with the posited characteristics of the Irish IR system. Firstly we point to the unitarist underpinning of the employment relationship in the case firms. This ideological position, combined with its embodiment in policies and practices represents a significant variation with Irish IR traditions and a shift away from the adversarial traditions of IR in Ireland reflected in direct communications with employees. Our firms also tended to display a preference for managing IR issues at the firm level and preferred in general engage with the centralised bargaining traditions of the state. Further we find some emerging evidence of a shift toward the use of private ADR services, which indicate a shift away from use of the many of the standard IR ‘third party’ institutions which traditionally played a critical role in the Irish IR system. There has also been a shift towards more individualist management of the employment relationship in the case firms. We also witnessed a managerial desire for higher levels of prerogative and flexibility. We have argued the latter characteristic has become engrained in the system more generally also.

In exploring how this hybrid system has evolved in the Irish context we point to a number of significant drivers. In particular the arguments posited by Whitley’s (1999: 127-9) may help in explaining the emergence of the hybridisation within the US MNC sector. Specifically we point to the vast economic significance of US MNCs in the Irish context which means that they have attained a powerful position in the Irish economic and political landscape. Further very few of the firms rely to any great extent on Irish financial institutions for equity investment and given the small size of the Irish market, the ultimate consumer of their products is generally outside the state also. Thus links to Irish organisations and state agencies are limited and primarily focused on the provision of grant aid hence US MNCs can act in accord with managerial preferences. Although the sectors in which they operate are key to economy, they are relatively new in the Irish context and do not represent a challenge to the traditional strongholds of Irish industry such as agriculture. Thus they have not witnessed significant resistance from powerful interest groups. In addition we point to the economic dominance of the US economy. While in the 1980s this position was challenged by Japanese firms, the

economy has consistently outperformed its European counterparts for some considerable time and thus US managerial ideology and IR practice is generally afforded a high degree of credibility in the Irish context (Gunnigle et al., 2002). Finally we point to the significance of the malleability of the host Irish institutional context in explaining the emergence of the hybrid system. In this regard the longevity of both Healthco and Pharmaco's operations in Ireland help in illustrating this point. In exploring why both Healthco and Pharmaco engaged with trade unions at initial start-up, we found that the decision was very much conditioned by the host (Irish) institutional framework at the time. We have argued elsewhere (cf. XXX., in press) that there is a very clear temporal influence in this regard. Specifically as the MNC sector has become more significant in the Irish context, the system has become more accommodating of foreign capital allowing foreign MNCs greater capacity to employ IR practices in line with corporate home country preferences.

Further it is important to comment on why the hybrid system evident in the US MNC sector has failed to overtake the traditional system and become the dominant logic within the business system. In this regard we point to a number of buffers (Lane, 2003) which have prevented this occurring. Specifically, we point to the countervailing balance of EU legislation. Although we have argued above that this tends, in the main, to be transposed in generally pro-business terms, it nonetheless is underscored by the principles of the European Social Charter which prevents too much of a shift toward the free market model with which many of the practices in the US MNC sector resonate. Indeed it has been argued that Government and trade unionist representatives alike have a preference for having sensitive matters with regard to employment regulation addressed at a European level so as it would not single out Ireland in the European context and threaten US investment (Wallace, 2003). Thus while the trade union movement does appear to have a large degree of cross party political support, when this is stacked up against the influence of the FDI sector, it often loses out in policy terms. Thus in many ways it would be politically easier for the most of the main political parties, if the EU were continue to draft directives which favour organised labour and they could argue to the MNCs that the 'collectivist' agenda was being pursued from Brussels rather than from the Irish State. Furthermore, Ireland has a tradition of coalition governments which arguably promotes an inbuilt bias toward compromise (cf. Hyman, 2004). A final factor which we point to is the significance of institutional

reproduction. In this regard we argue that the institutional characteristics of the Irish system which have built up over the years are relatively permanent and do appear difficult to change. We further suggest consistent with the Hall and Soskice (2001), that these will not change unless such change is embraced by a majority of the powerful actors within the business system. This is consistent with our findings in that the systems changes which we did identify is driven by Irish actors, and the trade union movement in particular, as opposed to the US MNCs whose impact was indirect. Thus in relation to the increasing flexibility within the system, this has been embraced by employers organisations and Government at a minimum. While the shift away from voluntarism has been driven by a significant degree by the trade union movement's response to falling levels of unionisation, with the transposition of EU legislation also playing an important role.

Overall, we conclude that there is some evidence of change in the IR system in Ireland, change which we trace indirectly to the US MNC sector. Further the US MNC sector displays significant evidence of elements of the management of IR which is clearly at odds with Irish traditions. Thus in these firms we witnessed the emergence of a hybrid system of the management of IR and the establishment of new traditions more reflective of US business system.

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BOX 1 - The Case Study Firms

Pharmaco is one of the world's top pharmaceutical firms,. It was established in the US in the nineteenth century and expanded abroad in the 1950s. It currently boasts global employment levels of 120,000 and annual revenues in the region of US\$50 billion. Its first Irish operation was established in the 1960s and it now employs approximately 2000 people in Ireland at a number of sites.

Healthco manufactures pharmaceutical, medical and diagnostic products. It was established in the US in the late nineteenth century and expanded abroad in the late 1930s. In has global revenues of US\$16 billion and employs some 70,000 people worldwide. It opened its first Irish manufacturing operation in the mid 1970s and currently employs some 2000 people at a number of Irish sites.

Ico was incorporated in the US in the early 1900s and in 2003 had global revenues of US\$89 billion and employed well over 300,000 people worldwide. operates in the information and communications technology (ICT) sector. While having a sales presence from the 1950s, Ico's Irish operations remained quite small up to the mid 1990s, when it established an international technical support and customer service and, soon after, a large production facility. Total employment in Ireland is currently in the region of 3,500 spread across a number of sites.

Logistico was founded in the early 20th century in the US and is one of the world's leading distribution and transport corporations. It currently operates in 200 countries, employing over 370,000 workers and boasting global revenues of some US\$30 billion. Logistico has three primary operations in Ireland. It established in Ireland in the early 1990s, with the other centres opening in the mid and late 1990s respectively. Total Irish employment amounts to some 1,000 people.

Compuco was established in the US in the early mid 1980s, boasts global revenues in excess of US\$41 billion and employs approximately 53,000 people worldwide. It manufactures and sells computer hardware. It established its first European manufacturing operation in Ireland in the early 1990s and currently has a number Irish sites, employing more than 3,000 people.

ⁱ The ICTU is the central co-ordinating body for the Irish trade union movement. It represents the collective will of the Irish trade union movement at a national level.

ⁱⁱ An independent State office created to intervene and investigate industrial disputes with a view to promoting settlement. Focus is generally on individual disputes and the type of case that can be heard is limited.