# Human Resources in the Recession:

## *Managing and Representing People at Work in Ireland*

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# Chapter 1
# Introduction

Ireland is currently in the grip of the most serious economic recession in its modern history which is having profound effects on the labour market and on the management of human resources. Trade unions charged with defending their members pay and employment security face challenges without precedent in living memory. Other European countries affected by the financial, fiscal and economic crisis face pressures similar to Ireland's, but the Irish recession is among the most acute of all developed economies. The effects of the Irish recession on the manner in which people are managed at work and on how they are represented by trade unions is the subject of this study.

The context for this investigation is set out in chapter two and examines how human resource managers and unions (where they are found) have faced the challenges. First of all, the impact of the international financial and economic crisis on the Irish labour market is assessed. Then, the Irish economic crisis is placed in a comparative European context to get a sense of the extent to which the public policy response in Ireland has been similar to those pursued by other EU member states. After this assessment a detailed literature review is conducted on reviews and debates concerning the impact of recessions, past and present, on the conduct of human resources in organizations. This is followed by a detailed examination of the type of policies and practices that are available to HR when making adjustments to difficult business conditions. The penultimate section provides a snapshot, based on the data available, of the type of policies that firms have been implementing in Ireland since the onset of the financial crisis in 2007. The conclusions bring together the arguments of the chapter.

Chapter three sets out the findings of a survey conducted of managers with responsibility for human resources to assess their responses to the recession. The survey firstly sought to examine the impact of the recession on firms in terms of revenue and employment change, in order to establish the commercial context for any recessionary measures adopted. The chapter then goes on to examine the types and incidence of measures taken by firms, ranging from pay and headcount adjustments, changes in HR systems and functions, to changes in working time arrangements. The responses of the firms reflect the severe effects and challenges experienced by the survey respondents. In addition to examining the range of individual measures adopted by firms, the manner in which firms combined these measures is also analysed. This is followed by an investigation into the role of the HR function in the recession. The section explores whether the operation of HR has changed as a result of the recession, the function's level of influence in terms of HR strategy formulation and implementation, the business role of HR, the level of engagement with employees, types of policies and practices that have received greater or lesser attention and relationships with trade unions. Finally, the chapter investigates the HR practices that survey respondents considered to be most effective in helping them manage the recession.

The findings of a series of focus groups with HR managers and trade union officials, held in Dublin, Cork and Galway, are outlined in chapters four, five and six, and help to cast a deeper light on the nature of the challenges that arose and the responses adopted in the recession. Chapter four examines the effects of the recession, as experienced by thirty HR managers, representing a wide range of businesses, who participated in the different focus groups. It reviews, in detail, the effects on HR of acute cost, headcount and productivity pressures and the range of retrenchment measures that they were required to put in place. The chapter that follows examines HR managers' understanding of what constitutes 'good human resource practice' in recent and current recessionary conditions.

Chapter six presents the views and experiences of seventeen union officials participating in union focus groups. The officials represented employees working in the private, commercial semi-state sectors and, in some instances, the public sector. While previous chapters tell of how unions, as perceived by managers responsible for the conduct of HR, adopted in the main a fairly realistic and pragmatic posture towards the pressures experienced by employers, union officials themselves tell a somewhat different story. This chapter firstly looks at union officials' views on the effects of the recession on both their relationship with employers and with their own members. A significant element of their response was the negative change they perceived in the relationship between employers and unions. Following on from this is a discussion on their experience of collective bargaining in the recession. The union officals then give their viewpoint as to the features of good HR practice and the drivers of that good practice. The chapter ends with a brief account of public sector union views (related only to those parts of the public sector represented by the focus group participants i.e. the health sector and including voluntary agencies funded by this sector, local authorities and higher education institutions).

Chapters seven and eight present a series of six case studies which examine the detailed responses of companies and unions to the pressures unleashed by the recession. The series of cases examined are regarded as instances of good practice in responding to different sets of recessionary pressures, and contain some significant innovative features. They were chosen because their responses to the recession are widely admired in the field, because they had sought to accommodate employees' interests in responding to the recession and because the parties to employment relations succeeded in all cases in securing or strengthening the businesses affected by finding accommodation commonly involving significant changes to the operation of businesses, to terms and conditions of employment and to work practices.

The first of the chapters outlines the rationale for case study selection in detail before proceeding to the examination of the first three cases which are analysed together. The three cases involved the introduction of measures aimed at minimizing job losses. The first case study in Irish Life and Permanent (IL&P) charts the ebb and flow of efforts in IL&P to adjust to the onset of the financial crisis in Ireland, culminating in measures that included incentivized career breaks, a voluntary redundancy programme, agreed pay rises and the freezing of service-related increments. In responding to the crisis the firm sought to institute new arrangements for the conduct of industrial relations with the trade unions representing its employees, operate through a unitary HR function (then in the process of being created), and win agreement on a series of cost-saving measures.

The second case study examines how Sherry Fitzgerald (operating in a sector almost devastated in the recession) developed its response to the recession when faced with the imperative to significantly cut costs, while at the same time deciding that its chief HR priority would involve employment protection and job security. Following the strategy adopted, Sherry Fitzgerald has managed to retain its position and brand identity in the industry in a period of severe and unprecedented contraction and has preserved and reinforced its culture.
Again, operating in a sector severely impacted by the recession, the final case study in this section deals with the agreement reached between the Dublin Airport Authority (DAA) and the unions representing staff, on the Cost Recovery Programme and the innovative Employee

Recovery Investment Contribution (ERIC) proposal. These agreements comprised an innovative initiative in which management and unions, working mainly through traditional IR postures and processes, succeeded in reaching an accord that secured the viability of the company and that also provided for the restoration of pay levels once the DAA returned to profitability.

Superquinn, Medtronic and Ericsson were the subjects of the case studies in the next chapter and had to deal with different problems brought on by the recession. Superquinn struggled for its very survival, while Medtronic was actively engaged in defending its mandate within the multinational of which it was a subsidiary. Ericsson has sought to preserve competency development as a core HR practice while adapting to the recession by implementing redundancies at its Irish operations. The case studies chart the paths taken by the three firms to maintain and deepen co-operation and trust between management, employees and unions and to retain core HR practices while adjusting to the recession. The two key components of Superquinn's strategy are examined in chapter eight. The negotiated survival plan agreement The Programme for Competitiveness and Change 2009/10 (PCC) which provided for the introduction of cost-cutting initiatives such as redundancies and a pay freeze is examined, along with the new partnership style procedural agreement called 'Working Through Partnership' agreed by the three unions representing staff in Superquinn and management. These agreements have been essential to the survival of Superquinn who continues to trade in on-going difficult market conditions.

The second case study follows the experience of Medtronic Galway (the only unionized subsidiary in the multinational) through the recession, from the time its head office decides it needs to take action to improve profitability and cost competitiveness, to the agreement reached with the trade union. It shows how the organization, despite having to renege on an agreement with unions that had been difficult to negotiate, still managed to face adverse business relations without jeopardizing trust relations. In reaching agreement, management and unions adopted a central principle of interest-based bargaining, which is to recognize and take on board the constraints of the other negotiating side. The final case study in the chapter examines Ericsson's retention of competency development as a core HR practice, while the company's Irish operations, while the company simultaneously maintained competitiveness.

Significant job losses resulted but the company is still seen as possessing highly skilled and motivated people.

The final chapter summarizes the main findings from each of the chapters before addressing in the conclusions section four major themes in the context of the international literature, international experience and ongoing debates. These concern the manner in which firms in Ireland have sought to respond to the recession; the influence and role of trade unions; the influence and role of HR managers, and the changes to prevailing HR and employment models and arrangements.

# Chapter 2
# Recession, the Labour Market and the Conduct of Human Resource Management

## 2.1 Introduction

Ireland's employment growth in the 1990s was nothing less than spectacular. In less than a decade, a million net new jobs were created, doubling the size of the labour market. If that much abused term Celtic Tiger has any applicability, it is in relation to this hugely impressive job generation performance (Honahan 2006). Even in the first part of the noughties, employment creation was higher than most other EU member states, although the fact that 80 per cent of the jobs created were in the construction industry should have caused some alarm bells to ring. But this exceptional employment performance came to a shuttering halt in the wake of the world financial crisis that started in 2007. It became apparent very quickly that Ireland was in the eye of this financial storm as its banks had become over-exposed to bad debt due to profligate leading to property developers (Whelan 2010). Turbulence in the financial markets soon spread to other parts of the economy as consumer demand dried up and business confidence evaporated. The Government has found itself in the position of needing to squeeze the public sector in an endeavour to stabilise the financial sector and public finances. Within a year, unemployment had increased to about 12.5 per cent and job generation had ground to a virtual halt. The exuberance of the *vingt glorieuses* has been pushed aside as the gloom and doom of previous decades reappeared.

For companies in Ireland the financial crisis was a huge asymmetric shock. In the ten year period up to about 2005, companies continuously struggled to fill vacancies. Recruiting and retaining staff preoccupied human resource departments almost everywhere. In an effort to help satisfy this big demand for labour, Government, in an ironical historical twist, actively promoted employment migration. For example, in 1999 6,000 work permits were issued to foreign nationals, a figure which jumped subsequently to 48,000 in 2003. Between 2000 and 2005 in excess of 100,000 non-EEA nationals alongside 50,000 EU citizens had taken up employment in the country. After the financial crash, the business environment changed completely. Large numbers of companies stopped hiring people while others, facing harsher economic times, began the process of shedding labour. Many human resource managers now face the challenging task of devising policies that would allow firms adjust to adverse market conditions in the short-term without disrupting the potential to innovate and grow in the long-term.

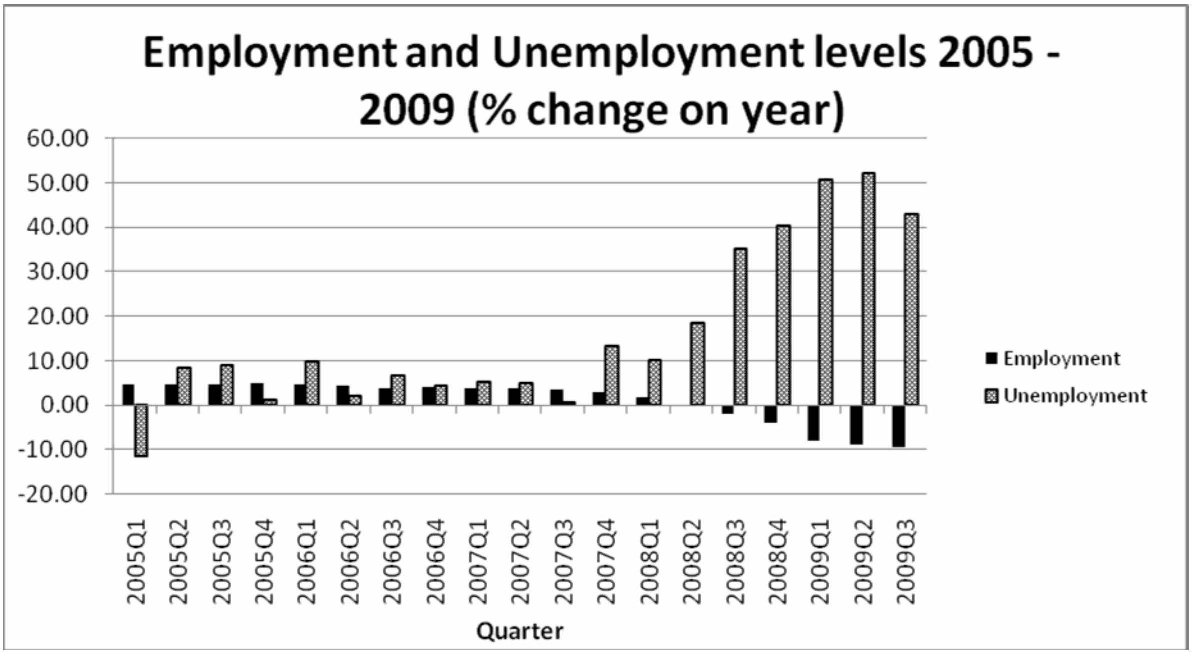
The main focus of this study is to assess the extent to which human resource managers have successfully faced this challenge by working closely with employees and unions, where they are found, and by pursuing policies that allow short-term cost pressures to be addressed without threatening the organizational conditions required for long term business success. The purpose of this chapter is to set the context for this investigation. First of all, the impact of the international financial crisis on the Irish labour market is assessed. Then, the Irish economic crisis is placed in a comparative European context to get a sense of the extent to which the public policy response in Ireland has been similar to those pursued by other EU member states. After this assessment a detailed literature review is conducted on the impact of recessions, past and present, on the conduct and performance of human resources in organizations. The following section examines in detail the type of policies and practices that are available to HR when making adjustments to difficult business times. The penultimate section provides a snapshot, based on the data available, of the type of policies that firms have been implementing in Ireland since the onset of the financial crisis in 2007. The conclusions bring together the arguments of the chapter.

## 2.2 The World Financial Crisis and the Irish Labour Market

The recent world financial crisis has had a hugely negative impact on economies, although some have been affected more adversely than others. Ireland was amongst those worst hit by the crisis mainly as a result of the way the economy operated between 2000-2007. During this time bank credit expanded rapidly. The availability of easy money encouraged a boom in construction activity and property prices, which in turn fuelled domestic spending more widely (Honahan 2009). This cycle of unsustainable growth not only came to a halt, but went into reverse when financial markets crashed. Almost overnight bank credit ceased up, construction activity came to a virtual stop and domestic demand plummeted. The resulting contraction in the economy has been severe and unprecedented. Banks have been brought to the edge of collapse due to a mountain of bad debts. Government has been forced into a big fiscal consolidation programme in an effort to repair the deterioration in public finances, culminating in the EU/IMF loans and the four-year austerity programme of November 2010.

All in all, the economy has been shrinking, prices falling and unemployment rising, the classic symptoms of a country in recessionary times. Moreover, all indicators suggest that it will be some time before the return to normal functioning of the economic system.

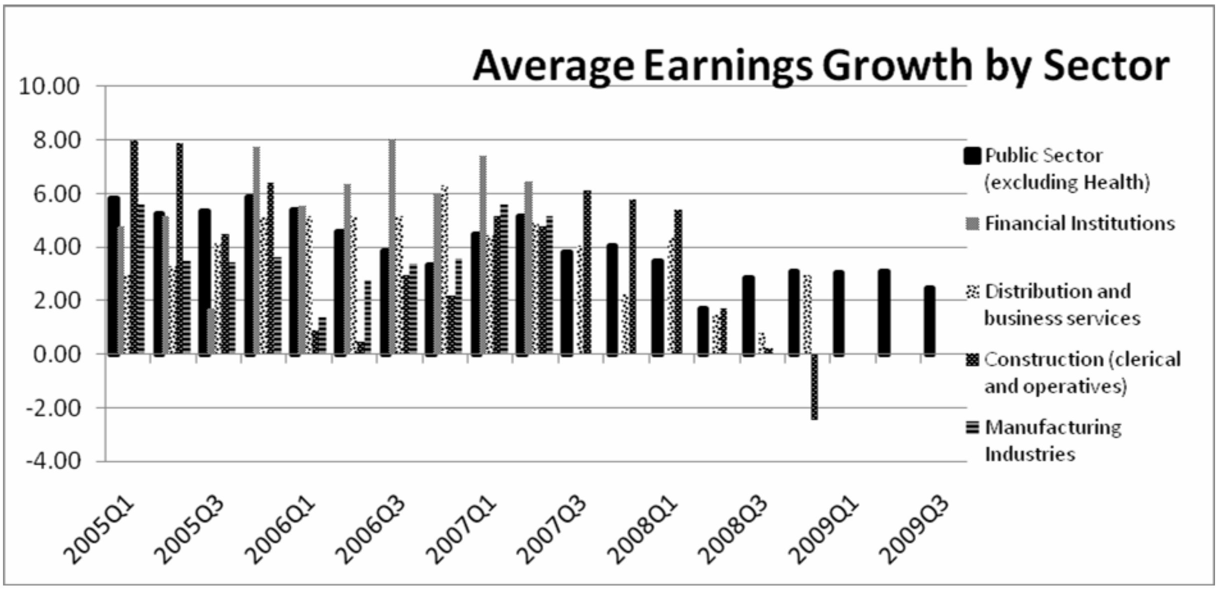
**Figure 2. 1**




Source: CSO Labour Market 2010

Labour market activity has experienced the full ravages of the downturn. Employment and unemployment trends are immediate, reliable indicators of labour market performance. Figure 2.1 shows that the recession has had a huge negative impact on the Irish labour market. On the one hand, net employment growth has been negative, with more jobs being lost than being created: in 2007 there were 2.1 million people in jobs, but by 2009 this had fallen to 1.9 million. On the other hand, there have been big annual percentage increases in unemployment: in 2007 the unemployment rate stood at 4.4 per cent, but by 2009 it had increased to 12.5 per cent. Towards the end of 2010 the level of unemployment stands at 13.6 per cent. Thus, the virtuous era of employment growth has come to an end. For the most part, companies seem to have responded to bad economic times by reducing factor quantities (employment), but they have also moved to adjust factor prices (wages). It is difficult to get comprehensive, up-to-date figures with regard to earnings, but Figure 2.2 provides the information that is available from official statistics. Later in the chapter, other indicators of trends in pay and pay bargaining will be reviewed. Three noteworthy points emerge from the table. First, employees, across-the-board, enjoyed yearly healthy increases in wages during the early 2000s. Second, wages have declined quite sharply in the construction sector since 2007, which is hardly surprising given the steep slump in business activity in this part of the economy. Third, although the picture varies from sector to sector, an economy-wide fall in wages in response to the recessions appears not to have occurred during 2007-2009 – some sectors even recorded small increases during this period. To some extent, this trend should not be surprising as real wages are relatively rigid downwards. But this picture can change if the effect of deep recession will be to force prices down in all sorts of markets, including labour markets. Thus it is instructive to note that the CSO in late 2010 reported a modest decline (of 0.2 per cent) in hourly earnings in the private sector over the 12 months to the third quarter of 2010.

**Figure 2.2**




Source: CSO Earnings Statistics 2010

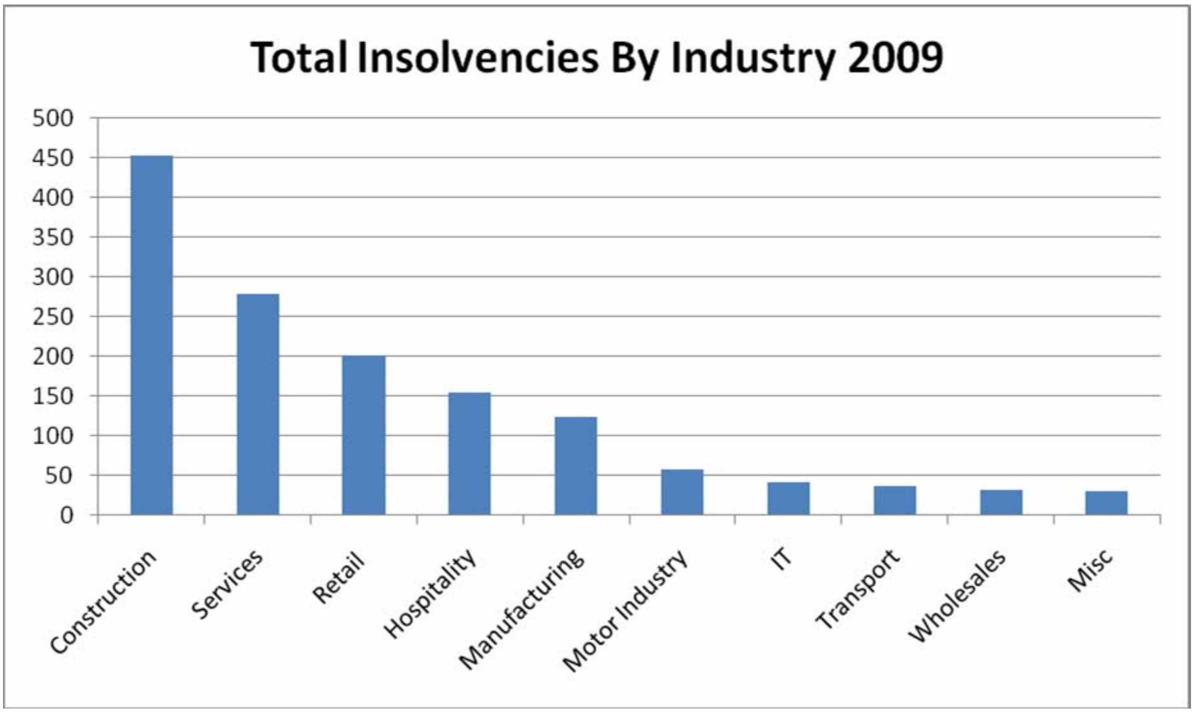
Unemployment has affected some groups and sectors more than others. Men are losing their jobs at a much faster rate than women: from 2008 onwards the fall in overall male employment has been running at three times the rate of the fall in female employment. Moreover, in 2009 whereas the unemployment rate for females was approximately 8.5 per cent, male unemployment was pushing 16.0 per cent. Young people have been hit hardest by the economic downturn. In 2007, the unemployment rate for 15-19 year olds was just over 16.0 per cent, but in 2 years it had leaped to nearly 35 per cent. The picture for the 20-24

years is only slightly better: in 2007, unemployment for this group was just over 8 per cent, but by 2009 it had jumped by a factor of three to around 24 per cent. These grim figures threaten the return of the bad old days when young people thought that Ireland offered them no hope or opportunities and as a result emigrated in search of a better life elsewhere.
Unsurprisingly, the construction sector has seen heavier job losses than other parts of the economy. Since 2007, some 72,000 jobs have been lost in the sector, a decline of nearly 30 per cent. Other sectors have been affected too. Employment has declined by 12.3 per cent in agriculture, which is surprising given the strong employment growth experienced by the sector earlier in the decade. Just over 6.0 per cent of jobs were lost in the industrial sector, which although regrettable is not as bad as other sectors. Overall, the manufacturing sector remains relatively healthy as indicated by the continuing strong export performance of the Irish economy. The employment performance of the service sector has been mixed. Some parts of the public sector, most notably education and health, actually experienced job growth of about 3.6 per cent between 2007 and 2009. But the need for sharp fiscal contraction will reverse this picture: job losses in the public sector are likely to be significant in forthcoming years. Employment shedding has visited parts of the private service sector, with jobs declining by around 6.8 per cent, which amounts to 69,000 employees.

Company insolvencies were much higher in 2009 than in the two preceding years of the crisis, which tends to suggest that many companies were making desperate, but ultimately unsuccessful, efforts to stay in business. Figure 2.3 below sets out in more detail the incidence of insolvencies in 2009. The table shows that construction companies have been the main casualties of the economic downturn in Ireland, which again is not very surprising. However, the table also shows that a significant number of service companies have also gone to the wall, which shows that the decline of business activity has become pervasive. A further interesting point emerging from the table is that more company insolvencies have occurred in the hospitality sector than in manufacturing, which is harsh proof that private consumption has significantly declined in Ireland. Data available for 2010 (see Figure 2.4) shows the level of insolvencies for 2010 running close to the level for 2009 with two months remaining. Construction, services, retailing and hospitality continue to register the highest levels.

The distress being experienced by the business sector is also finding expression in the increased incidence of redundancies. There has been a steady increase in the number of redundancies since the onset of the economic crisis. Between 2008 and 2009, the rate of year-on-year redundancies has been increasing significantly across economic sectors. During 2009 the service sector experienced a 200 per cent increase in redundancies; the corresponding figures for construction and manufacturing were 152 and 110 per cent respectively. In the 2nd quarter of 2009, the number of redundancies was the largest on record, with about 22,000 people losing their jobs. These figures make it evident that many companies have found it difficult to face the challenges of the recession without shedding some of their workforce. This observation is reinforced when it is noted that the number of vacancies being registered with FAS, the government employment agency, has nose-dived over the past few years. Redundancy statistics available for the first 10 months of 2010 show a fall in the month-on-month levels recorded for 2009.

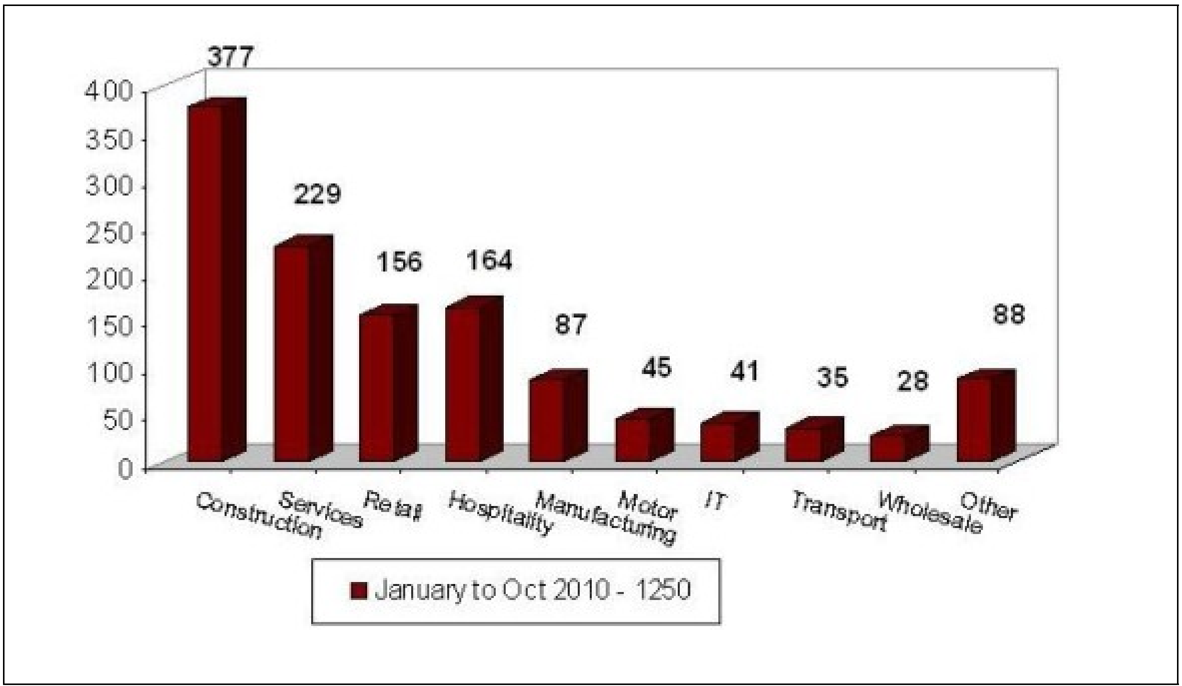
**Figure 2.3**




Source: CSO Insolvency Statistics

**Figure 2.4 Insolvencies During 2010**

Source: Insolvency Journal




## 2.3 The financial crisis and national social partnership

Jobs losses and rising unemployment have not been the only casualities of the financial crisis. For more than twenty years, the system of social partnership has operated as an institutional scaffolding for the labour market (Roche 2009). It functioned to guide, if not control, wage increases in both the public and private sectors. In carrying out this task, a key objective was to ensure company-level wage-setting was in line with overall macro-economic objectives such as membership of the Euro area, sustained high employment, and strong productivity growth. Social partnership also provided employers and trade unions with significant influence over public policy: during the partnership years government was most reluctant to introduce any labour market measure that was opposed by either employers or unions. In addition, the social partnership regime ensured that relations between employers and trade unions were organized in an orderly, predictable manner: for the most part, industrial relations during the social partnership years were good.

There are many differing intrepretations of the nature and the consequences of the twenty three year regime of social partnership (Roche 2007b). But the longevity of the regime was impressive given that Ireland is widely seen as not possessing the type of institutions which support such arrangements. However, since about 2005 the operation of social partnership has come under pressure. The regime was finding it difficult to control nomimal wage increases just at a time when employment and productivity growth were flagging. Wage competitiveness relative to Ireland's main trading partners went into decline from the early 2000s. The impaired operation of the regime was reflected in the difficulties in securing a new pay agreement in 2008. Finally, a deal was done, but it was not long before the regime was once again in trouble. The source of the problem lay in efforts at securing a social partnership-led national response to the financial crisis. Trade unions were eager for the creation of a 'social soldiarity pact', which would involve unions agreeing to a combination of wages and public expenditure cuts alongside tax increases in return for a concerted government programme on employment creation.

Discussions on this programme ended in failure and the Government decided to follow its own recovery plan, involving large scale cutbacks in public sector pay and expenditure. This failure to agree was a hammer blow to the social partnership process. Trade unions announced their total opposition to the Government plan and launched a campaign of action to impede its implementation. For its part, IBEC, the employers organization, announced in November 2009 that it was withdrawing from social partnership. The significance of these developments for company-level responses to the economic crisis is that the overarching institutional framework that promoted consensus and accommodation is effectively absent. As a result, organizations are seeking to secure employee buy-in to restructuring plans in an industrial relations environment where the institutions encouraging trust and consensus have been weakened considerably and possibly fatally. The legacy of social partnership was nonetheless reflected in the agreement between the Government and public service unions on pay and restructuring in the public service until 2014 (the so-called 'Croke Park agreement') and in the accord reached between IBEC and the ICTU on the principles that should guide national economic policy and collective bargaining at firm level during 2010.

## 2.4 The Irish labour market experience in comparative European context

The economic crisis has been felt across Europe. Since autumn 2008, EU unemployment has increased by 2 percentage points to 9.2 per cent as 5 million people lost their jobs. There are now 22 million individuals unemployed in the EU (Eurofound 2009a). Some of the member states have been more badly hit by the downturn than others. Most of the new member states have been severely affected, experiencing both steep declines in economic output and steep rises in unemployment. Of the older member-states, Ireland, Spain, and the UK have been the worst affected. These countries embraced financialization more wholeheartly than other member states, which resulted in them experiencing relatively high economic growth through the expansion of credit. Other member states, such as Germany and France, although becoming entangled in the financialization process helped to check credit expansion. This more restrained approach meant that when the crisis did happen these countries were not as exposed (IMF 2009).

While the economic downturn was uneven across the EU in terms of its harshness, its effects tended to be similar across the member states (European Commission 2009a). Almost everywhere males lost their jobs at a much higher rate than women. Young people, particularly those with few skills or little experience, have also been badly hit, as have temporary workers who firms tend to let go first when retrenching. Like Ireland, construction has been the economic sector most badly hit by the recession in the EU. Manufacturing has also suffered quite severely, which is slightly different to the Irish experience where the service sector fared worse than manufacturing.

In response to the economic downturn, most member-states have adopted more active employment policies designed either to encourage employers not to lay off employees or to provide more comprehensive help for those who lost their jobs (Cazes et al 2009). Most governments have committed themselves to some form of extra public expenditure on infrastructure programmes. The rationale for this type of action, normally labelled Keynesian, is pretty straighforward: in the context of fairly depressed private sector activity, government should step into the breach and stimulate demand by funding projects with long term economic value. Intervention of this kind undoubtedly increases government debt, but it is now seen as a fairly legitimate thing to do not only to limit the social costs of the economic downturn, particularly in terms of job losses, but also to ensure that long term damage is not done to economic structures and capabilities (Akerlof and Shiller 2009). Governments have also been reorganizing unemployment benefit systems to allow people to combine benefits with some type of work experience, training or job retention.

To a much lesser extent, some Governments have sought to stimulate demand by cutting taxes, particularly indirect taxes. Thus, for example, the UK government reduced VAT as part of a package of actions designed to buoy up the UK economy. Using tax cuts to stimulate demand has its critics as it is seen as a policy intervention that lacks focus and is purely short-term in character, which probably explains why it has not been used more widely. Some governements have provided subsidies to private sector companies to help meet the challenges of adverse economic conditions. Some of these subsidy programmes are generalized, open to all firms to promote investment and so on while others are targeted on specific sectors: the scrappage scheme to promote demand for new cars is an example of such a subsidy. These measures can be broadly described as macro economic interventions to help serve off the worse of the recession (Eurofound 2009b).

A range of measures particularly designed for the labour market has also been introduced. Wage subsidies is one policy that has been used by Government, but it is an issue on which opinion is quite divided. One influential view is that wage subsidies should not be used as a method to shore up jobs inside firms mainly on the principle that the total payment to a factor of production should not exceed its marginal productivity (Whelan 2009). The counter argument is that without wage subsidies more people than necessary will become unemployed with adverse consequences: work incentives are weakened and a culture of welfare dependency is fostered, which undermines labour force participation, employability, and employee loyalty (Phelps 1994). Both views are evident in European capitals, which explains why some Governments have used them and some have not. If Governments do elect to use wage subsidies, they can choose either to introduce a generalized or targeted programme. Views on which programme is the most effective is equally divided. As a result it is not surprising that both have been used.

Governments have also promoted work contract flexibility programmes. These programmes take a variety of forms. One relatively popular measure used by about 16 of the 27 member states is to provide public money for companies to introduce short-term working schemes rather than make employees redundant (Arpaia et al 2010). These schemes are seen as having a number of advantages. In particular, they permit companies to retain employee know-how for the post recession period and even provide opportunities for skills upgrading. It also allows employees to secure the psychological and (partial) income benefits of not losing their jobs. Schemes of this kind do not enjoy universal support as they are seen as not guaranteeing job security in the long term (Walker 2007). They are considered as providing only short-term relief from unemployment. Moreover, it is claimed that few firms take the opportunity to increase training for people employed on short-term working contracts. So far the weight of evidence appears to be that the countries that have adopted such schemes have performed better in terms of lower unemployment (EU Commission 2010).

Training has been a further measure used by governments to reduce the impact of the economic crisis, although not as extensively as might have been expected. Those member states introducing training programmes have mostly targeted young people (Eurofound 2009b). Efforts have focused particularly on developing apprenticeship schemes that combines training with work experience. An interesting example is the adoption of the Vocational Training Act and the Youth Package in Austria in 2008. Those young people recruited onto the programme are incorporated into the country's dual training system that combines an apprenticeship in a company with vocational education in a vocational school. In addition, companies are given subsidies if they recruit disadvantaged young people who in turn are supported by a special mentorship programme. Since its introduction, the programme has been reasonably successful as nearly 10,000 mostly disadvantaged young people have secured positions.

The employment policy response by the Irish Government to address the labour market fall-out of the recession is more muted than in a number of other member states. A number of schemes have been launched to create and maintain employment. In particular, a €100 million stabilization fund was established to help vulnerable firms and a wage employment subsidy scheme was established to support jobs in the tradable sector. A work placement service was also introduced to help 2,000 unemployed people obtain some work experience. In addition, the public employment agency, FAS, introduced a number of schemes to improve labour market matching, linking unemployed people more quickly with job vacancies, and to increase support for those made unemployed so that they could make a speedy return to employment. Until recently the Government had decided against introducing wide ranging support schemes pursued by other member states. Thus, for example, no public finance has been made available to provide more intensive support to companies considering introducing short-time working arrangement or providing training to employees instead of laying them off. But this stance has now changed somewhat not least because of rising unemployment levels. In particular, the 2010 budget contained a series of additional active labour market policies to address the growing jobless problems. These measures include a work placement programme and a community work placement scheme to address mounting youth and long-term unemployment.

## 2.5 The Effects of Recessions on Human Resource Management

The effect of recessions on human resource management and industrial relations during the twentieth century is a subject of considerable interest and debate in the international literature. Particular interest has been attracted to the question of whether deep and prolonged recessions, or depressions for that matter, disrupt or displace prevailing models of human resource management and industrial relations. This question of whether recessions lead to transient, if otherwise significant, changes or cause profound and lasting disjunctures in the ways firms manage human resources and relate to trade unions has proven difficult enough to resolve. Probably the biggest problem is capturing accurately the interaction between a recession and long-run or secular trends operating on the management of the employment relationship. For example, do recessions intensify the impact of secular trends on human resources and industrial relations or do they cause such trends to change direction or character, causing the management of the employment relationship to follow a new pathway? It is difficult to assess accurately the scale and nature of change wrought by recessions on human resource management. This issue has been a recurring theme in the literature on this topic.

### *International debates and evidence*

Perhaps, the best starting point to review the large literature on the topic is Stanford Jacoby's important book *Modern Manors* published in 1997. An important theme of this book is that the Great Depression of the 1930s in the US led to the disappearance of the 'welfare capitalism' model of managing people in many large firms that had developed from the late 19th century to the prosperous 1920s. Company unions, paternalistic employer postures and good pay and fringe benefits were core features of this welfare capitalism model. Thus for Jacoby, the depression had the effect of uprooting a fairly widespread and successful model of managing people at work. Interestingly, however, he concedes that the model was not completely wiped out by the depression and that those firms that preserved the principles of welfare capitalism became the bearers of what was to become the prototype model of non-union HRM in large firms in the United States and beyond. Thus a secondary message from the Jacoby book is that the cumulative effect of a recession might cause an established human resource management model to metamorphose into something different.

A different and perhaps more conventional interpretation of the Depression is that it paved the way for the 'New Deal model of industrial relations', based on union recognition, collective bargaining and professional industrial relations and personnel management. On this account, the hard economic times of the 1930s provided the material basis for a real disjuncture with what had gone before in terms of how the American economy was governed (see Slichter et al. 1960; Kochan et al. 1986).

Of more recent vintage, much research was devoted to the effects of the recession of the 1980s on human resource management and industrial relations in the UK. Theories of labour markets and management processes commonly pointed to putative secular trends such as 'de-skilling', labour market segmentation, the advent of the 'flexible firm', the emergence of HRM, and the advent of 'new realism' in industrial relations, that interacted with the recession and were believed to have profound and lasting effects on the conduct of employment relations (Gallie et al. 1994: ch. 1). As Gallie et al., authors of one of the key volumes in the 'Social Change and Economic Life Initiative' (SCELI) research programme, noted 'in the five or so years preceding the research, deep recession, tight monetary policies and high exchange rates had meant that, for much of British industry, survival itself required major policy changes' (1994: 11). On the whole, however, the study and the broader SCELI research programme of which it was a component – while observing that it might be too soon to make a final judgement from the vantage point of the early 1990s - pointed more to continuities in employment relations models than to discontinuity. The study of employers' strategies concluded that there was 'little general evidence that employers had systematically pursued such objectives as greater workforce flexibility, de-skilling, human resource management and had promoted the kinds of co-operative postures towards more compliant trade unions known as the ‘new industrial relations’ (Gallie et al. 1992: 28). A further volume, entitled *Trade Unionizm in Recession*, also questioned the view that the 1980s recession in the UK had involved ‘crisis and discontinuity’ or a ‘fundamental break with the past’ (Gallie et al. 1996: 1-2). The basis for the view that the circumstances and behaviour of trade unions had changed radically from the 1980s was that deep recession, combined with a radical change in state policy towards industrial relations under successive The legislative and policy programmes of Conservative governments, had interacted with secular trends involving changing product markets, rapidly changing technology and the rise of HRM ( a ‘new employee philosophy’) to give rise to a disjuncture in employer attitudes to trade unions and a consequent decline in the power, influence and appeal of unions in firms and workplaces (Gallie et al. 1996: ch. 1).

In contrast with this view, Gallie and his colleagues concluded that ‘the general pattern had been one of very considerable continuity’ (1996: 19). The picture of sharp change in employer attitudes to trade unions was found to have had little empirical basis. Only a small minority of employers were found to have had strong anti-union feelings. Nor was there any evidence from surveys of employers that union power had declined at workplace level. HRM policies in general had not been adopted with a view to undercutting union influence, and, besides, case studies revealed that firms appeared to introduce HRM in a ‘relatively fragmented and ad hoc way’, with little impact on the underlying attitudes of employees to either management or unions (Gallie et al. 1996: 18 and ch. 1).

The most keenly contested interpretation of the effects of recession on employment relations concerns the effects of the deep US recession of the early 1980s – the country’s worst economic downturn to that point since the Great Depression - on human resource management. Here again recession was seen by some to have interacted with secular trends to bring about a radical disjuncture in prevailing employment relations arrangements. The key disjuncture theorist was Peter Cappelli, and his main contention was that a new ‘market-driven’ model had been fired in the cauldron of the 1980s US recession and was set to become of wide and lasting prevalence:

> The world began to change for employers with the 1981-82 recession, the worst economic period since the Great Depression, which brought with it

structural change that went well beyond the usual downturn (Cappelli 1999b: 151).

For Cappelli (1999a: ch. 3; 1999b) firms had responded in radical ways to the 1980s recession. Also shaping firms responses to the recession was a series of underlying secular trends. These included a more liberal public policy environment towards flexibility with respect to hiring and firing employees, wider resort to labour market intermediary institutions, such as outsourcing providers and staffing agencies, intensified pressure to increase shareholder value, firms' growing attempts to concentrate on core competencies by divesting subsidiaries activities and pursuing outsourcing, shorter production cycles and more rapid change in products and processes and the growing popularity of new forms of work organization, especially team working. The result of firms' responses to these pressures in the context of deep recession was the increasing prevalence of the 'market-driven workforce' and an associated market-driven model of employment relations. The main features of the new model, according to Cappelli, included the end of 'career jobs' and an overall decline in job security and job tenure, a decline in investment in training and human resource development, growing resort to 'contingent' or 'non-standard' forms of work like contract and temporary jobs, the disappearance of internal labour markets and career systems, the more widespread use of variable pay systems that shifted risk to employees, and a move away from pension systems based on defined benefit towards defined contribution systems with increasingly stringent qualifying conditions (Cappelli 1999a and b; Cappelli et al. 1997). For Cappelli these developments were particularly salient in the case of groups like executives and managers, long shielded from adverse developments in product and labour markets.

Cappelli's 'new deal at work' was rigorously criticized on empirical grounds by Jacoby (1999a and b), who contended that the market-driven workforce model misconstrued or exaggerated some trends, while underplaying other developments that pointed to continuity with developments in work and employment during the New Deal era. Jacoby queried the extent to which job tenure had declined and questioned whether job mobility between firms had risen significantly. He pointed instead to continuity in work and employment arrangements such that the majority of employees continued to hold career-type jobs that offered fringe benefits, training and good prospects (Jacoby 1999a: 133). One significant change that had occurred, Jacoby contended, was that firms faced with more turbulent or uncertain product markets had sought to shift the burden of risk to their employees to a significantly greater degree, exposing them to a greater risk of job losses and rendering their pay packages more variable through performance-related pay, profit sharing and stock options and through growing resort to defined-contribution pension schemes (Jacoby 199a: 135-9).

At a more general level, Jacoby cautions against the temptation to view cyclical shifts towards more market-responsive employment practices – what he refers to as the 'swinging pendulum' - as structural changes, thereby engaging in the 'fallacy of discontinuity': an 'erroneous belief that the present is fundamentally different from the periods that preceded it' (Jacoby 1999a: 134). Viewed in longer-term perspective, he argued, labour market changes during the 1980s and 1990s in the US reflected the recurrence of a tendency towards more market-responsive employment relationships in economic downswings. Such cyclical swings were succeeded by shifts back toward more career-oriented relationships when the economy recovered and the labour market tightened (Jacoby 1999: 131). Favouring a more gradualist interpretation of the development of the labour market, Jacoby nonetheless pointed, as discussed, to a trend towards employers shifting the burden of risk to a greater degree towards their employees as the external environment had grown significantly riskier.

The issues in contention between Cappelli and Jacoby in the US have also anchored recent research on developments in human resource management in the UK. Of central importance here is the detailed empirical study by McGovern et al. (2007), which assessed the validity of the thesis that employment relations in the UK had become progressively 'marketized' by examining trends over the period from the 1980s recession to 2000. McGovern and his colleagues concluded that there was little evidence that the 'standard employment relationship', based on full-time employment of long duration and involving internal job or career ladders, had been transformed. Temporary employment had risen during the 1980s but by 2000 was no more prevalent than during the 1970s. The proportion of people occupying long-term jobs had been stable, and the prevalence of job or career ladders (internal labour markets) had risen in the private sector (McGovern et al. 2007: ch. 2). Echoing Jacoby on the US, McGovern and his colleagues concluded that the marketization view of transformation in employment relations had been unduly influenced by misconstruing as 'structural change' an 'unusually severe downswing in the economy' that had involved 'short-term turbulence'

(2007: 288). Influenced by a downward swing in the business cycle, employers had moved towards more market-responsive employment relations practices, only for the ‘pendulum to swing back’ towards career-type jobs, training and a concern with fostering loyalty and commitment when the economy had begun to expand again from the middle of the 1990s. The most salient feature of experience in the UK had been the ‘remarkable stability and durability of the employment relationship’ (2007: 65). However, echoing Jacoby again, the UK researchers accepted that the adaptation by firms of employment arrangements to external pressures had involved growing employment uncertainty for employees and also the more widespread adoption of performance-related pay systems. To these developments were allied the growing prevalence of performance controls and incentives more generally and other HRM practices that predisposed people to work more intensively (McGovern et al. 2007: chs.5-6).

***Recessions and employment relations in Ireland***

In shifting the focus to the historical effects of recessions on employment relations in Ireland, it must first be acknowledged that the detailed pictures built up for the USA and the UK through repeated representative employer and employee surveys of broad scope are lacking. Nevertheless, some significant effects of recessions on human resource management and industrial relations can be identified, especially in the case of the 1980s recession - the deepest and most prolonged recession of modern times up until the advent of the current crisis. Previous recessions, such as those of the 1920s and early 1930s, appear mainly to have given rise to cyclical effects in such areas as pay cutting, unemployment and declining union membership and density (see Roche 1997). Significant downturns in the early and mid 1950s involved similar developments but failed to halt or fundamentally change the operation of the ‘pay round’ system that had begun after the Second World War.

Bearing in mind the limits to inference and generalization that arise from the relative paucity of data on employers and employees in Ireland, a case could be made for the view that recessions in Ireland have had more sustained impacts on employment relations through their influence on macro-level developments in institutions and arrangements than on micro-level engagement between employers, employees and trade unions in firms and workplaces. The deep recession of the mid 1950s is widely understood to have been a major catalyst for the ‘outward’ industrial policy adopted by the Irish State from the final years of that decade. This policy in turn was associated with the ‘corporatist pragmatism’ of Sean Lemass and his persistent concern to involve employers and trade unions in a series of tripartite institutions linked with economic planning and development (Roche 2009). National pay bargaining during the 1970s, and, in particular, successive governments’ increasingly activist efforts to shore up national concertation through debt financing and an increasingly elaborate range of fiscal incentives, had been influenced by the recessions following the first and second ‘oil shocks’ early and late in the decade. While recessionary conditions had acted as a spur to considerable institutional innovation at the national or central level in relations between employers, unions and the State, employment relations on the ground continued for many firms and their employees to follow the classical unreconstructed adversarial model of arms-length, low-trust collective bargaining. The persistence of this model was commonly linked to such phenomena of the 1970s as extensive second-tier pay bargaining and pay drift, persistently high industrial conflict and doomed initiatives in ‘productivity bargaining’ and other ventures in co-operative employment relations (Hardiman 1987; Roche 1997).

In large measure, the deep and prolonged recession of the period from the 1980s to the early 1990s extended this pattern of macro-level institutional innovation and transformation combined with limited lasting change in micro-level employment relations arrangements. While the advent of the 1980s recession contributed to the collapse of ‘proto-social partnership’ in the form of the *Second National Understanding for Economic and Social Progress*, negotiated in 1980, it also contributed later in the decade to the emergence of what was to be more than 20 years of national-level tripartite dialogue between employers, unions and governments, and the welter of institutions connected with social partnership. Also traceable to the 1980s, but less directly connected with the effects of recession, was a switch in state policy away from favouring employment relations based on union recognition and collective bargaining towards a more laissez-faire approach. This switch in policy, arising mainly from intensifying competition for foreign direct investment and a shift in industrial strategy towards attracting firms in sectors with little history of unionization, was to have an abiding effect on the postures of incoming multinational firms toward union recognition and the general conduct of employment relations. Beyond the multinational sector, there also appears to have been a rise in employer resistance to union recognition and a growth in the scale of the non-union sector (Roche 2001). During the first half of the 1980s work stoppages connected with union recognition rose sharply as did the number of recognition cases dealt with by the Labour Court (McGovern 1989). However, taking the 1980s and 1990s as a whole, no pronounced upward trend in work stoppages over union recognition was evident, and these stoppages accounted for only 5 per cent of all strikes and 2 per cent of working days lost during the 1990s. The incidence of recognition disputes subject to hearings at the Labour Court also peaked during the 1980s, falling back and fluctuating only moderately during the 1990s (Gunnigle et al. 2002: 236; McGovern 1989: 67). It may of course have been the case that no sustained rise in industrial conflict surrounding the issue had occurred because unions had 'withdrawn from the fray' at firm level and had opted instead to focus on seeking legislative remedies to growing employer resistance to recognition.

Other than in this area, the deep and prolonged downturn of the 1980s seems to have had little lasting impact on the conduct of employment relations at firm and workplace level. As frequently bemoaned by newly-created partnership institutions and as revealed in their surveys and case studies, 'progressive' developments in employment relations such as workplace partnership or the systematic adoption of modern HRM practices struggled to find acceptance in Irish businesses (Roche 2008; 2007; Roche and Geary 2000). The employment relations landscape appeared dominated in the private sector by a sizeable, if shrinking, unionized sector, where adversarial collective bargaining continued to hold sway, by a growing non-union sector characterized, for the most part, by traditional control-oriented or sometimes paternalistic approaches to the management of people, and by small, if strategically important, pockets of leading-edge HRM or partnerships with unions. The picture in the public service continued for the most part to be one of unreconstructed adversarial industrial relations, little disturbed by successive waves of initiatives associated with 'modernization' or by the wider 'Strategic Management Initiative' that had framed public service reforms (Roche 2006; 1998).

Some observers nevertheless viewed the 1980s as the crucible for changes that had subsequently been intensified by economic recovery and growth during the 1990s. Ahern (1998: 104) commented that work in Ireland had 'undoubtedly become more casual and less secure since 1985', claiming that 'in industry and services alike, more and more employees have flexible status, like part-time, temporary and fixed-contract work'. However employees' experiencing their jobs to be secure rose from 20 per cent in 1989 to 24 per cent in 2001, while those deeming it 'very true' that their job was secure rose from 38 per cent in 1996 to

43 per cent in 2004 (O'Connell 2007: 60-62). This trend seemed to point to growing employment security as the Irish economy recovered from the deep recession of the 1980s and early 1990s and reached virtual full employment. As regards the incidence of 'flexible' or 'atypical' work, part-time working grew sharply from the mid 1980s to the middle of the 1990s and then remained stable thereafter. Much of this was voluntary in nature: the incidence of involuntary part-time working (or 'under-employment') falling during the 1990s. The incidence of fixed-term employment fell from 9 per cent of the workforce when unemployment was at its peak in 1993 to 4 per cent in 2004 (O'Connell 2007: 45-9). Trends such as these are consistent with international evidence that forms of employment and levels of employment security follow cyclical patterns. They provide few indications of disjuncture or structural change at the micro level of workforces or firms resulting from the effects of the deep and prolonged Irish recession of the 1980s and early 1990s.

The intensity at which employees worked appears to have risen in Ireland from the early 1990s, while levels of work discretion appear to have fallen - both developments mirroring the trend in many European countries. These trends have been attributed to secular changes in technology and work organization which increase firms' capacities to monitor and control work. These changes include the adoption of new production systems, the increased use of performance management and a general move to an 'audit culture' in private and public sectors ( Green 2006: chs. 3-5).

The following conclusions seem valid in light of this review of the established international and Irish literature on the effects of recessions on the conduct of human resource management and industrial relations:

- Deep economic downswings generally affect the conduct of employment relations by inclining employers towards more market-responsive postures that may involve downsizing and more flexible employment arrangements, less investment in training and development and general restructuring activities that may weaken internal labour markets and assured career progression.
- The immediate effects of recessions may be a poor guide to any abiding effects that may arise, and experience internationally warrants caution against misconstruing cyclical developments as radical disjunctures in employment relations models.

- If recessions during the 1980s have had any lasting effects internationally these seem mainly to have involved firms shifting the burden of risk towards their employees through regular downsizing initiatives to adjust labour supply to business conditions, the adoption of performance-related pay systems and the revision of company pension schemes.
- In the case of Ireland, recessions, particularly the deep and prolonged recession of the 1980s and early 1990s, appear to have had more lasting effects in generating innovation at a macro-level in relations between employers, unions and the State than at the micro-level of firms, their workforces and union representatives.
- While some changes at national level, especially in the posture of the State towards union recognition, have had significant and lasting effects at firm level, on the whole the circumstances of the 1980s and early 1990s do not appear to have had major transformative effects on the conduct of human resource management and industrial relations at the level of firms and workplaces in Ireland.

These conclusions mean that an examination of the conduct of human resource management in the current recession needs to be approached with caution against exaggerating the significance and durability of any immediate changes or effects. But it remains important to keep an open mind. As Jacoby (1999b: 168) reminds us ‘historical turning points’ may indeed occur. Recessions differ in their depth and amplitude. In the case of Ireland the current recession is particularly acute and prolonged given the scale of the fall in GNP and the rise in closures, redundancies and unemployment. Moreover, the recession has also led to a near collapse of the banking system and to a severe squeeze in government finances, making it the most serious recession in the State’s history. But even in countries where its effects may have been less acute, the recession has again provoked commentary and debate as to the nature of its effects on human resource management and industrial relations.

***The effects of the current recession on HRM***

Judging by the volume of material on the internet, the current international recession has provoked a great deal of comment, debate and advice among HR practitioners, professional bodies, consultants and pundits as to the effects on human resource management. Much of this outlines check-lists of priority areas for action: pay cuts, reduced hours, redundancies, the retention of scarce talent and the maintenance of employee commitment etc. The CIPD has advised HR professionals on how they should manage their workforces in the recession. They are exhorted to ‘think long term’, maintain employee engagement, strengthen line management capability, support employees’ health and well-being, develop a strategy for redundancy, find ways to minimize redundancy if staffing reductions are unavoidable, consult with the workforce and their representatives, establish fair and objective selection criteria for redundancy, provide advice and support for people losing their jobs, and plan for the future, especially by reallocating jobs and responsibilities, provide training for new jobs, and communicate with employees at all stages (CIPD 2008). In addition to prescriptive commentary, the recession has also provoked a good deal of reflection on the likely consequences for human resource management and industrial relations.

***The Recession as the harbinger of HR cataclysm or a new employment model***

It is possible to identify three strands of argument in the literature. The first suggests that the recession will have a cataclysmic effect on the HR function or even on the viability of long prevalent employment models. Some such commentary is apocalyptic after the fashion encountered in commentary and analysis during previous recessions: one article proclaiming that the global crisis in the context of the ongoing globalization of businesses would ‘decimate HR’. Drawing on a consultancy study of HR in leading global companies, Pitcher (2008) suggests that numbers working in HR would be cut disproportionately compared with other support functions, while ‘transactional’ HR processes would be increasingly relocated to low-cost countries. The consultancy, the Hackett Group, active in fields that include shared services, off-shoring and outsourcing, claim in further research that the off-shoring of HR and other support functions had continued during 2009 and 2010, and that this ‘mega-trend’ means that major global firms are implementing hiring freezes and staff cuts in support functions in home countries. The prospect was for ‘jobless recovery’ in HR and other support functions (The Hackett Group[1] 2009a and b). Contrary to this claim, research undertaken by the CIPD in the UK, indicated that while widespread staff cuts were expected, more than one in 5 firms expected nevertheless to hire staff in HR. This was attributed to an upsurge in work linked to such developments in HR as the growth in redundancy. Some commentators on the trend nonetheless warned of a possible long-term fall in numbers employed in the HR function, while others believed that the focus of HR activity would change in a more strategic direction and fewer would be engaged in routine transactional HR administration (Phillips 2008).

While this line of commentary is restricted to the HR function, other commentaries point towards evidence of the 'psychological contract' at the root of the past employment model being 'rocked to its foundations by the recession' through job insecurity, less assured advancement, curbs on pay and the waning significance of employee engagement (Briner 2010). Also advanced has been the concept of a 'new employment deal' forged in the cauldron of the current international recession. Prominent here is the international consulting firm Towers Watson (2010), which conducted a global workforce study in 2010, involving 22,000 full-time employees in 22 of the firm's 'markets'. The study contends that the recession had accelerated slow-moving and long-term shifts in the employment relationship with the result that employment globally in mature economies was in the 'earliest stages of a significant workplace transformation' (Towers Watson 2010: 9, 21). The emerging new 'social contract' or new employment deal is seen as being built on several foundations. Though relatively small proportions of employees claimed to be actively looking for other jobs at present, nearly half anticipated no advancement in their current job and nearly 4 out of 10 believed that they would have to go elsewhere to advance (Towers Watson 2010: 6-7). This was in consequence of the career security and progression commonly provided by employers in the past – and expected by employees - being replaced by a growing awareness of the need for 'self-reliance' or 'active' rather than 'passive' security on the part of employees (Towers Watson 2010: 11). In the new employment deal work experience and rewards were becoming more 'personalized' and employers were increasingly segmenting their HRD and talent management effort to the roles of different employee groups (Towers Watson 2010: 14-15). All in all, employers were in the process of defining an 'acceptable level of risk transfer' for employees.

The HR function was expected to become more 'agile' and 'business-savvy' as a consequence of these developments. While the Towers-Watson study presents a very general overview of the putative new employment model, the echoes of Cappelli's interpretation of the long-term consequences of the 1980s recession in the US are clear: employees were being forced to become more self-reliant, they experienced less long-term commitment from their employers (even if they still often sought an 'emotional connection' with their organizations and were subject to employee engagement programmes), their jobs were more insecure, their rewards were more contingent and their work experiences were more differentiated.

Moreover, they would now benefit from talent management and HRD programmes only as long as they were recognized as ‘star contributors’ or ‘future leaders’ (Towers Watson 2010: 7, 20).

***The recession as the catalyst for high-commitment HR transformation***

A second strand of recent commentary suggests that the recession will both increase the stature and influence of the HR function and deepen the appeal and prevalence of HR practices consistent with the high-commitment model. This model has dominated professional discourse on the features of good and effective HRM for the past two decades. Prominent contributors to this second strand are HR ‘gurus’ who have given both their views on the implications of the recession for HR and their prescriptions for effective HR in recessionary conditions. Ulrich (as reported in Brockett 2010) has claimed that ‘HR leaders’ in the best organizations have been widening their professional focus to ensure that all stakeholder groups are served – not alone employees and line managers, but customers, investors and the community. HR leaders, he claimed, were also ensuring that firms were being positioned for the long-term by investment in skills and the creation of a positive organizational culture and brand. Ulrich urges HR practitioners to see themselves as ‘professional service groups’ within their own organizations, deploying their knowledge and accessing available resources to deliver productively for clients. As he sees it, the top 20 per cent of organizations were already operating in this manner, 60 per cent were moving in the right direction and 20 per cent would be incapable of doing so (Brockett 2010: 11).

Ulrich’s essential idea – though expressed in a highly abstract and general manner – appears to be that HR leaders should intensify and extend the established paradigm of high-commitment management rather than regress in the recession to ‘command and control’. At the same time they must also concentrate on making transactional processes more efficient and on cost-cutting. The HR function should be central to this by providing ‘professional services’ to multiple stakeholders and by positioning firms for the future as much as meeting current challenges. Ulrich also promulgates the need for a ‘harder’ HR agenda and views the economic crisis as a possible catalyst for the emergence of a ‘business partnering model’ of the HR function. He is reported as advising HR practitioners to use the recession to remove under-performing staff and to recruit talent made redundant by other organizations. Costs needed to be cut and unnecessary roles removed. The HR function needed to use the economic crisis to demonstrate its capacity for making sound business decisions through ‘business partnering’ (as reported in *Personnel Today* 9 December 2008).

Cary Cooper also adopts an upbeat posture on the implications of the recession for HR, observing that it could be the ‘making of HR’: challenging the function as never before and providing an opportunity for practitioners to demonstrate that they are able to contribute to managing talent. They also face the challenge of providing leadership in creating organizational cultures that motivate employees in a period of insecurity. This may also involve leadership in confronting senior management on the handling of HR issues, and being at the forefront of recovery rather than simply offering a compliant support function (Cooper 2009).

Commentary in the pages of the CIPD’s *People Management* magazine by senior HR executives in the UK public sector, with past experience of reorganization and cost-saving initiatives, echo these positive assessments of the impact of the recession on the HR function. While HR would face job losses, HR directors in local government, the NHS and the civil service were reported to be ‘excited’ by finding themselves in pivotal positions in which they could lead their organizations in providing more efficient and effective service delivery (Pickard 2010: 19). The recession had created an opportunity for ‘innovation, creativity and leadership’. This was reflected in HR initiatives in shared service provision, in inter-agency ‘centres of excellence’ that dealt with recruitment and other activities. It was also evident in the greater efficiency in HR service provision achieved by reducing HR to staff ratios to levels comparable with the private sector (Pickard 2010: 19).

Mohrman and Worley (2009), writing in the US academic journal *Human Resource Management*, claim that leading global firms are developing ‘capabilities, including human capital capabilities, that enable them to ‘thrive and survive in rough times’. Again the claims advanced, supported by anecdotal examples from major corporations, are sometimes apocalyptic in tone: ‘during crisis, leaders must quickly introduce profound change in the way the organization operates – approaches that greatly increase the organization’s capacity to leverage knowledge and employee involvement throughout the organization in finding solutions to the challenges it faces’ (Mohrman and Worley 2009: 434). While HR and related practices associated with ‘profound change’ are dealt with in a very general way, it is clear that the paradigm expected to grow in influence and prevalence is the high-commitment model. Thus Mohrman and Worley speak of ‘tapping into employees’ energy and engagement throughout the organization’ and of the importance of problem solving processes in this context. These include the involvement of employees in ‘extreme strategizing’ aimed at accelerating innovation in products and services. Also important was giving employees a ‘sense of ownership and contribution’ and the use of nonmonetary rewards and HRD as forms of recognition. The importance of communication, including two-way communication, is also stressed as a critical facet of the HR architecture for surviving and thriving in tough times (Mohrman and Worley 2009: 436-41). By making these types of changes, ‘during the downturn, when inertia and turf protection are clearly counter-productive and the status quo is unviable’, Mohrman and Worley claim that organizations ‘can use the downturn to introduce fundamental changes in logic and [that] will make [them] more sustainably effective through time’ (2009: 443).

Commentaries of this kind – which represent the dominant perspective among the HR commentariat - anticipate that the recession will have a benign effect on the HR profession, increasing the function’s influence within businesses, through greater opportunities for leadership and business partnering. At the same time the profession’s prevailing principles of good practice and associated HR policies and practices, modelled on the high-commitment paradigm, are seen as both robust and effective in recessionary conditions and growing in their appeal for businesses and thus in their prevalence.

***The recession as contributor to eclectic change in HR practice***

Empirically-informed academic analysis on the HR effects of the recession has been limited to date. Nevertheless, it is possible to identify a third strand of commentary, often grounded in empirical reviews, which is much more measured and circumspect regarding whether changes arising from the recession are fundamental or likely to be of lasting significance. In this strand of commentary changes are often understood to be pragmatic, eclectic[3] and incremental in nature. Organizations’ responses to the recession are seen to be marked by significant continuities with pre-recession trends and to involve complex and even contradictory sets of measures. For example firms may respond in ways that reduce job security and increase work intensity, while at the same time purporting to preserve or increase employee engagement. In the third strand of commentary, HRM is seen to be affected by many changes, some of possibly lasting significance, others probably cyclical or transient.  But the picture put forward in reviews is that changes underway in the recession are likely to be incremental or non-disjunctive, whether with respect to HR practices, the HR function or the principles of good practice.

Articles in recent years in international journals dealing with the effects of recession on HRM draw mainly on data that predate the current crisis. Thus Mellahi and Wilkinson's (2010) study of the effects of downsizing programmes on product innovation in UK firms draws on data for the period 2000-2005 and establishes that downsizing undertaken hastily, or implemented only to save costs, impaired product innovation. The scale of downsizing however had no discernable effects on innovation. Maertz et al.'s (2010) study examines the effects of downsizing, off-shoring and outsourcing on a sample of employees in the US over the period 2003-2005. This reveals that survivors of layoffs reported lower organizational performance, job security, commitment and higher intentions to quit their employing firm. Those surviving off-shoring initiatives reported broadly similar negative effects, whereas survivors of outsourcing did not reveal such negative outcomes (Maertz et al. 2010).

The limited research-based literature focused directly on the effects of the current recession on HR advances a more measured view of developments and prospects. HR is seen to have been buffeted by the recession, resulting in significant but generally non-transformative changes in the function and in prevailing principles of good practice.  A commentary on HR in the recession by the UK-based Institute for Employment Studies (IES) notes that HRM pre-recession had gained considerable stature from evidence that the high-commitment paradigm had delivered better organizational performance. While the recession had tilted attention and effort towards areas such as managing redundancies, there was evidence that its effects were less dramatic than might at first have appeared. Firms had sought to preserve employment as a first priority and often opportunistically sought out talent and recruited from people who had lost their jobs (Brown and Reilly 2009: 2). Leading firms had commonly retained a 'HR-orientated employer philosophy' in which human resources continued to be viewed as 'assets' rather than 'costs'. This fed through to a battery of measures designed to retain staff whenever possible and to develop HR competencies to support firms' anticipated future trajectories. At the same time, firms were focusing their HR effort and high-commitment policies on high-potential and high-performing staff. Fairness remained an abiding concern, including the retention of a sense of common purpose in which success and 'suffering' were shared. This might find expression in reward policies, where equity in internal relativities assumed a new priority. Finally, the HR function was required to improve the efficiency of its own processes, to demonstrate its contribution to the 'bottom line' and to engage in 'proactive partnering' with line managers – eschewing any predilection towards a regulatory and remote posture (Brown and Reilly 2009: 3-6).

Griffin and Smith (2010) draw on consultancy cases and assignments in the UK to argue that the recession might provide a 'shot in the arm for HR': giving rise to opportunities for the HR function to deepen their relationships with senior management, while ensuring that the exigencies of short-term survival in firms do not preclude attention on the factors that contribute to long-term success (Griffin and Smith 2010: 17). Their prescription for HR management practices involves continuing to attend to established policies, reviewing procedures, recruiting available high-potential staff (even while downsizing), managing talent, operating well-aligned and fair reward policies, maintaining a focused HRD effort and promoting employee engagement (Griffin and Smith 2010: 18-22). Research undertaken in the UK by the CIPD revealed that the recession had resulted in firms using in-house HRD programmes to a greater degree and also making more use of managers for coaching. With a squeeze on HRD budgets, firms were prioritizing training that was seen to have the biggest impact on business survival (Phillips 2009).

The Advisory, Conciliation and Arbitration Service (ACAS) undertook a review of the effects of the recession on industrial relations and aspects of HR in the UK. Noting that the emerging picture is 'full of contradictions, complexities and challenges', ACAS identified a series of what are described as 'deep-seated' shifts' that have fundamental implications for the world of work (ACAS 2009: 13-14). Redundancy levels had risen sharply, though unevenly by sector and region. Short-time working had grown and agency and temporary workers were particularly insecure in the new conditions prevailing. Pay freezes and sometimes pay cuts were at the centre of a growth in concession bargaining between employers and trade unions (ACAS 2009: 2-8). While unions were observed to have adapted to the recession by adopting a 'less confrontational approach', collective disputes were expected to rise and unofficial industrial action to become again a feature of the industrial relations landscape. There had also been a rise in the incidence of industrial conflict involving individuals, as evidenced by a growth in unfair dismissal claims and a rise in demand for a ACAS's individual conciliation service (ACAS 2009: 9). ACAS feared that employers were reducing their levels of investment in training and that firms that had not already implemented equality and diversity policies would now be less likely to do so. Cases of intense industrial conflict between migrant and UK workers had also arisen (ACAS 2009: 11-13). There were also indications of an escalation of workloads for those at work, resulting in increased pressure and stress (ACAS 2009: 13).

ACAS supplemented this review by a further review of the data on conflict in the workplace during the recession. This notes that in recessions collective conflict tends to fall while individual expressions of conflict may rise. Individual conflict can be overt, as in the referral of cases to employment tribunals and an increased volume of calls to ACAS relating to matters such as discipline, dismissal and grievances. It may also be 'latent': as in absences through sickness or the withdrawal by employees of engagement (ACAS 2010). In the area of collective disputes, ACAS noted that employers had often forgone a 'slash and burn' approach and unions had adopted a more co-operative posture. These postures combined found expression in concession bargaining to preserve jobs and increase employment security. Concession bargaining worked best where employers were open and honest in their dealings with unions (ACAS 2010: 3-4). Notwithstanding the prevalence of concession bargaining, union officials report many instances of 'naked opportunism' on the part of employers seeking to use the recession to worsen pay and conditions (ACAS 2010: 3). ACAS reported research showing that only 1 in 10 employees believed that they are fully informed about what was happening in their organizations. The various pressures associated with the recession (redundancies, insecurity, cost cutting, greater work intensity etc.) involved an increased risk of the withdrawal of engagement by employees (ACAS 2010: 9).

Thus, contrasting views are emerging not only about how HR managers are responding to the recession, but also about the impact of the recession on the strategic position of HRM inside organizations. The alternative optimistic, pessimistic and pragmatic/incremental scenarios – which are difficult to reconcile with one another - suggest that commentators are still grappling with the HR consequences of the arrival of harsh economic times. In truth, insufficient evidence has so far been amassed to permit an authoritative judgement about how HR managers have handled the recession and how they will be affected by it. By providing detailed evidence on how the recession has impacted on people management and union representation in firms in Ireland, this study should permit a more considered view about which scenario is likely to hold sway in the coming years. To advance the investigation the chapter next reviews the types of concrete policy choices available to managers to address the effects of a severe downturn in business circumstances.

## 2.6 HRM Practices in the Recession

Economic downturns, like the one precipitated by the recent global financial crisis, amount to a market shock on organizations. Previous business conditions no longer prevail and somehow firms have to make adjustments so that their internal structures, including the ways in which people are employed are aligned with new realities. Failure to adjust is likely to increase the threat of business closure. The literature on the policies and practices used by HR managers to help firms adjust to hard economic times is diffuse. Below is set out the main threads of this diffuse literature without any claim that the review is exhaustive. Box 2.1 categorizes the main HR practices that have been identified in literature under separate themes and each will be discussed in turn.

**Box 2.1: HRM practices in a recession**

| | |
|---|---|
| **Wage Adjustment** | Freeze or reduction in wages, changes in wage structures, lower start rates for new employees, limiting overtime bonuses |
| **Employment Adjustment** | Redundancies (voluntary /compulsory), voluntary retirements, increased use of temporary / part-time employees |
| **Reorganization of Working Time** | Shorter or more flexible working time, limiting or cancelling of overtime, new forms of work organization |
| **Workforce Stabilisation** | Redeploying employees; greater use of employee training, introduction of temporary lay-off schemes, relocation of employees, use of sabbaticals or unpaid leave; in-sourcing of previously outsourced activity. |
| **Employability** | Assisting employees made redundant to obtain retraining |
| **Voice and Engagement** | Using existing communications challenges more intensely, establishing new forms of employee involvement on organizational restructuring, new collective bargaining deals (e.g. no strike clause in return for job security for a particular period). |
| **Process or Product Innovation:** | Measures aimed at changing work practices/systems to promote innovative activity, reconfiguring the HR function to support the business. |

***Wage adjustment and concession bargaining***

The literature on efforts to adjust wage rates downwards inside organizations when recession strikes is dominated by the theme of concession bargaining. The term was invented in the early eighties to explain the emergence of a large number of collective bargaining agreements in the US which involved union ‘give backs’ to management in the form of freezes or even cuts in pay and benefits (Bureau of National Affairs 1982). Concession bargaining also led to changes in wage structures so that young people start on lower salaries or new pay rates being introduced for established jobs (Craft et al 1985). At the time, the US was going through a recession and with trade union membership perilously low, union leaders calculated that concession bargaining was the only viable strategy open for them to maintain a presence in the US economy. Since then the term has been used to describe concessions made by trade unions in collective bargaining negotiations across a range of countries. For example, Maisa-Wirth (2005) suggests that a growing number of companies in Germany are using opening clauses in sector-level collective agreements to seek derogation from industry-wide pay rates and then concluding deals with unions at company level which give employees lower terms and conditions. He suggests that this is nothing but a form of concession bargaining invented in the US. Thus concession bargaining is widely used to describe the process of unions agreeing to reductions in wages, benefits, or other terms and conditions during collective bargaining sessions.

Some attempts at securing concession deals have been more successful than others. McKersie and Cappelli (1982) suggest that concession bargaining is likely to be more successful if they are based on the principles of openness, equality of sacrifice and trade union gain. Consider first the principle of openness or transparency. Adjusting to harsh business times can fray relationships between management and unions as employees become unsettled when they realise that a request to make some form of sacrifice is imminent. Firms can do much to avoid this situation by being as open as possible with employees and their representatives. In concrete terms, this usually involves firms providing unions with access to all relevant commercial and financial information. Full transparency allows unions to collect and interpret evidence and to engage meaningfully with firms about to how to solve problems. Thus, openness is the vehicle which management and unions can use to forge common positions to address slumps in a firm's product markets. Equally important as the principle of transparency is the principle of equality of sacrifice (Walton, Cutcher-Gershenfeld and McKersie 2000). Companies that strive to share the burden of any restructuring across the workforce, ideally with managers and other higher earners taking a disproportionate slice of the burden, are more likely to get buy-in from employees. Fairness will be seen to be reigning, which will make the union's job of selling agreed concessions to their members easier. Equality of sacrifice is also more likely to create a spirit of togetherness among employees and managers as the firm endeavours to overcome adverse times.

The third principle is what Becker (1987) calls trade union gain. He found that many of the concession bargaining agreements concluded in the US in the early eighties contained union gain clauses, which involved companies agreeing to some trade union demands, even though they probably did not have to do so, in return for unions accepting significant concessions. For example, some companies committed themselves to introducing some form of financial participation such as profit sharing or share option schemes in return for unions accepting wage freezes or even wage reductions. Other companies introduced some type of employment security programme in return for unions agreeing to changes in terms and conditions of employment. These *quid pro quo* deals are examples of management and unions cooperating to support one another for mutual gain. An expectation emerges within the organization that help would be given to or received from 'the other side' when needed whether or not commercial times were good or bad.

Although concession bargaining relates mostly to how unionized firms seek adjustments in a difficult business environment, the underlying principles guiding this practice also apply to non-union organizations. Like their unionized counterparts, non-union firms have an interest in employees and management forming shared understandings about how to protect the mission of the organization when commercial times get tough (McLoughlin and Gourlay 1992). To create such collective norms, managers need to be open with employees when formulating restructuring plans. Similarly, the 'equality of sacrifice' principle is equally applicable to non-union firms as to unionized firms: non-union employees are just as likely to find a restructuring plan more palpable if it is embedded in the principle of fairness. Employee buy-in and fostering a sense of belonging among all organizational members do not emerge spontaneously in non-union workplaces, but need carefully crafted managerial policies. Finally, designing a restructuring plan that signals to employees that their interests are still being advanced or at least will be in any upturn in business conditions is no less important in the non-union firm. Thus, following the principles of openness, equality of sacrifice and employee gain are likely to result in employees in non-union firms accepting the need for concessions so that difficult business challenges can be met more effectively (Estlund 2009). Ironically, non-union organizations probably have more flexibility to follow these three principles than unionized firms as they are not tied to procedural agreements that can create hurdles in the way of developing restructuring plans quickly.

***Employment adjustment***

Securing wage freezes or reductions through some form of concession bargaining or agreement is not the only option open to organizations when seeking to cut costs in a recession. Adjustment can also be secured by reducing employee numbers or by increasing working time flexibility, or indeed by a combination of these two options (Houseman and Abraham 1995). Sometimes management calculates that an economic downturn is so severe that it is impelled to make some employees redundant to avoid putting the survival of the entire organization in jeopardy. In this situation, the issue becomes whether the job losses are to be voluntary or compulsory. When job losses are compulsory the main concern is the type of criteria used to select people for redundancy. Traditionally, the seniority rule last-in/first-out prevailed in redundancy situations, although this practise has been eroded somewhat in recent times. Comprehensive objective criteria such as attendance, sickness and disciplinary records, skills, competencies and qualifications, work experience as well as performance appraisals are now commonly used to select redundancy pools (Doherty 2009).

Making redundancies is a traumatic episode, most of all for those affected employees. Announcement of redundancies can also impact adversely on morale, motivation and productivity inside an organization. Thus, it is important that these situations are handled sensitively (Schumann 2001). Sometimes organizations only start to consider appropriate procedures to deal with redundancies when they have been plunged into turbulent market conditions. While such an informal approach may in the end work, best practice suggests that the matter be handled more formally (CIPD 2009). In particular, it is preferable if management and unions or employee representatives conclude a formal procedure on how to handle redundancies in advance of any business crisis. Agreements of this kind insulate an organization from criticisms that they are adopting an ad hoc or even random approach to redundancy situations. Formal redundancy agreements normally cover a range of issues including a transparent set of criteria to be used to establish a redundancy pool, the consultation procedures to be used in collective and individual redundancy situations, the terms of any redundancy, the assistance that will be provided to redundant employees in their efforts to obtain training or alternative work (Acas 2009). But whatever the nature of any formal procedure the consensus in the literature is that wherever possible organizations should seek to get volunteers for redundancies as making compulsory redundancies can have severe negative consequences in terms of the morale of the remaining workforce (Bowers and Davis 2010).

Of course, at times, organizations have no alternative but to cut jobs. It is important in these situations that HRM managers do not focus solely on maintaining the morale of employees not affected by the redundancy decision. They must also endeavour wherever possible to devise a comprehensive employability package for those losing their jobs (Incomes Data Services, 2009). In most cases, this involves working with all the relevant public employment and training agencies to develop a suite of support measures. These measures vary from offering individual counselling on future possible career options, interviews with training bodies to discuss re-skilling and re-education options and discussions about available employment opportunities in the locality and elsewhere. Organizations that pursue these actions usually gain the reputation of being a socially responsible employer, which makes the task of motivating retained staff easier (Cedefop 2010).

An issue that has proven highly controversial time and again is negotiations over redundancy terms and conditions (Freyssinet and Seifert 2001). Invariably, the controversy involves some variant of the following scenario: a company announces that due to poor sales and deteriorating market conditions it will have to make employees redundant and provides trade unions with information on the terms of proposed severance packages. Unions baulk at these terms and may threaten industrial action. Negotiations then take place to resolve the conflict. On occasion these negotiations can become protracted as both sides are loath to move from established positions, but in the end a settlement is usually found, which involves employees leaving the company with an enhanced severance package. Some regard this scenario as simply part and parcel of the thrust of industrial relations (Fowler 1993). But the danger is that both HR managers and unions can start to view situations where jobs are at stake as being mostly about getting the best redundancy deal for their respective side. But getting locked into this mindset may result in neither side fully exploring possible alternatives to redundancies.

Because job loss can have a devastating impact on individuals and their families, organizations are encouraged to try and find alternatives to redundancies (Cascio 2002). One option open to an organization seeking to avoid job losses is to develop a workforce stabilization programme. A number of specific policies fall within this category. One is a temporary layoff scheme for employees. For example, at the start of 2009, Honda, after experiencing a £90 million nosedive in profits, decided to halt production for four months at its Swindon operation in the UK. The terms of the temporary layoff were that the 4,200 workforce would receive full basic pay for the first two months and then 60 per cent for the rest of the shutdown. Usually temporary layoff schemes are for much shorter periods of time and tend not to be as generous. Sometimes temporary layoffs involve employees receiving no pay. The purpose of these schemes is normally to provide companies with a period of time to recover from a cash flow problem or to run down stocks, or simply to stand back from harsh market conditions (Glassner and Galgóczi 2009).

Companies can also address a slump in demand not by laying off employees but by seeking to in-source production that had previously been outsourced to suppliers or other companies (Farndale, Paauwe and Hoeksma 2009). There have been media reports suggesting that organizations are bringing back in-house business activity that had been contracted out (Webb 2009). However, it is unlikely that in-sourcing is occurring on a widespread basis. Certainly it would require a departure from thinking that has dominated HRM over the past decade or so. The model of HRM put forward by Ulrich captures this approach. According to Ulrich et al (2008), HRM needs to move away from its traditional, almost exclusive concern with employee welfare and get closer to business strategy-making. In particular, they suggest that HRM should combine four key roles of business partner, administrative expert, change manager and employee champion. This model has been enormously influential in guiding the activities of HR managers, particularly in terms of them developing a more strategic role inside organizations. One observation is that over the past decade or so HRM managers have concentrated heavily on developing its role as business partner and change manager

(Marchington 2008). In seeking to perform the role as business partner, many HR managers have sought to advance what Hamill and Prahalad (1990) have called the core competences of organizations. For the most part, this has involved embracing actively the outsourcing agenda. Thus, for example, to reduce the costs and increase the effectiveness of the HRM function, many HR managers have outsourced important activities in their own departments. Outside contractors may now manage a range of HR functions for organizations, including payroll, training and development and recruitment and selection. In addition, HR managers have also played an active role in slicing up business operations with the view of outsourcing organizational activities deemed not central to overall performance. Thus, outsourcing, and its sibling off-shoring, has become a key aspect of strategic HR activity (Gospel and Sako 2010). As a result, for organizations to decide to in-source business activity to ameliorate the worst effects of the business recession would require HR managers to abandon, at least temporarily, their new *modus operandi*. A question-mark must exist about this happening on a widespread basis.

Other workforce stabilization policies that can be used by organizations include employee redeployment and staff sabbaticals or similar initiatives (Jørgensen 2009). These policies can play a positive role in reducing staff costs. They can also be beneficial for employees. In some instances, employees get the opportunity to perform an entirely new role and in others they get the chance to take a break from the routine of daily work and pursue long cherished dreams. At the same time, these policies tend not to constitute the main element of an organizational restructuring plan to deal with a business downturn. In most cases, they perform an ancillary role. Nevertheless these policies are worth pursuing as they signal to employees that the HR team is seeking ways to cushion people from the full vagaries of the recession. They show that employees matter for the HR team and the organization.

Training and employee development is another very important part of the HR toolbox that firms can use to try and stabilize the workforce. A common view is that the first response of firms when they enter a recession is to cut-back on training budgets as part of an overall strategy of financial retrenchment: training employees in new skills and competences is seen as an unaffordable luxury. An alternative perspective, which is growing in influence, is that increasing training for employees represents a smart HR strategy for firms to use to cope with a recession. On this view, increased training allows firms to ‘hoard’ core employees in a manner that improves their skills thus allowing them to make an even greater productive contribution when buoyant market conditions return. In addition, extra training is likely to facilitate internal staff deployment as employees become competent to do a range of workplace tasks. Governments have identified training as an important activity that could assist in job retention and even job recruitment, particularly in relation to apprenticeships. As a result, a good many EU countries have introduced some form of public subsidy or incentive scheme to encourage firms to maintain high levels of training activity. But as we have seen in the first section, Ireland has not been as active in this area as other EU countries.

As an alternative or even as a complement to workforce stabilization initiatives firms can also reorganize working time to avoid making redundancies (Van Gyes 2009). Most firms when experiencing difficult times almost as a matter of course curb overtime. Requiring employees to work extra hours is not needed since demand is low for the organization's products or services. If things get really bad, organizations can introduce short-time working such as a three or four day week. These initiatives are attempts to ride out the worst of a business downturn while keeping organizational capabilities more or less intact. Firms in many European countries commonly use working time arrangements to manage fluctuations in business cycles, with Germany widely seen as leading innovations in this area. Innovative collective agreements on working time emerged in the German manufacturing sector during the early nineties to help firms ride out a particularly deep recession. Agreements at Volkswagen gained particular prominence (Euro Foundation 2009).

At the centre of these agreements was the notion of working time accounts, a radical version of annualized working hours schemes practised more commonly in Anglo-Saxon countries. The basic idea behind working time accounts is that during a specified period of time an employee is able to work longer or shorter hours than collectively agreed, thereby collecting working time credits or debits in an individual working time account, which are later compensated for by additional free time or work (Bosch 2009). These arrangements hold out two advantages for employers. First, they allow companies to have more flexible production systems, which are aligned closely with market demand. Second, since most of the working time credits are not counted as overtime, the employer does not have to make overtime payments at premium rates, which keeps labour costs in check. From an employee viewpoint, the use of working time accounts provides them with opportunities to align work with their individual and family needs and interests (Berg 2008).

Since the early nineties, working time account models have spread across the German economy to the point where the vast majority of employees are now covered by such schemes. A recent survey highlighted that companies are using working time accounts and adjustments to these more than any other measures to meet the challenges of the recession (Dribbusch 2009). Companies are either reducing the number of hours saved in individual accounts or increasing the number of working time credits which will have to be worked in the future when business recovers. The use of working time accounts has reduced the incidence of redundancies in Germany:  companies face less pressure to cut jobs. Thus, although Germany experienced a significant dip in economic output, it did not experience a decline in employment. This is unlike the experience of Ireland where the fall in employment more or less matches the fall in output.

Firms may also respond to the recession by increasing numerical flexibility: greater numbers of part-time and temporary workers are employed instead of full time workers in an effort to match more closely company employment levels with changes in demand for the company's products or services. The most pronounced trend in this direction is in the United Kingdom where job losses among full time employees are increasing just at the same time as part-time work is also increasing (Balakrishnan and Berger 2009). This HR strategy stands on its head conventional thinking about how firms respond to business downturns. On this view, firms will retreat into their core workforce when encountering business difficulties and shed more casual, 'peripheral' employees. It cannot be said which strategy firms will prefer as the use of numerical flexibility tends to be influenced strongly by theeconomic sector and the strength of unions at local level.

***Voice and employee engagement in recessionary times***

Employee engagement is an increasingly prominent concept in the HRM literature (MacLeod Review 2009). Engaged organizations are considered to have strong and authentic values, with clear evidence of trust and fairness based on mutual respect, where two-way promises and commitments between employers and employees are understood and realized. Organizations that possess such attributes are considered to be better placed to meet multiple competitive challenges such as improving productivity, establishing rich employee/customer interfaces and so on (Vance 2006). Employee engagement should also allow organizations to adjust successfully to difficult commercial times. High levels of trust and reciprocity inside organizations should facilitate the emergence of restructuring programmes that seek to take into account the interests and needs of employees as well as those of management. Restructuring programmes of this kind are more likely to secure employee buy-in and thus check the danger of employee morale plummeting as the organization implements restructuring policies (Hallock 2009).

A key component of maintaining high levels of employee engagement in recessionary times is the more intensive use by management of established channels for communication with the workforce. Keeping employees regularly and fully informed of the organization's commercial position as well as management's plans is considered indispensible to maintaining employee commitment when adjusting to adverse times (CIPD 2010). Sometimes organizations supplement standardized forms of direct and group-based communication such as e-mails, company bulletins/newsletters, team-briefings and staff councils with special employee meetings to allow the CEO and other senior managers to speak with the entire workforce about the challenges facing the organization. Intensive communication serves a number of important purposes. It keeps at bay, at least to some degree, a rumour-mill being formed that can generate all sorts of speculation about the company's future, which can be quite unsettling for employees. It creates a strong signal that management are seeking to develop policies which address the interests of employees. It also leads to improved management thinking and decision-making: speaking openly about firm performance and managerial intentions requires managers to show how the decisions they are making are in line with the evidence about how the organization is performing (Robinson-Smith and Markwick 2009).

Some organizations go beyond creating open, comprehensive communication systems and actively involve employees and their representatives in the formulation and implementation of organizational restructuring plans. Allowing employees perform such a role is likely to result not only in shared understandings being created between employees and managers about the need for restructuring, but also in effective joint action to restore profitability (Glasser and Keune 2010). A number of preconditions are required for the successful realization of such strategies. One is that the organization must have a well designed business plan or model that identifies how employee concessions as part of a wider suite of actions can improve firm performance. Another is that in unionized firms the collective bargaining process has to become virtually integrated with restructuring efforts and plans. In addition, established patterns of interaction between managers and employees have to be suspended and both have to adopt new roles. Managers have to provide union representatives with comprehensive financial information and bring them into their confidence. In return, union representatives have to work hard to align employee expectations and behaviour with the new commercial realities faced by the company. High levels of trust and give-and-take are required for managers and union representatives to perform such roles on a sustainable basis. Any serious breaches of this trust will almost certainly cause the end of organizational restructuring through consensus (Hyman 2010).

Incorporating employees into restructuring plans in unionized firms is acknowledged as being difficult as trade unions and management tend to have competing views on employment practices that are likely to be key aspects of any such plan. On almost every issue, management and union preferences are quite different if not in collision. Hard business times might encourage management and employees initially to put these differences to one side in a concerted effort to avoid job losses or even to save the organization. But deliberate, on-going self discipline is required to prevent differences between management and unions re-emerging and contaminating the new found cooperation. Thus, maintaining trust and a sense of reciprocity are important for joint management-union action on organizational restructuring (Freyssinet 2010).

Building collaborative management-trade union relations to fend off an economic downturn is going to be more straightforward in an organization with an established record of good industrial relations. Where management-trade union relations have been problematical or excessively adversarial, firms are likely to find it more difficult to develop cooperative adjustment strategies. Yet these firms may also be motivated to leave behind a poor industrial relations history on the arrival of hard business times. This may be particularly the case when a firm has experienced a market shock of some magnitude, but one not so severe as to make any organizational response futile. In such circumstances, management and trade unions may be motivated to redefine the nature of the employee involvement and representative relationship. To some degree, the creation of workplace partnerships in Ireland and elsewhere, particularly in the 1990s, was seen as being motivated by managers and trade unions realizing that they needed to work together to allow companies to address some adversity in an effective manner. The point is not that organizations need to create workplace partnerships to respond to the economic recession, but that relations between management and unions are not destined to stay the same, but can change in response to external developments. Market shocks may dissolve rather than heighten further divisions between management and trade unions. However, it takes leadership on both sides for this to happen.

One view in the literature is that incorporating employees into the design of a restructuring plan is difficult in non-union firms as employee representative structures may not be sufficiently developed or extensive. Non-union organizations tend not to possess the sort of internal institutional environments that allow employees to be fully incorporated into the creation and implementation of restructuring plans (Gollan 2007). Mohrman and Worley (2009) report instances of 'extreme strategizing' in the US where firms seek directly to harness employees' views on new products or corporate directions. But these seem far from common. Instead, strategies to adjust organizational activities to an adverse business environment are normally management-led. Of course, this does not mean that such strategies fail to take into account employee interests. Numerous examples can be cited of non-union organizations acting in a paternalistic manner in an endeavour to protect the interests of employees in recession. But managers have to rely strongly on established communication structures to sustain employee buy-in and commitment. While these structures may be robust, they may not be sufficiently developed to handle employee anxieties and fears that can arise in recessionary times.

Overall, the message is that the organizations must pay particular attention to the procedures used to secure employee support for a restructuring plan. Whether an organization decides to focus almost exclusively on communicating with employees or whether it decides to go further and integrate employees fully in a restructuring plan, the wide consensus is that management must be open and truthful when reporting financial and business developments. Employees fully aware of the challenges facing the business are less likely to think that the organization is using the recession to push through workplace changes that they have been seeking for some time. They are also more likely to accept sacrifices asked of them and positively engage with proposals designed to place the organization on a secure financial footing. Moreover, employee commitment is likely to remain intact for the return of a more prosperous business climate. Employees who feel that they are listened to, who are involved in processes that affect them, and who can take actions to initiate changes in the organization, are more likely to have close attachment with the organization. Managers need to behave in a trustworthy manner to maintain this attachment.

***Responding to the recession through innovation***

When the recession first broke out, there were occasional press reports of heroic entrepreneurs and business leaders proclaiming with gusto that they 'loved a good recession' as it provided new opportunities to make even more money. In most cases, such talk was little more than bravado, but it nevertheless had some resonance with shrewd business thinking which suggests that in recessionary times firms should maintain, if not increase, innovation activities designed to improve organizational products or processes. On this view, it is important for firms not to lose focus about what they are fundamentally about and become too concerned with reducing costs. Instead, they should continue making planned improvements to organizational processes and systems as well as to product or service quality. In other words, the search for long-term improvements in competitive performance should not be derailed due to the onset of bad economic times; if anything it should be intensified (Chubb et al 2010).

Such thinking has seeped into HR approaches towards the recession, particularly those approaches predicated on turning the HR function into a business partner role inside the organization. While this approach recognizes that the recession will almost certainly pose challenges to organizations in terms of reducing surplus capacity and containing costs, it is also emphatic that bad economic times should not halt efforts aimed at remodelling the HR function inside the organization. Thus, from the business partner perspective on how to manage people, it is very much business as usual in terms of making the HR function a better service provider or change agent inside the organization. In concrete terms, this means that HR managers should continue to create a leaner HR department by outsourcing various HR functions, particularly those of a transactional nature, and to obtain better financial deals for the organization from other businesses providing services to employees and the organization. In addition, it also means that HR policies on such matters as talent management aimed at recruiting and retaining skilled employees should be developed and pursued even more systematically. The message is that the recession is no time to weaken the business partner agenda for managing people, but actually an opportunity to intensity its diffusion (Cooper 2009; Ulrich, as reported in Brockett 2010).

Thus, those hoping that the recession may herald a return to more traditional forms of personnel management which involves HR managers amongst other things mediating between the interests of employees and those of the organizations may be disappointed. The alternative scenario of HR managers becoming more influential than ever before inside organizations by championing business partner values and practices is probably a more likely outcome. If this scenario were to be realized, one of the unexpected consequences of the recession may be to elevate HR to a position inside organizations that it has struggled to capture in more buoyant business times. Another way of putting this is that the recession has forced firms to place managing people and those who possess specialist skills and knowledge in this area slap bang in the middle of corporate strategy.

## 2.7 HR practices in Ireland in the Current Recession: Available Evidence

No systematic review has been conducted of the HR practices that companies in Ireland have adopted in response to the recession, but the 2009 National Workplace Survey conducted by the National Centre for Partnership and Performance (NCPP) contains some useful information. The majority of employers questioned had a fairly bleak view of business conditions: about two thirds considered business times to be bad and unlikely to improve in the foreseeable future. Sixty-one per cent of employers said that they employed fewer people now than two years ago and considered further job losses imminent. Most employers considered cost reduction as the most effective way they could respond to the recession. At the same time, a sizable number thought that it was also important to improve the quality of products and services and to be more responsive to the needs of customers. Thus, what emerges from the survey is an acute awareness amongst many employers that in responding to the crisis they have to develop strategies that combine initiatives to reduce costs with measures to improve innovation and product/service quality.

The survey also contains evidence about how the recession had impacted on employees up to early to mid 2009. Over half of employees reported job losses in their organizations over the past two years. A previous survey conducted in 2003 found that only 4 per cent of employees had job security fears, but this figure increased to 33 per cent in the 2009 survey. About half of employees reported an increase in work pressures, which is a significant jump from the third that reported such pressures in 2003. Yet despite the difficult times, the survey found widespread positive attitudes among employees. About 89 per cent of employees said that they would work harder to help the organization succeed. The survey also found that the vast bulk of employees were willing to accept change whether this involved upskilling or engaging in innovation or perhaps more negatively accepting closer supervision or working unsocial hours. The picture that emerges from the survey is of employees fearful for their jobs and futures and receptive to wide ranging changes to stay in employment.

The indications contained in the NCPP survey were that firms were responding to the recession not simply by axing jobs, but by devising fairly multi-faceted restructuring plans, tend to be reinforced by a review conducted for this research study of employer restructuring plans reported in the media. Some organizations have combined redundancies with other cost cutting measures, which invariably include either wage reductions or freezes. Others have cut jobs, but at the same time introduced some form of employment or working time adjustment programmes such as stipulating that employees can only work three weeks in every month or reorganizing work time schedules to capture operational efficiencies. Yet others firms have responded not by making redundancies but by freezing or reducing wages and in addition adopting some form of employment adjustment strategy. Thus, for example, Axa have introduced a restructuring plan that aimed to protect jobs by reducing pay significantly and increasing the working week by one and a half hours. The Clarion Group of hotels also avoided redundancies by adopting a plan that involved employees accepting pay cuts and agreeing to greater working time/shift flexibility. There are indications that firms to some degree are favouring some form of short-term working time over pay reductions. Thus, for example, Element Six in Shannon has been obliged to roster some employees so that they work three weeks in four while others work a three day week. Employees at Waterford Crystal, as part of desperate efforts to survive, accepted short term working, but alas to no avail. Some companies have got away with implementing mild forms of short time working. For example, Kostal, a company in the automobile sector which employs over 1,000 people, closed down for longer than expected at Christmas 2008 and have been laying off employees for days here and there. But these measures seem pretty restrained in the context of the turbulence in the car industry worldwide. Thus, the picture varies with regard to the scale with which companies have been obliged to introduce short term working. Employee pay implications from short time working are less varied across firms: most organizations only pay employees pro-rata. However, in most situations employees can top up their pay through social security benefits, which are not means tested for the first year.

Overall, on the basis of the evidence available it is hard to reach an authoritative view about what has been happening to pay during the downturn. Aggregate figures produced by the Central Statistical Agency suggest that in 2009 and most of 2010 public sector pay has fallen while pay in the private sector has stayed more or less static. In relation to private sector pay it is hard to get an accurate view of what is going on behind these aggregate figures, particularly with regard to how extensive pay cuts or pay freezes have been. A national pay survey of 467 firms conducted by IBEC in 2010 showed that the total pay bill of companies fell by 2.9% over the previous year. Seven out of 10 enterprises had pay freezes and 13% reduced basic rates by an average of 11%. Half of all companies expect no change to their pay bill in 2011, nearly two thirds (62%) said that basic rates would be frozen, while a further 6% expected to reduce basic pay rates by an average of 9.5%. Across all respondents the average expected change to basic pay rates in 2011 is zero. For sure, firms have been taking a tough approach to pay across many sectors. Pay reductions have been widespread in the construction sector, reflecting the deep fall in activity, but other sectors have also been affected. In aviation, companies like Aer Araan, Aer Lingus, Aviance and Dublin Airport Authority have all introduced pay cuts in the region of 5-10 per cent. In the leisure and hospitality sectors, companies as varied from Xtravision to Ben Dunne Fitness Centres have introduced pay reductions, again in the region of 5-10 per cent. Manufacturing firms too have been engaged in this activity as companies such as Bulmers, Glanbia and Largo Foods have successfully implemented pay reductions. Employees in finance have not escaped as companies such as KMPG, Pricewaterhouse Coopers and Ernest & Young have been forced into cutting pay.

Thus, there has been a fairly widespread incidence of pay reductions and freezes, which distinguishes this recession from the last serious business downturn in Ireland during the 1980s. In the seventies and eighties, when the business environment was fairly bleak at times, pay continued to increase for the overwhelming number of employees. Then adjustment to challenging times was done mostly by reducing employment rather than wages. The willingness of firms to reduce both employment and wages this time around suggests three things are different in today's labour market. First of all, the recession has been genuinely dramatic for many firms, which have had no choice but to reduce payroll and headcount to remain in business. Secondly, HR managers appear to be more prepared to adopt more sophisticated polices in response to the recession, which involves pursuing some level of pay cut or pay freeze to minimize job losses. Thirdly, the bargaining strength of trade unions to maintain existing pay levels is perhaps not as strong as in previous recessions.

Some features of the pay cuts introduced by firms are worthy of further elaboration. Pay reductions have sometimes been introduced on a tiered basis rather than involving cross-the-board cuts. Tiered pay cuts involve higher wage-earners in firms - managers, technical staff and senior employees - experiencing larger reductions than lower wage earners, low skilled operatives for example. In unionized firms, where an agreement has been reached to cut pay, claw-back clauses have also sometimes been agreed which lay down that employees will be able to restore or even improve their pay when firms return to profitability. There have been several reported cases, Dairygold, Easons, and National College of Ireland, for example, were management proposals for pay cuts were subsequently reined in, either as a result of legal advice or when alternative cost-cutting plans were developed. There is a sizeable group of private sector companies where pay was not cut or frozen, and may even have been increased - although often marginally. Thus, there is reluctance by management to introduce pay cutbacks and freezes, and certainly winning over employees to this sort of action has not been easy.

IBEC and ICTU, the two main social partners, have adopted contrasting approaches to pay. The view of the employers' organization is clear and emphatic. It considers any expectations of pay rises before 2013 to be unrealistic and is strongly advising employers not to entertain any claims for pay increases in 2011 or 2012, as it views wage levels in Ireland to be significantly out of line with many of its key trading partners. Whether organizations are actually following this advice is open to doubt. A survey conducted by the consultancy firm Mercer, although relatively small, found that 40 per cent of large companies, mostly multinationals, said that they are likely to increase pay in 2011: only one per cent of firms reported that they expected to cut pay, while 20 per cent said that they might have to freeze pay. The ICTU has been considering for some time now what it should be doing to get local pay bargaining rolling now that national wage deals have been mothballed if not completed dismantled. In September 2010, ICTU decided to divide the private sector into three main arenas – manufacturing, finance and retailing, distribution and services – and to follow separate bargaining strategies in each. To date, no concrete concerted bargaining strategy has emerged in any of the three designated arenas as trade union officials are still reported to be fire-fighting with companies hard hit by the recession. Whether the contrasting stances of the employers and trade unions on pay will lead to any serious conflict on pay remains to be seen.

In contrast to the diverging stances adopted at national level, there have been several examples of trade unions and management working together at company-level to implement restructuring plans. Aer Lingus and SIPTU, after initial setbacks, have been working to implement a joint approach to organizational change and modernization. The company is also seeking to secure the same level of collaboration with other unions on different restructuring initiatives. At the insurance company AXA management, SIPTU and Unite concluded a significant cost reduction plan ambitiously entitled the 'Reduce Costs, Enable Growth and Secure Employment Agreement'. Trade unions have also given their imprimatur to cost reduction plans in a wide number of organizations, including Aviance, Boliden, Tara Mines and Cleary's Department Store. Thus, for the most part, trade unions appear to have adopted a pragmatic approach when dealing with private sector organizations during the economic downturn. Where it has proved feasible, unions have been willing to participate in joint action to secure the financial viability of an organization.

The picture is not completely positive, as there are hints that the recession may be causing strains inside organizations where good industrial relations prevailed before the business downturn. During most of the past decade the semi-state enterprise, Bord na Mona, was widely seen as having positive management–employee interactions: in particular the company successfully used a workplace partnership agreement to secure wide ranging organizational changes and productivity advances. But the onset of the recession placed considerable pressures on management to make quick decisions about restructuring, which resulted in unions claiming that established procedures were not being followed properly. Industrial action was threatened, but in the end this never materialized. But the relatively orderly industrial relations climate in the organization has been dented and an air of suspicion and mistrust hangs over management-employee relations. The Bord na Mona experience is indicative of a tension that has emerged in many firms since the recession between managers wanting to make quick, speedy decisions and unions insisting that established collective agreements, particularly in relation to procedures, need to be respected. These two competing impulses have generated mistrust and ill-feeling.

Thus in some instances the recession in Ireland has triggered greater cooperation between trade unions and management while in other cases established cooperative relations have been frayed by the downturn. As a result, it is hard to predict in advance the impact of the recession on employment relations inside organizations. On the whole, there is a relative absence of reports of innovative HR approaches to the economic recession. There are a few noteworthy developments in some organizations. Irish Life and Permanent, for example, in an attempt to cut costs and ride out the economic downturn, introduced an innovative paid career break scheme that involved paying interested employees among its 2,500 staff up to €20,000 or half salary, whichever is lower, to take a two year career break (€10,000 per year). The Irish Times has introduced a similar, less generous scheme as have some other organizations in the financial services sector. But these initiatives are very much the exception rather than the rule. There is little evidence, for instance, of firms introducing greater training and up-skilling programmes for employees as an alternative to redundancies or even short term working for that matter.

## Conclusions

After nearly two decades of uninterrupted growth and prosperity, when the issue that exercised most HR managers was how or where they would find employees to fill vacancies, many businesses are facing difficult business times. The entire thrust of people management has been turned on its head. HR managers have now to find ways to help businesses adjust to the recession. This is a demanding challenge. If HRM managers do not get their adjustment strategies right the result could be plummeting employee morale and productivity. In this situation, what economists call an adverse selection problem could be triggered: the most skilled and experienced employees, who also are more likely to have good outside options, leave the organization, and the organization is left with employees with poor outside options and with poor morale levels. Thus when HRM managers make adjustments to explicit employment contracts so that firms are able to fend off depressed economic conditions they must take care not to disrupt, at least not to any significant extent, implicit contracts that bind employees to their organizations.

This chapter has sought to provide the groundwork for an in-depth investigation into how firms, their HR managers and employee representatives have responded to the business downturn. It has shown that the recession has had a huge negative impact on the Irish economy: no other country has experienced a sharper fall in output, and as a result unemployment has soared. The academic literature that addresses the nature of HR in recessions has been reviewed. It was found that the early literature – which assessed the impact of previous recessions on HR – suggested during the recession of the 1980s firms in major economies had burdened employees with extra risks, although it was emphasized that the enduring impact of such policies should not be exaggerated. In Ireland, previous recessions have tended to spur innovation more at the macro-level of national institutions and policies more so than at the micro-level of firms and their employee representatives. Contrasting views have emerged about the implications of the current recession for HR in organizations: some suggesting that the recession will throw into question the viability of already existing employment models; others suggesting that high-commitment HR policies are likely to come to the fore during the downturn, and still others suggesting that the recession will not have a huge lasting or disjunctive impact on HR either way. The chapter has also reviewed the policies and practices that are open to HR managers when they seek to help organizations respond to newly challenging business times. The rest of the report is dedicated to this task of discovering how firms and their HR managers have responded to the uniquely severe effects of the current Irish recession and how union representatives have sought to protect their members' interests in the extremely adverse circumstances that now prevail.

## Notes

[1] The Hackett Group restricts the circulation of its research to clients and does not make it available for review by third parties. As such the provenance of these research findings is unclear.

[2] The survey was conducted by means of an online questionnaire. Sampling and response details are not provided.

[3] The provenance of terms such as ‘eclectic’ and ‘pragmatic’ with respect to portrayals of HR changes can be traced back to the work of Marino Regini (1995) on the very different circumstances of pre-recession European companies.

# Chapter 3
# Human Resource Management in the Recession:
# Results of Survey of Employers

## 3.1 Introduction

This chapter sets out to assess the HR responses of employers to the recession. It begins by outlining the methods used to conduct the survey. It then examines the impact of the recession on firms in order to establish the commercial context for the HR actions adopted. Next it examines the types and incidence of measures taken by firms in order to adjust to, and address, the recessionary conditions. It also considers how HR has conducted itself, in terms of its understanding of good HR management in the recession, and in its relationships with trade unions. Finally, the chapter investigates the HR practices that survey respondents considered to be most effective in helping them manage the recession.

## 3.2 Survey Methods

A short questionnaire was designed by the research team (see Appendix 1 for a copy of the final questionnaire), which encompassed the major themes in the literature and commentary on HR in the recession and a range of recurring themes in the HR managers' and union officials' focus groups conducted in conjunction with the research project. A draft questionnaire was piloted by being forwarded to a small number of organizations for completion and comment. This allowed for some modification and amendment of the draft as suggestions were incorporated. The questionnaire contained 15 questions covering the following areas:

- Background features of firms.
- The impact of the recession.
- HR's response to the recession.
- The conduct of HR.
- Relations with unions.
- Effective HR practices in the recession.

### *Survey population*

The survey population comprised all organizations in the private and commercial semi-state sectors with 50 or more employees. It bears emphasis that the survey profiles all such organizations that had survived or remained extant to the Autumn of 2010, and that some of these will likely have instituted several rounds of response measures to the challenges faced. Full technical details of the survey sampling frame are contained in Appendix 2. Here an overview of these areas is provided. Survey respondents were selected from the Kompass Database of Irish firms. The target survey respondent was the manager responsible for human resource management in the firm, whether that person was a functional specialist or held more general managerial responsibilities. The survey was conducted by post. Three mail shots were undertaken in the case of each target respondent, two of which included the questionnaire and one letter reminder was issued. There was also an option for firms to receive an electronic version of the questionnaire. Follow-up phone calls were made by the LRC, CIPD and the research team, focusing on large firms. The survey fieldwork was conducted from June to September 2010.

### *Response rates and weighting procedure*

A total of 444 useable questionnaires were completed, representing an overall response rate of 17.2 per cent. This is in line with the ESRI's recent experience and with international experience of response rates in surveys targeted at firms. As recorded in Table 3 of Appendix 2, response rates ranged from 8 per cent in the case of firms with 50-249 employees, to 28 per cent for firms with 250 or more employees.

The achieved survey sample was weighted to compensate for differences in response rates between firms of different sizes and in different sectors. Details of the sample weighting procedure are provided in Appendix 2. The method of weighting employed involved grossing the sample to both the total number of firms in the population and to the numbers employed in firms in the survey population. Weighted survey results are reported in the study, unless otherwise specified, and provide estimates of the proportions of all firms in the population with the practices or other features covered by the survey and of the proportions of employees who work in firms with such practices and features.

## 3.3 The Impact of the Recession

This section provides data on the impact of the recession in terms of the change in both revenue and employment numbers over the periods January to December 2008 and 2009. It also obtains participants' views as to the severity of the impact of the recession and whether the recession necessitated significant re-structuring of the business.

### *Change in revenue and numbers in the workforce*

Reflecting the severity of the Irish recession, the majority of firms in the survey (70.1 per cent in 2008 and 84 per cent in 2009) experienced revenue losses over the period in question. Of the remaining firms, 13.6 per cent experienced no change in revenue and 16.3 per cent experienced an increase in 2008. In 2009, 7.5 per cent experienced no change and 8.5 per cent experienced an increase in revenue. From Table 3.1, it is clear that more firms lost revenue in 2009. The average loss reported was 11.8 per cent in 2008, rising in 2009 to a loss of 15 per cent. When firms' performances with respect to revenue is restricted to those who experienced a loss, the average losses rise to 18.9 per cent in 2008 and 23.4 per cent in 2009. These data indicate the severity of the financial impact of the recession on firms in Ireland.

**Table 3.1: Percentage change in the revenue of the business in Ireland due to the recession[1]**

| **Percentage change** | **Percentage of firms** | |
|---|---|---|
| | **Jan 2008 – Dec 2008** | **Jan 2009 – Dec 2009** |
| Loss of 50.0% – 99.9% | 4.6 | 9.7 |
| Loss of 25.0% - 49.9% | 14.7 | 22.7 |
| Loss of 10.0% – 24.9% | 31.5 | 38.9 |
| Loss of 0.1% - 9.9% | 19.3 | 12.7 |
| No change | 13.6 | 7.5 |
| Increase in revenue | 16.3 | 8.5 |
| Average | -11.8% | -18.1 |
| Median | -10.0 | -15.0 |
| Lower Quartile | -20.0 | -30.0 |
| Upper Quartile | 0.0 | -8.0 |

[1] Respondents were specifically asked to state the change in revenue due to the recession. A small number of respondents indicated, however, that they were unable to state that the changes were wholly attributable to the recession.

The average percentage change in revenue varied greatly across sectors. The sector most severely hit by the recession, in terms of revenue loss, was Construction, which indicated a mean loss of 24.4 per cent in 2008 and 37.5 per cent in 2009. This compares to a revenue loss of 6.9 per cent in 2008 and 12.4 per cent in 2009 for the High-Tech manufacturing sector, which showed the lowest loss in revenue. As is evident from Table 3.2, all sectors felt the impact of the recession more severely in 2009.

**Table 3.2: Average percentage change in the revenue of the business in Ireland due to the recession – by sector**

| Sector | Average percentage change in revenue | |
|---|---|---|
| | **Jan 2008 – Dec 2008** | **Jan 2009 – Dec 2009** |
| Traditional Manufacture | -13.4 | -20.1 |
| High-Tech Manufacture | -6.9 | -12.4 |
| Construction | -24.4 | -37.5 |
| Distribution | -9.7 | -16.6 |
| Financial & Business Services | -14.1 | -18.8 |
| Transport & Communication | -5.3 | -18.6 |
| Hotels & Restaurants | -11.5 | -14.4 |

### *Change in numbers employed*

A second indicator of the severity of the recession on Irish businesses is provided by the trend in numbers employed. More than six out of ten firms experienced a reduction in the numbers in their workforce in 2008, while just over three-quarters did so in 2009. In both years, around one in ten firms experienced an increase in the numbers in their workforce. The remainder of firms had no change. As was the case with revenue, the impact of the recession in terms of the change in numbers employed in the workforce was more severe in 2009 than 2008. The average change reported was a reduction of 7.0 per cent in 2008 and 11.6 per cent in 2009. These figures rise to a loss of 13.9 per cent for 2008 and 17.1 per cent for 2009 when only those firms experiencing a reduction are included.

**Table 3.3: Percentage change in the numbers of the workforce attributable to the recession[2]**

| Percentage change in workforce: | Percentage of firms | |
|---|---|---|
| | Jan 2008 – Dec 2008 | Jan 2009 – Dec 2009 |
| Loss of 50.0% – 99.9% | 2.4 | 5.5 |
| Loss of 25.0% - 49.9% | 8.2 | 12.3 |
| Loss of 10.0% – 24.9% | 25.9 | 32.6 |
| Loss of 0.1% - 9.9% | 27.8 | 25.3 |
| No change | 25.3 | 14.3 |
| Increase in numbers employed | 10.4 | 10.0 |
| Average | -7.0 | -11.6 |
| Median | -5.0 | -10.0 |
| Lower Quartile | -13.0 | -20.0 |
| Upper Quartile | 0.0 | -1.0 |

Again, as would be expected from the trend in revenue, the fall in numbers in the workforce was greatest in Construction (see Table 3.4).

**Table 3.4: Average percentage change in the numbers of the workforce attributable to the recession – by sector**

| Sector | Average percentage change in workforce | |
|---|---|---|
| | Jan 2008 – Dec 2008 | Jan 2009 – Dec 2009 |
| Traditional Manufacture | -8.2 | -11.0 |
| High-Tech Manufacture | -4.2 | -9.0 |
| Construction | -22.9 | -27.3 |
| Distribution | -0.9 | -8.8 |
| Financial & Business Services | -8.1 | -13.2 |
| Transport & Communication | -3.0 | -6.5 |
| Hotels & Restaurants | -9.7 | -11.6 |

### *Perceptions of the severity of the recession*

A final indicator of the severity of the recession is provided by respondents' perceptions of the severity of the recession. For almost nine out of ten firms (87.8 per cent) participating in

[2] Respondents were specifically asked to state the change in the workforce due to the recession. A small number of respondents indicated, however, that they were unable to state that the changes were wholly attributable to the recession.

the survey, the impact of the recession has been either *very* or *quite severe*. Approximately one in eight firms found the impact of the recession to be *not at all severe*. It was again reported as being most severe in Construction, with almost eight out of ten firms (79.1 per cent) reporting that the impact was *very severe*. It was reported to be least severe in High-Tech Manufacturing, where more than a third (35.3 per cent) indicated that the impact of the recession was *not at all severe* and only 19 per cent of firms reported the impact to be *very severe*.

**Table 3.5: Impact of recession on the firm's business**

| Impact | % of Firms | % of Employees |
|---|---|---|
| Very severe | 42.7 | 42.9 |
| Quite severe | 45.1 | 44.5 |
| Not at all severe | 12.2 | 12.6 |

***The extent of business restructuring***

Just under two-thirds of firms (63.9 per cent) significantly restructured their business as a result of the recession. Again restructuring was most likely to have occurred in Construction firms (80.2 per cent), followed by the Hotels and Restaurants sector firms (78.8 per cent). It was least likely to have occurred in Manufacturing, and in particular in High-Tech Manufacturing (37.4 per cent).

## 3.4 HR Measures Adopted by Firms in Response to the Recession[3]

Survey participants were presented with an array of potential HR measures that may have been undertaken in response to the recession and asked to specify those that were applied in their business. Their responses are presented in five areas as follows: a) pay and pensions, b) headcount and staffing, c) changes in working-time arrangements and d) HR systems and the HR function, and e) other change measures. In examining the pattern with respect to the adoption of these measures data are presented both with respect to the population of firms and with respect to levels of employment in firms reporting different responses.

[3] For certain measures, for example, bonus or pension schemes, the survey did not ascertain whether the respondents had a bonus or a pension scheme to cut, or change, in the first place. The answers given relate only to those firms who indicated they had adopted the specific change measures in question.

### *A: Pay and pensions*

The most prevalent pay and pension measures adopted by firms included a freezing of wages and salaries for all staff (60.4 per cent of firms employing 68.9 per cent of all employees at work) and cutting bonuses for all staff (38.1 per cent of firms and about the same proportion of employees at work). A third of firms, employing 19 per cent of those at work, indicated that that they had cut wages and salaries for all staff over the course of the recession. Firms were least likely to have increased wages and salaries for all staff (2.8 per cent of firms, employing about 5 per cent of the workforce). The incidence of proportionately higher cuts in pay or bonuses for senior staff while not insignificant indicates that such symbolic measures in pursuit of organizational cohesion are uncommon.

**Table 3.6: Pay and pensions measures adopted**

| Measures Adopted | % of Firms | % of Employees |
|---|---|---|
| Cut wages and salaries for all staff | 33.9 | 18.5 |
| Cut wages and salaries for some staff | 15.6 | 16.2 |
| Froze wages and salaries for all staff | 60.4 | 68.9 |
| Froze wages and salaries for some staff | 10.7 | 13.7 |
| Increased wages and salaries for all staff | 2.8 | 4.6 |
| Increased wages and salaries for some positions | 8.1 | 15.8 |
| Introduced proportionally higher cuts in pay for senior staff | 24.5 | 17.0 |
| Introduced lower pay/pay scales for new staff | 22.5 | 16.7 |
| Cut bonus for all staff | 38.1 | 35.0 |
| Cut bonus for some staff | 16.2 | 22.7 |
| Bonus paid to some staff | 16.4 | 26.7 |
| Introduced proportionally higher cuts in bonus for senior staff | 11.5 | 20.3 |
| Changed pension arrangements for existing staff | 20.8 | 24.9 |
| Changed pension arrangements for new staff | 13.9 | 15.7 |

### *B: Headcount and staffing measures*

Turning next to headcount and staffing measures introduced in response to the recession, reductions in headcount and changes to staffing arrangements were achieved through a variety of means. Freezes in general recruitment were implemented in more than half (51.2 per cent) of the firms in the survey. Just under half (48.3 per cent) introduced some compulsory redundancies and almost a third (29.9 per cent) introduced voluntary redundancies. More than four out of ten firms (43.4 per cent) redeployed staff to new positions or product lines within the business due to the effects of the recession. Only a small percentage of firms reported adopting in-sourcing (bringing back in-house activities previously outsourced), out-sourcing or introducing early retirement.

**Table 3.7: Headcount and staffing measures adopted**

| Measures Adopted | % of Firms | % of Employees |
|---|---|---|
| Introduced compulsory redundancies | 48.3 | 36.6 |
| Introduced voluntary redundancies | 29.9 | 39.0 |
| Introduced early retirement | 7.6 | 9.4 |
| Staff redeployed to new positions or product lines within the business | 43.4 | 56.1 |
| Introduced ‘out-sourcing’ | 8.0 | 15.8 |
| Introduced ‘in-sourcing’ (i.e. brought back into the business work that had previously been outsourced) | 5.4 | 6.5 |
| General recruitment frozen | 51.2 | 51.0 |
| Undertook recruitment for certain grades only | 19.6 | 18.1 |
| General promotions frozen | 14.6 | 22.5 |
| Proceeded with promotions for certain positions only | 13.3 | 23.5 |

### *C: Changes in working time arrangements*

Apart from cutting pay and reducing headcount, changes in working time arrangements represent a means of cutting the pay bill. The most common working time measure adopted was reduced overtime (63.3 per cent of firms). Table 3.8 shows that more than four out of ten firms (42.6 per cent) introduced short-time working. Around a third of firms (32.1 per cent) increased their use of part-time working, which may reflect an attempt to adopt more flexible forms of employment in responding to the recession. A significant proportion of firms (about 26 per cent employing the same proportion of the workforce) report matching working time arrangements better to the pattern of demand faced by the business. A mixed approach emerged from firms in terms of their use of contract and agency workers. More firms increased the use of contract workers (21.2 per cent) than reduced their use (14.5 per cent), while opposite was the case with agency workers i.e. more firms reduced their usage of such workers.

**Table 3.8: Changes in working time arrangements**

| Measures Adopted | % of Firms | % of Employees |
|---|---|---|
| Introduced career breaks | 9.3 | 17.2 |
| Introduced short-time working | 42.6 | 27.6 |
| Increased use of part-time working | 32.1 | 25.9 |
| Reduced use of part-time working | 6.0 | 2.9 |
| Increased use of contract staff | 21.2 | 22.0 |
| Reduced use of contract staff | 14.5 | 22.9 |
| Increased use of publicly paid or subsidized trainees (e.g. FAS trainees, interns, etc) | 13.7 | 9.7 |
| Increased use of agency workers | 5.4 | 6.9 |
| Reduced use of agency workers | 10.1 | 11.2 |
| Reduced overtime | 63.3 | 59.5 |
| Increased overtime | 1.8 | 2.1 |
| Introduced flexible working hours better to match staffing levels with peaks and troughs of the business | 25.5 | 23.7 |

***D: Other change measures***

For completeness, space was provided on the questionnaire to allow participants to add any measure they may have adopted in response to the recession and not previously listed on the questionnaire. Other additional measures adopted included: the introduction of unpaid leave; modest use of month-by-month contracts; temporary layoffs; increased use of external HR consultants; canteen removal; pay cycle change; plant closure for 7 working days during 2009; renegotiation of terms and conditions/Sunday premiums; suspension of sick pay; replacement or cover for absences internally where possible; reduction in overtime premia; reduction in working hours; movement of staff to other companies; company restructuring to consolidate administration roles and to lower costs.

## 3.5 The Conduct of HR

The survey sought to ascertain the relative importance of a series of statements identified in the focus groups concerning the role and practices of HR in the recession. Participants were asked to indicate their level of agreement or otherwise, with a pre-set list of statements regarding their activities (see Table 3.9). The responses are listed in rank order from highest to lowest according to their mean score. The higher the average score recorded in the right-hand column the greater respondents' level of agreement with the relevant statement. Average scores above 3 indicate positive overall responses to the items presented.

**Table 3.9: Level of agreement with how the function and practice of HR has operated in response to the recession**

| | Percentage of Firms | | | | | |
|---|---|---|---|---|---|---|
| | **Strongly Agree** | **Agree** | **Neither Agree nor Disagree** | **Disagree** | **Strongly disagree** | **Mean* Score** |
| Communicating the demands of the business to staff has gained greater importance | 29.4 | 59.8 | 6.8 | 3.7 | 0.3 | 4.1 |
| Senior managers have become more active in communicating HR actions | 8.5 | 58.3 | 23.8 | 9.2 | 0.2 | 3.7 |
| The business role of HR has been strengthened | 13.6 | 45.2 | 30.3 | 8.9 | 1.9 | 3.6 |
| Greater attention is being paid to implementing HR policies surrounding discipline, attendance, and time-keeping | 13.1 | 48.1 | 24.2 | 14.3 | 0.3 | 3.6 |
| HR had to learn new skills to address challenges posed by the recession | 9.7 | 44.9 | 30.3 | 14.1 | 0.9 | 3.5 |
| The business has undertaken specific employee engagement measures | 8.2 | 44.1 | 28.1 | 17.8 | 1.8 | 3.4 |
| Employees have been actively involved in developing options for responding to the recession | 5.1 | 49.9 | 27.2 | 16.8 | 1.1 | 3.4 |
| Business realities have led to some existing HR policies being suspended or dispensed with | 4.5 | 37.2 | 23.1 | 29.7 | 5.5 | 3.1 |
| The influence of HR has been restricted to the implementation of measures adopted by the business to respond to the recession | 3.2 | 33.8 | 31.4 | 28.8 | 2.8 | 3.1 |
| HR has been the biggest influence on the choice of measures adopted by the business to respond to the recession | 4.4 | 28.0 | 35.7 | 27.5 | 4.5 | 3.0 |
| Business pressures have meant that the issue of fairness is a lower priority | 1.6 | 11.5 | 19.5 | 50.1 | 17.4 | 2.3 |

* The higher the score the higher the level of agreement –5 = *strongly agree* and 1 = *strongly disagree*.

It can be seen from Table 3.9 that communicating the demands of the business to staff has become a more important part of the HR role. Only 4 per cent of firms surveyed disagreed with this. Senior managers are also seen to have become more active in communicating HR actions (two-third of firms agreeing with this). Again only a small percentage of firms (10.8 per cent) disagreed that the business role of HR has been strengthened. The evident strengthening of the business role of HR needs however to be seen in context. Only around a third of firms (32.4 per cent) agreed that HR has been the biggest influence on the choice of measures adopted by the business to respond to the recession. Just over a third of firms (37 per cent) also agreed that the influence of HR had been restricted to the implementation only of measures already decided upon by the business.

While there is quite clearly a new emphasis on the business agenda in HR, there is also evidence that this may have come at the expense of HR's role in other areas. For example, that business realities have led to some existing HR policies being suspended or dispensed with was agreed with by respondents in over four out of ten firms (41.7 per cent). At the same time one traditional concern of HR seems to be abiding in the recession: a significant majority of firms disagreed with the statement that business pressures have meant that the issue of fairness is a lower priority.

In terms of employee involvement and engagement, more than half of the firms (55 per cent) agreed that employees were actively involved in developing options for responding to the recession, and a similar percentage (52.3 per cent) agreed that the business had undertaken specific employee engagement measures. The survey also indicated a high level of agreement concerning the more stringent implementation of HR policies, with more than six out of ten firms (61.2 per cent) agreeing that greater attention is being paid to implementing HR policies surrounding discipline, attendance and time-keeping.

Few differences emerged between sectors as to changes in their HR roles and practices. Where they did occur, it was in relation to the level of agreement with the statement that the business role of HR has been strengthened. Mean scores here ranged from 4.0 (in Transport & Communications) to 3.3 (in the Construction sector). A similar sector range existed regarding the influence of HR on the choice of measures adopted to respond to the recession – a high of 3.4 in the Transport & Communications sector and a low of 2.6 in Construction.

### 3.6 Combinations of HR Measures Adopted by Firms

Thus far the chapter has examined the range of individual HR response measures adopted by firms in response to the recession. The manner in which firms may have combined some of these measures also merits analysis. The analysis begins by considering how firms may combine different 'hard' HR measures concerned with controlling and reducing payroll costs. The focus of this part of the analysis is on key measures undertaken (a) to control or reduce pay and pensions, (b) to control or reduce headcount and staffing, (c) to change working-time arrangements and (d) to improve productivity by managing performance more rigorously and tightening discipline, time-keeping and attendance. It is clear from the analysis presented earlier in the chapter that measures in all of these areas were undertaken by significant proportions of firms.

To examine how these measures may have been used in combination by firms, statistical modelling was undertaken. This determines the statistical profile that best represents any pattern in the combined use of HR response measures by firms.[4] Table 3.10 presents the patterns of adoption of HRM measures that best represent the survey data in statistical terms. The results point to two groups or 'clusters' of firms characterized by distinctive HR responses to the recession in the areas examined. The first group, representing half of the firms in the survey (see the row labelled 'cluster size') have implemented *general HR retrenchment programmes*, comprising a series of response measures. These include pay cuts for some or all staff, implemented by 88 per cent of firms in the cluster; pay freezes, implemented during the course of the recession by nearly 6 out 10 firms in the cluster; voluntary and or compulsory redundancies introduced by nearly 8 out of 10 firms in the cluster; short time working, introduced by 6 out of 10 firms and more rigorous performance management and/or tightened discipline, time-keeping and attendance, introduced by 66 per cent of firms in the cluster. Thus the majority of firms in this cluster clearly adopted multiple measures to cut and/or freeze pay, cut headcount, reduce working time and cut contingent employment levels (part-time and contract work), as well as adopting measures to improve productivity by instituting more rigorous and demanding work regimes.

Again about half of the firms in the survey adopted a somewhat different pattern of response, described in the table as *pay-freeze focused programmes*. Firms in this group or cluster relied mainly on partial or complete pay freezes, introduced by nearly 90 per cent of firms. Overtime reductions were also introduced by 54 per cent, while more rigorous and demanding work regimes were introduced by nearly 60 per cent of firms. The other measures

[4] The modelling method used is known as latent class (cluster) modelling. For information on this technique and the program used see http://www.statisticalinnovations.com/products/latentgold_v4.html.

examined were adopted by smaller proportions of firms. Thus this group of firms made use of fewer and often different HR response measures in coping with the effects of the recession – most prominently pay freezes.

Further analysis revealed that firms adopting general HR retrenchment programmes were more likely to have been severely or very severely affected by the recession than firms adopting more partial programmes focused around pay freezes and allied measures.

**Table 3.10: Combined use of hard HR response measures**

| | **Firms Adopting General HR Retrenchment Programmes** | **Firms Adopting Pay Freeze-Focused Programmes** |
|---|---|---|
| | **Predicted %s of firms** | |
| Cluster Size | 50.2 | 49.8 |
| *HR Measures Adopted:* | | |
| Cut wages and salaries for some or all staff | 87.5 | 8.6 |
| Froze wages and salaries for some or all staff | 56.0 | 89.6 |
| Introduced lower pay/pay scales for new staff | 28.9 | 14.3 |
| Introduced voluntary and/or compulsory redundancy | 77.1 | 45.8 |
| Reduced overtime | 75.1 | 54.2 |
| Introduced short-time working | 62.6 | 22.4 |
| Reduced use of part-time and/or contract working | 22.5 | 16.7 |
| Changed pension arrangements for existing or new staff | 37.9 | 18.8 |
| Managed staff performance more rigorously and/or tightened discipline, time-keeping and attendance | 66.0 | 59.7 |

Note: Unweighted data used for latent class modelling.

The next step in the analysis considers the manner in which these combined hard measure-based programmes may have been combined with ‘softer’ HR measures concerned with maintaining motivation and commitment. Here the focus is on three soft HR measures endorsed as important aspects of firms’ responses to the recession by significant proportions of respondents. These are (a) talent management measures undertaken, (b) employee engagement measures undertaken, (c) communications seen as having become more important and (d), employees actively involved in firms' response measures.[5]

**Table 3.11 Combined use of hard and soft HR response measures**

| | Combined Hard and Soft HR Response Programmes | Hard Response Programmes Allied to Communications |
|---|---|---|
| | Predicted %s of firms | |
| Cluster Size | 73.3 | 26.7 |
| *HR Measures Adopted:* | | |
| General HR retrenchment programmes | 45.7 | 56.6 |
| Pay-freeze focused retrenchment programmes | 54.4 | 43.4 |
| Employee engagement measures undertaken | 69.0 | 22.0 |
| Communications more important | 95.3 | 71.5 |
| Active involvement of employees in response measures | 60.1 | 26.4 |
| Talent management measures undertaken | 28.8 | 3.9 |

Note: Unweighted data used for latent class modelling.

The results are reported in Table 3.11. They reveal that firms commonly combined hard and soft HR practices in responding to the recession. Firms implementing what were referred to above as general HR retrenchment programmes and firms implementing pay-freeze focused retrenchment programmes commonly combined these with some or all of the following measures: employee engagement initiatives, a greater emphasis on communications and the involvement of employees in some way in the development of response measures. Only talent management measures appear relatively thin on the ground among the soft HR measures examined.

The results also suggest that when hard and soft HR measures are examined in combination, two broad groupings of firms again emerge. One group of firms, representing more than 7 out of 10 firms overall, appear to have combined multiple soft HR measures with hard HR programmes of either of the two types distinguished above. In other words, they can be said to have adopted 'combined hard and soft HR response programmes' in response to the recession. A second group of firms, representing less than 3 out of 10 firms, appear mainly to

[5] In the case of (b), (c) and (d), firms 'agreeing ' or 'strongly' agreeing with these items as attributes of the practice of HR in the recession were identified as firms deploying or endorsing the measures in question..

have relied on allying communications with hard HR response programmes – most of these firms eschewing the other soft HR measures examined. This group then has pursued harder response programmes than the majority of firms and thus may have attributed less priority to maintaining motivation or commitment. A final finding to emerge from Table 3.11 is that HR response programmes are more likely to involve fewer soft HR response measures in circumstances where more general or all-embracing hard HR retrenchment measures are adopted. So those firms adopting hard response programmes allied to communications are more than 13 percentage points more likely to have implemented the general hard HR retrenchment programmes examined in detail above.

### 3.7 Changes to the HR Function and HR Systems

Turning to how HR functions may have been reconfigured as a result of the recession and to several additional aspects of the conduct of HR management, the main developments appeared to be related to training issues and to the stricter implementation of HR policies. As is shown in Table 3.12, more than half of the firms in the survey (50.6 per cent) cut the training and development budget and around a third increased the use of internal staff for training and development. Four out of ten firms trained staff for new roles within the business and a similar number of firms decreased their use of HR consultants (for recruitment/training etc.). Just under half of the firms indicated that they now managed staff performance more rigorously and had tightened discipline, time-keeping and attendance requirements. About 3 in 10 firms reported reducing the number of people working in their HR functions. Considering that two thirds of all firms reported general workforce reductions this hardly seems surprising and suggests that HR functions were often spared the cuts in headcount prevalent among employees in general.

While the proportion of firms reporting that they had restructured the HR Department (about 15 per cent) is not insignificant, compared with the proportion of firms that had restructured their businesses in some way (about 64 per cent), the level of restructuring or organizational rationalization or reconfiguration of HR again appears relatively modest.

**Table 3.12: Changes to the HR function and HR systems**

| Measures Adopted | % of Firms | % of Employees |
|---|---|---|
| Decreased use of external HR consultants (e.g. for recruitment/training, etc.) | 43.1 | 61.3 |
| Reduced number of staff in HR Department* | 31.7 | 48.6 |
| Re-structured HR Department (e.g. centralized HR Services, introduced ‘Centres Of Excellence’, etc.)* | 14.5 | 27.6 |
| Increased use of internal staff for training and development | 35.6 | 42.1 |
| Cut training and development budget | 50.6 | 53.7 |
| Reduced the costs of HR processes/policies (e.g. in the areas of Health and Wellness, Employee Assistance Programmes) | 17.2 | 30.5 |
| Staff trained for new roles within the business | 40.4 | 52.8 |
| Undertook specific measures to retain high-potential or high-performance staff | 20.7 | 32.1 |
| Staff performance managed more rigorously | 47.2 | 50.1 |
| Tightened discipline, time-keeping and attendance requirements | 47.8 | 40.2 |

***** Findings relate to firms indicating that they had a specialized HR Department or manager.

## 3.8: Relations with Unions

Respondents in firms recognizing unions (34.6 per cent of all firms) were presented with a series of statements regarding relations with unions in the recession.

**Table 3.13: Level of agreement with the manner in which the business has conducted relations with trade unions in response to the recession**

| | Percentage of Firms | | | | | |
|---|---|---|---|---|---|---|
| | **Strongly Agree** | **Agree** | **Neither Agree nor Disagree** | **Disagree** | **Strongly disagree** | **Mean Score** |
| The firm has actively engaged with unions in developing HR options with which to respond to the recession | 13.7 | 47.9 | 16.2 | 18.2 | 4.0 | 3.5 |
| Union representatives had to learn new skills to address the challenges posed by the recession | 6.2 | 42.8 | 37.0 | 13.1 | 0.9 | 3.4 |
| Unions have impaired the firm's response to the recession by insisting on protracted and detailed negotiations | 13.1 | 26.6 | 19.6 | 34.7 | 6.0 | 3.1 |
| Unions have been realistic and constructive in engaging with the business in response to the recession | 5.7 | 39.9 | 23.2 | 21.2 | 9.9 | 3.1 |
| Union influence in the business has declined as a result of the recession | 3.4 | 28.5 | 34.5 | 26.8 | 6.8 | 3.0 |
| The actions required to respond to the recession have been so urgent that there has been little time to consult or negotiate with trade unions | 2.0 | 23.2 | 16.6 | 50.0 | 8.1 | 2.6 |
| By agreeing measures for responding to the recession, unions have gained greater access to the business's financial information | 2.1 | 11.7 | 24.5 | 51.4 | 10.3 | 2.4 |
| By agreeing measures for responding to the recession, unions have gained support for organizing or representing members in the business | - | 7.3 | 34.3 | 52.0 | 6.4 | 2.4 |
| Unions persuaded the business to change measures initially decided on to address the recession (e.g. from redundancies to short-term working) | - | 5.1 | 25.5 | 60.5 | 8.9 | 2.3 |
| Unions have secured agreement on financial 'claw-backs' for their members when business conditions improve | 0.4 | 5.2 | 16.0 | 66.6 | 11.9 | 2.2 |

* The higher the score the higher the level of agreement –5 = *strongly agree* and 1 = *strongly disagree.*

As emerges from Table 3.13, the majority of firms appear to consider the participation and contribution of unions during the recession in a fairly positive way. More than six out of ten firms (61.6 per cent) stated that they had actively engaged with unions in developing HR options with which to respond to the recession and a majority disagree (58.1 per cent) that the actions required to respond to the recession have been so urgent that there has been little time to consult or negotiate with trade unions. While approximately equal numbers of respondents indicated that the unions had and had not impaired the firm's response to the recession by insisting on protracted and detailed negotiations, more respondents believed that unions have been realistic and constructive in engaging with the business in response to the recession (45.6 per cent), than not (31.1 per cent). Notwithstanding this apparent level of engagement and co-operation, it is surprising that only a small number of firms (13.8 per cent) agreed that unions had gained greater access to the business's financial information. Unions do not appear either to have been able to exert much leverage on managements' favoured measures for responding to the recession. Only a very small number of firms (5.1 per cent) agree that unions persuaded the business to change measures initially decided on to address the recession (e.g. from redundancies to short-term working), or that they secured agreement on financial 'claw-backs' for their members when business conditions improves (5.6 per cent). The same holds with respect to whether unions are seen to have achieved any institutional gains on foot of their dealings with firms in responding to the recession: for example supports to organization or representation. Opinion as to whether union influence in the firm had declined as a result of the recession is nearly equally divided between those who agreed, those who disagreed and those who felt unable to offer a clear assessment.

The level of agreement with these statements regarding relations with unions varied more significantly than responses to the HR statements when analysed from a sectoral vantage-point. There appears to be a marked contrast between the sectors in terms of their level of engagement with unions in developing options to respond to the recession (see Table 3.14). The Construction sector with a mean score of 2.8 along with the Hotels and Restaurants (2.9) appear to have had quite a low level of engagement compared to the other sectors. These two sectors were also most likely to agree that the actions required to respond to the recession had been so urgent that there had been little time to consult or negotiate with unions.

**Table 3.14: Mean score comparison on the manner in which the business has conducted relations with trade unions in response to the recession - by sector**

| | Sector | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trad. Mfr | Hi-Tech Mfr | Cons-truction | Dist. | Finance & Business Services | Trans-port & Comm. | Hotels & Rest. |
| | Mean Score* | | | | | | |
| The firm has actively engaged with unions in developing HR options with which to respond to the recession | 3.8 | 3.6 | 2.8 | 3.4 | 3.6 | 3.6 | 2.9 |
| Union representatives had to learn new skills to address the challenges posed by the recession | 3.4 | 3.2 | 3.4 | 3.6 | 3.5 | 3.2 | 3.6 |
| Unions have impaired the firm's response to the recession by insisting on protracted and detailed negotiations | 3.1 | 3.2 | 3.2 | 2.6 | 3.2 | 3.6 | 3.0 |
| Unions have been realistic and constructive in engaging with the business in response to the recession | 3.3 | 3.2 | 2.3 | 3.4 | 3.0 | 2.7 | 3.6 |
| Union influence in the business has declined as a result of the recession | 3.0 | 2.9 | 2.5 | 3.3 | 3.0 | 2.1 | 3.1 |
| The actions required to respond to the recession have been so urgent that there has been little time to consult or negotiate with trade unions | 2.3 | 2.4 | 3.1 | 2.8 | 2.8 | 2.4 | 2.9 |
| By agreeing measures for responding to the recession, unions have gained greater access to the business's financial information | 2.7 | 2.1 | 1.9 | 2.5 | 2.8 | 2.5 | 2.2 |
| By agreeing measures for responding to the recession, unions have gained support for organizing or representing members in the business | 2.6 | 2.1 | 2.2 | 2.5 | 2.6 | 2.3 | 2.2 |
| Unions persuaded the business to change measures initially decided on to address the recession (e.g. from redundancies to short-term working) | 2.3 | 2.0 | 2.1 | 2.3 | 2.5 | 2.5 | 2.1 |
| Unions have secured agreement on financial 'claw-backs' for their members when business conditions improve | 2.2 | 2.0 | 2.3 | 2.1 | 2.3 | 2.4 | 1.8 |

* The higher the score the higher the level of agreement –5 = *strongly agree* and 1 = *strongly disagree*

The Distribution sector (mean score 2.6) were least likely to agree that unions had impaired the firm's response to the recession by insisting on protracted and detailed negotiations, while the Construction sector was least likely to agree that unions have been realistic and constructive in engaging with the business in response to the recession. Where unions had gained support for organizing or representing members in the business (as a result of agreeing measures for responding to the recession), this was most likely to have occurred in Traditional Manufacturing and in the Finance & Business Services sector.

## 3.9 HR Practices Seen as Most Effective in Managing the Recession

Survey respondents were asked briefly to describe and to rank the three HR practices they considered to be most effective in helping them to manage the recession. Their answers have been categorized in the manner outlined in detail in Box 3.1, which contains a detailed profile of responses grouped into the categories that have been adopted for tabulation and analysis. Respondents had scope to identify and rank the kinds of HR response measures detailed earlier in the chapter, or other measures, as they saw fit. In the event both HR measures aimed directly at controlling the pay bill and increasing efficiency in various ways and HR measures concerned with the processes and systems by which these direct measures were implemented were identified among the ‘most effective practices’ listed.

**Box 3.1: HR practices considered to be most effective in helping to manage the recession - Details**

| Area of action | Details |
|---|---|
| **Communications & Information Disclosure** | Increased/early/regular/more open communications. Consistency/ transparency with all employees on how the business is doing. New communications strategy/ Staff and team briefings/one-to-one communications. Communicating directly to employees and not through HR or unions. More involvement of MD/CEO/Senior Management in communications. More open communications about company performance/budgets/business reality/the need for change/global pressures on business. Awareness/need to over-communicate. |
| **Efficiencies and cost control** | Increase productivity/employee efficiencies. Reviewing/evaluating remuneration policies to ensure affordability and cost effectiveness. Cost reductions (wages/salaries/bonuses/ pensions/fringe benefits) pay freeze/re-negotiation of contracts/ review purchasing and pricing. Flexibilities in staff Ts and Cs. Managing salary expectations. Cut out bonus culture/elimination of PRP following discussions/ bonus re-structured to reflect trading profit. Changing healthcare and pension suppliers. Greater accountability amongst all staff and especially those responsible for managing budgets. Controls – reports relating to hours and costs. Maintaining employee rewards. Effective Resource Management - manpower/headcount planning/analysis. Reducing headcount/excess capacity/redundancy programme/reduce HR headcount. Early retirement/ reduced use of agency workers/increased use of contract staff/conversion of permanent staff to agency flexible workers/transferred employees. People left not replaced – work spread out over team. Benchmarking. Common terms and conditions. Re-negotiate terms and conditions. |
| **Human Resource Development** | Cross training /re-training to fill new roles/for flexibility/to cover more than one role/cross-training teams /up-skilling/team development. Maintain focus on key training /learning/no reduction in training budget/continued focus on training/reduce training. Reduce waste, etc., by re-training. Talent management/development/staff development. Succession-planning/front-line management mentoring/development. Review development programme. Skills assessment /developing a good training plan to provide employees with skills for the future. Use of internal resources in learning and development programmes. Service Excellence training/management and leadership development. Retention strategy for key staff//retain core staff. |
| **Engagement and Consultation** | Early employee engagement/involvement/consultation/empowerment/engagement with all employees. Engaging employees in cost savings/changes to business practices/involving staff in decision-making process. Employee forums/employee council meetings/focus groups/employee surveys developed/staff involvement teams/suggestion box. Listening to employees/asking staff for ideas. Getting buy-in from all staff. Dialogue with key stakeholders/3rd party specialist consultation |
| **Formalising HR Policies** | Performance management//managing poor performance/setting SMART goals and expectations/regular performance reviews. Robust PM system that is consultative, honest and transparent. Ensuring people managers are equipped with strong performance management competence. Better management of absence/attendance/sickness/discipline. Greater application of company policy in relation to attendance and performance. Clarification of standards, time-keeping, etc. Monitoring of sick leave, untaken annual leave, etc. New/review of recruitment strategy. Setting out clearer processes and criteria. Freeze/reduce costs relating to recruitment. Better resource management in terms of recruitment and utilisation of staff. Stream-lining policies/tightening up and properly implementing policies//suspension of policies that don't add value but a high-cost e.g. perfect attendance. Implementing a full HR suite. |
| **Managing Working time** | Unpaid leave/lay-offs/career breaks/short-time working/reduced working hours across workforce/staff to work 10% extra hours/reducing overtime. Use of flexible working hours/part-time working/3-day week/short-term layoffs/hours adjusted to match business requirements. Employee working from home to reduce costs. Allow staff to accrue holiday and bank holiday leave and take extended leave mid-winter. 'Giving back' or 'paying forward' - in 2009 awarded 2 additional days holiday per employee. |

**Table 3.1: HR practices considered to be most effective in helping to manage the recession (cont'd)**

| Area of action | Details |
|---|---|
| **Work (Re) Organization** | Creating a flexible/adaptive workforce. Reviewing processes and work practices/re-deployment/better planning and management of work and shift rosters/up-dating. Lean practices/common systems/constant review of resources/process improvement initiatives. Team working. Change in work practices – multi-skilling/multi-tasking/removing old work practices/allocating more responsibility and greater accountability/devolving responsibility to line managers /resourcing critical areas properly. Employees willing to take on tasks not in their job description/ agree inter-departmental movement of staff so as to have flexibility in work practices. Flexible working practices. Improving flexibility in workforce via training and re-structuring, etc. /ability to move people/re-locating staff to areas that are most productive. In-sourcing jobs/outsourcing - use of external HR specialist/IBEC. Promoted opportunities abroad with the larger company. Everybody working harder. Re-structuring to size business correctly. Introduced new management systems/more 'hands-on' management/ less formal management/daily manager meetings. Change in management strategy/management taking more decisive strategic actions/educating managers on what to expect. |
| **Fairness/Trust** | Generate a sense of fairness/focus on fair practices. Ensure remedial action is fairly implemented – be seen to be fair. Support staff around redundancy. Ensuring that the share of the pain is split between employees and shareholders in a manner favourable to employees. Maintaining trust/credibility. Make efforts to reduce costs before seeking any redundancies. Managing employee relations to ensure fairness and consistency/treating all employees the same. Dignity and respect/equality. |
| **Aligning HR with Business Agenda** | Greater focus on and understanding of business/customer requirements. Focussed weekly KPIs. Strategic planning. Forecasting business requirements – only having resource when needed. Keeping good records to inform managers re criteria for redundancy. Managing key performance indicators. Involving HR in business decisions. Ensuring employee numbers match the income generated. Senior Management doing rosters to suit business on the books. New incentive scheme linked to business and/or group performance/ introduce discretionary bonus scheme for support staff to encourage a range of behaviours/ introduction of incentive scheme based on critical KPI for company. Daily monitoring on labour/revenue/forecasting labour costs regularly/constantly review wage costs against turnover. Aligning HR leadership to the objectives of the business. Stronger HR influence on the business/ability to initiate change, influence business partners/drive and implement change/HR now seen as very important by staff/business role of HR has been strengthened. Provide support to managers on HR issues/HR supporting line managers to communicate effectively with their staff/regular engagement with senior and middle management. HR planning in terms of recruitment, short-time working/leave of absence, etc. HR metrics. Reviewing HR policies/HR focus on best value for money and less on 'nice to have' policies/ensuring correct and effective application of policies and procedures/involvement in performance/strategic evaluation. Strong coaching, mediator skills within HR/ Strategic insights and solutions. HR negotiating discounts on membership renewals. Identifying and implementing non-financial reward mechanisms where possible. Assistance with cost-reduction initiatives introduced in the organization. Introduce HR creative solutions. |
| **Relations with unions** | Collaborative approach to negotiations/union co-operation. Maintaining regular contact with the union. Local bargaining/managing conflict/attending negotiations/decisive negotiations with trade union. Providing structured business up-dates to employee representatives. Not depending on the union to communicate effectively for the business. |

As shown in Table 3.15, communications and information disclosure was listed and ranked as the most effective HR practice in helping firms manage the recession. Employees needed to be kept informed, particularly about how the business was doing. More than a third of firms (34.4%) indicated this as their most effective HR practice. In addition, where respondents gave a second and third ranking of effective HR practices, communications again came out as being very effective in a fifth of firms. Notwithstanding this emphasis on the importance of communications, fewer firms appear to have considered engaging or involving employees, or indeed trade unions, as being the most effective way to address the impact of the recession – this practice being ranked third in the rank-order of most effective practices and winning the endorsement of between 7 and 12 per cent if firms, depending on the ranking examined.

As has emerged earlier in the chapter, a central aspect of the challenges facing business was the achievement of cost reductions and productivity improvements. The results here reiterate that this challenge was being considered very seriously by those with responsibility for human resources. After communications, the next most effective area for HR to be involved was helping to create efficiencies and institute cost control measures in the business. The measures ranged from reviewing remuneration policies to ensure affordability to implementing cost reductions in terms of wages, salaries, bonuses, pensions and fringe benefits and redundancies (see Box 3.1 for further details). A range of measures focusing on the alignment or better alignment of HR with the business agenda also receives endorsement and emerges as the fifth most frequently cited issue in the most effective HR practices ranking.

Table 3.15 also shows that more than one in ten firms indicated formalizing HR policies as being the most effective way of managing the recession, while similar numbers indicated this as a second or third most effective HR practice. From Box 3.1, it can be seen that the HR policies most focused on here were performance management, discipline, absence, sickness and recruitment. Human resource development, including some specific references to talent management and the retention of high potential and high-performance staff, was ranked 6th in importance among the 'most effective measures' by HR managers.

Work (re) organization was considered to be the second and third most effective practice in a large number of firms. The level of activity with regard to relations with unions is significant in its relative lack of emphasis in unionized firms, being ranked in first, second and third order of importance by 2.8 per cent, 4.5 per cent and 3.2 per cent of firms respectively. Adopting measures to institute or preserve fairness and trust also received little emphasis in the pattern of responses.

**Table 3.15: Most effective HR practices**

| **HR Practice**[6] | **Most Effective HR Practice** | **2nd Most Effective HR Practice** | **3rd Most Effective HR Practice** |
|---|---|---|---|
| | **Percentage of Firms** | | |
| Communication & Information Disclosure | 34.4 | 19.1 | 20.0 |
| Efficiencies and Cost Control | 14.4 | 18.4 | 18.6 |
| Engagement and Consultation | 11.6 | 9.5 | 7.0 |
| Formalising HR Policies | 11.1 | 15.6 | 13.1 |
| Aligning HR with the Business Agenda | 7.1 | 4.5 | 4.9 |
| Human Resources Development | 6.4 | 9.7 | 11.1 |
| Managing Working Time | 6.1 | 5.4 | 4.4 |
| Work (Re) Organization | 6.0 | 13.1 | 16.4 |
| Relations with Unions* | 2.8 | 4.5 | 3.2 |
| Fairness/Trust | 1.4 | 3.1 | 3.7 |

* Percentages relate to firms in which unions are recognized

Table 3.16 shows, from a sectoral vantage-point, the first preference of firms in terms of what they considered to be the most effective HR practice in helping to manage the recession. From this it can be seen that the Construction and Hotels & Restaurants sectors are least likely to state that communications & information disclosure as their most effective HR practice, but still identify this area as more important than any of the others listed. Efficiencies and cost control are most effective for the Construction sector, followed by the High-Tech Manufacturing sector. Engagement and consultation are least favoured by manufacturing firms as the most effective practice.

[6] The result for Communications and Information Disclosure is slightly understated. Where respondents stated that Communications and Consultation (together) was the most effective HR practice, this was coded under Engagement and Consultation.

**Table 3.16: Most effective HR Practices - by sector**

| Most Effective HR Practice | Sector | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trad. Mfr | Hi-Tech Mfr | Cons-truction | Dist. | Finance & Business Services | Trans-port & Comm. | Hotels & Rest. |
| | Percentage of Firms | | | | | | |
| Communications & Information Disclosure | 40.9 | 39.5 | 20.4 | 36.1 | 34.2 | 44.8 | 19.3 |
| Efficiencies and Cost Control | 9.5 | 23.5 | 39.1 | 11.5 | 12.6 | 5.2 | 14.4 |
| Engagement and Consultation | 5.2 | 3.2 | 9.2 | 14.6 | 15.4 | 12.0 | 16.0 |
| Formalising HR Policies | 13.7 | 13.6 | 11.9 | 10.7 | 11.8 | 0.0 | 10.8 |
| Aligning HR with the Business Agenda | 5.4 | 3.2 | 0.0 | 9.9 | 2.5 | 15.0 | 14.4 |
| Human Resources Development | 2.5 | 5.7 | 0.0 | 5.0 | 9.3 | 4.6 | 10.3 |
| Managing Working Time | 8.3 | 4.6 | 0.0 | 7.4 | 2.5 | 4.6 | 12.5 |
| Work (Re) Organisation | 8.0 | 4.6 | 10.2 | 1.7 | 10.1 | 8.1 | 2.2 |
| Relations with Union | 2.4 | 4.6 | 0.0 | 0.0 | 0.0 | 16.9 | 0.0 |
| Fairness/Trust | 4.0 | 0.0 | 9.2 | 2.4 | 0.0 | 0.0 | 0.0 |

## Conclusions and Discussion

Consistent with general commentary on the recession, its effects were confirmed as severe for many firms, whether assessed in terms of revenue loss, changes in employment or perceptions of its impact. While the severity of its effects on firms varied across sectors, no sector has escaped entirely. It was also evident that the impact of the recession increased in severity in 2009 over 2008. Most firms reported that they had engaged in business restructuring initiatives.

Firms' HR responses to the recession reflect the severe effects and challenges experienced by many. A wide range or repertoire of HR practices were implemented across the population of firms as a whole to respond to the pressures experienced. Pay freezes or cuts for some or all firms and their employees were common, and pay rises were uncommon. Lower pay or salary scales for new entrants, bonus cuts and changes in pension arrangements were also significant in their incidence and workforce penetration, albeit representing a second-tier of responses in terms of their relative frequency. Changes in staffing levels were also pronounced: most firms in the survey experiencing redundancy for some employees and commonly instituting freezes on recruitment. Changes in working-time arrangements, involving *inter alia* reductions in overtime working, increased short-time working and the increased use of contingent working arrangements (part-time and contract workers) were also common. Substantial proportions of firms also reported managing staff performance more rigorously and otherwise tightening up on work regimes through a more exacting approach to discipline, time-keeping and attendance.

Although comparative data covering the range of HR response measures examined in the study exist nowhere, it seems reasonable on the basis of the international commentary that does exist, and that was reviewed in chapter 2, to suggest that the wide range of direct response measures in evidence across sizeable numbers of firms in Ireland, focused on controlling or reducing pay costs in various ways, is probably unusual – reflecting Ireland's near unique economic circumstances among developed European countries. Another way of interpreting the survey data is that Irish firms have been very versatile with respect to the range of measures that have been implemented to navigate their way through the recession. The unprecedented character of recent responses also bears emphasis. While pay freezes or cuts, changes in working time and redundancies were familiar during the 1980s recession, the range and incidence of such measures during the last recession probably does not compare with recent experience. For example, during the 1980s, despite ongoing job losses and high and persistent unemployment, regular pay rises were common for many firms and employees under the aegis of the attenuated version of the pay-round system that continued to operate during that decade.

It is clearly important to recognize that in addition to implementing 'hard' HRM practices aimed at cutting pay-roll costs and improving productivity, many firms have also implemented a wide range of 'softer' HR practices to maintain commitment by communicating with employees and unions, by retaining HRD initiatives and by undertaking specific measures to promote employee engagement. Many have also sought to preserve jobs by redeploying staff to new positions. A significant proportion of firms – about one in five - have sought to retain high-potential or high-performance staff. About the same number have continued to recruit staff for certain specific grades and positions and some have also continued to promote some staff. Some of these practices are assessed as among the most effective in helping firms manage the effects of the recession. In particular, communication with staff consistently emerges as a key concern of most firms during the recession. However, symbolic measures to promote organizational cohesion, such as higher proportionate cuts in pay and bonuses for senior managers, have not been undertaken on a widespread basis. And while few firms believe that issues of fairness have been a lower priority in the recession – contrary to commentary in some circles that consideration of fairness may need to be eclipsed in responding to the recession – few ranked measures to preserve fairness and trust highly when asked to describe measures that had been most effective in helping them manage the recession.

The research revealed two broad patterns of response in terms of the manner in which firms have combined hard HR response measures focused on cost cutting and containment with soft HR measures focused on maintaining motivation and commitment. With respect to hard HR response measures, about half of all firms have implemented what were described as general HR retrenchment programmes comprising pay freezes, curbs on overtime, short-time working, redundancies and more rigorous work regimes. The rest implemented fewer such measures, focusing in the main on pay freezes, curbs in overtime working and greater rigor in the management of work regimes. The severity of the recession was a critical influence on the response pattern in evidence: firms severely or very severely affected by the recession were more likely to have implemented general retrenchment programmes. An examination of the manner in which firms have combined these hard HR response programmes with softer HR practices confirms that many firms have sought to combine both sets of practices. Just over 7 out of 10 firms involved in both hard response programmes have made use of multiple soft HR practices like more emphasis on communications, employee engagement and involving employees in developing response measures. Just under 3 out of 10 firms occupy a different grouping in which communications is for many the key soft HR response measure combined with hard retrenchment programmes of either type.

What emerges from the overall pattern of results, therefore, is a picture of many firms attempting to balance ‘harder’ and ‘softer’ aspects of HR management in response to the challenges they have faced, with HR processes and systems changes accompanying hard measures directed at the immediate bottom-line. They have also sought to balance the pressure to make immediate savings with a concern to provide for the medium-term by continuing to recruit, promote and retain staff for, or in, some positions.

The HR Function has manifestly been a significant player in the response measures undertaken by firms. Respondents believe that HR has become more influential in its role of supporting the business. This finding needs to be understood in the context of other survey findings. Less than a third of respondents believe that HR has been the biggest influence on the choice of measures adopted to respond to the recession and a similar proportion believe that the role of HR had been restricted to implementing measures decided on by the business, with a somewhat lower proportion of employees disagreeing. So there seems to be some ambiguity regarding the degree of influence exerted by the HR function, and specifically over the balance of that influence as between strategic leadership and strategy implementation. Little such ambiguity is apparent in assessment of the increased prominence of senior managers in communicating HR measures to staff – and their willingness to do so may also reflect a rise in the value placed on HR measures among top-level managers. While this study was not in a position to examine the views of senior managers themselves, positive views of the growing co-operative relationship between senior managers and HR were conveyed by the HR managers in the focus groups.

At the same time as the business role of HR has been strengthened the resources available to the function have often declined, but to a lesser extent than generally prevalent levels of retrenchment in employment. While more than 4 out of 10 firms had curtailed their use of external HR consultants, fewer than one fifth report reducing the costs of HR processes or HR-allied services (health and wellness, employee assistance programmes etc.).

As perceived by managers, firms recognizing unions commonly and actively engaged with them in developing HR options with which to respond to the recession. Only a minority of firms, albeit a not insignificant minority of 25 per cent, reported that the actions required to respond to the recession were so urgent that there had been little time in which to consult or negotiate with unions. Only 3 out of 10 firms dissented from the view that unions had been realistic and constructive in engaging with businesses in response to the recession, and yet opinion is divided concerning whether unions had impaired firms' responses by insisting on detailed and protracted negotiations. While opinion is evenly divided as to whether union influence had declined as a result of the recession, unions appear only infrequently to have gained greater access to financial information, or supports to organization or representation, or financial ‘claw-back’ arrangements for their members in return for agreeing on measures for responding to the recession. Firms are categorical that unions had not persuaded them to change measures they had initially resolved to implement in response to recessionary pressures. So the picture of unions in the recession that emerged from employers is one in which firms claim commonly to have engaged with unions, who more often than not were found to be realistic and constructive and who as often as not were seen to have impaired responses to the recession by insisting on detailed and protracted negotiations. Less subject to differences of view is that unions had rarely shifted businesses from their initial proposals for responding to the recession, won greater access to financial information, supports to organization and representation or financial claw-back arrangements for their members.

It remains to discuss the import of these survey findings for the different perspectives on the impact of the recession on HR outlined in chapter 2. Commentators observing or predicting radical changes in employment and HR models in either of the two contrasting directions outlined in chapter 2 seek to understand inherently dynamic processes, which yet remain in their early stages – even if they sometimes seem confident to draw strong inferences from ‘snap-shot’ or cross-sectional surveys, such as that reported here. Notwithstanding this caveat, some indications of the effects of the recession on HR and employment arrangements can be gleaned from the survey results.

Clearly there is no evidence that HR functions in Ireland have undergone, or face, decimation or cataclysm as a result of the recession. Rather they commonly appear to have been spared the worst effects of a general trend towards downsizing and often to have experienced a strengthening of their business role and influence.

Nor is there any compelling evidence of any transition to a ‘new employment deal’ that involves jettisoning key aspects of established HR and employment arrangements in favour of a new philosophy of ‘self-reliance’. For sure work had become more insecure for most people and career advancement, in the form of promotion, has been halted for some (approximately 23 per cent of those at work). It is likely also that the changes in pension arrangements identified in the survey – in all affecting firms that employ 4 out of 10 employees - may sometimes involve a shift from defined benefit to defined contribution schemes that shift the burden of risk towards employees. But it would be premature and indeed involve a highly selective use of empirical evidence to posit that these types of developments represent more than a cyclical adjustment and reflect instead a secular trend involving the rise of a new model of HR and employment arrangements. Especially as other changes consistent with the supposed transition to a new employment deal, such as outsourcing and the greater use of agency workers, are barely pronounced in the recession. HRD budgets – supporting investment in human capital - have been maintained in as many firms as they have been reduced, while nearly 6 out of 10 people work in firms that have opted to redeploy staff to new positions or product lines in the recession – presumably to avoid or stave off job losses. Beyond these features of current HR and employment arrangements, firms claim to assign greater importance to areas like communication, the active involvement of employees and employee engagement. Although the new deal argument is silent with respect to trade unions, no fundamental or permanent shift in firms' dealings with trade unions is evident either from the survey data. Unionized firms claim most often to seek engagement with unions in the context of HR measures with which to respond to the recession.

Taken as a whole, these features of firms' HR practices in the recession represent a considerably more variegated profile of HR and employment arrangements than that associated with the admittedly rather vague and general thesis that the recession is the harbinger of a new HR and employment model that is likely to abide when business recovery sets in.

The same variegated set of measures and responses also warrants caution regarding the view that the recession is acting as a catalyst for the transformation of HR arrangements in the direction of the high-commitment model. The views of Ulrich, Cooper and other HR optimists certainly find resonance in survey results which point to the growing business role and influence of HR and the emergence, in this sense, of a 'business partnering model'. However, whether this development has provided the platform for a definitively high-commitment response to the recession is far from clear. The degree to which the HR function has leveraged its new prominence to create an organizational culture that motivates employees in a period of insecurity (as per the claims of Ulrich and Cooper); positions firms for the long-term by investment in skills (Ulrich); taps employees’ energy and engagement, harnesses their knowledge and involvement, among other things in strategy development (Mohrman and Worley), is more open to question in the light of the survey findings. And so too is the claim (by Ulrich) that HR has sought to reconfigure its own activities in order to cut costs and enhance efficiency.

The greatly increased prominence of communications in firms chimes with this line of argument. While insecurity has certainly increased for employees across the board, the prominence of measures that may have been undertaken to motivate employees in this context seems considerably less marked. Survey respondents’ endorsement of the prevalence of specific employee engagement measures ranks $6^{th}$ out of 11 statements presented to them regarding changes associated with the recession, - although employee engagement ranked third among respondents’ comments regarding the most effective HR practices used in responding to the recession. Active engagement of employees in developing options for responding to the recession ranked 7th out of 11 statements presented to respondents regarding recession-related changes. This seems quite a distance in particular from Mohrman and Worley’s notion of employees having become involved in ‘hyper strategizing’ initiatives as firms seek ways of responding to new challenges unleashed by the recession. Alongside the notion of HR leaders persuading firms to engage in long-term investment in skills must be set the reality that just over half of all firms, employing 54 per cent of the workforce, felt the need to cut training and development budgets. While the business role of HR gained in prominence, the incidence of reconfigured HR functions seems modest at less than 15 per cent, as does the incidence of initiatives to cut the cost of HR systems and services (17 per cent of firms). Finally, in respect of the conduct of industrial relations in firms recognizing unions, there is little evidence of any new spirit of co-operation, collaboration or partnership having been animated by the recession – features of industrial relations commonly highlighted in accounts of the high-commitment HR model. Unions have been conceded little in the way of supports to organization and representation, and their members have been offered few financial claw-back measures in return for the realistic and constructive postures that are recognized by firms as having been commonly brought to bear in negotiations surrounding recession-related measures. Again the pattern of industrial relations evident from the survey seems a long way from the notions of firms fostering ‘a sense of ownership and contribution' as part of concerted programmes to leverage the recession to shift organizational cultures and processes towards a high(er)-commitment.

We are left therefore with a picture of firms often striving to balance hard and soft HR measures in responding to the recession; implementing sets of measures that may involve contradictions and tensions among their various elements - these perhaps viewed as inevitable or as the best that can be achieved in the conditions that prevail. The picture also suggests both elements of continuity with past practices and some reprioritization of HR measures. The new prominence of the HR function and their more pronounced business focus seems more a contributor to pragmatism and eclecticism along these lines than to have provided a platform for transformation to a new model of HR and employment, however this may be conceived. These themes will be explored further in the focus groups to follow and in six case studies examined later in the study.

# Chapter 4
# Human Resource Managers:
# The Effects of the Recession and HR Responses

The last chapter confirmed the seriousness of the recession for many firms in Ireland and also revealed the range of HR measures adopted in response to the pressures and challenges faced by firms. Many firms have implanted measures to control pay and headcount, changed working-time arrangements, instituted more rigorous work regimes and have sought to reach accommodation with trade unions in the context of very difficult conditions. Managers working in the HR function perceive their business role to have gained in importance and have sometimes sought to reconfigure the HR function itself. In responding to what for many are unprecedented challenges they have sought to balance hard and softer aspects of HR management and to reprioritize aspects of HR in the light of the demands of the external and internal organizational environments.

This chapter and the next present the findings of focus groups involving HR Managers, casting more and deeper light on the nature of the challenges that have arisen in these areas. This first chapter begins by providing an outline of focus group participants and also describes the conduct of the focus groups. It next examines the effects of the recession on the wide range of businesses represented, and reviews in detail, and often in participants' own words, the HR effects of pressures on businesses in which the HR managers worked. The chapter that follows examines HR managers' understandings of what constitutes 'good human resource practice' in recent and current recessionary conditions. Each of the HR focus group chapters closes with a series of conclusions and a discussion of the implications of the findings for human resource management and for debates on how it may have been affected by the recession.

## 4.1 Background of HR Managers and Conduct of the Focus Groups

The thirty managers participating in the five focus groups conducted in Dublin, Cork and Galway worked for a diverse set of companies. All but one of the managers had direct responsibility for HR, the exception being a manager to whom HR reported. Details of the backgrounds of participants in the HR focus groups are contained in Appendix Tables 3.1 and 3.2. Eight participating companies were in manufacturing businesses, ranging from pharmaceutical products, medical devices, food, digital products, components and children's products. Twenty-two companies were in services, including financial services, information and communication services, software development, retailing, distribution, professional services and consulting, engineering and construction, hospitality, healthcare and contract cleaning. All companies were in the private sector, with the exception of one commercial state-owned company and one hospital. Fourteen companies were Irish-owned (some were multinationals) and 16 were owned by foreign multinational firms. Nineteen companies recognized unions and conducted collective bargaining for some or all categories of staff, while ten companies were non-union. The companies represented in the focus groups spanned a wide range of employment levels from low double figures to more than 5,000 employees. In the case of foreign-owned multinationals, both large-scale and small-scale Irish subsidiaries were included.

All focus groups were mixed with respect to the sectors represented. Four focus groups involved both unionized and non-union companies and one involved non-union employers only. All but one focus group involved both foreign-owned and Irish-owned businesses and one focus group involved Irish-owned companies alone. All focus group participants received briefing documentation on the nature and scope of the research study, instructions on the manner in which the focus group would be conducted and details of the uses that would be made of the data collected. The conduct of the focus group was structured around a small number of significant questions and issues, and these were again communicated to participants in advance of the focus group meetings. The questions and issues around which discussion was focused were as follows:

- In what ways have firms been affected by the recession?
- The implications and challenges for the conduct of HR?
- What does good practice involve in firms that take cognizance of all stakeholder interests?

- In the case of unionized firms, what good practice has been identified and are there innovative ways in which unions have sought to deal with the pressures associated with the recession?[*]
- Are pre-existing HR&IR practices being maintained, modified or dispensed with?
- Which firms seem to be involved in responding effectively?

No prescriptive definition of HRM was provided to focus group members, and focus group participants themselves identified the areas encompassed within HR practice. In addition to the areas outlined above, a series of specific HR practices that may have been involved in firms' responses to the recession were communicated to participants in the prior briefing material supplied. These reflected the literature on HR practices commonly adopted in recessionary conditions and recorded in commentaries on the responses of firms in Ireland. They were drawn to the attention of focus group members in the final stage of the groups' discussions. They cover the following areas:

- Wage adjustments.
- Employment adjustments.
- Reorganization of working time.
- Workforce stabilization.
- Employability (assisting employees made redundant to obtain retraining).
- Voice (new forms of employee involvement or collective bargaining).
- Process or product innovation.

In oral briefings provided at the outset of the focus groups, participants were informed that the areas identified in the briefing material and those used to structure the focus groups were neither intended to be prescriptive nor exhaustive and that the researchers were willing for the discussion to proceed in line with themes and priorities emerging from discussants themselves. It was made clear that the researchers present did not necessarily expect that a consensus would emerge around these areas within the group and that there were no 'right or wrong' answers. Participants were asked to share their own experiences and offer views

[*] This was the question provided in the oral briefing for the first focus group and modified for clarity from the item presented in the pre-circulated briefing powerpoint, which was worded as follows: 'what do unions regard as good practice?' Subsequent briefing material carried the modified item.

based on their professional experience. Based on experience in the first focus group, participants in subsequent focus groups were asked in particular to discuss their direct experiences of the issues covered and the attitudes they have formed on the basis of these experiences. Participants were also informed that they were not viewed in any sense as representing their own companies' views on the areas under discussion. Focus group interviews were recorded and transcribed. The transcriptions ran to more than 200 pages.

## 4.2 The Effects of the Recession and the HR Response

Reflecting the general business environment, most participants identified a range of commercial pressures bearing on both their own businesses and on those with which they were conversant. Downturns in sales and profitability were widely identified as major pressures. The cost and availability of credit was also identified as a significant pressure, particularly in financial services. Share prices had fallen significantly in a number of firms. In some markets, changes had occurred in product ranges: for example financial institutions switching from mortgage provision to deposit taking. In other instances in professional service firms, entire product areas had virtually disappeared from the market. In financial services some participants spoke in terms of a 'huge loss in business confidence', although instances were related in other sectors in which investment projects had been proceeded with, even in the face of recession an falling sales. Participants also identified higher price sensitivity on the part of consumers as a significant consequence of the recession. In retailing people were seen to be shopping around more in addition to buying less. This involved acute commercial pressure for a relatively small operator that could not compete with the major multiples on price and had to balance cost reductions with retaining a level of service to customers that was the key to retaining their business. A firm in the hospitality sector was seriously affected by a fall in the discretionary spend available to consumers and by the existence of a high level of excess capacity in the industry, driven by tax incentives during the boom. The result was pressure on the prices that could be charged and a lower level of yield on sales.

Other firms had suffered from the effects of closures by major customers, resulting in a huge reduction in orders and no new business. A firm in the food industry supplied global markets in food ingredients and the local and UK markets in consumer foods. In the latter business there had been volume reductions and pressure on prices as suppliers sought cost cuts in good supplied and supermarkets shifted from branded goods to own-brand goods. Even in sectors relatively insulated from the recession, such as medical devices, elective surgical procedures, for example, had been affected resulting in falling sales volumes. Also changes had occurred to product ranges with demand falling for high-end produce in favour of more generic products. These developments were compounded by changes in product purchasing strategies in major markets, such as in the US, where centralized purchasing functions in healthcare providers meant pressure on the prices that could be charged. In one major IT and communications firm with a global reach there had been an ongoing programme of change and restructuring encompassing the company's Irish operations. Here the parent firm was seeking to focus on global growth areas, and the challenge to the firms' Irish operations was to move up the value chain. Central to managing this challenge was achieving cost reductions and productivity improvements in the Irish operations.

Some businesses were significantly affected by the rising value of sterling, even where turnover had not been greatly affected by the recession. When products sourced were priced in sterling but sold in Euro, 'margins had collapsed'. One firm more affected by an adverse exchange rate than a decline in turnover was forced to restructure the business, closing a significant number of loss-making outlets.

A distributor for a major retailer had found that the retail company HQ had assumed control from the firms' Irish management during the recession and insisted on exacting cost savings and business targets – pressure made more acute by the higher cost base of the Irish distributor. In the HR manager's eyes, the fact that the firm was now dealing with the UK HQ meant that the 'focus was on cost, cost, cost; the holiday is over' – something that staff and unions had been reluctant to accept.

The estate agency had seen the property market fall sharply early in the recession with major implications for the volume of business in both the residential and commercial property arms of the business. A newspaper had experienced serious commercial pressure even during the boom and had been grappling with secular change in the media sector that included the advent of networking sites on the internet and changes in the ways people acquired news. To this the recession had added a fall in circulation and a decline in advertising revenue. A retailer had also experienced declining sales before the acknowledged onset of the recession – a trend compounded by the liquidation of some in-store concessions involving high-street brands, from which a significant share of revenue had been obtained. A hospital was very heavily reliant on state funding, which had fallen by about 15 per cent from 2009-2010. A rising share of management time and clinical resources had also to be devoted to meeting increasingly exacting regulatory standards. Demand however had continued to increase. A professional services firm that had won a series of accolades for being a 'good employer' found that with the onset of recession its 'revenue base had fallen off a cliff', leading to a sharp cultural change in the company's operations. Because the firm's people were its main asset base, the actions needed to 'right-size the cost base had to be very stark'. A construction and engineering design and management firm had borne the direct brunt of the virtual collapse of the construction sector, resulting in a sharp fall in income and activity, followed by a high level of redundancy involving around 1 in 5 staff.

A number of the multinational firms included in the focus groups saw the recession as exacerbating pressures already evident during the years preceding the downturn, and the major challenge they identified was the cost and specifically the labour-cost competiveness of a firm's Irish subsidiaries relative to other locations in the parent company. Irish subsidiaries were seen to be in competition for production and investment mainly with other locations in Europe, the Americas and in emerging markets. This competition had been rendered more intense by volume reductions, pressure on product prices and sometimes by over capacity and changing tax regimes in competing jurisdictions. What were seen as the high labour costs of Irish subsidiaries were sometimes further compounded by adverse movements in exchange rates with major currencies such as sterling and the US dollar, further weakening the competitiveness of Irish plants. In these ways the recession had thrown into sharper relief the mandates of local subsidiaries of multinationals and added to the challenges of preserving, renewing or developing such mandates. The focus of competition and the challenge of finding ways of competing with other subsidiaries were highly salient to the HR managers involved:

> From a local perspective … it's about our competitiveness versus other internal sites within [the parent company] in as much as it would be in terms of other companies or other competitors. So for us to remain competitive versus other sites [named sites in Latin America] - they're particularly low

> cost labour – you need to compete on some basis other than just on labour cost.

The HR managers involved in all of the focus groups held largely common views as to the implications of these various pressures for their areas of activity. In general they had experienced acute pressure on costs, especially labour costs, on headcount and labour supply in general and pressure to improve productivity. In parts of financial services, in particular, ‘headcount reduction and cost management has been aggressively put in place’, although it was also noted that the state guarantee of loans and deposits put in place by the Irish Government in late 2008 had had the effect of constraining some participating firms’ reactions in the areas of cost and headcount management. Pension funds also in some cases had been negatively affected by the recession and one participant spoke overall of a ‘survival agenda’ having come into being in the HR area. Several multinational subsidiaries had reduced headcount significantly but had also sought to automate production to reduce their vulnerability to uncompetitive labour costs relative to other locations within their parent companies’ operations:

> The reality for us is that we are never going to be able compete in terms of labour costs … so as a plant what we’ve been trying to do is to take in a more highly automated sort of manufacturing… . Your labour cost in an awful lot less and that’s what we’ve been working at.

Not all markets or firms had been so severely affected. In areas like software development and ICT business remained relatively buoyant. But even here ongoing restructuring that preceded the recession was a significant background influence. A software development firm had initiated a restructuring programme ‘ahead of the curve’ prior to the recession. While there had at the time been an acute decline in morale, the company’s operations had ‘bounced back’ – an outcome attributed to the ease with which those who had left had found jobs. So with the onset of the recession people had already been acclimatized to retrenchment and to a situation in which ‘finance had taken control’ and where costs, including HR-related costs were subject to rigorous examination and containment. Those seeking to add new jobs in the firm’s Irish operation are conscious of the higher cost involved than would arise in adding a job in the company’s operation in a low-cost location – although a formal case does not have to be made for favouring one over another location and the firm does not operate on the basis of competition for investment and jobs across locations.

In another service firm, the picture varied by product line. Business had fallen significantly in the firm's retail outlets, though closures had been avoided. The company's online business had, however, grown sharply. In effect the company, which overall remained very highly profitable, now saw itself as operating two businesses with different growth prospects and levels of profitability. The result had been that while some senior management continued to enjoy good bonuses and salaries, pay had been reduced across the retail business and a pay freeze had initially been introduced across the fast-growing online business. This series of developments posed 'cultural challenges' and was seen to have been 'very tough' on both the staff in retailing and on the staff affected by the pay freeze in the highly profitable online business.

Even some firms who had not been forced by commercial circumstances to adopt a retrenchment agenda, identified challenges in managing staff 'complacency' and of ensuring that staff did not assume that things would continue to remain as they were. In one such case a small anticipated pay rise was withdrawn and a pay freeze had been instituted in one company that had also redeployed staff as an alternative to instituting redundancies. Disaffection with the company's responses by even a small section of the workforce was seen as a surprise and an indication of the challenge in instituting 'realism' in this case. An ICT firm also provided evidence of the challenges involved in managing staff in a business that had remained profitable during the recession. While the business, judged in terms of key performance indicators, remained positive, senior management anticipated that the 'future would be tough' and that the business needed to be 'reshaped in a different way' for the challenges that lay ahead. The company had embarked on a 'low-key' restructuring programme with minimum required redundancies and a freeze on headcount. This had given rise to the challenge of maintaining the firm's culture, about which it proclaimed to remain 'passionate' and which involves a consistently positive employment experience and good programmes for staff, amid the 'uncertainty and fear that had started to creep in', due to the restructuring programme and arising from the very different employment experiences of partners and friends working in other sectors. Yet still, the HR manager observed – without elaborating on any direct HR implications – the sense that can be created is that the company’s employees ‘aren’t living in the real world’.

Reflecting an economy in which the recession nationally had resulted in a 10 per cent contraction of GNP in 2009, close on a 3 per cent fall in export activity, a 14 per cent fall in the volume of retail sales (6.8 per cent if motor sales are excluded) and in which the state had intervened to prevent the collapse of the banking system, many participants spoke of the speed of the onset of the recession and of the depth of the retrenchment that resulted. The new conditions faced by firms marked a very sharp contrast with the high growth commonly experienced during the Irish economic boom and what was seen by some as the ‘bloated headcounts’ that were allowed to build up during this period. As one contributor was concerned to emphasize:

> If we look at previous recessions there wasn’t the same emphasis on headcount reduction. Organizations cut the training budgets, counted the paper clips, did all the issues but largely issues that were ‘non-people’. The difference with this recession, because of the intensity and pace of it, [was that] the only way we were going to be able to achieve the reductions and to meet the cost cutting that was necessary was to go straight into headcount reduction.

Keeping in mind that not all firms were affected to the same degree, the speed of the onset of the recession and the scale of the pressures experienced provide the context for the HR adjustments outlined by focus group participants. The main areas in which HR managers had directly responded to the pressures caused by the recession and some of the implications for the management of HR will be considered in turn.

***Managing pay and headcount***

Virtually all of the HR managers participating in the focus groups had been involved in initiatives concerned with managing retrenchment with respect to pay levels and/or headcount reductions and short-time working. Cuts in payroll budgets were widely remarked upon. Pay freezes and freezes on pay increments, on progression through salary bands and on promotions had been implemented by focus group participants. In addition, bonus earnings had been heavily curtailed in some cases where bonuses were related to sales figures.

Deferred bonus arrangements were also introduced in areas of financial services. In some instances, bonuses were paid for 2009 following the introduction of a new performance management system and better than expected performance in the final quarter of that year, but were unlikely to be paid for 2010. For staff accustomed to bonus payments or employed on modest basic rates, where bonus earnings were relatively significant, these changes were seen as having a considerable impact on pay and conditions. Cases were also reported where lower rates had been introduced for new recruits to a series of staff categories.

Headcount reductions were widespread and often acute – in some instances involving up to a third or more of the workforce - and these were achieved through a variety of measures. Freezes on recruitment were widely instituted, backed in some cases with the utilization of temporary or contract employment to add resources where controls on recruitment were ‘very stringent’. A case was reported where a firm, operating in the shadow of the state guarantee for financial institutions, had successfully implemented ‘incentivized career breaks’ to achieve temporary reductions in labour supply. This had been welcomed by unions as an alternative to redundancies. Where this was used, little attention had yet been devoted to the issue of those involved choosing to return to work in the future: the measure had ‘bought the company time’ with which to ‘work … through other issues, other initiatives’. Voluntary redundancy programmes had also been implemented. Some of these had been over-subscribed, to the evident surprise of HR managers involved. ‘Exit terms’, when competitive, or even when on par with general practice, could secure significant reductions in headcount. Many people’s willingness to accept voluntary redundancy terms was explained in terms of the longevity of companies’ operations in Ireland and ‘greying of the workforces’ in plants where this had been the experience. ‘People had their ‘families raised’ and were happy to go and do something for a couple of hours a week. Some also harboured fears that the businesses involved might not survive and that the terms available in future would be significantly worse than those on offer. Working conditions were also a factor. Shift working for long periods had tired some people. In some cases voluntary and compulsory redundancy programmes had been used serially to reduce headcount in successive waves of responses to falling sales and corporate restructuring. In other cases HR managers had felt they had no alternative to what one described as the ‘nuclear option’ of sizeable compulsory redundancies that comprised 25 per cent of headcount. Several cycles of compulsory redundancy programmes had been implemented, somewhat to the dismay of the HR manager involved, who would have preferred to have obtained the required reductions in a more concentrated manner.

In managing redundancies, some firms with a tradition of outplacement extended this practice to redundancies caused by the recession, seeking to ‘make sure that people who have had to leave us were looked after’. In a professional services firm a large proportion of staff made redundant had been successfully out-placed. Another firm had brought Fas and the local social welfare office to meet employees being made redundant to ‘save them the indignity of having to go out of full-time employment and stand in a queue for a couple of hours’.

The use of multiple measures to control pay, headcount and labour supply was common. Pay freezes and deferred pay rises might be accompanied by redundancies. The same kinds of measures might also be further accompanied by unpaid lay-offs implemented on a rotational basis. Some firms had used temporary short-time working, while others had resorted to short-time working on a more prolonged basis. It was common for firms across different sectors to implement packages of measures such as combined pay freezes and redundancies, sometimes in the context of restructuring programmes. In some instances, such as a services firm severely affected by the recession and where numbers employed were reduced by more than 40 per cent, wholesale or comprehensive packages were implemented involving pay cuts, cuts in bonuses or commission, reduced working time (through 3-day week, part-time and career breaks), freezes in recruitment and redeployment, and the rationalization of management structures. A similar comprehensive package of measures had been introduced in a professional services firm, where their cumulative impact was viewed as a ‘seismic cultural shift within the organization’. An engineering design and management firm had effected a 25 per cent reduction in headcount and reduced pay costs through a battery of measures that involved cutting fringe benefits, salary levels, freezing bonuses and promotions and introducing short-time working. Programmes of this kind also sometimes involved successive sets of initiatives where measures and priorities changed as programme outcomes became clear and commercial circumstances evolved. Thus, pay reductions or deferred pay rises might be succeeded by pay freezes or agreement to pay increases due. Pay freezes might be rescinded for significant numbers of staff, and freezes on promotions might be succeeded by consenting to promotions, while other measures remained in place.

In some instances firms had implemented these kinds of measures while also continuing to make ‘targeted pay adjustments’ or promotions for some staff on competitive or retention grounds. Bonus schemes in other companies, linked with staff performance, also continued to operate, including one that continued in the context of freezes on general pay increases. The company’s rationale was that it wanted to ‘continue to incentivize performance’.  Changes to pay systems to align them more closely to performance and to alter the manner in which performance was assessed were reported as continuing apace.  Working hours were not always reduced. In an ICT firm management had also negotiated increases in the normal working week from 37 and a half hours to 40 hours, without additional pay. In a newspaper, staff and unions had conceded increases in normal working time and changes to patterns of attendance at work. Staff and their unions in a retail firm had agreed to be available for work at peak periods at normal pay rates.  Pension contribution payments by staff were also sometimes increased or pensions were frozen to contain costs.  Some instances involving the ‘re-profiling’ of workforces were reported, such as in the case of the contract cleaning firm where students were no longer employed, owning to the high administrative costs involved, and fewer employees were employed on work permits (immigrant workers from outside the EU).   When the researchers called participants’ attention to the specific areas of HR practice that might have figured in firm’s responses to the recession, as enumerated at the head of this chapter, few additional comments were obtained. Some HR managers confirmed that work and shift patterns and shift premiums had changed as a consequence of reductions in headcount.

Some multinationals reported that measures to control pay and headcount were implemented in the context of maintaining the competitiveness of local plants and thus securing and developing their mandates within the parent group. In a case where a corporate-level freeze on pay had led the Irish subsidiary to renegotiate a pay agreement with its union, the local plant’s response was understood by HR to have significant implications for future investment:

> That was a very key discussion … in terms of decisions around future investment and transferring products to [the Irish plant] - the outcome of that decision and how the vote went. What we knew at the time was [that it was] going to be absolutely critical… . So it was key for the longevity in future investments in the site that we were able to do that.

A specific concern of the Irish management was the US parent's known 'nervousness' about a unionized site and whether the union might seek to obstruct business decisions, throwing into doubt future investment. Employees were well aware of the competition that existed between locations within the group for products and investment. In another case of a bio-pharma company, the Irish subsidiary had sought to be proactive and to introduce a local pay freeze 12 months before this became company policy: 'what we were trying to do is manage our reputation; to be proactive in our response as a site rather than waiting to be told'. In another multinational plant, the local management's decision to engage unions about moving to a defined contribution pension scheme for new staff was related to concerns that the cost of fringe benefits would affect the mandate and specifically whether new business might be located or relocated to the Irish plant. Another multinational plant sought to be proactive and to win the support of the parent company for a proposed pay cut. Corporate level demurred, seemingly fearful of the consequences of a pay cut in a sector where pay increases remained common.

While headcount reductions, short-time working and layoffs were among the dominant measures adopted by firms in response to falling demand, one Irish-owned hotel had avoided reductions to core staff, or cuts in pay, by agreeing to implement a wide-ranging cost reduction programme that had a significant staff input. Pay cuts were not seen as an effective competitive response as they could be readily copied by other hotels. Pay was instead frozen and the training budget significantly reduced in line with other areas of 'discretionary spend' and staff holiday arrangements were radically revised. Rather than cutting pay or the jobs of core staff a rigorous cost-cutting plan was implemented covering suppliers, energy consumption, utility costs and the hotel's entertainment bill. Product development in the form of different holiday packages was also undertaken. The HR manager involved saw this response as appropriate to a business that relied on families and other returning customers who expected to meet the same staff each time they stayed in the hotel: 'we retained core people who have been with us; people with knowledge' with skills, with ability'.

***Other HR Practices***

Compared with the salience of pay and headcount management, a number of other areas of HR practice received considerably less mention or attention by focus group participants.

Communication was a major exception and the new priority accorded by many HR managers to this area will be discussed below when we examine HR managers' understandings of good HR management in recessionary conditions. Here we consider several other areas discussed by focus group participants.

*Recruitment and retention:* Recruitment and retention had been major concerns in HR management during the economic boom. Indeed a number of participants in the focus groups suggested that during the boom HR practitioners and departments were largely seen as being almost exclusively concerned with recruitment and selection. The dominant trend with respect to recruitment in the recession was that none was occurring, and sometimes this reflected corporate embargos on hiring by Irish or multinational parent companies. As one HR manager put it 'that whole side of things has completely disappeared'. However, some firms that had implemented redundancies or other pay and headcount controls at the same time hired new staff with specific skill sets. In several cases HR managers explained that persuading potential recruits to move to the company was made more difficult by the recession because people had become more risk averse. Surprise was expressed in these instances that people were not 'queuing up at the door' to take up well-paid jobs given the depth of the recession. In other cases participants spoke of professionals displaced by the recession from some industries seeking jobs in other sectors for which they deemed themselves well qualified, and meeting with considerable scepticism from HR managers who were unconvinced. Several participants spoke of a reduction in staff turnover in relatively high turnover sectors such as the hospitality and contract cleaning industries. Staff turnover in other firms had risen, one firm reporting that some staff 'can't hack it' in the more demanding environment that had arisen. HR mangers spoke of initiatives in some firms affected by general embargos on pay and promotions involving the use of bonuses and promotion to retain staff that might otherwise be tempted to move. There had been a concern to 'keep the right people' in firms that were satisfied to 'lose mediocre people'. In a small number of cases specific 'talent management' initiatives were undertaken to 'track were the future superstars are likely to be'. The recession had also led some firms to shift their recruitment efforts away from traditional sources. For example, a contract cleaning firm no longer sought to recruit students, as the quantity and cost of the administrative work involved was seen as excessive. In a software firm Fas trainees were now viewed as a worthwhile recruitment source, whereas in the past this had not been the case.

*Staff redeployment:* Given the scale of the reductions sought in labour supply and the commercial environments that firms commonly faced, a number of firms seemed to have had little scope for the internal redeployment of staff or related measures. Redeployment seemed more common in non-union than in unionized firms. In an ICT firm, affected only to a limited degree by the recession, redeployment was reported to be 'part and parcel of everyday business reality'. In an estate agent, where 'positions had been made redundant', people had been redeployed and retrained for new positions. In responding to the closure of a plant producing a discontinued product line, a pharmaceutical firm, consistent with its HR policy, had saved several hundred jobs by redeploying staff to other jobs. In another case, a firm that had relied mainly on redundancies to adjust headcount had also resorted to a minor degree to internal staff redeployment and 'moved people where we could'. An engineering design firm reported that redeployment was now easier - the firm having met with 'huge reluctance' from staff in the past. Another firm had sought to redeploy staff where possible but believed that the new and different skill sets it now required were better sourced through recruitment, even as some existing staff were being made redundant. Unionized firms reported more constraints on the scope that existed for redeployment. A long-established Irish firm claimed that staff redeployment was an issue with the unions. In a hospital, redeployment was something viewed as largely 'voluntary' and management had adopted a 'soft approach' on the issue. A retailer indicated that demarcations between different crafts and their unions had limited the scope for redeploying staff. Otherwise, the opportunity for redeployment to new locations in the context of store closures had meet with little response from staff.

*Human resource development and talent management:* Given the predominance of the cost and headcount reduction agenda, it is not surprising that a common – albeit not universal - experience reported was pressure on human resource development (HRD) budgets and activities or cuts therein. The HR manager in a professional services firm echoed a number of colleagues in reporting that it had become tougher to justify the training spend. In a hospital the training budget had been 'slashed and burned', the alternative was seen to involve patients suffering, so the organization saw itself as having had 'no choice'. In an engineering design firm the HRD budget had been cut significantly but even then there had been a huge reluctance by managers to spend the sums allocated. One HR manager, working in a quality-differentiated service firm, indicated that there had been a cut of 24 per cent in the training budget. This required a change in the focus and delivery of HRD from using external consultants to the greater use of internal experts to deliver training activity. The greater use of internal providers was commonly reported by focus group participants. Sometimes budget cuts and fewer staff meant a significant increase in the training burden for those involved, especially in the context of redeployment initiatives.

As well as different providers, different HRD content was sometimes evident, as in a firm that had re-engineered training to gear it to the difficulties staff might be facing in managing their personal finances as a result of the recession. With changes in product ranges having occurred in some firms, staff needed to be retrained or cross-trained to undertake different operations in a more stringent environment. Staff redeployed in order to stabilize employment also required training support. In one case, where training budgets had been retrenched, the resulting budget was 're-modelled' or focused on talent development and away from the more permissive policy of the past where staff had been allowed to avail of training in areas of interest to them. In this case there remained, in the eyes of the HR manager, an unchanging basic commitment to HRD but re-modelled in a manner appropriate to the current circumstances of the business. Another contributor also spoke of how the recession had prompted a better balance in the HRD effort between 'soft' and 'hard skills', with softer skills in areas such as problem solving and project management now received more attention. Skills in these areas were seen as relevant for the 'cost side of the business'. In another company, a change had occurred from a policy of supporting financially staff members' own training and education initiatives towards an approach where the training effort is more focused on supporting development priorities for the business and concentrated on 'top talent' and 'high performers'. In this firm, the HR manager saw the recession as a catalyst for 'better practice'. There had been a significant investment also in 'softer skills' in areas such as leadership. In a software firm, in contrast, where the budget had been cut significantly, technical training had been retained but there had been a cut in training for 'soft skills' so-called 'nice to have' skills. In another case HRD was avowed as being of continuing importance but with a 'hard focus' now on the training if management were to deal with performance and under-performance.

Training budgets and the training burden had not been reduced in all cases. One manufacturing firm, committed to continuing innovation in manufacturing processes, had obtained grant aid from a state agency to continue its training effort. In this case the training effort had increased in support of the objective of up-skilling the workforce. The Irish subsidiary of a multinational enjoyed a mandate to provide learning services to the parent company and so acted as a consultant in that capacity rather than having an assigned training budget that had come under pressure in the standard way. An ICT firm, not severely affected by the recession, retained their training effort following the injunction from the CEO that nothing should be done that impacted negatively on the 'employee experience'. Here external providers were retained but the firm had sought to achieve greater consistency in the services provided. Talent management was also identified as a significant concern. A software firm that had curtailed HRD activity spoke of reintroducing HRD as a reward for staff.

*Work intensity and the management of performance:* A number of contributors to the focus groups indicated that employees were working harder in the recession, spurred by their awareness of the external environment and of the difficulties that firm's were facing. One HR manager felt that 'people were working an awful lot harder for a lot less money'. Another said that the employer and customers were demanding more and that 'everyone was working harder for so much less'. A HR manager in a services firm observed that staff, especially managers, were 'giving more without being asked'. This could involve them undertaking more hours or doing overtime without seeking payment. This development was attributed to people being 'grateful for the jobs that they have'. In another company the HR manager observed that people's willingness to do more carried an expectation that there would be a 'pay-back' in the form of a restoration of pay in the future. In a distribution firm higher performance was reflected in the introduction, for the first time, of explicit performance standards for employees following an agreement with the firm's trade unions.

If work intensity had commonly increased, a number of HR managers also indicated that performance had also been managed more rigorously in the recession. A software firm was 'actively managing poor performers out of the business' and was no longer prepared to accept poor performance. At the same time, it was admitted that because pay was frozen and for the present not linked to performance there was a problem with respect to the completion rate of performance reviews generally. Apart from performance management, some HR managers indicated that disciplinary issues hadn't been seriously pursued in the past – this was sometimes seen to be attributable to a lack of will on the part of senior management - but these were now being pursued more insistently. Managing under-performers ‘out’ was not seen as a feasible option in the public sector context of the hospital participating in the focus groups.

A related theme that arose in some focus groups concerned the formalization of policies and procedures in areas like time-keeping, discipline and grievances in the recession. In both a distribution and a retailing firm these areas had been covered in agreements with unions either reached or implemented in the recession. The HR manager for another firm noted that when times had been good, the focus had been on day-to-day concerns rather than policies and procedures but that this had now been corrected. This principle could also extend to other areas such as consultative arrangements with staff and trade unions.

*Engagement and motivation:* The urgency attaching to the measures implemented to control pay and headcount and employees resulting concern with job security and sometimes manifest willingness to work harder, did not mean that no attention was paid to managing staff motivation or employees’ reactions to the changes that had been made. A number of the HR managers participating in the focus groups had implemented significant reductions in headcount and often also in pay and bonuses while simultaneously grappling with maintaining staff motivation, morale and commitment. This might involve specific programmes or initiatives concerned with promoting engagement or re-engagement, or find expression in a more conventional concern with preserving or promulgating values like ‘trust’, ‘honesty’, ‘transparency’, ‘integrity’ and ‘fairness’. Here we examine the theme of engagement, while in the next chapter we will examine HR managers’ abiding concern with the advocacy of HR values seen to be integral to good human resource management and with fairness.

A minority of focus group participants made reference to specific programmes or initiatives for managing employee engagement and motivation. In a context where numbers had been reduced and bonuses curtailed, one HR manager emphasized the importance of ‘celebrating successes’ in such areas as outstanding sales or customer service. Others put the emphasis on managing expectations in a radically different environment to that of the double digit growth that had been a feature of the Irish economic boom. Others spoke of the challenge of countering complacency in companies not so seriously affected by the recession, and the adoption of measures like modest pay cuts as a means of highlighting the need for continuing adaptation. Engagement was sometimes discussed in the context of how people would ‘remember how they’ve been treated over the past eighteen months or so’. One HR manager spoke of his awareness of how the ‘internal jury’ that comprised the workforce would be affected both currently and in the future by any signs of bad faith and action contrary to HR policy on the part of senior managers intent on cutting corners. It was seen as a concern of HR managers to counter any such potential damage to morale. Other HR managers spoke of the importance of re-engaging staff following the implementation of redundancy programmes. One HR manager felt that the preoccupation with managing the exit process meant that not enough might be being done for those who remained after headcount reductions, remarking that ‘you can’t expect everybody to be grateful they have a job’.

One firm that had instituted a significant programme of restructuring and headcount reduction had undertaken a formal re-engagement programme that involved senior management in seeking to reassure staff that they were valued by the company and in countering distrust and fears that a further programme of retrenchment might be planned. Another firm that had implemented short-time working identified employee engagement as a significant area in which HR effort was now concentrated. This involved moving towards such ‘engagement-type initiatives’ as focus groups, surveys and newsletters and ensuring that follow up occurred to any issues identified through such mechanisms. When pressed further on how engagement might be managed in the current context, the HR manager emphasized the area of communications as being of key importance. Others adopted the same focus and spoke of the need to communicate good news whenever possible. In a hotel the importance of communicating good news and seeking to balance what might otherwise be a fairly bleak communications agenda was viewed as having a direct impact on morale and thus on customer service: ‘our staff are meeting guests ten minutes after the meeting. If they’re down in the mouth they can’t go into the office and hide. They’re front-line; they have to be upbeat… .’

In a professional services firm forced to make significant cuts in pay and headcount, staff satisfaction and morale had declined sharply in a ‘new environment where the paradigm had moved’. Given its circumstances, the firm had continued with elements of the programme, including a staff survey and performance appraisal programme, but had also ‘put elements of [the firm’s engagement programme] aside’ while recognizing the ‘need to revisit it’.

> I think for us particularly the psychological contract between the employer and employee has fundamentally moved in that people no longer see us to be the once great employer of choice in that we are as prone to making commercial decisions as any other organization and culturally that is a seismic shift for an organization like ours. Now that puts a huge challenge on people like myself to try to re-engage the workforce

Some focus group participants broached the theme of employee engagement in very general terms, stating it to be an important objective but identifying few specific mechanisms, conventional or novel, as effective ways of achieving the objective: ‘the challenge going forward, which I think we are still in the throes of trying to work out is about motivation; how you actually build confidence and motivate people and bring them along with you’.

*Industrial relations:* In general, little serious disaffection was reported in staff or union responses to the measures firms had undertaken to respond to the recession. Employees and unions in general seemed to have accepted the state of affairs that obtained, and had come to expect little scope to exist for pay awards. However, some firms’ insistence on renegotiating the pay increases in the T2016 national pay agreement - usually culminating in the deferred and phased payment or part payment of increases, sometimes followed by an agreed pay freeze – resulted in the parties referring disputes to the Labour Relations Commission. The hospital included in the focus group was seriously constrained from introducing changes in pay and conditions by national agreements in the sector and the long-running uncertainty surrounding attempts to conclude a national public service agreement. In consequence, cost cutting was restricted to the non-pay budget. In the contract cleaning company, terms and conditions of employment for service personnel were fixed by a Joint Labour Committee (JLC) for the sector. This constrained cost-cutting activity for this group to focus on non-pay costs, while headquarters staff not covered by the JLC experienced pay freezes. In other strongly unionized firms, HR managers complained about the time required to win an acceptance by staff and their unions that things had to change. Unions might also retaliate against what they viewed as excessive management measures, as in the case of a firm where an attempt to introduce a pay freeze was countered by a new insistence on the part of staff that a Christmas bonus be paid and by threatened industrial action.

Where redundancies were mooted in unionized firms, unions sought to persuade companies to opt for voluntary over compulsory measures to cut headcount, wherever possible, and otherwise sought the best terms achievable. Unions also opposed the adoption of specific selection criteria in deciding on redundancies, and sought to persuade companies simply to seek volunteers or to institute last-in-first-out arrangements. In response to a specific question from researchers as to whether unions were exclusively concerned with the terms offered in redundancy programmes, or alternatively had sought specific concessions in return for agreeing headcount reductions or pay freezes, focus group participants in general were categorical that few specific concessions had been sought or agreed in their experience. Any quid-pro-quos that arose were of a generalized kind: as one HR manager put it, 'all the staff were interested in was 'my job, my job security and my pension'… and there was no request for anything, any extras or any quid-pro-quos at all'. Another HR manager in a firm where short-time working had been introduced commented that 'it really boiled down to maintaining jobs and maintaining membership'. One firm that had implemented a series of measures to control pay and headcount had also agreed to convert some temporary positions into full time positions, thereby delivering some more members to the union with which it had negotiated. This was seen as a measure that had somewhat appeased the union concerned. In another firm, where unions had agreed to an extension in the working week, an assurance had been sought regarding a pre-existing agreement on the criteria to be applied in selecting people for redundancy. The limited degree to which unions had sought or achieved specific quid-pro-quos was linked by some focus group members with the manner in which firms had sought to manage recessionary pressures. One HR manager recounted the case of a firm where significant changes in the pension scheme had been announced, followed by negotiations with the union. When no agreement was secured in the negotiations, the firm had simply implemented the changes unilaterally.

The task of persuading local employees and unions to accept significant concessions was not always plain sailing, especially in Irish-owned or in non-Irish multinationals reporting good financial results at group level across global markets. Here again HR managers understood the challenge as one of persuading staff and unions to understand the specificities of the local plant's situation and performance within the multinational group. As one HR manager put it: 'we have the challenge where we are part of a very, very successful and very profitable business; our profits are very healthy on a global basis. But we have to talk on a site level and our local site profitability and competitiveness is the key. In an Irish multinational, management faced a similar challenge with local staff in a context where the global group was highly profitable and receiving praise in the press, and 'people can't understand why it is that we're debating with them; that we don't want to pay them [the] T2016 [pay rise]'. In other cases, adjustments required in recessionary conditions were rendered more difficult by pre-exiting industrial relations problems or by strained relations between the parties. Pre-existing good relations, as expressed for example in workplace partnership arrangements were also seen paving the way for effective negotiated responses to the recession.

The HR managers had not experienced and nor did they expect any major change in unions' postures or behaviour as a consequence of the breakdown of social partnership. Asked whether the collapse of partnership had led to *unions* adopting a more aggressive or adversarial posture in their dealings with firms, the HR managers responded that this had not been their experience, and nor did they expect it to happen – although several thought that the industrial relations outlook had become more difficult or uncertain. In the main, as they saw it, 'everybody was busy trying to make things happen and solve problems'. One HR manager referred to what he saw as 'interference' from the Irish Congress of Trade Unions or from union national head offices having become somewhat more pronounced since the collapse of partnership and affecting the local union representatives posture towards issues on the negotiating table. In other cases HR managers also complained about national policy issues in a general union acting as a 'distraction' in settling issues in local collective bargaining and about the union involved being overly preoccupied with the national situation to the detriment of concluding agreements on the ground. The continuing uncertainty surrounding attempts to negotiate a national public service agreement had also compounded the challenge to responding to budget cuts in a hospital included in the focus groups. Several HR managers pointed to a skills deficit arising in the bargaining competencies owing to the return to enterprise-level pay bargaining. Otherwise the effects, actual or potential, of the collapse of social partnership found little resonance in the HR managers' experiences or reflections.

***HR and the Business***

In some of the focus groups participants debated whether the HR function had been fit for purpose in terms of leading firms' responses to the recession. Some thought that HR had been primarily reactive and surprised by the pace of the downturn. As they saw it, a function that had developed in an era when staff recruitment and retention often represented a major challenge had limited experience in dealing with headcount reduction, and specifically possessed little skill or experience in managing redundancies. The portrayal of the HR function during the boom as 'that part of the organization that hired people and made sure that all their rights were looked after', or as a 'recruitment agency' was quite widespread among the HR managers participating in the focus groups. There was general agreement that dealing with the 'business agenda' in the recessionary environment presented a much more difficult challenge for HR than hiring people, which tended to be perceived within firms as 'easy and nice'. As one HR manager put it 'we've gone from being a service provider to the business to the business being completely dependent on us'. Another emphasized that 'we've been seen as being incredibly integral to some of the things that had to be done'.

The predominant view of participants by far was that HR could, and often in practice did, provide leadership in this environment and that the agenda now addressed, focusing on what one participant called 'getting the business back in shape', had brought HR into mainstream business decision-making. This view was sometimes articulated by participants in terms of the new role of HR as a 'business partner'. The common perception was of the new centrality achieved by HR given the focus now on bottom-line business concerns like pay, headcount and restructuring. The general view was reflected in the comment that the 'stock-in-trade for HR people had risen as a result of the recession'. One HR manager spoke approvingly of HR people beginning to engage in what was described approvingly as 'accounting speak' and showing a new appreciation of the business context of their work. Another echoed this view by claiming that to engage in business partnership 'you have to talk the language of business'.

In one commercial semi-state company, there was a perception that whereas HR had been 'a bit detached from the day-to-day realities of the business in the good times and perhaps a bit more interested in HR as a function' it had now become more central to 'every step of every change that needed to be taken'. In the same way, a HR manager in a financial services firm believed that one of the significant challenges for the function was the need to be aligned with what was happening in the business and to exercise leadership in this way. In a healthcare devices firm, the HR manager was clear as to the change that had occurred. HR was becoming involved in a 'lot more critical business-type issues'. The situation had changed such that 'whereas previously … at quarterly updates or management meetings, the HR update might be at the end of the agenda, over the last year we've seen suddenly it's the talking point'. A participant from another multinational emphasized that the HR team 'had to demonstrate leadership, not just to sit back and expect the business to tell us what we need to do'. This involved 'leading from the front and adopting a type of business partner model'. The flip side of HR's new centrality to the operation of the business was that HR directors had to 'stand up at senior level in the organization and justify your existence'.

In one multinational firm in the past there had been little communication or contact between HR executives in subsidiaries in different countries and no centralized HR function or director. This has changed to a significant degree as experience of responding to the challenges of the recession, especially in achieving cost savings, had resulted in regular 'HR global summits' and the collaborative development of general HR practices. One contributor felt that rather more vigorous leadership might have been shown by HR in leading change that had been predominantly focused of necessity around the cost and headcount reduction agenda. Other contributors, while endorsing the business partner model, seemed to adopt a more aspirational posture, or to view this model as an entity in the making: 'the business acumen piece is where we need to add value that's of strategic importance'. Others still, while stating the this model 'made a lot of sense', said that they had stopped short of enacting it fully for fear that it would empower line managers to make unwise HR decisions in critical areas such as discipline and dismissals. For some the recession was seen as creating the opportunity for HR practitioners 'to step up and make themselves influential' but yet they 'were not sure that it was more influential'. One aspect of the new situation of HR commented upon by several HR managers involved high expectations by management peers of what HR could deliver. As one contributor put it, he was expected to deliver 'all the changes that should have been delivered over the past twenty, thirty or forty years'.

To what degree were HR managers influential in shaping the measures firms had adopted to respond to the recession as distinct from playing a key role in the implementation of measures that had been decided by other senior managers? The predominant view was that the influence of HR extended to key decisions on how firms responded to the recession. As the HR manager of a professional services firm saw it, he had been ‘pretty central very early, right through from the design to the execution’ of the company’s response. The HR manager of a contract cleaning firm had a similar view, seeing the role adopted as ‘central, leading, whatever way you want to look at it; but a different kind of role’. The same view was articulated by the HR manager of a distribution company: ‘no decisions will be made unless a senior manager will come to the HR manager and sit down and discuss what’s going to happen’. The HR manager of a retailer was also emphatic that ‘we were involved from the start’ with other managers, particularly operations.

The new centrality claimed for HR and reflected in these comments was seen by some to emanate from the increased dependence of other managers on HR expertise in recessionary conditions:

> There are a lot of changes being forced on companies, mostly staff changes, cut-backs on staff, reorganizing, and there are processes to be gone through and most management other than HR people don’t have the knowledge of those processes … .

Not all HR managers perceived their new centrality to the business in quite such vaunted terms. Some believed that their influence within senior management extended more to the implementation of business decisions largely determined beyond their reach. The HR manager for a distribution firm was categorical that the key decisions regarding HR were taken by the major retailer for which they worked: they ‘called the shots; they’re not paying their staff, so you can’t pay yours’. In a long established Irish firm, ‘management made the decisions and HR was involved in implementation’. The HR manager of a hospital saw the situation in his organization in very stark terms: ‘the government decided’.

When the HR managers identified skills deficits or priority areas for skills development, skills pertaining to business partnering were most commonly mentioned. These included ‘understanding the business and the HR competencies required to support this’, ‘the business context of HR rather than HR for HR’, and being able to present HR information at senior management meetings ‘in a way that the business is familiar with’.

Part of the new role of HR involved providing advice and mentoring to managers on dealing with the HR implications of business decisions. Where significant changes were in play, there had been more requests for advice from line management. In one ICT firm HR was central to the ongoing process of building the capability of line managers in creating a line-led HR model. Coaching and 'hand-holding', sometimes of very senior executives, had been necessary in other cases given the extent and unprecedented nature of the changes introduced.

> I was very involved … in 'hand-holding' a lot of people, through some very difficult conversations and giving them a sense of confidence, reassurance, the tools, and coaching them through some very difficult situations; trying to build their capability … bearing in mind that they hadn't been through this for quite some time.

In developing and illustrating the theme of HR's role as a business partner, reference was seldom made to the role of HR in positioning or repositioning the business to take advantage of economic recovery. There were exceptions. One was an IT and communications firm which had been focusing on growth areas and regions of the business on an ongoing basis when the recession arrived and continued to do so. In the firm's Irish operations, cost control was the immediate priority but 'moving up the value chain' or a 'higher value mandate' was seen as the longer-run imperative. Here there had been a quite explicit focus that included HR on 'what the business will be doing in the next five to ten years and … shaping the organization to deliver that'. The focus was on systems integration and converging technologies and on the competencies required in that context. This was seen to have important HR implications in areas such as performance management and improving overall performance in the workforce. In another case a hotel's decision to avoid lay-offs or redundancies and to retain core staff was explicitly related to a 'business model' in which customers expected to recognize staff and this model would be important when an upturn arrived in the hospitality sector.

While the new role of HR as 'business partner' found resonance in a number of Irish-owned firms as in foreign-owned multinationals, this role seemed less pronounced in a number of long-established Irish firms, where the postures of HR managers seemed more traditional in character. This probably reflected both HR managers' own understanding of their role and their sense that in established firms, where both senior managers and staff often had long service, strongly embedded expectations existed among managers and staff alike as to how businesses should behave, and these confined the role and priorities of HR within more traditional parameters. This theme will be taken up again in the next chapter when we discuss the role of ethics and advocacy in HR in the recession.

*The alignment of HR within firms:* The researchers asked participants whether, in their experience, the balance of power between HR and other functions, such as finance and operations, and between HR and senior corporate management had changed in the recession to the detriment of HR. The predominant view was that HR's area of activity or authority had not been encroached on by other management functions or by other levels within companies to any significant degree. Decisions in some cases had always been taken collectively by senior management teams and this had remained the case in the recession. In other instances HR continued to participate in business teams and it was noted that more time was probably been devoted to HR issues in business meetings because HR issues were now to the fore. In other firms, a business partner model in which line managers were recognized as the primary managers of human resources had long been in existence, and here HR continued to support line managers in the recession. Other HR managers reported that line managers had become more dependent on HR in the recession in the sense that many line managers had little experience of managing in a downturn and so now looked for advice and coaching from HR.

Other firms pointed towards the centralization of business management or of areas of HR management that had introduced new dimensions into HR management. Prominent here was the creation by some multinationals of product-based or HR area-based 'centres of excellence' which were seen as having significant implications for the conduct of HR. These developments reflected wider ongoing processes of corporate restructuring and development rather than the specific effects of the recession. However the new centres of excellence created interacted with the effects of the recession to subject HR management to greater levels of transparency. Irrespective of whether centres of excellence were based on product divisions or on areas of HR, such as the management of compensation and benefits or talent management, the outcome was the same: the costs associated with paying people in different locations were becoming clearer and more amenable to benchmarking and the same was occurring in areas such as the cost of redundancy. The creation of HR centres of excellence was also seen to be giving rise to more influence from corporate level in such areas as talent management and succession management. In firms not affected by these kinds of restructuring or development, experiences varied. In one multinational company, corporate headquarters in the past had involved itself little in the business or in the HR of its Irish subsidiary. In the recession this had changed as a corporation-wide hiring freeze was instituted - though not, it appears, rigorously policed.

A further dimension of how HR was aligned with other management functions and levels in the recession concerned the attention that senior management devoted to HR issues. Here participants in the main were of the view that senior management, including CEOs, were now more intensively involved in the HR agenda than in the past, and often were to the fore in leading the cost-cutting agenda.

*Leaner HR functions:* As well as being agents or partners in leading the HR change agenda, HR functions were also commonly objects of change in their own right. Headcount reductions often extended, or were expected to extend, to HR functions on a proportionate basis to overall staff cuts. Sometimes cuts in HR were even more radical, resulting in the retention only of a 'skeleton crew'. One HR manager described a more than four-fold reduction in the numbers employed in HR as an outcome both of downsizing generally in the company and as a consequence of the creation of HR centres of excellence in the parent company and the outsourcing of HR services. In a professional services firm four in ten HR positions had disappeared, responsibilities had been realigned and duplication removed, resulting in what was seen as a function that had become 'more fit for purpose'. Another firm had sought to centralize or recentralize the handling of HR and other support functions in the wake of a merger, and this meant the introduction of redundancies in the firm's Irish HR operation. In other cases, moves in this direction had been mooted, with resulting uncertainty within HR itself. As the HR manager of a professional services firm seriously affected by the recession put it in relation to his colleagues in the function, it was a case of 'people who were uncertain, dealing with people who were uncertain'.

In other cases, HR managers reported that they were expected to achieve significant cost reductions in HR processes and services as part of overall programmes of cost reductions in firms. This sometimes extended to renegotiating contracts with healthcare providers and other

HR service suppliers. Some contributors affected by the radical restructuring of the function reported substantially more pressure for those now handling more demanding HR activities.

## Summary and Discussion

The most striking feature of the conduct of HR in the recession, as described by focus group participants, was the extent and degree to which the main focus was on controlling and often reducing pay and headcount in response to deep and acute commercial pressures. HR responses commonly involved the simultaneous use of multiple measures to manage pay and head count and to adjust the paybill and labour supply to a sharp deterioration in commercial conditions. Where pay freezes or cuts, reductions in working hours or job losses had been negotiated with unions, few specific concessions had been made to gain agreement. This hard-line or bottom-line agenda appeared to dwarf much else in its significance for HR managers and in the demands and burden it placed on them. A function that many participating HR managers portrayed as having been mainly concerned with recruitment throughout the boom was now forced to occupy new and, for many, unfamiliar terrain. Relative to the burdens of managing pay and headcount other areas of HR practice assumed less attention. Some firms participating in the focus groups continued to recruit employees for specific positions or new skills sets and firms also took measures such as selective pay rises or promotions to retain valued staff. Some firms operated formal talent management programmes, though these predated the recession. Staff redeployment was presented as a routine measure in responding to the recession in non-union firms, but appeared to be more problematic in unionized firms, where it sometimes cut across agreements with unions or lines of demarcation between different jobs. Human resource development budgets had been cut in many cases, and firms had responded by refocusing the HRD effort and by in-sourcing more HRD activity. In some instances HR managers believed that HRD had become more effective and better geared to business needs and even more strategic or proactive in consequence.

A number of HR managers indicated that staff had been prepared to work harder in the recession and even to concede extra hours of work without seeking payment. Firms had also sometimes tightened up on performance standards, performance management and on workplace discipline and related procedures. Some firms had undertaken specific initiatives or programmes to preserve or promote employee engagement or re-engagement in circumstances where staff had endured pay freezes or cuts, embargoes on promotions and job losses. In other cases, engagement programmes had been partially suspended or eclipsed while firms dealt with the management of pay and headcount.

In general industrial relations had not been turbulent and employees and unions were seen to have accepted that commercial conditions were serious and could not be ignored. HR managers complained that negotiations continued to be too protracted and some globally profitable firms faced particular difficulties persuading staff and unions to agree to the need for retrenchment measures in local plants. Certain issues were found to be high on union agenda (voluntary severance) and others non-negotiable (selection criteria for redundancies). Unions had sought or been accorded few specific concessions in return for agreeing retrenchment measures. In the experience of focus group participants unions in general gained few specific quid-pro-quos for agreeing to concessions over pay and conditions and had to be satisfied with the prospect of better employment security for remaining staff. The breakdown of social partnership was not expected to change the climate of industrial relations in any significant sense. Skills deficits arising from the return to local bargaining was identified as a significant concern.

The involvement of HR managers in pay and headcount measures pivotal to firms’ stability and even survival was seen to have given the HR function and HR managers a new level of centrality to the business and more influence in business decision-making. This was a theme on which most HR managers concurred, and which some portrayed in terms of HR having become a ‘business partner’ in a more vital sense than at any time in the past. As businesses often sought to implement multiple measures to manage the pay bill they had become more dependent on HR processes and expertise for their survival and regeneration. Levels of influence by HR among focus group participants varied from contributing to the choice of measures for responding to the recession to influencing the implementation of response measures. A significant development noted by a number of participants involved senior executives becoming more intensively engaged around the pay and headcount agendas and providing clearer and more decisive leadership in these areas.

The alignment of HR vis-à-vis other management functions and vis-à-vis top-level management in firms varied across the firms represented in the focus groups. No clear-cut change in the balance of power or influence as between HR and other management functions was apparent to participants. HR managers remained influential members of and contributors to senior management teams and decision-making in areas central to HR and businesses more generally. Line mangers with little experience of managing in a recession had sometimes become more dependent on advice and support from HR. Cases were outlined where the global significance of HR had been elevated by the recession but so too were cases where corporate HR had assumed a measure of control over the conduct of HR in local subsidiaries not before evident. A general trend was that HR functions had become 'leaner' through job losses and sometimes through measures to reduce administrative costs and the costs of services provided through HR.

Of the implications of these findings for HR management the following appear most salient. First, reflecting the depth of the recession for many firms participating in the focus groups, HR has mainly been focused on 'hard' or 'bottom-line' measures concerned with controlling pay and headcount and tightening up on performance standards and performance management. 'Softer' or more developmental HR initiatives and measures, while not neglected in the experience of focus group participants, have seemed considerably more muted during the recession, as evidenced by activities in the areas of employee engagement and aspects of HRD. Second, it is this hard or bottom-line agenda and firms' dependence on HR measures to secure their survival and regeneration that has mainly brought HR and HR managers to a more pivotal and influential position in firms than ever before in their experience. It is perhaps ironic that such a degree of prominence had not been gained during a period in which more scope existed for pursuing the 'softer' HR agenda that is more commonly associated with HR's claims to be a business partner or strategic asset. Third, HR has become a 'business partner', in the sense conveyed by focus group participants, on foot of a mainly 'reactive' if nevertheless vital posture and agenda. While some firms had been involved in restructuring or business refocusing programmes that preceded the recession and within which HR was a significant concern, HR managers in general seem to have been so heavily focused on immediate or short-term measures that the longer-term alignment of HR and businesses has not been – as yet – a priority or even a salient concern. In this sense, it may be important to distinguish between HR being more central to the operation of businesses and to their responses to the recession and HR being more proactive in positioning businesses for recovery or long-term growth. While the centrality of HR to the business was a highly salient theme in all of the focus groups, HR seemed often to have remained largely ‘reactive’ in this role. In few cases was HR presented as a major facilitator of the long-term positioning or the repositioning of businesses. The cases in which such a role was outlined tended to be firms not acutely affected by the recession, or in which difficulties had been experienced by Irish operations but where global operations remained buoyant and profitable. Fourth, in the light of the strong association that has been found to exist between acute recessionary challenges and the influence of HR, it remains an open question whether HR retains its new-found centrality to businesses and continues to be an influential ‘business partner’ when the economy recovers. Finally, the evidence of HR participants in the focus groups seems consistent with the import of the survey data discussed in the last chapter with respect to whether, to what degree and in what direction models of HR may be changing as a result of the recession. Many HR managers’ main focus has manifestly been on ‘working the pumps’ to cope with the acute commercial effects of the recession, adopting combinations of measures that seem best geared to this objective, with relatively little concern for rebuilding models of HR and employment. Indeed the kinds of grand systemic changes identified in some of the predictions about HR in the recession seem barely salient to most focus group participants. These themes will be further explored in the next chapter, which examines HR managers’ understanding of ‘good HR management’ in recessionary conditions.

# Chapter Five
# Good Human Resource Management in the Recession

This chapter examines in detail the views of HR managers concerning good human resource management practice in the recession. This theme was examined in a specific section of the focus group interviews which came after the discussion of the experiences of HR managers in the recession and the HR responses to business challenges discussed in the previous chapter. While some of the themes and issues discussed obviously and necessarily overlapped sections of the interviews, many HR managers had little difficulty in outlining what facets of HR practice they believed to be particularly important in helping the firms in which they worked to deal effectively with the challenges of the recession. This chapter's examination of the features of good HR management complements the survey findings on this and related themes by permitting an in-depth exploration of HR managers' views. The HR manager's opinions on the issue point to an understanding of good HR practice articulated largely in terms of the practices and processes through which pay and headcount were managed effectively. The themes that arose in this area of the focus group interviews will first be considered and the main findings will then be summarized and their implications discussed.

## 5.1: Intensive Communication

More than any other single theme, participants quite consistently stressed that, in their eyes, intensive communications with employees and unions were a critical aspect of managing pay and headcount reductions effectively, as, more generally, of managing human resources in recessionary conditions. Virtually all focus group participants identified and underscored the significance of this area in their experience, and the importance of intensive communications was often mentioned spontaneously in other areas of the focus groups where good practice was not so specifically identified by the researchers as the subject for discussion.

It seemed clear that direct communications between firms and their employees was the priority concern, with communications to and via unions emerging as a secondary but not insignificant theme in unionized firms. It also appeared to be the case that one-way communications from firms to their workforces dominated the picture, although in some instances provision was also made for two-way or upward communications from employees.

The context for more intensive communications in virtually all cases was the introduction of pay freezes or cuts, incentivized leave, or voluntary and compulsory redundancies. In essence, the common view of participants was summed up by the statement of one HR manager that communications with staff needed to be ‘honest, open and intensive’. The HR managers spoke in terms of ‘getting the message across’, ‘just explaining the reality’, and ‘working through problems with people to bring them with you … to get an acceptable outcome’. For some, effective communications were the key to ‘managing expectations’: ‘being very clear in our communications to people about what’s happening, when it’s happening and when it will end’. This view was also articulated in a more negative way by a HR manager who pointed out that there was a need to ‘avoid paranoia’. To this end the company had used staff meetings and forums. The fact that the ‘country was in an awful state’ had not exonerated firms from the need to ‘go put and convince staff’. Where restructuring and closure might be on the cards, staff anxiety made communications ‘absolutely essential’ in a retail business.

The common view also was that communications had become more intensive as HR managers sought to handle the consequences of the recession, with some referring to the existence in their firms of a ‘communication strategy’, or being a ‘bit more strategic about our communications’. HR managers spoke in terms such as ‘we talked to people more’; ‘we put a lot of effort into communications – huge’; ‘we tripled the amount of communications and did as much face-to-face communications as we could’. Others referred to their firms having ‘increased the density’ of communication-related activities or of communications having improved: ‘it’s much more regular: weekly updates with staff, giving them a realistic overview of the business … telling them exactly where we stand’. The validity of the content imparted through communications was also commented upon: ‘we told it as it was; we said here is our position; here is what we are going to do’. One HR manager described their approach in the following terms: ‘one of the things we always committed to the staff is if we know it, we will tell you’. Another pointed to the importance of ‘openness and honesty’. The consistency of the message was seen to be important, involving ‘all managers saying the same thing about the business’.

Some firms indicated that current practice in the area was a continuation of established practice: a multinational that approached control of the paybill in the context of securing its mandate pointing out that communication has been an abiding feature of HR in the company such that staff were well aware of the importance of cost competitiveness for securing the mandate of the local plant.

For some HR managers people were more receptive to communications because they now touched directly on their primary concern for job security: 'their job security is a huge issue for people; it's their greatest worry at the moment, so realistic updates and how the business stands … were really appreciated'. Another HR manager pointed out that changes in volumes of production and the operation of short-time working had necessitated more communications with trade unions.

The communication mechanisms used were, for the most part, standard or well known in the HR field and were usually also used prior to the recession as routine aspects of HR management in the companies involved in the focus groups. Some commented nonetheless that these mechanisms 'really came into their own … when we really needed to explain what we were doing and why'. Table 5.1 lists the main communications mechanisms identified by focus group participants.

While there was little explicit reference to the use or advisability of multiple communication mechanisms, this seems to be common practice, with the exception of smaller firms where informal methods and face-to-face communication were emphasized. Some reference was made to changes in emphasis between different mechanisms used, for example, moving from reliance on email communication to communicating more on a face-to-face basis, or by talking directly to people more frequently rather than making use of 'impersonal mechanisms'. Where multiple mechanisms were employed it was a case of 'sometimes we were telling [staff] the same message again and again but reinforcing the message'. While these mechanisms are acknowledged formal practices familiar in the HR field, reference was sometimes made to the use of 'informal but good' [communication] tools. Sometimes the communications engaged in were described as 'unofficial', as in the case of a firm that had embarked on restructuring at European level, and where local Irish management, aware that staff were gaining a sense that 'something was coming', opted to provide local staff with an outline of what might emerge. One HR manager spoke about the significance, as he saw it, of the changed environment represented by communication channels per se. With the widespread and frequent use of texting and emailing by people, there was a tendency towards the 'grapevine going crazy'. In such an environment it was necessary for managers to be 'really sharp in getting it [the firm's message] out there on time, to make sure that the message stayed pure and correct'.

**Box 5.1: Communication mechanisms employed in the recession**

| Communication Mechanisms | |
|---|---|
| Town-hall meetings | Briefing by management |
| Walking the production floor | Two-way communications |
| Speaking to staff at regular intervals | Executive lunches with cross-sections of staff |
| CEO and senior management addresses | Staff consultation forums (in respect of collective redundancies) |
| Regular email-based briefings | European works councils |
| Meetings | Regular forums for whole organisation |
| Local site manager briefings | Senior management regularly facilitating meetings of staff chosen randomly |
| Face-to-face communications | Focus groups |
| Webcasts | Communication with unions |
| Employee surveys | Newsletters |
| One-to-ones | Regular 'questions & answers' using notice boards |
| Joint employer-union communiqués | |

For the most part, HR managers discussed the importance of communications in terms of making sure that employees and unions understood the pressures facing companies and of the appropriateness of the measures to be undertaken in the light of these. In other words, the emphasis appeared squarely to be on communication from firms to their workforces. The task was to gain understanding and compliance; as one contributor put it: 'if you communicate before people find out, they'll be much more agreeable'. In one instance where the firm's MD had been pivotal in communicating a series of measures that included a significant number of redundancies, his authoritativeness and known reputation as a 'tough guy' was seen as a clear signal that 'he was not going to turn and get turned in any way'.  Some contributors did point towards two-way and upward communication channels like focus groups, operated in the broader context of employee engagement of question and answer initiatives. One HR manager in an ICT firm admitted that though the firm's communication strategy made provision for upward communication through questions and answers, this mechanism had not functioned as intended. In one case focus groups, created at the prompting of union officials, were seen as a means of 'trying to create a two-way street', while in another instance regular engagement-related meetings with employees provided forums for attempting to resolve issues.

Some unionized firms indicated that they had adopted the same broad approach to communications with unions as to communications with their employees. One firm had engaged in joint communiqués with its unions, involving writing to people in their homes, as a means of countering what the employer viewed as poor internal communications between and within the firm's unions between representatives and members. Another firm involved unions in a communications structure. However other unionized firms, both multinational and Irish-owned, were emphatic that direct communications were of paramount importance and even that they had sought to rebalance their communications activities in favour of direct communications with their employees and away from communication via trade unions. As one HR manager put it 'if you are doing direct communication your right with your workforce, that's something that you should own as a company; you should own that line'. Another spoke of how when he joined the company: 'all of the communication was going through the centralized union committee'. This had changed. As he put it 'we needed to rebalance this', and the mechanism adopted to 'rebalance' communications involved direct communications with employees on a weekly basis, in the context of an employee engagement programme, with regular reports back on the issues raised and the state of play regarding their resolution. Regular meetings continued with the unions and these now involved inputs from key figures in different areas of the business who provided briefings on trends and developments in markets.

The HR managers identified a series of specific objectives guiding intensive communications. Communications were aimed at 'managing people's expectations' in a radically changed environment, 'trying to commandeer support and provide a bit of hope that there is light at the end of the tunnel', achieving 'buy-in from unions' and winning 'employee engagement'. They also identified a series of specific outcomes that had been achieved in their experience. These included avoiding people being 'damaged' before, during or after change initiatives and priming people to be ready ‘to pick up and go’ such that productivity gains consequent on departures from the company could be realized. Others spoke in such terms as ensuring that the ‘trust and honesty that management have with employees is kept’. An instance was recounted where the acceptance without any argument of a pay freeze was attributed to communications and their effects in ensuring that there were no shocks for staff.

## 5.2 Harnessing Senior Management Leadership

Closely allied with the importance attributed to more intensive communications was the common view that HR was most effective in handling the pressures of the recession when senior managers’ support was harnessed for both the agenda being pursued and for the process of communicating this agenda to employees. As discussed above, the ‘hard’, bottom-line pay and headcount changes to the fore in HR activity were seen as cementing the centrality of HR to the business, and thus attracting senior management support and sponsorship. The HR managers were at one in their view that harnessing senior management support, sponsorship and ‘visibility’ with respect to changes being sought was pivotal to their smooth implementation and acceptance by the workforce. As one HR manager put it: ‘when the managing director says something the company tends to stand over it’. When the message ‘comes from the top’ or from the ‘horse’s mouth’ the message was seen to carry more credibility. If HR was seen to deliver the message, there was a risk that parties affected would seek to ‘go over their heads’ with potentially ‘disastrous consequences’.

Where the message was delivered from the top, HR remained pivotal, as one participant put it, in ‘conceiving and distributing the messaging throughout the firm’. The approach involved ‘HR people perhaps writing or constructing what the managing director needs to say, but with the realization that it has to come from the horse’s mouth’. Sometimes this approach marked continuity with established practice: ‘it was always policy for HR to enable senior management, albeit that there was ‘maybe greater use of senior management.’ More ‘focus on messages from the top’ involved senior management, up to CEO level in some instances, taking ‘more ownership’ of changes in HR practice, communicating changes, commonly leading change programmes and, in the process, committing ‘double or triple the amount of time they might normally spend on it’. Such an approach was sometimes contrasted with the more established practice of relying on HR to lead change programmes: ‘I felt it was important that they heard from the top. That it wasn’t just ‘HR speak’ in the sense of the kind of thing maybe they could be used to'. Involving CEOs at the stage when significant retrenchment programmes were being announced, or rolled out, was one approach that had been adopted. Having CEOs address staff and participate in a preliminary meeting with unions signalled that the CEO was 'leading the change'. One example of this approach in action was described by the HR manager of a multinational. The company faced announcing an unprecedented redundancy programme to its staff:

> Our MD is a very strong guy anyway and he's pretty tough and ruthless and he always … kept the line; he never wavered. … He announced three hundred redundancies and he got a round of applause! Now I think that the key to it all was basically that tough decisions had to be made but there was empathy with the people who were going to lose their jobs.

In other instances it was seen as more a case of the senior management team 'getting out there in dialogue with people' and this approach appeared to reflect continuity with established practice in the firm. While the predominant model seen as successful by HR management appeared to be a CEO-leadership model or senior management-leadership model – and this model was sometimes seen as a continuation of established practice - a more team-based leadership model was also articulated, which involved HR, finance and operations managers 'all being on the same page in absolutely everything we were planning to do and communicating to their respective people exactly the same message'. This approach had been adopted in a context where leadership in a multinational above the level of the Irish subsidiary was seen to have been 'fairly negative'.

Most focus group participants related their experience of senior managers' willingness to 'stand up to the challenge' and take on a visible leadership role. Inevitably, perhaps, it wasn't always plain sailing. Participants signalled that competing priorities could also be part of the story, and that business leaders may not always have had the 'time or the patience to comply with best practices that HR practitioners would want to put in place, particularly around communications'. It was sometimes necessary, therefore, for HR to 'hold the leadership team to a commitment to this process'. As for outcomes directly attributed to senior management leadership, one participant spoke in terms of a 'huge impact on attitudes and morale'.

## 5.4 Advocacy of Values and Policies

Apart from the direct leadership challenges involved in managing pay and headcount, in acting as a business partner and in adopting a proactive response to the challenges facing businesses, some focus group participants pointed to the need as well for HR leadership in other areas. The main areas identified were advocacy of HR values and policies and ensuring that managers in general operated in a fair and proper manner in responding to commercial pressures. In one focus group these themes received significant commentary from a number of contributors, whereas in other focus groups the theme was considerably more muted or even barely touched on.

Where the theme received major focus, HR leadership was seen to extend to ensuring that other managers adhered to accepted or espoused HR policies and values and to curbing opportunism on the part of some line managers who may have been intent on using the recession to tackle underperformance and resolve other concerns.

Sometimes advocacy by HR might involve championing, or as it was also articulated, 'policing' HR policies under pressure in recessionary conditions. Such an instance arose in a firm committed to a policy of no compulsory layoffs. At senior management meetings this policy had come under pressure:

> Someone says, 'look I've got surplus people here that don't meet your needs over there; they haven't got the skills you need. Why don't we just let these people go, hire in the people we need over here, because it will take too long to train them'.

Defending the continued application of an established policy in such an area was seen as 'quite stressful' in 'the middle of battle', 'difficult' and 'at times lonely'. At the same time it was important to 'stay on course on stuff you believe in as a core value for HR'. In other instances advocacy of values was necessary when firms affected by significant restructuring sought to make adjustments too quickly and HR managers felt it imperative to 'stand for what is best practice in good times and in challenging times'. Other HR managers felt that 'sometimes the values in an organization get compromised in the necessity to get things done quickly, pressure to do things too quickly'. Where this might occur, the appropriate response was to defend good practice: 'HR has to stand up and say 'look these are our policies, these are our practices. This is the way we have done it and we are going to be doing it that way again.' More generally what was described as a shift from 'an employees' market to an employers' market' resulted in HR managers finding themselves in situations where it was necessary to be 'more courageous and stand for what is right in all times, not just in good times'. The advocacy of values and the championing of good practice in difficult times were seen as more than matters of ethics alone. What one HR manager described as the 'internal jury' of the workforce would remember how HR and other managers managed in such circumstances and would draw their own conclusions if, as they put it, managers behaved as if all that mattered was merely 'tidying things up through a little bit of bloodletting' before returning to 'business as usual'.

In one focus group, a challenge identified by some HR managers involved in downsizing initiatives involved what one HR manager described as 'trying to get control over line managers running away with themselves'. The issue here was the propensity of line managers sometimes to use downsizing as a platform for addressing poor performance. This might lead to the emergence of what was variously described as 'some convenient selection [decisions] justified under the guise of other processes' and what another described as 'names on lists'.

> Some [line managers] were of the view that 'why waste a good recession', to part company with people who had been a thorn in their side.

The clear view here was that HR managers had to 'stand their ground' in the face of such pressure, even though they well understood the frustrations of line managers under pressure to retain their more skilled workers and possibly faced by last-in-first-out rules supported by unions. More prosaically HR managers had responded to line management opportunism by seeking to win senior management support for their postures and policies and also by working with line managers to ensure the probity of the decisions made. This might involve making sure that they were conversant with equality and general employment law, and even going through their decisions and vetoing some of them as untenable.

For one HR manager a dilemma associated with the advent of a business partner HR model, which was otherwise welcomed, concerned the possible response of line managers:

> We haven't enacted [the business partners model] fully because we're nervous. The reality is that they're saying to us … the corporation are saying

> to us, the HR people should be letting the line managers do their own discipline, do their own dismissals and stuff like that. But we know that on more occasions than one they would get it wrong and we'd be left picking up the pieces and have twice the work. So we're staying very active in it to be honest.

Line managers in one firm involved in implementing a modest redundancy programme were seen by HR to be confusing the process with managing under-performance, and had to be reminded that redundancy and performance problems were separate processes. In another firm 'reactive' line managers sought to persuade HR to follow the example of what they regarded as robust measures implemented by a 'firm down the road'. In a distribution firm, the senior management of a major client, more conversant with practice in another jurisdiction, pressed the case for cost-effective measures that local HR believed to be unviable in Irish circumstances.

Another theme that emerged concerned the challenges that new measures or new agreements with unions posed for HR when these involved significant measures that had to be implemented by line managers and supervisors. Where firms had sought to tighten up on the management of disciplinary procedures, line managers who had avoided confronting discipline problems in the past now needed to be trained to better manage discipline and dismissal. In another firm, an agreement with unions that incorporated new performance standards posed challenges for team managers, many of whom were viewed as good operational managers but not good people managers:

> So I have to make sure it's kind of as black and white as it can be and there is no grey. … The buck stops with me at the end of the day and I have to make sure that the managers are consistent in the way they're applying the procedures.

A similar challenge arose in the context of an agreement on working conditions in a retail firm where HR felt that it needed to provide documentation 'to set out the process' for store managers in order to avoid inconsistent decisions and resulting grievances.

The perceived need, as part of good HR practice in a recession, to advocate values and defend or 'police' policies pointed to the tensions that could arise when HR worked in closer alignment with the business agenda and with managers directly involved in implementing retrenchment initiatives and related measures. Commercial pressures on established HR policies, or the speed with which initiatives were deployed, or the opportunism of some line managers, could clash with or threaten to compromise HR values and policies, and their primary advocates and protectors, the HR managers. These tensions were highly salient to some HR managers and had been experienced by them in their firms' responses to the recession.

As discussed, this view and the concerns informing it were not universal themes among focus group members. Some HR managers had experienced few such problems, while others expressed the view that policing or advocacy was more important vis-à-vis senior management. When questioned about this issue, one HR manager in a significant multinational suggested that his experience had run in the opposite direction: 'I think that senior management would be seen to be even more focused on HR values'.

The issue of HR values arose in the focus groups in other respects than in the context of possible tensions and conflicts with managers' responses to the recession. Another values-related theme that arose concerned HR managers' 'empathy' with staff facing job losses and concern with 'treating people well' after decisions on redundancies had been made. These responses were connected both to a general concern for people who would loose their jobs and with the provision of outplacement advice and facilities to spare staff as much humiliation as possible. Other values deemed significant were 'honesty', 'integrity', being 'honourable in dealing with staff' and 'being seen to be coming across as 'honest'. Many focus group contributors also pointed to the importance of 'trust', and also mentioned being 'forthright' and 'fair'.

HR managers in several long-standing Irish firms were of the view that values and ethics were shaped by expectations that were strongly embedded or institutionalized in workforces and management groups with long service. A specific 'culture' arose in such businesses that shaped business responses to the recession and HR management in significant respects. The HR manager for one such firm spoke in terms of his company's 'long-established way of doing business and of conducting itself'. This spilled over into a distinctive posture towards dealings with staff:

> Most of the managers in our business would have a good understanding of what would be expected of them in terms of, I suppose, the ethics question and how that would sit with the culture of the business.
>
> Staff may expect a little bit more of these type of companies because staff with very, very long service expect a little bit more than in an 'ultra modern' company, where they're not there long and that don't expect to stay there long.

A similar view had informed the decision of another firm to engage with its unions in seeking solutions to serious commercial problems in sharp contrast with the posture of its major competitor which had sought effectively to break unions and outsource significant areas of work. Embedded expectations of this kind could even outlive the immediate context which produced them and survive as a legacy influencing a company under new ownership, as evidenced by the remark of a HR manager that the 'ghost' of the previous proprietor was still 'hanging over' the business.

## 5.5 Engaging with Unions

Two thirds of the firms in which focus group participants worked were unionized. Focus group participants in firms recognizing unions were asked how unions had responded to the pressures presented to them by firms and whether unions had altered the manner in which they represented members. The predominant view was that unions had reacted 'pragmatically', were conversant with the 'realities of the situation', showed 'more realization of the reality of the world' and had 'engaged constructively'. Some HR managers believed that union officials commonly appreciated problems to a greater degree than their members, with resulting problems in 'selling their message to their members' or 'bringing their members with them'. Relations with unions were commonly portrayed as good or positive, but in some cases it was clear that relations had been more strained or fractious – not always as a direct outcome of the recession and attendant pressures – and there had been resort on several occasions to the Labour Relations Commission or to other third parties in search of settlements to disputes. In one firm the HR manager attributed the drawn-out process of winning agreement to defer a pay rise and to change work arrangements and working conditions to inter-union rivalry and conflict. In two firms, unions' negative postures were seen to have been triggered in significant respects by firms' pursuance of concessions that with hindsight were viewed as excessive. In one case, such a posture by a young management team with little experience of earlier recessions meant that the firm had been 'open to the allegation that we were trying to exploit the recession'. In a retail firm, the union's initial scepticism concerning management's search for concessions was seen as an understandable reaction in a sector that had been seen as long profitable: 'so they weren't going to rush into making concessions to us as a sector when they had that perception as to how we had done during the boom'.

***Information disclosure and communication***

The HR managers had clearly defined views on how best to deal with trade unions in responding to the pressures unleashed by the recession. One aspect of their understanding of good practice in this area involved addressing the relationship with trade unions as part of the more general concern with communications and communications strategies. Just as more intensive communications were seen to be necessary vis-à-vis employees, so too was it deemed to be necessary to communicate with trade unions on change programmes to be implemented. So information was commonly shared with unions, and sometimes this was seen as marking continuity with practice before the recession. Communications had engendered a 'strong business awareness' and had served the purpose of providing 'education' in the pressures on the business. In one case, as earlier discussed, senior executives attended regular management-union meetings to provide briefings on conditions in different product markets. One HR manager, who had been surprised by the level of 'buy-in' achieved from the union for a programme of pay and increment freezes and changes in working hours, attributed this to the firm's strong communications strategy. Early and full information disclosure was also regarded by some as a critical aspect of good practice in engaging unions. Referring to the union as a 'key stakeholder', a HR manager emphasized the importance of 'involving them early, keeping them in the loop, working through the process and avoiding vacuums being created'. Another manager was equally clear as to what was required to gain agreement on retrenchment measures. His experience pointed to the need to:

> Share with the unions very openly the full facts in relation to what had happened in our business; how it had literally fallen over a cliff … that helped with the union group and subsequently with the staff.

Others agreed that unions preferred ‘not to have any surprises’, to ‘get the information up front’, even if informally, so that they could plan how they would deal with their own members. Another HR manager indicated that preparations for the introduction of a pay and increment freeze had involved the company sharing its profit and loss account with a small number of key union officials and representatives on a confidential basis. The information disclosed included projections of the financial consequences of not making the changes proposed. This practice had met with a positive response from the union, but also elicited a reminder that the company had not been so willing to disclose information when it was profitable and a wish to see this practice preserved after the company’s return to profitability! In another firm a new owner had resisted sharing financial information with their unions, leading the HR manager to insist that they had to – both with the unions and with a union assessor involved in the search for a resolution to a dispute.

In one firm a partnership agreement with unions that had been established well in advance of the recession and in a context where the firm faced significant competitive pressures was seen to have been highly effective in facilitating change in the recession ‘at a rate never known before’. Responding to a comment by a HR manager in a non-union firm that had they had to deal with unions they would have gone out of business, the HR manager in the partnership firm insisted otherwise:

> Some people think that a consultation process can slow things down or impede progress. That’s not our experience. … We had a meeting of our joint communicative council at 9.30 in the morning. We met the senior managers at 10.30 and we went and met the group of unions … and made a joint announcement the next day detailing the pay cuts that had been agreed and that were recommended by the unions. And it was balloted on within two weeks and pay cuts were implemented [soon after]. Now, we’ve never worked at that kind of speed with our unions before, but I think the big thing that worked for us because we did adhere to the process [was that] it gave the

> union confidence that we weren't actually trying to use the recession or the downturn in a negative way.

In another firm with a history of stable accommodation of union representation, a change of ownership combined with the effects of the recession posed the dilemma of whether to involve or seek to marginalize unions in the firm's response:

> We were badly hit by the recession and I suppose there was a train of thought that we should just go for the jugular here and try to get everything we needed and not involve the unions. Or should we get the unions in and have straightforward discussions with them? We decided on the latter and we got into discussions with the unions on a raft of different proposals.

Deeper engagement with the unions was seen to have been successful from the company's vantage point and to have achieved significant outcomes, in part through renewing existing agreements. A dilemma that was identified in the area of information disclosure in another firm concerned making provision simultaneously to inform both the union and non-represented staff in a company, most of whom were managers. As engagement with the union was underway, the company felt it advisable to handle carefully when information would be disclosed to non-represented managers, so as to avoid being seen to 'steal the union's thunder', and so impair the relationship with the union. This approach was adopted even though it was also recognized that the non-represented managers were key agents in feeding and cascading information to the company's employees.

***Expediting negotiations***

A number of focus group participants also expressed frustration at the slowness of traditional collective bargaining in the face of rapid commercial changes that required a prompt response. Where collective bargaining was concerned there was a perception that there was a 'pace and order in normal times' that would not work in the exceptional conditions that had been encountered in the recession. As one put it 'we just didn't have enough time' to proceed as before, and when it came to changes involving 'money issues' this caused friction with the unions: 'Unions found it difficult. They couldn't understand why we had to go at the pace we had … That created a bit of an issue between ourselves and the unions, to be frank'. While the pace with which employers sought to conduct collective bargaining and conclude agreements had increased, similar problems arose in a firm that had a tradition of partnership-based working with unions. The traditional partnership approach was portrayed as ‘slow and tedious’ and this presented a challenge in responding to external change that was now ‘so rapid in its impact’; ‘the same ground-rules would not work in bad times as in good’. An attempt to speed up the pace and intensity of engagement through partnership had also given rise to tensions with the union. In another case reported in the focus group, a firm had been prepared to impose a ‘guillotine’ on collective bargaining: bringing the process to an end and acting unilaterally if an agreement could not be secured within the requisite commercial time-frame. As discussed the previous chapter, the HR managers could identify few specific quid-pro-quos sought by, or accorded to, unions in return for agreeing pay freezes or headcount reductions. Sometimes this reflected a reality in which, as one HR manager put it, firms had ‘absolutely nothing to give back’.

***Having regard to fairness***

Echoing a long-running theme in human resource management and industrial relations, a number of HR managers stressed the importance of having regard to fairness in formulating and negotiating concessions in response to the recession. Concern with fairness was not restricted to HR managers in unionized firms, but the theme was developed more fully and concretely in that context. In one firm, cost reduction measures presented to different categories of unionized and non-represented staff had been broadly similar because, in the words of the HR manager involved, ‘we tried to be fair across all these’. Seeking fairness in this sense was understood as having important practical consequences. Non-represented salaried staff had been ‘much easier to deal with’ but the firm was aware that treating them unfairly ‘might move them to organize themselves’. Fairness also dictated the need for awareness of parity of treatment of different categories whose agreements terminated at different times. Sometimes firms found themselves seeking different concessions from different groups, some unionized and others not, and here the challenge was seen to involve ‘educating’ staff to understand why certain issues were covered in existing collective agreements and could not be altered without successful renegotiation. In another firm, fairness was seen to be best served by implementing disproportionate cuts in pay at the highest salary levels with tapered cuts at lower levels and a salary threshold below which no cuts would be made. To the surprise of the HR manager involved, some thought the threshold arrangement unfair and it was removed in a subsequent round of pay cuts where cuts affected staff at all levels. In other cases graduated cuts had been accepted by employees. HR managers also commented that fairness was best served by implementing redundancy programmes at all levels – including senior and middle management – rather than confining job losses to lower staff categories. A HR manager involved in implementing reductions in working hours also underscored the importance of fairness and consistency in this aspect of working conditions and the need to confront staff resisting concessions made by their colleagues. One HR manager displayed a jaundiced view of the extent to which unions sought to act in a fair way, citing their insistence on the last-in-first-out principle, which was seen to work to the advantage of union members and staff with seniority, and 'sacrifice' newer staff.

A number of focus group members were of the view that good pre-existing relations with unions, whether through collective bargaining or through workplace partnership, had been an asset in their attempts to engage unions in responding to the pressures of the recession. While unions had been 'realistic' and 'pragmatic' in their response to company retrenchment proposals they had also had their 'own agendas' and non-negotiable issues. Prominent here was the priority accorded to voluntary over compulsory measures for reducing headcount and a complete unwillingness to negotiate over severance criteria other than seeking volunteers or operating on the last-in-first-out principle. Some focus group participants were heavily critical of unions for, as they saw it, prioritizing pay and conditions over jobs. They observed that it had been their experience that unions were extremely reluctant to negotiate downward adjustments to pay and conditions as a way of preserving jobs and significantly more willing to countenance redundancies and other measures to cut labour supply. Some also felt that unions should have been more amenable in their dealings with companies that had been willing to recognize them and to provide good pay and conditions to their members.

***Unions and innovation***

In general, the HR managers viewed unions as reactive to management proposals for dealing with the effects of the recession and believed that they showed little capacity to provide innovative options for responding to problems. In one instance, union officials had prompted a company to opt for short-time working as its main response to the recession. In another instance, a union had sought company support for the holding of a general training programme for activists on the company's premises. Another company had been asked to allow staff that had been laid off to come to work to gain experience in the operation of a new piece of equipment in order to improve their overall skill level. Other than in instances such as these, however, there was a clear sense that, as one HR manager put it, 'the company creates the initiatives and the unions' respond'. One company had presented a series of costed options for responding to the recession to the unions representing its unionized staff categories and to its non-represented staff. It had also indicated to the unions involved the company's willingness to consider counter proposals from the unions themselves, with some constrains on what would be entertained. In the words of the HR manager involved 'they came back with nothing, absolutely nothing', opting instead to engage in constructive dialogue around the options presented by management.  One constraint on innovation identified was the concern of some unions with the 'national agenda' and on ensuring the local agreements were consistent with their posture thereon.

Spontaneously mentioned in one focus group as something that could cause difficulties was what one HR manager referred to as unions' 'not wasting a good recession *phobia*'. In their view, this reflected a general concern within the trade union world. HR managers denied that using the recession to achieve desired changes in terms and conditions had been a feature of adjustment programmes in their own companies. They believed that unions would quickly see through such a posture and that it would make the business of finding accommodation and reaching agreement more difficult.  They were emphatic that in their experience 'this is about getting through a period' and there were no disguised agendas revolving around 'trying to rebalance the playing field'. As one HR manager, seeking to articulate the view of the whole group, put it: 'We are all trying to navigate our way through a recession here and coming out intact in the best possible shape as far as everybody is concerned'.  A case was cited where a reassurance was articulated in an agreement with the unions that it was not the company's objective to bring about a permanent diminution in terms and conditions of employment. Opportunism was seen as something that pertained mainly to 'individual managers', to echo a theme discussed earlier in the chapter.

## 5.6 Professional and Personal Networks

A theme introduced spontaneously by the HR managers in one focus group when discussing good HR practice was the greater use of professional and personal networks to share information, provide briefings in key areas such as handling downsizing and redundancies and to identify models of good practice. The theme was examined by the researchers in subsequent focus groups with broadly similar results. Networking activity seemed of greater significance to HR managers in the capital, possibly because some formal networks met more regularly or frequently.  Some of the networks had long existed either on a sectoral basis or under the aegis of employer bodies. But there was agreement that they had become more important in the recession in developing knowledge and skills in areas like downsizing, where HR managers had acquired little experience over the past decade. There was agreement that regular meetings of these networks or ‘forums’ had become significantly better attended in recent years and that they had been ‘proactive’ quite early on holding meetings to address issues such as redundancy. The modus of these networks was described by some as ‘very informal’ but allowing for a ‘lot of information sharing’. IBEC was one of the bodies that facilitated networking of this kind. As well as drawing more intensively on professional networks, some pointed to the greater importance in recent years also of personal networks, usually comprised of colleagues and contacts working in the same sector and conversant with the same kinds of challenges.  As one HR manager put it, ‘on a personal level I would have had more contact with my HR counterparts … in the last year than I’ve had for a number of years. So there is a lot of contact, a lot informally, but nevertheless very meaningful’. In the regions, networking appeared less in evidence in dealing with the challenges of the recession or was not seen as playing such an active role in HR managers’ responses. This was not because networks were not in existence: sector networks and CIPD were offered as examples of professional networks to which people had resorted. A HR manager in one multinational indicated that the internal network, represented by colleagues in different territories, was the most useful and its use was not related to the recession. The HR manager in a hospital saw formalized metrics in HR that allowed comparisons across health service units as a functional equivalent of networks. Another HR manager viewed the periodical IRN as a more general provider of such ‘benchmarking’ information.

## Conclusions and Discussion

When HR managers were asked to discuss their views of good or best practice human resource management in the recession, they focused mainly on a series of clear themes. The most prominent of these was the importance of intensive communications with staff and unions regarding the commercial pressures confronted by firms and the responses deemed appropriate. Reflecting and expanding on the survey results in chapter 3, HR managers indicated that they and their firms had communicated more intensively with employees in the recession than ever before. The communication mechanisms employed were well familiar and few clear trends were apparent in their relative usage. For the most part, the emphasis was on communication from firms to their employees and to varying degrees to their unions. Two-way communication or upward communication seemed considerably less pronounced. The balance of communication activity seemed to be tilted towards direct communications with staff rather than communication with staff representatives. There were instances of joint communiqués with unions and of the use of management-union communication structures, but these seemed to reflect attempts to deal with unusually fractious relations with unions or pre-existing partnership arrangements.

Again reflecting the survey results, HR managers also commonly indicated that senior management had been harnessed to the task of communication more than in the past. This strategy was adopted to add credibility to communications and to the measures communicated to employees and unions. HR continued to play a role in formulating the communications fronted by senior executives. There was more to this development than simply prevailing on senior managers to deliver the message to employees or unions. The key development involved harnessing senior managers in leading HR responses to the recession.
A number of HR managers spoke of the importance of advocacy by HR managers of policies that might have been challenged, strained or undermined by the recession, and more generally that pointed to the abiding importance of values seen to be at the core of good HR management. While the degree to which HR policies or values may have been strained or under threat varied across firms, a number of sources of strain were identified. Line managers, focused single-mindedly on meeting commercial challenges, might sometimes try to cut corners and use the recession to resolve problems of under-performance or discipline, or may sometimes simply have lacked the skills, experience and training to enact the roles required to implement HR measures. Overlapping this issue but also a distinct concern was

the importance of underscoring values of abiding concern in HR management: values such as ‘honesty’, ‘integrity’, ‘transparency’, ‘trust’ and ‘fairness’. Values like these were palpably of concern to HR managers and were understood as abiding features of good HR in the recession, as in other conditions. In long-standing Irish firms, staff and managers, often of long tenure, were seen as having particularly clear expectations as to how firms should do business and treat employees and these expectations were adjudged to be of continuing significance.

HR managers in firms that recognized unions had clear ideas about effective engagement with trade unions in recessionary conditions. In general, reflecting the survey results, unions and their officials were portrayed as ‘constructive’, ‘realistic’ and ‘pragmatic’ in their dealings with firms. Firms commonly avowed the importance of sharing information, including financial information, with unions. Experience in negotiations with unions in the recession appeared more mixed. Some HR managers expressed frustration with the time taken to revise agreements and reach accord on new measures. The general view was that it was necessary in turbulent or uncertain commercial conditions to expedite negotiations with unions and that the traditional model of collective bargaining was no longer viable. Unions were seen for the most part as reactive in their responses to the recession and were not generally seen as effective in proposing innovative responses to the challenges of the recession. Good pre-existing relations nonetheless facilitated engagement and agreement.

A concern with fairness in the treatment of different categories of staff was also underscored as an aspect of good human resource management and this theme was developed in particular in relation to staff in unionized firms.

A number of HR managers indicated that they had made more intensive use of personal and professional networks as sources of advice, intelligence and support in handling the HR challenges of the recession. HR metrics and other sources of information useful for benchmarking practices and performance had also been used in some cases.

These findings have a number of implications for our understanding of good human resource management in the recession, of current ideas of good HR in general and for debates on the future of HR and employment arrangements. First, HR managers’ views of good HR in a recession largely echoed the received view as to how good HR in general should be understood. When the researchers sought to provoke focus group participants by asking baldly whether the HRM textbooks needed to be re-written to incorporate the effects of recessionary conditions on HR practice, the common response was that long-standing principles and practices remained relevant and robust. Some were of the view that, at most, some modification of these principles and practices might be required, but what this might involve was not clearly identified. The corollary of this position and the import of our findings in general is that little striking innovation is evident in the practices or approaches adopted by firms and their HR managers in response to the recession. Many of the established tools in the HR toolkit appear to be regarded as 'fit for purpose' by HR managers with deep experience of responding to the serious and acute commercial challenges unleashed by recessionary conditions. At the same time, some changes in the relative importance or priority of different areas of HR practice were clearly evident. Besides the enormous effort devoted to managing pay and headcount, the overriding significance HR managers attributed to intensive communications was striking; managing under-performance and discipline was noted as a new development by a number of HR managers; recruitment had ceased to be a major concern and HRD effort had been significantly reduced in many firms. What emerges here is a re-prioritization of familiar areas of HR practice in recessionary conditions rather than any profound challenge to the underlying HR and employment paradigm, much less any signs of any paradigm shift

The theme of employee engagement also seemed considerably more muted in practice than might be expected from the burgeoning recent literature on this area, or indeed from the survey findings. For sure, firms and their HR managers sought to grapple with 'hard' as well as 'soft' aspects of HR management: motivation, commitment and values continued to matter for many even in the face of acute pay cuts and headcount reductions. But specific programmes for engagement or re-engagement, or specific initiatives in this direction, were not commonly in evidence. The firms that underscored the continuing importance of this area most of all, seemed to be those least seriously affected by the recession. One firm acutely affected by the recession that had operated a formal engagement programme indicated that it had to turn aside from this, while maintaining some specific initiatives in the area, but that it also intended to return to the theme. Rather than the kind of proactive and vigorous harnessing of employee (or union) involvement in identifying and implementing business options - supported by two-way communications and multiple involvement initiatives - commonly canvassed in the engagement literature and in arguments about the transformative effects of the recession, what was encountered more often was quite different. The dominant pattern involved in the main one-way (top-down) communication, more intensive work regimes, a new concern to manager under-performance and discipline and the suspension of profit sharing or performance bonuses. For the most part, the values that continued to matter for HR managers in delivering commitment, or at least compliance, were values of a conventional kind, ‘trust, ‘honesty’, ‘transparency’ and ‘fairness’ supported in the main by rather conventional HR practices. In the same way, to reprise a theme developed in the last chapter, HR seemed to have become more central to businesses mainly in terms of a harder agenda focused on pay and headcount control and management. HR had not gained this ascendancy around an engagement or high-commitment paradigm that had been made more urgent and compelling by the most serious commercial crisis of modern times.

# Chapter Six
# Trade Union Officials:
# Representing Members in the Recession

Survey results in chapter three and the HR focus groups in chapters four and five point to a quite mixed picture with respect to the representative activities of unions in the recession. Firms in general and HR focus group participants view unions in the main as having adopted a ‘realistic’ and ‘pragmatic’ posture in the face of the pressures experienced by employers. Employers claim as a general rule to have engaged unions in negotiations over HR response measures. At the same time, some believe that unions have retarded firms’ responses by insisting on detailed and protracted negotiations. Firms and HR focus group members underline that few supports to organization or representation were traded for union co-operation in agreeing response measures. Financial claw-back arrangements for union members when business conditions improved were also rare.

Absent from the story so far have been the views and experiences of union officials themselves. This chapter examines the views of union officials who participated in a series of focus groups which took place in Dublin, Cork and Galway. The seventeen participants in the union focus groups represented employees working in the private, commercial semi-state sectors and, in some instances, the public sector.[7] They hailed from the following unions: the Services, Industrial and Professional and Technical Union (SIPTU), IMPACT, Mandate, the National Union of Journalists (NUJ), the Communication Workers’ Union (CWU), UNITE and the Technical, Engineering and Electrical Union (TEEU). Between them these unions span a good deal of Irish industry and services, and represent members in both the private and public sectors. (For further details of the membership and organizing domains of unions represented in the focus groups see Appendix 4).

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[7] Sixteen full-time union officials and one union activist and representative, standing in for an invited participant, contributed to the focus groups.

The focus groups were set up in the same way as those of the HR managers. Participants received briefing documentation on the nature and scope of the research study in advance of the focus group meetings. This documentation asked them to reflect on the following issues:

1. The ways in which firms and unions have been affected by the recession.
2. HR's response to the recession and the challenges their response posed for union representatives.
3. The constituents of good HR practice in firms that take cognizance of all stakeholder interests.
4. Union priorities in representing members during this period.
5. The focus of collective bargaining and representation. Concessions, if any, made by unions in return for job security? Concessions made in return for influence or other new gains.

In addition (again, as was the case with the HR managers), a series of specific HR practices, identified in the literature on HR as being commonly adopted in recessionary times, were also included in the material for their consideration. These HR practices covered the following areas:

- Wage adjustment.
- Employment adjustment.
- Reorganization of working time.
- Workforce stabilization.
- Employability (assisting employees made redundant to obtain retraining).
- Process or product innovation.
- Voice (new forms of employee involvement or collective bargaining).
- Content or focus of collective bargaining

At the start of the focus group, participants were made aware that the areas identified in the briefing material and those used to structure the focus groups were not intended to put a limit or boundary on the issues to be discussed. Participants were asked to share their own views based on their professional experience and were informed that they were not viewed in any sense as representing their own unions' views on the areas under discussion. Participants were given instructions on the manner in which the focus group would be conducted and the uses that would be made of the data collected.

This chapter firstly looks at union officials' views on the effects of the recession on both their relationship with employers and with their own members. Following on from this is a discussion on the nature of collective bargaining in the recession. Unions then give their viewpoint as to the features of good HR practice and the drivers of good practice. The chapter ends with a brief account of union views on the public sector (related only to those parts of the public sector represented by the focus group participants i.e. the health sector including voluntary agencies funded by this sector, local authorities and higher education institutions).

## 6.1 The Effects of the Recession

As union officials, the focus group participants were involved with firms that had been severely affected by the recession in terms of falling revenues and market pressures. While it was 'business as usual' for a number of firms, in that both unions and management sat down together and attempted to work out how best to solve the difficulties facing them, all of the focus group participants highlighted significant new difficulties and challenges that have arisen for them as a result of the recession.

A major negative impact of the recession for many of the focus group participants was the change in the union's relationship with the employer. Where good relationships had existed between both parties in the past, in that the union 'would be contacted properly and a sequence of meetings would take place…to discuss possible changes', unions were now being by-passed in a number of firms. 'HR are by-passing the process and instigating change from the floor…now you're getting a call from a shop steward or a member saying that they're just rolling in these changes'. This has obviously created a problem for unions, in that much of their energies had now to be taken up with trying to get the employer to the table in the first place. This issue will be discussed in greater detail under the heading of collective bargaining.

A number of different factors contribute to this 'new' relationship with some employers according to the focus group participants. A primary driver is the current state of the labour market. Buoyed up by the strong available labour supply, focus group participants were of the view that some employers were being opportunistic when it came to implementing change in response to the recession. They claim that employers were taking advantage of employees' fears: 'People are terrified now because they're saying the unemployment rate is going up and up. If they don't bow to whatever pressure is put on them…sign this piece of paper and accept a ten percent cut or your job is going… then they could be out there as well without a job.' Employees had therefore been agreeing to any pay cuts or changes that management wanted. Unions were having difficulty convincing members to stand up to employers given the background threat of losing their jobs. The focus group members told of how some companies have: 'acted unilaterally and they have gotten away with actually a lot really because of the climate of fear that's out there.'

Another factor contributing to the breakdown of 'normal' relations between employers and trade unions, as perceived by the focus group participants, was the speed with which the recession has developed and the consequent perceived need for immediate cost-cutting action by businesses. The union representatives present stated that they found themselves in the position of reacting:

> …you're reacting to an announcement by a company that they're going to downsize, whereas previously they might have been in and they would be talking to you in advance about it and you'd have an opportunity to make or put forward an alternative. (Now) you're being given less and less time to do it.

Companies did not want long negotiations, according to the union representatives. HR have told the unions that they are under too much pressure to give the unions time:

> they abandon the chance of a good deal for… speed and because you go to the Labour Court doesn't automatically guarantee you a resolution. That's very frustrating, so if HR managers were to commit to adequate time it would certainly lead to better deals, better agreements.

Some companies 'want implementation with immediate effect', leaving unions little time to tackle the issues, develop a strategic approach or consult with their members. The push for urgent and speedy change was seen as being a contrast to the traditional way unions and employers did business.

A third factor contributing to the undermining and destabilising of the traditional union–employer relationship according to the focus group members, has been a change in business culture and ideology. Business at national level has pulled back from social partnership, and this, in the unions' view, has given employers license to 'do their own thing. For some it was seen as a signal from the centre to go it alone.'

> My view is that social partnership was an ideology that suited employers for the twenty odd years that it was in vogue and as soon as it didn't they were pulling away from that…it suited employers because it was a way of regulating wages and in fact during the boom years when there were huge profits being made… it was wage restraint and it allowed employers to pay minimal pay increases and to take huge profits.

The unions believe that there is a strong anti-union ideology abroad now, often supported by the media (it was pointed out that many newspaper groups were now owned by big corporations) and that this anti-union ideology has filtered down as far as HR in some firms:

> 'We've got employers now who traditionally would have gone through the procedures of local meetings, going to the LRC and going to the Labour Court. Now they're saying we're not participating in that. Why? Because they don't have to and they're following the lead of other employers who have done the same … so and so didn't do it so we're not doing it either.'

Union focus group participants bemoaned both the loss of the predecessor to the Human Resources Manager i.e. the Personnel Manager '(who) generally speaking, was somebody who had come up through the company, who had a relationship with the employees … because he was deemed to be responsible for their well being within the company', and the traditional way of doing business with the employer, i.e. where the Personnel Officer 'negotiated with the union because there was a relationship with the union official.' They point to a change in focus '... there is no real attention (now) being brought to the way business is done and should be done … there is a different focus … away from the welfare type towards the HR manager being a company representative.' The participants pointed out the ‘general lack of importance attached to the union-management agreement, whereas, going back fifteen or twenty years …the union management agreement was your bible…’ Now, the union representatives claimed, the focus for HR professional training is on the needs of the firm, that they have become business managers: ‘the role of the HR function today is less about developing relationships with the union official and more about delivering a share holder bottom line…we are viewed unfortunately, as an impediment or some sort of obstacle.’ However, whatever reservations or problems the focus group members were having with HR, they did point out that a company with some kind of HR structure is better than a company with none. In ‘weaker, smaller companies, where employees are more open to the vagaries of whatever change might be taking place in their sector and where HR is needed to be most proactive and innovative, it’s rarely if ever there’.

There was a view among the focus group participants that there was a serious shift in the idea that employers wished to retain staff. ‘In good times, a good employer’s agenda is driven by a desire to retain people.’ Whereas now ‘in the recession the only responsibility employers have taken is to survive and be competitive and others are rowing in behind that to pursue a maximum, long term profits agenda.’ ‘People at the top now see their staff as a liability, who could be replaced from an open market much cheaper than they’re being paid’. They wanted to get rid of the staff ‘brought in when times were better’. Some of the participants compared the current recession to that of the 1980s, where, it was claimed, there seemed to be a more human attitude taken to job losses:

> If an employer came in and said I’ve got to cut jobs, they felt nearly that they were failing and letting down the people that they had brought in … whereas nowadays it’s like, people are not people, people are just commodities or numbers. An awful lot of the management is done at arm’s length and seen as numbers rather than any kind of personal added-value being given to a company.

A number of the focus group participants called for a strengthening of the existing IR legislation to help address, what they perceive to be, the current power imbalance between unions and employers. Given the essential voluntary nature of collective bargaining in Ireland, the system relies, to some extent, on the honour of the participants. As employers were now no longer honouring existing agreements, according to the focus group participants, current legalisation needed to be strengthened. ‘I think at the moment within the current system we have dispute resolution that’s voluntarist and it is being largely ignored by employers, and that’s a problem. So two things have to happen, it either has to be strengthened legislation-wise or the employers have to step up and fulfil their responsibilities in participating.’

The focus group participants also called for the resources of the Labour Court and conciliation services to be increased because of the demands of the recession. ‘Cases need to be speeded up. People don’t want to hang around for six or eight months and particularly where jobs are threatened, there’s going to have to be some fast track method of dealing with the most, the next urgent case as opposed to which one it is and where it is on the list.’

One further change that has come about as a result of the recession relates to the nature of the relationship between unions and their members. Prior to the recession, according to focus group participants, ‘there were a number of things that removed you from your membership’. During the time of social partnership, the union representatives stated that their members did not see the link to the work that the unions did on their behalf at national level. This had helped to bring about an attitude of ‘entitlement’ among workers ‘I’ve heard numerous occasions, sure we are entitled to that anyway’. Annual pay increases negotiated at national level, according to some participants, were seen as Government increases. Other factors have also contributed to the distancing between union officials and their members: ‘You would walk into a factory, you would walk down, chat on the factory floor stuff, now it’s all signing in, ID cards, the plastic things that you pin on and there is this barrier’. According to the focus group participants, the recession has highlighted the need for them to review their relationship with their members and to try to engage more directly with them in the workplace.

One obvious impact of the recession is the major loss of jobs and some not just temporarily. While this was felt across all sectors, the loss of manufacturing jobs in some traditional industries such as rubber, plastics and clothing, was very keenly felt. This was the case both because of the availability of cheap replacement imports and the fact that some of these industries were linked to the declining construction sector. It was also stated by the focus group participants that the impact of the recession was hidden in the retail sector. The reason for this was to do with the large numbers of part-time workers in this sector in addition to workers on minimum hours contracts. The hours are being cut back, but as the contracts have not been broken, the union did not have any avenue to challenge this 'even though the amount of hours taken out of a particular shop is the same as a factory closing.' Against this backdrop, matters relating to the collective bargaining process were explored.

## 6.2 Collective Bargaining in the Recession

In broad terms, employers were predominately pursuing adjustments to varying degrees that would bring about reductions in employment costs. These were mainly in the areas of wages and benefits, overtime, headcount and/or working hours, according to the unions. Unions, for their part, have focused on protecting jobs and preserving terms and conditions of employment. They were 'trying to hold onto as much as possible…to avoid compulsory redundancies by way of reduced working weeks and a voluntary redundancy package.' On the positive side, where engagement has been meaningful with the employer, unions believed that they had managed to influence the agenda away from compulsory redundancies, to talking about reduction in hours, in addition to changes in contracts and additional flexibility. For some employees, (such as employees with long service) and in specific sectors (for example, the construction sector) rather than face massive change in their workplace and their work practices, voluntary redundancy packages have been taken up and unions have tried to facilitate this.

The focus group participants indicated, however, that the recession had brought out different responses from employers in terms of both 'good' and 'sharp' practices. Good practice involved the union being called in by the company and being asked to work with them to achieve a solution. All of the focus group participants gave examples of companies who came to the table and with whom they had completed deals, involving pay cuts, pay freezes, redundancies, etc. They had also 'tried to engage on alternative cost savings and productivity measures.'

Whether meaningful discussions actually occurred, however, in the eyes of focus group participants often depended on a number of factors. For some unions, the very process of negotiation itself was hampered by what they considered to be the ‘serious lack of expertise and experience from a HR point of view’. This lack of negotiation experience was often compounded by the fact that many HR managers were either not aware of the existence of an agreement between the employer and union or did not know the detail of the agreement, according to union representatives: ‘I’d have to say the response back from an awful lot of the HR managers is - what document is that?’ Another factor believed to be hampering the negotiation process was the quality of the advice given to HR practitioners ‘the advice that they get tends to be … ‘just do it’, even from their own organisations, ‘take a chance, sure its bad out there, but the workers will wear it.’ And that causes a lot of adversarial reaction that isn’t needed.” The cut-backs in the HR department itself also meant, in some instances, that the HR person with whom the union had developed a good working relationship was no longer with the company. The outcome of this was that:

> …there is a serious lack of someone who knows how people actually think, who knows how to bring people along with them and who knows how to do a deal with a union official at the end of the day.

The unions also found that HR staff were often just as worried as everyone else about losing their own jobs.

Another factor affecting negotiations with employers was the attitude from corporate headquarters according to the focus group participants. With certain sectors or industries, it was ‘recognized that you had to do business with the union’. However, even in the cases where a good relationship may have existed with HR in Ireland, instructions on how to proceed in the recession may have come from outside Ireland, for example, corporate headquarters in the UK or the US. The non-Irish parent organization, working from a different agenda and with little knowledge of industrial relations in Ireland, often wanted their decisions to be implemented with immediate effect and often unilaterally. HR’s commitment to staff in Ireland had then to be over-ruled. The notion too, that ‘things are done differently in Ireland’ was easier to sell to non-unionized UK and US companies and multi-nationals in a time when doing business here was profitable and labour shortages existed, according to the focus group participants: ‘now that’s turned around … and therefore any ability to influence parent companies or financial controllers … is gone and that, I think that's a key difference.' An example was quoted by a focus group participant illustrating this point: 'Ireland is now seeing a drop in the level of redundancy payments … whereas in the past the level of the redundancy settlement sent a message to staff that the company would look after them.

With regard to the 'sharp' practices (mentioned earlier), the focus group participants stated that in certain companies, normal industrial relations processes and procedures were being ignored. 'Most disputes have arisen because employers have broken pre-existing agreements':

> I was in the LRC some months back where company X was being brought to task and there were I think something like between thirty and forty Labour Court recommendations across all sectors of employment that they had agreed to implement, which they didn't, and they sat opposite us and admitted that they hadn't.

The focus group also stated that disciplinary procedures were being ignored:

> In the past somebody might have been counselled, you know, if you got a verbal (warning) in an unofficial capacity by a supervisor or manager. Now it's - sure there are four hundred and twenty odd thousand people on the dole, give them a final written warning. If they step out of line in the next year they're gone, we can get somebody else in.

There was a view among the focus group participants that companies were looking for reasons to dismiss people because they could not afford to keep them anymore. Companies 'were managing (people) out of the company', a case of 'catch me if you can, take me to the wherever you want, and … I'll settle if I have to at some point'. Given that the length of time it might take to get a meeting with a Rights Commissioner for an Unfair Dismissals case could be up to two years, it was alleged that this suited employers and that if they (the employer) lost, the penalties did not have any detrimental effect. The focus group participants also stated that they saw an increase in the severity of the penalties being meted out to employees: '… the penalties are way more severe, what you might get a slap on the wrist before, you are actually getting a formal warning for or no warning. Something you previously get a warning for, you could actually get dismissed for now.'

An obvious knock-on effect of these 'sharp' practices has been the erosion of trust between management and employees. In describing one situation, a focus group union participant referred to a meeting that day with an employer to discuss 250 job losses. She wondered whether it was really 250 job losses or was it because:

> This particular company has tried to erode every term and condition of employment that is in being in the particular firm. This firm took over another one about four years ago and recognized everything at the time under previous agreements. Just in the last twelve months it really doesn't like what it signed up to in 2006 and hasn't progressed their agenda of cuts and so now has decided that the best way of cutting is to say 250 people are going to lose their jobs.

The focus group participants were having difficulties in deciding which companies were really in trouble and which were 'trying it on', whether the motivation was 'repositioning for a recovery or to dilute wages' Some employers were using the recession, according to the focus group, to cut costs to unnecessary levels and to gain back concessions negotiated during earlier times. There were some companies in the retail sector, according to the participants, who were looking for major concessions while at the same time 'declaring straight up they were making huge profits'. Other companies threatened to close if unions did not agree to drastic changes, even going so far as to announce a possible closure to the media. One union official described it as the employer 'looking for one permanent hit at the union, while they are weak and while the workforce is scared'. Given the condition of the labour market and what was happening in other organizations, employers have been able to challenge and avoid their trade unions, even in sectors which were still profitable, according to the union representatives. Where unions do not have density in an organization, a fear was expressed that there was little they could do about this.

The focus group participants discussed the negative implications of employers taking an opportunistic stance. They agreed that it usually ended up leading to more difficulties between unions and employers, generating more of an ‘us and them’ conflictual type engagement. If the employer asks for too much, staff are often aware of this and hold back and don’t want to co-operate. ‘People are just saying - not going there’ even though ‘ there might be a genuine need to make some savings but because it’s perceived that they’re looking for more than is fair and reasonable then everybody pulls completely back and does a ‘ not going there’ ‘not co-operating’. So relations then would go downhill.’ The focus group participants stated that they believed they were not always being given the full truth. Unions felt that ‘when you dig deep into it you find on many occasions it’s not the situation that’s being put to you, you’re not being told the full story. Sometimes it’s a company that are making an awful lot of money…using it as an opportunity to cut back on conditions’.

The success of collective bargaining is seen to be predicated on both unions and employers recognising the process as the principal means of organizing dealings between workers and employers. According to the focus group participants, this recognition by employers, in some instances, has not been forthcoming.

> Whereas in previous recessions the collective agreement was always sacrosanct and there was a decorum there, lets be honest, among representatives, either IBEC or SIPTU or any union, that we will get a heads up on these things, and I have seen now the last two years, many examples where the heads up is not occurring, we are not getting the phone calls in advance and you could certainly take a very dim view of that, that the intention is to put us under pressure from the beginning as opposed to embracing I suppose an open discussion about this being a shared problem.

Unions were finding it difficult both to get employers to come to the table, and to resist unilateral action being taken by them. A number of unions complained of the necessity to ballot for industrial action just to get an employer to engage with them.

> The vast majority of my ballots for industrial action in the current environment are to stop unilateral actions being taken and I have to take that step because in the initial engagement the employer said ‘I don’t want to talk to you, you’ve no significance for me. If your members want to be part of a trade union that’s their own affair, I don’t have to recognize you’. And that’s the stance that they take which puts me in a position as an official of having to go back to my

> members and say look, we're going to have to do something here to even get them into talk. And that's, I see that as fifty or sixty percent of my workload in the current environment, being honest about it….that's a huge hurdle for us…a lot of negative effort.

Union representatives added that even though they might not have been involved in the initial stages of consultation, they were 'still expected to manage the impact of the decisions made' and to deal with the questions and concerns of staff.

Where management did call in the union, it was often the case that they wanted to address the difficulties of the recession by cost cutting, with *immediate effect*. Immediate effect meant that unions were not given any opportunity for either real engagement or time to consider alternatives. It was mentioned by a number of the focus group participants, that when unions were being contacted, it was often only to rubber stamp cost-cutting measures already decided by management. 'More often he will say, he'll make an announcement to tell people this is what we're doing and they might allow the union an opportunity to influence some minor change or some minor alteration to it…' In other cases, companies were going directly to the staff on the ground and 'just being told there's a problem. We must take this action or you won't have jobs'.

There was a sense too among the participants that some HR practitioners had adopted a short-term view of employee relations in the recession: 'I've sat in meeting rooms with HR people and they have their 'mission values' and it's all this wonderful speak about, you know, consultation, consideration and our people are our best asset, all very plausible points that they have stated but the reality is that in these times… they look at the short term. You have all these wonderful concepts … the benefits have been shown in previous studies but Irish business just doesn't seem to grasp that.' Some focus group participants also had negotiations with HR people who complicated things in a way that was not helpful.

> They are trying to do stuff they should have done years ago anyway and that tries everybody's patience and takes their eye off the ball. Somebody saying our productivity is down, our costs are up, how do we manage it? But they have a raft of other stuff that is antagonistic towards the people we might be selling it to... Reposition of the company, that's management by crisis and that is, I suppose an understandable thing to do but I think if you are in a true crisis,

> you manage for the true crisis, not the incidentals that you should have been doing anyway.

The union officials also agreed that there had been a change in the focus of their day-to-day work, in that there had been an increase in the number and amount of time they were spending on individual issues: ‘twenty years ago, the workload of an official would have been divided or split sixty percent in terms of representing groups and forty percent in terms of individuals where it is now reversed where sixty percent of an officials work now is dealing with individual cases as against forty percent which is dealing with group issues’. This, they stated, had implications for the overall system of collective bargaining.

***Terms and conditions of employment***

According to one focus group participant, ‘it’s nearly open season on everything from an employer’s point of view you know, that anything that’s there that’s been negotiated over the years is now on their agenda to cut.’ One union representative stated that she had ‘never used the Payment of Wages Act so much, ever. There are employers who are cutting workers pay without their agreement.’

While recognising that cuts in headcount, etc., were often necessary, what some focus group participants found difficult to accept was the fact that just because the business was not making as big a profit as in the past, it now wanted to cut employees’ terms and conditions of employment. What employers were forgetting, according to the focus group participants, was that ‘these are not terms and conditions of employment that were given without strings attached to them, they’re terms and conditions of employment that were negotiated where the employer got something as well.’ In certain sectors, employees did not even benefit during the boom years where huge profits were being made according to the focus group participants

> we didn’t make many gains over and above the national wage agreements because anytime we went to try and make gains on foot of huge profits we were told all those profits were being put back into the companies and therefore there was nothing to spare and anyway it was cost increasing and outside the terms of whatever wage agreement was in place.

For those companies who have implemented redundancies, early retirement or introduced atypical working arrangements, the focus of the union's work has been on those employees who are left behind and the regulation of their workloads. They have been looking for recognition of the temporary nature of the extra work people have had to take on.

> Somebody will change what they're doing but only if they can drop something else and we are trying to force employers into a position where it reserves some structures for people so that at the end of the whole thing there will still be promotional outlets for people, there'll still be a career and they won't be so driven into taking on more and more work.'

Companies were adopting an *ad hoc* approach to reducing headcount according to the focus group members. In some sectors, where voluntary redundancy or early retirement schemes were offered, there appeared to have been little long-term consideration of the implications, relating to either the loss of skills, and/or the distribution of work among the remaining staff. In contrast, another focus group participant gave information from the printing and publishing sector, where companies wanted to 'keep their stars', and staff had to re-apply for their jobs.

> That had terrible consequences for the people that lost their jobs. We were arguing it should be fair, there should be voluntary redundancy, to be based on 'last in first out' but I think the response that we got from HR was, this isn't a factory making widgets, these are highly skilled people and we can't afford to allow the ones that we think are more skilled than others to take a voluntary package and go, so we're doing it this way.

A different approach again was adopted in a financial services company, where the focus for management in relation to employees working atypical working arrangements was 'if numbers are to fall they (management) want to have as much control over it as possible, over who goes and who stays.' They did not want a situation where 'staff were being enabled to decide who was reducing hours'.

A worrying aspect of collective bargaining currently mentioned by the unions was the fact that some companies who had already implemented wage cuts, were coming back for a second and third ‘bite of the cherry’. ‘Once the idea that a wage cut is a solution they come again for another bite and another bite.’ Participants shared the fear that this could become a ‘downward spiral’ which would not foster recovery in the long run, because more and more money was being taken out of the economy.

In response to a question posed by the researchers during the focus groups, the union officials agreed that their role can mean that they can feel pulled in two different directions. In the first instance they feel the need to support their members and to get the best deal for them at the table. However, they may also see that the company needs to make changes in order to survive and the union may want to co-operate with the company, even though this may mean some workers losing their jobs.

Other issues brought up by the focus group participants included concerns about the minimum wage: ‘the message quite clearly to us is that the minimum wage is next to be targeted, there’s no question about that. The employers agenda is very straightforward here… to get that minimum wage down, which will increase their profits, and all the rest that goes with it and this Government seems to be amenable to that approach’.

A number of focus group participants indicated that they were in discussion with employers around pensions, in particular with regard to the cost of defined benefit pension schemes. The outcome of negotiations has usually resulted in ‘either an increased contribution by the employees, or in some cases, a dilution of the benefits. While in other cases we have seen companies that have unilaterally implemented changes to the pension schemes’. Union representative were also involved in agreements that saw the closure of defined benefit schemes to new entrants. While it was acknowledged that the pensions issue had been under discussion for some time before the recession, one participant stated that the trend is his sector (financial services) was to ‘dismantle pensions’. He stated that

> there seems to be a concerted attempt to dismantle them because workers are accepting serious diminution to pensions before they can afford to take pay cuts. So there was a bit of an attempt to contain pay or slightly reduce it, it was massively resisted but their approach of dismantling good pension schemes might have been costed at twenty five percent of salary replacement then. It’s much more easily pushed through and that’s happening sometimes because it

> needs to be done and sometimes because it's opportunistic to do it, or because the competitor is doing it to remain competitive.

According to the focus group participants, there was little evidence of innovative responses to the recession. It was more a case of 'just the basics'. One participant stated however, that the union had negotiated an annualized hours agreement (which particularly suited the sector involved) to avoid staff having to work a three-day week. In another case, the unions (more than one union was involved) co-operated with an initiative taken by the Managing Director, who instead of redundancies, introduced a 'one week off in five for a period of months'. Now the company is doing well and employees are back on full-time work. According to the union representative, 'early intervention was critical and I may not have been as early making the intervention if it wasn't driven by management. I'd like to think we facilitated the arrangement and we got there eventually'.

***Concessions gained by unions***

For the most part, few reciprocal concessions were gained in return for cost cutting measures according to the focus group participants. Unions themselves have focused on 'consolidating what we have' on saving jobs and consolidating the rates of pay of their members and getting this written down into an agreement. The unions were also focusing on getting employers to sign agreements that the 'company will not implement changes unless going through a negotiated agreement with the union'.

In the retail sector, unions have managed to have profit sharing written into some agreements for the future, when the upturn in the economy comes about. This would be dependent on continued financial transparency. In a financial services company, the union sought a commitment from the employer on bonuses in the future. The union was looking for a commitment that when the 'good times' returned the company would give workers an opportunity to achieve a bonus of up to twenty-five percent (based on company performance indicators), that had been available only to the managers up to that point. But they found it very difficult to get that particular agenda moving.

In the printing and publishing sector, the focus was to enter into short-term arrangements of reduced working weeks in preference to having redundancies. This kept staff on the books with good standards of pay and conditions which, unions hoped, would be maintained until the economy recovered.  There was a view that if staff were let go now, that any new contracts in the future would not be as good.  There was also the threat that other employees would do their job for less money.

Again in the printing and publishing sector, one participant stated that they did manage to get agreement on a claw-back mechanism:

> we have made concessions in terms of pay but we've sewn into agreements that there is a claw-back mechanism.  Where it has been an adjustment in pay we've got a corresponding increase in leave which means the pay per hour rate hasn't changed and we've got agreement that when things improve that there'll be a refund of what workers have sacrificed now.

In another company in the same sector, where management did open up their books to the union and a pay cut was implemented, the union set up review forums which will review how the company is doing on a quarterly and annual basis.

One gain made by unions in this recessionary period related to their being able to organize workers.  They have managed to grow density in companies in which they were working and in new companies. In one case in the hotels and catering sector, the union worked closely with management to bring a company out of examinership. In return for pay cuts and other concessions, the company agreed to look at a partnership agreement with the union, and, as part of the process, workers would be actively encouraged by management to join the union. The union expected to substantially build on their original twenty per cent density in the company.  In another company in the construction sector:

> in return for a twelve month suspension of a portion of the rates of pay, (the union) gained union recognition in the twenty six counties with the company and also there was a review period built in, that was to be examined every six months and further to that, it was index linked, so that if those house prices on those specific sites raised, that the rates of pay would increase *pro rata*.

One other potentially positive outcome of the current situation, according to the focus group participants was, by having engaged and worked with the employer and come up with survival plans or alternative solutions to the problems being faced, that this has set a precedent of sorts for the future, where the unions could hope to expect the same level of engagement with employers, particularly if the solutions found had proved to be successful. Some of the focus group participants stated that they were now more engaged with employers on an on-going basis, given the uncertainty of the recession. This, in turn, had the knock-on effect of having more discussion with their members, both in terms of keeping them informed and on-side, and on being more prepared for changes in the future.

It appears however, that for some of the focus group participants, the recession caught them off-guard and un-prepared for the level of its severity, not having experienced anything like it before. This was further complicated by the cessation of the national pay agreements, where over the previous twenty years unions 'have had the pay issue resolved… we didn't have to have this open discussion on what pay should be'. In the early stages of the recession, the focus, according to the unions, was on 'keeping the headcount as long as they could…there was a genuine hope in the company at the time that business would pick up...'. However, as the economic crisis deepened, certain commercial realities also set in, for example, the company may have lost orders and realized that they were lost forever. This in turn, lead to the emergence of a different bargaining agenda, related to such changes as short-time working, pay freezes and cuts, and redundancies. One focus group participant talked about his union being 'late converts to the discussion about downsizing and changes and modernisation'. After repeated attempts at survival plans over a long period of time, unions accepted that the business was in trouble. In order to keep the business going, they had no choice but to engage in cost-cutting measures.

Another participant stated that while 'it's easier for trade unions to go and just have industrial action in a lot of cases you know because it's what we've always done', but that now when companies provide the union with financial data, the union is in a better position to sell an agreement to their members. In one case, mentioned by a focus group participant from the retail sector -

> what we've never done before with companies, we've sent in our own financial advisors and the company have quite willingly co-operated with that and it would have been a help, it would certainly have been a help where you're talking about cuts, nasty cuts in some cases of members' terms and conditions

of employment when they hear from somebody that, you know, has been engaged by the union, paid for by the union that is there to advise them on their behalf.

## 6.3 Features of Good HR Practice

In response to a request that they identify the features of ‘good practice’ from their perspective, the focus group participants mentioned the following issues or aspects: honouring existing agreements and procedures; meaningful consultation and willingness to explore alternative solutions; communications; access to valid data and financial transparency; a business plan; and agreed mechanisms to allow for future reviews of agreements. Each of these aspects of good practice will be addressed separately.

***Honouring existing agreements***

There was a broad consensus among the focus group participants that they ‘have collective agreements which are being ignored’ and that employers were also trying to move away from a collective approach towards individualising the employment relationship. The participants highlighted the need for employers to honour existing agreements and not to impose unilateral change.

***Meaningful consultation and willingness to consider alternatives***

According to the focus group participants, where workers or their representatives are meaningfully engaged with the employer, then even though the staff won’t like having to make changes or take cuts in their terms and conditions of employment, they are much more likely to remain committed to the employer than if they were left out of the consultation process altogether. For the participants, real consultation ‘is a mixture of things’ and takes place where there is ‘a shared problem’ and a willingness to look for ‘a shared solution’. Meaningful consultation is about ‘bringing people with you’ and that ‘the change is agreed.’ It’s about being able ‘to see the real situation in the company and about being allowed to come up with realistic alternatives:

> When an employer says - things are bad, you can have a look at my books, say that what they want to do is keep the business going, keep people in

> employment and that they are prepared to look at alternatives. I mean if you get all of that then I think workers generally will buy into it …because they feel they are a part of it, they feel that they're contributing to saving their own jobs and livelihoods and all of that.

Meaningful consultation also meant local and timely engagement for the focus group members: '…consulting with unions at an early enough stage that the whole procedure can be exhausted both locally and into the third party. Very often companies are coming and saying we need this yesterday, you know.' '…there's a lot of shock tactics being used by employers, like you know, we're in a crisis and we have a meeting with our bank on Friday and it's Wednesday. We'll meet you tomorrow for half an hour and people feel that they're forced into a corner…'. According to the focus group participants 'there should be adequate time given for the negotiations to occur...people see change as a threat… it's difficult to change that mind set into an opportunity' .

According to participants, unions want the company to ask for the union's help and advice and not to just 'go through the motions', presenting the unions with what they intend to do and calling this 'consultation'. What companies often don't know, including HR, according to the focus group participants, is 'how work practices on the ground can be changed, how flexibilities can produce far greater savings in the long term than a sheer economical decision to cut pay or whatever.' At the end of a process where meaningful consultation has taken place, and employees feel they have been listened to, there are multiple benefits for the company in terms of firstly, discovering better ways of doing things and secondly there is a better chance of 'keeping people on board and buying into the notion - I'm a part of this company - and not apart from it just as a source of labour.'

Another component of meaningful consultation was seen to be the employer's willingness to engage with a third party. 'A willingness to engage with a third party which is seen by workers as being fair where there might be a lack of trust with the employer or their motives. Even a willingness to even engage with a third party even if what it delivers is what they're looking for, is seen as being fair and acceptable because somebody else has endorsed it.'

***Communications***

The participants were of the view that if HR wanted to develop not just trust with unions but also trust with staff, then good communications were essential. 'If there is bad news coming down the track, the first thing is to communicate that in advance and give people an honest outlook as to what the future might hold'. One participant also mentioned the importance of a good communication channel with the union 'overtly confirming the union as a stakeholder.'

***Financial transparency***

The focus group was of the view that a willingness on the part of the company to provide financial transparency, to open up their books to the union or allow the union to appoint somebody to look at company accounts would indicate a positive HR response. Where this has happened, unions have found that it helped to get members to buy into agreements because they have the facts and figures with which to make an argument. There was a view also that where companies were willing to provide information in the recession then they will also need to do this in the good times in the future. In cases where companies did not provide financial information to the unions, 'and were basically asking us to follow them in the dark' the less likelihood there would be that workers would co-operate on such a deal. However, it was also acknowledged by the unions present, that the disclosure of financial information could also be a 'double-edged' sword in that firstly, the burden of dealing with the information was being transferred to the union. Secondly, there was also the issue of where a company had publically declared a profit in the case of multi-nationals but at the same time were asking locally for some form of cut-back in earnings (e.g. overtime payments). This was often a difficult situation for unions to deal with.

***Viable business plans***

When the crisis started the assumption among the workers was that the company had a 'grand plan' to deal with what was happening. This, in many instances, according to the union officials, did not appear to be the case. Allied to the notion of financial transparency, the focus group participants expressed a view on the importance of the company having a good business plan for the future. A business plan for two to three years down the road, they indicated, would help to ensure confidence that the company was not just taking a short-term view but knew what they were doing:

> if there is some light at the end of the tunnel its very easy to do a deal, a short term deal for a year or eighteen months, but for us to buy in, the key for us would be that after that twelve or eighteen months that there actually is a business plan that makes sense, because the last thing you want to do is get onto a spiral that's just a downward spiral.

***An agreed mechanism to allow for future review of agreements***

The focus groups indicated that they found that management didn't often want to make any commitments concerning the future. However, they felt that 'if workers by agreement are prepared to take some pain now during this difficult time, then there needs to be a recognition that when the good times come back whatever they've given has to come back with it.' The group indicated that some commitment should be written into agreements whereby what was given up by workers could be refunded and that if this was the case, there would be greater buy-in from workers.

> There are very, very few employers saying take a pay cut now or reduce premiums for overtime or unsocial hours premium and this will be reviewed and reinstated at a later time…If an employer is genuine, will work with you, wants to alter an agreement but commits to when we turn this country around again, no matter for how long that's going to take, when it comes back, when the company is able to pull itself up, stand on its own feet, that there will be recognition of that contribution and that things will be reinstated.

Focus group participants stated with regard to the retail sector, that where bonuses were given up during the recession, profit-sharing of some kind in the future should become a feature of agreements.

## 6.4 Drivers of Good Practice

The focus group participants were asked to describe the features of organizations that supported good HR practice. Their responses identified the following features:

***The existence of a robust HR structure, strong HR policies and leadership***

Focus group members stated that HR had an important role to play regarding the prominence of good IR/HR practices in a firm. They generally agreed that where strong HR structures and policies were in existence, coupled with a strong HR leader being able to stand up to diktats from finance or other areas of senior management, a better chance for real negotiations and co-operation existed. Otherwise, according to the focus group participants, HR are 'just there to mop up any decision that is already taken by people higher up the organisation.' The union representatives stated that they also needed HR to uphold existing agreements in the face of challenges and to both authorize and corroborate the union's role in these. 'The influence or the priority given to whoever is on top of HR' is also extremely important according to the unions.

***Recognition of the union as a stakeholder***

The focus group participants stated that a good HR Manager would be someone that 'recognized the trade union as a stakeholder in the organisation and that its members are employed in the organization and are coming to the table'. This recognition or acknowledgement of the role of trade unions in an organization could also be reinforced by chief executives when they address staff. The participants also mentioned the importance of respect from the employer to the input of employees and their representatives.

> 'I suppose ideally what you would say it that there would be respect by the employer for the input of the employees and their representatives and if you have that then you will get an open-minded attitude to the savings that are not just the ones the employer has come up with but that they're prepared to look at alternatives.'

The unions, on more than one occasion, highlighted the example of two organizations doing the same thing, for example reducing headcount. They pointed out that the two organisations end up doing the same thing, however, one does it by opposing (the union) and the other one does it by consulting and reaching an agreement with the union. 'The outcome will be that the one who does it by consulting and agreeing will have a staff who are more likely to remain engaged in that organization, whereas the other will have a staff who are very seriously discommoded and won't have a long term commitment.'

Related to the current difficulties in the financial services sector, one participant highlighted how two organizations took two different approaches with employees and their representatives. One of the organizations gave a guarantee of no compulsory redundancies for a period of 18 months, in exchange for pay moderation and a contribution to the pension scheme, by both the company and the union. The agreement was accepted by ninety five percent of employees on a vote. The second organization did not give any guarantees or concessions in return for pay and headcount adjustments, even though they were in a position to do so, according to the focus group participants. The outcome is that in the first organization, employees and management have 'a very good working relationship, well relatively in the circumstances between staff and they're all heading in the same direction, sorting out problems.' In the other organization, employees no longer trust their employer and commitment levels are low.

***Embedded collective bargaining practices and facilities***

The pre-existence of good relations with unions in an organization, along with embedded practices for consultation and collective bargaining, contribute to good practice in employee relations according to the focus group participants. Where there are structures in an organization that allow for representation, including basic facilities for the professional conduct of representation on the shop floor (such as access to a phone, a computer, a room for meetings), it's harder to ignore them because people have an understanding and a day-to-day appreciation of their function. They are a good visible indicator that there is a reasonable relationship between management and unions and it's more difficult to dismantle such structures at local level than at national level.

> I also think where you have maybe good and embedded kind of policies or ways in which you deal with things within organizations… it's harder to dismantle that from the point of view of the influence and it's easier to use that and you can use that very effectively very quickly.

***The existence of a culture of trust between employers and employees***

In distinguishing between 'good' and not so good employers, the union representatives highlighted the importance of building trust between employees and the employer:

> …if that trust isn't there, or if it was there in some semblance or other and has now disappeared, then we all have a major task in terms of trying to bring people back into a space whereby they all recognize the difficulties and the problems and they all work towards a solution or a resolution of those difficulties and problems.

Where a company is looking for agreement on a headcount reduction or shorter hours, then to get the trust and co-operation of staff, according to the union representatives, other issues would need to be addressed (for example, for employers to stop opposing all individual claims on a point of principle, and referring all claims to a third party) 'where everything goes to a third party and everything is confrontational an employer can expect a proposal to reduce the working week, reduce pay or reduce headcount to be equally confrontational.'

***Supportive CEO and organizational culture***

Another factor influencing collective bargaining in a organization is that it can 'depend on the personality at the top of the organization and their attitude to staff.' Where the CEO's attitude is respectful and caring towards staff, according to the focus group participants, this will have a positive influence on the status of collective bargaining in an organization. An example of this was provided by one of the focus group participants.

> 'I think it's the attitude of the person at the top again that it comes down to, I mean he (the CEO) would come across as having concern for staff... So he set a structure in place that allows everybody to have an input, that's the whole idea, that they have an input into what goes on. It's been helpful, you know, because where there have been redundancies and there are ongoing redundancies… they're all on a voluntary basis and everything is being done on the basis of 'if there's an alternative to redundancy, the alternative is done."

A participant also observed:

> we had lots of problems two years ago and again it was down to the fact that the chief executive at the time had the totally opposite view and went out of his way to make sure that the trade unions weren’t involved in anything and I mean we had three or four major agreements negotiated entirely by the Labour Relations Commission, one taking six months, six months spent on one change agreement that there was no discussion to at all, that went from a position where for the whole of six months both sides never met to accept the rules and you can’t do business that way you know.

The focus group participants also mentioned the importance of the CEO personally addressing the workers and delivering good news (should there be any) in addition to the bad news.

***Union organisation***

There was agreement among the focus group participants that one of the key factors enabling workers to ‘stand up for themselves’ and to not allow the union to be by-passed is high union density, i.e. where a significant proportion of the workers were organized.

> The normal practice would be in certain industries, the electrical industry, the building industry, that the density of people who were there, there was recognition that you had to do business with unions and most of the employers reaction was that you know, there was a consequence, a stoppage, a strike, whatever it was, a penalty somewhere along the line, they were going to lose as a consequence of not doing business with the union, not meeting the collective arrangements.

***Local embedded business***

Where business is embedded in the local community and links exist not just with workers and their families, but also with local schools and local community groups, this can be a feature of an organization that contributes to good practice according to the focus group participants.

> Where the business is local, management have a dilemma in that they can’t separate themselves from the community. It would be highly embarrassing for a local family owned newspaper (for example) that’s embedded in the community,

> to have a row with the local workforce when they're all neighbours and friends basically you know.

## 6.5 The Public Sector

A number of the union officials present at the focus groups represented members from both the private and public sectors. Their representation in the public sector covered the health sector (including voluntary agencies funded by this sector), local authorities and higher education institutions.

***Impact of the recession***

Some of the issues that arose for unions as a result of the recession were common to both the public and the private sectors. Public service unions were not exempt from being marginalized by employers 'with the Government walking away from agreements' according to the focus group participants, nor was the notion of 'sharp practice' absent from this sector. Even though high union density existed and the structures of social partnership were in place, the focus group participants were concerned about the impact of the message emanating from public sector management. They were of the view that the message from the 'centre' was 'consult the unions and then do what you want.' In reality, unions felt that they were being pushed out of the picture. They were also concerned that agreed practices and procedures were being manipulated in some areas of the public sector: 'there is a directive operating within the xxx at the moment whereby any cases that are referred to a rights commissioner by the trade union side are to be rejected in the main by the management side…' and that the union

> ends up then referring the matter to the Labour Relations Commission and ultimately into the Court but to a large extent and this is a very silent kind of a position that has been taken, right, where they will agree to have a case heard by the rights commissioner service, so you are put through the ropes in terms of having to operate all of the procedures while at the same time you have the employer side, … just ignoring the thing to a fairly large extent.

As was the case in the private sector, some unions stated that this gave them only one option in terms of doing meaningful business with their employer and that was to 'walk in with a ballot mandate in your pocket…Otherwise it's a case of waiting for the court to issue a recommendation by which time, the nub of the issue has been decided one way or the other anyway.' One focus group participant accused HR of 'breaching the law ' irrespective of the consequences.

> The claims that I would deal with have escalated in the area of temporary or fixed term contracts, where workers have been faced with proposals that clearly breach legislation, so the number of referrals that have gone in, have rocketed and that's because temporary workers are so vulnerable, I mean four thousand have been lost in the local authority sector, that's actual people across the country. Many more have been told we may renew your contract but it will be at a lower grade or on fewer days a week.

Overall, and similar to the private sector, unions were concerned that what was being tapped into was the general fear of loss of employment and that high union density, while assisting unions with their work, was not proving to be any kind of guarantee that management would adhere to agreed processes and procedures.

The union officials perceived the biggest single impact and challenge of the recession in the public sector as being the effect of the 'employment control framework' and its impact on the delivery of a service by a smaller workforce. Where HR was operating in a positive way, one focus group participant described the public sector employer's approach to this issue, as one where efficiencies and the elimination of duplication on service delivery were explored, as were flexibilities. In other cases, agreements have been reached that members would take a percentage (an example of 10% was quoted) of the work of a vacant post. The unions were concerned about balancing the extra amount of work that a staff member would take on, so as to avoid increases in workloads leading to stress and sickness absence. In general, however, the focus group participants were dissatisfied with what they saw as the public service's unplanned approach to early retirement and redundancy selection and the lack of consideration of the consequences regarding loss of skills and distribution of work among the remaining staff. One union representative stated that applications for early-retirement in the public service were being blocked by local management, only to be overruled and agreed at central or department level, with no regard for consequences:

> There is no value on who is leaving, no attempt to get any understanding of the impact it's going to have or the effects, or what services are going to have to diminish as a consequence of that. That's a purely financial decision by the Department of Finance section that deals with money and is now taking over the running of the company, Ireland Inc….money first and then we worry about the consequence afterwards and that sends out a message to people left behind, particularly ones that are trying to patch it up.

They were also concerned about 'attempts to change terms and conditions of employment'. Staff were being organized on a team basis, which, although this gave greater flexibility to the organisation, it also made it 'difficult to identify grade levels and differentials'.

There was also some level of agreement among the union officials with regard to the lack of HR influence both in the private and public sectors, where HR are perceived as 'just picking up the pieces'. A number of the focus group participants regarded the public sector as having 'very poor HR practices, and that 'any business that is being done is totally contingent on the individual that you deal with … some individuals who actually will try to do some business and sort things out and you will make headway there but the vast majority aren't of that frame of mind'. The unions pointed to the local authorities where 'people just tend to go in spend a few months or a year or two and move on, they have no real experience or expertise from a HR point of view'. One participant observed that:

> to manage HR departments in large public sector organisations in Ireland you need no qualifications what so ever. There is no industry standard where you have to have a certificate, a diploma, a degree or a masters in HRM at all.' Some of the participants claimed that 'HR isn't valued …it's basically a troubleshooting role, it's a penance that people have to put up with during the course of their public service careers'.

One major difference did exist between the public and private sectors according to the focus group participants. They saw workers and their representatives in the private sector as having at least some autonomy with which to act or react, while in the public sector, 'because of decisions that have been taken by Government, literally public service employees are frozen in terms of what they can or can't do.' This was also the case for voluntary agencies, who were in the main funded by Government: ‘we are seeing external pressures being applied on the voluntary agencies … and indirectly by the government in terms of ensuring that the pay cuts follow through there as well.’ The public sector has been ‘driven by Government rather than by any decisions it may want to take itself.’

The focus group participants also stated that unions themselves were having difficulties in the public sector dealing with the expectations of their members and the union’s ability to deliver: ‘ there is a miss-match between the expectations as to what trade union members expect their unions to do during a recession to protect them and what they can actually do.’ Public sector unions have therefore been engaged in damping down expectations, according to the focus group:

> The situation has switched very quickly from unions dealing with claims for greater pay increases, shorter hours, grading claims, looking at someone over there who has got something, I want that too. We had to very quickly change, or try and change the expectations of members to a more realistic outlook, to say that these gains that would have been available in the early part of the last decade, are not necessarily there now and that change in perspective and damping down expectations continues to be a difficult task.

This problem was further reinforced, according to the focus group participants, by the fact that this was the first major challenge that most of their members working in the public sector had ever experienced, in terms of their rights and their pay and conditions.

## Conclusion and Discussion

The views of union focus group participants on the actions and postures of firms in the recession are considerably less sanguine that those that emerge from the management survey and focus groups of HR managers. They portray unions often encountering great difficulty in representing members and in securing their terms and conditions and jobs in the recession. It is evident from the focus group participants that the onset of the recession instigated a period of considerable turbulence for trade unions, in particular in terms of their representation and negotiation roles. In traditional collective bargaining, unions aim to mobilize members to improve or maintain their terms and conditions of employment while also holding on to their jobs.  In the current recession, unions are not only trying to do this, but they also appear to be struggling in some cases for their own survival as part of the collective bargaining process. They claim their roles are not being facilitated as they have been in the past.   Many claim to be operating in a hostile environment following the breakdown of national social partnership (which they had relied on for over two decades to provide guidelines), and all this against a background of the most severe recessions Ireland has ever known.

As the recession progressed, unions have had to adapt themselves to new realities.  The precariousness of some firms, in terms of their basic survival, has meant that the unions have had to come to terms with a wide range of factors, such as understanding financial data, working against the background of the real threat of company closure, dealing with both honourable and opportunistic employers (and knowing the difference between the two), and in the end being party to decisions that may have a negative outcome for many of their members. As the recession has developed, the scale and duration of the process has also had an impact on unions.  The work of union officials has become very challenging, not only with regard to employers but also in terms of managing the demands and expectations of their own members.

On the other hand, the union officials also believe that employers have been too quick to abandon what they view as the hitherto successful collective bargaining process, and have underestimated the concerns and potential contribution of staff in this crisis.  They claim that where the real issues are identified, staff and the unions are quite capable of coming up with alternative proposals or even the acceptance of proposals, however unpalatable, that have to be implemented.

It was clear from the focus group discussions that social partnership has left a mixed legacy. While it decided the issue of pay for over two decades, there was a view that the process had not only de-mobilized shop stewards, but also left unions members with a lack of connection and understanding of the work unions did on their members' behalf.  This has provided the unions with an agenda for the future with respect to how to maintain and foster an appreciation of their own role and relevance.

The focus group participants voiced concerns about the breakdown in some instances of established rules and processes of industrial relations, where some employers have changed the rules of engagement in an opportunistic way. The union officials have accused HR of having a ’prescriptive’ response to problems generated by the recession, which the unions have sometimes tried to counter by securing employment and growing density in the firms concerned. In this connection, some spoke of the need to get back to some shared and common understanding of the ‘business’ of industrial relations between trade union officials and HR managers.

In terms of the import of the findings for the contrasting views reviewed in chapter 1 as to the nature, depth and likely persistence of change in HR and employment arrangements, the following conclusions appear warranted. There is little evidence in the views and experiences of union officials that firms have generally sought to achieve more co-operative or collaborative relations with unions better to respond to the pressures of the recession. Pre-existing co-operative or partnership-based relations have in some instances been sustained and have assisted the parties to reach accommodation when faced with acute pressures. But the more common pattern appears to have involved employers and HR managers seeking to by-pass unions, rescind or ignore collective agreements and change the rules of the established game of collective bargaining and industrial relations. Against such a background union focus group members have sought to articulate and underscore a largely conventional understanding of good industrial relations and human resource management rather than sensing the outlines of any better or more appropriate model for the times and conditions that prevail. As previously discussed, the argument that HR and employment arrangements are changing in the reverse direction to the established concept of high-commitment is silent with respect to expectations regarding relations between firms and unions. Nevertheless the data presented here might suggest that a fundamental recasting of relations with unions is underway and one which ‘tears up the rule book’ of either traditional or high-commitment management. Indications in the trade union focus groups of a new relationship between unions and employers, of a breakdown in the ‘normal relationship’ and of employer actions ‘undermining and destabilizing’ the traditional union-employer relationship all appear to point in this direction. But other indications of union officials’ experiences warrant caution against interpreting such changes in terms of a fundamental shift in employer-union relations likely to abide beyond the acute phase of the recession. Most union officials appeared to hold the view that changes in posture of this kind were dictated by ‘short-termism’ and ‘opportunism’. While short-termism and opportunism could, of course, congeal into a new settlement between the parties of a lasting character and one in which unions become marginalized and excluded, the changes experienced by union officials seem to be understood by them as more often being opportunistic than programmatic or systematic. And this appears to tell against the rather apocalyptic idea of a ‘new employment deal’ unleashed by the recession but likely to displace established HR and employment relations when the effects of the recession have passed.

# Chapter 7
# Containing Job Losses and Staying on Course at Irish Life and Permanent, Sherry Fitzgerald and Dublin Airport Authority

This chapter and the next examine a series of six cases of responses by companies and unions to the pressures unleashed by the recession. The first of the chapters outlines the rationale for case study selection, examines the first three cases, which involve the introduction of measures to minimize job losses in three major firms, and presents a series of conclusions on the issues that emerge. The next chapter examines three additional cases that involve other challenges associated with the recession. Each of the case study chapters presents conclusions on the set of cases examined.

## 7.1 The Selection of Cases

The series of cases examined are regarded as instances of good practice in responding to different sets of recessionary pressures, often incorporating significant innovative features. They are regarded as cases of good practice by meeting a series of criteria. First, the parties to employment relations succeeded in all cases in securing or strengthening the businesses affected by finding accommodation commonly involving significant changes to the operation of businesses, to terms and conditions of employment and to work practices. Second, many of the cases were viewed as good or exemplary practice in the industrial relations or general news media. Third, a number of the cases examined were recommended to us as good practice when we canvassed expert opinion for instances of exemplary practice in handling the recession. Fourth, some cases were familiar to us through other strands of the research study, and seemed to us to warrant deeper examination through case studies. Finally, the cases involve some or many of the principles and practices advocated as good practice by participants in the focus groups.

Potential cases for study were thus identified in a number of ways. Industrial relations reportage, especially in the weekly specialist periodical, *Industrial Relations News*, was systematically examined for instances that might repay study, and journalists working for IRN were interviewed for other possible suggestions that may have received less coverage. Our own knowledge of developments in the area and that of professional staff of the LRC was also used to corroborate or extend the list of possible cases, as were comments and suggestions from the Board of the LRC. The project steering group, comprised of members of the LRC, CIPD, IBEC, and ICTU also provided guidance as to possible cases, and endorsed the list of cases on which we chose to focus.

Having generated a list of potential cases for study, our next step involved examining the features of the cases on the list, such as were evident from these various sources of information available to us, to determine whether it was possible to classify or 'cluster' the cases in terms of the types of recessionary pressures they involved. 'Stratifying' the list of cases in this way would allow us to study cases that reflected a range of recessionary pressures and scenarios, thus allowing us to generalize our case results with more confidence than simply randomly selecting cases. An examination of cases on the list led to the identification of a set of clusters (see Appendix 5). One of the original clusters we identified appeared to relate less to pressures generated by the recession than to ongoing processes of restructuring or rationalisation that pre-dated the recession and were not decisively impacted by recessionary pressures. Another cluster appeared to involve general attempts to foster or preserve good industrial relations, again in circumstances to which the recession seemed of rather marginal significance. We thus decided to drop these clusters from consideration. This left us with the clusters outlined in Box 7.1.

The first cluster, which accounts for the majority of cases known to us, involves companies concerned with responding to the recession mainly by instituting programmes to contain job losses by undertaking initiatives aimed at controlling or reducing payroll costs. The second cluster identifiable involved companies that implemented HR programmes in the context of either declared or *de facto* survival plans. The third cluster comprised the Irish subsidiaries of multinational companies that sought to preserve or renew their mandates through enhancing the competitiveness of their Irish operations.

The fourth cluster comprised companies that sought to preserve pay and conditions through involving employees or unions in other cost control measures. The fifth cluster comprised companies known to deploy classical or 'textbook' HRM practices and that had undergone significant global restructuring or reorganization. Here the focus would be on how human resource management was conducted in the Irish subsidiaries of these companies

The sets of cases in the clusters identified are not distinctive in all respects or overlap in various ways, and there is room for debate both in determining the defining features of the clusters and in allocating cases to each one. However, it appears to us that the clusters identified represent a valid and useful means of portraying the spectrum of conditions generated by the recession, as reflected in cases of good practice, either documented or drawn to our attention or both. Clearly we do not claim to have here identified all sets of recessionary conditions impacting on firms or their unions, nor even less all cases of good practice that fall within our defining criteria, as outlined above. There are obvious sources of 'bias' in a list of potential cases for study generated in the manner outlined. For example, large prominent companies are more likely to become known and reported, as are initiatives undertaken in unionized companies.

Having identified the clusters and their associated cases, we next sought to identify and gain access to cases for study. Here we tried to arrive at an overall set of cases that would contain as much internal diversity as possible with respect to such features as operating in the private sector and commercial public sector, indigenous and multinational ownership, manufacturing and service industries and unionized and non-union status. Second, we sought to prioritise access to cases that appeared to provide the richest experiences of responding to the circumstances associated with each of the clusters. Only one of the companies approached declined to participate and this was a case located in the fourth cluster: companies seeking to preserve pay and conditions by engaging staff or unions in other cost-saving measures. As the other case identified in this cluster, Aughinish Alumina, is already very well covered in the general literature on Irish employment relations we decided also to exclude this cluster from consideration in the final choice of cases for study.

This left us with the following set of case studies and their associated clusters.

**Box 7.1: Clusters of firms and their responses to the recession**

| **Clusters** | **Selection of Case Studies** |
|---|---|
| 1: Containing Job Losses | Irish life and Permanent<br>The Dublin Airport Authority<br>Sherry Fitzgerald |
| 2: Survival Plans (Declared or de Facto) | Superquinn |
| 3: Mandate Renewal and Competitiveness | Medtronic |
| 4: Classical HRM-based Firms Undergoing Global Restructuring | Ericsson |

While there appears to us to represent a good spectrum of cases, and cases that are also reasonably diverse by sector, ownership and union status, the set of cases cannot of course be said to be ‘representative’ in any statistical sense of all instances of good practice in responding to the recession.

***Methods of Data Collection***

In each case selected for study, available background reports and documents were reviewed prior to the conduct of interviews. Key management and union officials were interviewed in all cases. Interviews lasted for a minimum of one hour and often extended to several hours. The interviews were recorded and transcribed for analysis. In many instances our interlocutors provided additional internal documents and agreements for review. Draft cases were submitted for comment by interviewees, where this was requested (usually by managers), and their comments were taken into account in finalizing the text. Specific queries were also presented to research interlocutors where issues remained unclear. To permit cross-case comparison, the case studies are reported under a common set of thematic sub-headings.

## Cost Containment at Irish Life and Permanent

### Introduction

Financial institutions were in the maelstrom of the Irish banking and economic crisis as the industry was beset by the global credit crunch and domestic speculative lending to property developers. In September 2008 as insolvency loomed in the country's main banks and financial institutions, the Government guaranteed deposits and borrowings. Irish Life and Permanent (IL&P) was significantly impacted by the Irish financial crisis. In responding to the crisis the firm sought to institute new arrangements for the conduct of industrial relations with the trade unions representing its employees, to operate through a unitary HR function (then in the process of being created), and win agreement on a series of cost-saving measures. Its efforts to find accommodation with its unions and employees were affected and constrained by a legacy of adversarial, low-trust industrial relations and by established organizational structures.   This case study charts the ebb and flows of efforts in IL&P to adjust to the onset of the financial crisis in Ireland, culminating in measures that included incentivized career breaks, a voluntary redundancy programme, agreed pay rises and the freezing of service-related increments.

### Context

Irish Life and Permanent has its origins in the coming together of three of Ireland's oldest financial institutions, Irish Permanent, Irish Life and the TSB. Irish Permanent was established in 1884 as a building society and by the mid 20th century had evolved into the largest mortgage lender in Ireland. Providing finance to people seeking to buy their own homes was the mainstay of its business, although in 1992 it established a new subsidiary Irish Permanent Finance to offer personal and car loans. Two years after that move it changed its status from a mutual building society to a publically-quoted financial institution. The history of TSB stems back to the creation of the first Irish Savings Banks in Waterford in 1816. After further savings banks were set up across the country, the Government of the day introduced the Savings Bank Act in 1863 to bring the multitude of banks that had been created under government control and to restrict their activities to saving accounts. These restrictions stayed until the 1960s when they were lifted, which enabled the savings banks around the country to expand the range of financial products and services they provided. In addition, during the 1980s a wave of mergers occurred between different savings banks, which created a more streamline organizational structure in this part of the finance sector: the TSB Bank, which was created in 1992, was a by-product of this merger activity. Irish Life was formed in 1939 as a result of a decision by nine different companies that had been active in the Irish insurance market to merge. When the new company was formed the Irish Government decided to take a stake which increased steadily until it acquired effective control in 1947 by owning 90 per cent of shares. By the 1960s, Irish Life had become the largest life insurance provider in the country. Since then the company has pursued ambitious business strategy. First of all, it got involved in banking activities by taking a 25 per cent stake in Irish Intercontinental Bank. Then it systematically went about internationalising its insurance business by entering other European as well as American markets. The culmination of these expansion activities was the company's privatization in 1991.

The process of integrating these three companies started in 1999, when Irish Life and Irish Permanent merged to create Irish Life and Permanent and ended in 2001 when the new company acquired the TSB Bank from the Irish Government. Bringing together these three companies resulted in the creation of the third largest financial institution in Ireland. There are two main components to the business. One is Irish Life, which has more or less continued to focus on the insurance and pensions markets – it remains the biggest provider of life insurance in Ireland, with 20 per cent share of the market. Irish Life carries out its activities through six sub-divisions, which specialise in different market niches. The other is Permanent TSB, which offers a full range of personal banking products and services. This banking arm operates more than 110 branches and 65 agencies throughout Ireland and is the country's largest provider of home mortgages. There are other aspects to the business; for example, the group has a minority interest

(30%) in the third largest non-life insurer in the Irish market, Allianz. Overall, however, Irish Life and Permanent TSB are the mainstays of the business.

The formation of Irish Life and Permanent brought together three organizations with different cultures and industrial relations histories. For example, merging Irish Permanent, a mutual building society, and TSB, a state bank, brought a range of challenges as each organization operated in distinctive ways. However, the need to integrate fully the three disparate organizational cultures was mitigated by the decision to allow Irish Life and Permanent TSB to act separately in two different market segments of the financial sector. Each organization also brought its own industrial relations history to the new company. Historically, each organization would have experienced periods of relatively stable industrial relations punctuated by spells of industrial action. The decision after the merger to keep apart Irish Life and Permanent TSB meant, for all intents and purposes, these two parts of the organization functioned separately on industrial relations matters. Each has its own bargaining structure to conclude agreements and different negotiating agendas frequently emerge in the two parts of the business. For example, in Irish Life, management engage with only one trade union, Unite (formerly Amicus & ATGWU), whereas employees in Permanent TSB are represented by three trade unions, UNITE, SIPTU and Mandate. This probably makes Permanent TSB a more complex environment to conclude agreements.

While the decision was made to allow Irish Life and Permanent TSB to operate relatively autonomously, the new organization, as the third largest financial institution in the country, faced pressures to follow organizational practices that approximated to best-in-class: its internal structures and processes had to be of a similar level of sophistication to those existing in its main rivals so that it could recruit and retain highly skilled employees and signal to the market that with a workforce of about 5,000 it had the competence to be a big time player in the finance industry, particularly in Ireland. Thus, although the new organization was separated internally into two main operating units, the pressure to modernize structures, processes and practices was company-wide. To enact organizational change and modernization, IL&P felt obliged to recast it HR function inside the organization along the lines of the business partner model developed by David Ulrich.

According to Ulrich creating a high performing organization involves dividing the HR function into three broad activities. First of all, strategic business partners need to be created, which involves senior HR professionals working closely with business leaders to influence and steer strategy and strategy implementation. Although this role was seen as varying across organizations, it was anticipated that strategic partners in the HR team would work on such matters as organizational and people capability building, long term resource and talent management planning, and using business insights to drive change in people management practices. Secondly, centres of excellence are considered necessary to create small teams of HR experts with specialist knowledge of leading-edge HR solutions in discrete policy areas such as pay and recruitment. The role of centres of excellence was conceived as delivering competitive business advantages through HR innovations in areas such as reward, learning, engagement and talent management. The last part of the jigsaw was creating shared services – a unit or units set up to handle all the routine 'transactional' services relating to HR across the business. A shared services centre typically provides resourcing, payroll, absence monitoring, and advice on the simpler employee relations issues. The main remit of shared services is to provide low-cost, effective HR administration.

IL&P created a business-relevant HR architecture along the lines of the Ulrich model. At group level, the HR function was reorganized, which led to the creation of centres of excellence and central services. A number of strategic HR projects have been launched by centre of excellence teams on such things as talent management and learning and development. In addition, the central services unit has made a series of changes, particularly, in the area of IT, to improve the delivery of transactional HR functions. Some moves have been made towards HR developing a more strategic role by developing new ideas about how internal structures and processes could be adapted to achieve better value-for-money. But the organization has probably yet to diffuse a fully integrated, fully operational business partner model. The experience of the central HR team is that a business partner HR model cannot be created overnight. It must be seen as an organizational process which involves adapting structures and mentalities over time. The HR function in both Irish Life and Permanent TSB possesses considerable autonomy to negotiate separate agreements.

Because there has been little attempt at harmonizing or even coordinating industrial relations across the two parts of the business, the HR agenda in the two divisions is shaped as much by the legacy of past events as any current initiatives. For example, in 1996, before the merger, Irish Life experienced a difficult 16 week long strike over the reduction and redeployment of sales managers. This left a legacy of bad feeling and mistrust inside the organization, which management almost immediately set out to address. Since 1997, a battery of initiatives has been launched to improve employee-management relations. Employee engagement efforts have probably not been as concerted in Permanent TSB simply because its industrial relations tradition is different. The distinctiveness of employment relations in the two divisions is reflected in and reinforced by Irish Life not being an ‘orbit of comparison’ for Permanent TSB and vice versa. Although each side of the business has followed broadly separate employment relations pathways since the merger, neither experienced serious industrial relations problems for the most of the 2000s. The prosperity prevailing during this time allowed the company to pursue attractive reward schemes as well as other generous HR policies which kept industrial relations problems at bay.

Although relations between management and unions were stable, both tended to view developments in the company in different ways. For their part, managers were of the view that unions continually opposed proposals for organizational change, thereby delaying necessary business modernization. They frequently were frustrated with union tactics of stretching out negotiations on proposed reforms, effectively seeking to filibuster any change initiative. A further irritant for managers was the inability to conclude agreements internally. For managers, too many proposed agreements failed to get ratified in ballots and there were too many visits to the LRC and Labour Court. Although these tactics exasperated managers, they recognized that patience and perseverance were key attributes they had to retain in pushing forward the agenda of business improvement. Ideally, they wanted greater cooperation and harmony with the unions. Unions had a different perspective on developments inside the organizations. The result was the creation of an organization in which structures were too cumbersome which prevented closer cooperation between unions across the company. Unions also thought that management were too aggressive in their pursuit of organizational change. In addition, while the unions did not regard relations with management as excessively adversarial, it was recognized that there existed limited 'shared understandings' between the two. For the unions, it was their first responsibility to represent their members' interests in a robust manner and they were not overly preoccupied whether a 'unity of purpose' existed with management. Of course these views were not held evenly across the organization. Relations between managers and unions were perhaps warmer in the Irish Life side of the business than in Permanent TSB, where more suspicion reined between the two sides.

### 7.2 The impact of the recession

The benign business environment that had kept industrial relations stable inside the organization in the years after the merger changed rapidly in 2007 due to the worldwide financial crisis. Irish banks were particularly severely affected by the crisis and pushed in some cases near to the abyss. Although the recession adversely affected Irish Life and Permanent, its impact was not nearly as crippling as on other Irish banks. This is because the organization did not get involved in lending large sums to property developers; even at the height of the Celtic Tiger, the company stayed with its main lines of business – providing mortgages to home owners and pensions and other forms of insurance to people. At the same time, the company did not get off lightly. Sales of some its finance products and services fell by about fifty per cent. Concern started to emerge about the impact on the business of non-payment of loans by some clients. There was even a worry given the turbulence of financial markets whether the banks would have access to sufficient credit to ensure liquidity.

### 7.3 Developing a Response Strategy

To counteract this downturn in business fortunes, the company adopted a more cautious approach to lending. It introduced an economy drive across the organization to reduce operating costs and to make processes more efficient. In early 2008, the company was able to reduce costs by introducing a ban on recruitment and not renewing about 30 short-term contacts. But after these initial cost reductions were realized, it became apparent that it would be difficult to achieve further savings without making permanent employees redundant or cutting particular parts of the operation. A series of in-house HRM brainstorming meetings were organized to discuss how costs could be reduced with only minimal negative impact on organizational activity or employee morale. At one of these meetings, a HRM manager made an off-the-cuff remark that the company could pay some employees to leave the company. This remark was picked up by another manager who suggested that it may not be such a far-fetched idea to give employees some form of remunerated sabbatical for a particular period of time. It would allow the organization to save on staffing costs at the trough of the recession, but ensure that they returned when business conditions were likely to be better, thus ensuring that the organization did not lose the investment it had made in these people. For employees, such a scheme would allow those inclined to do so the time to depart and fulfill some ambition beyond the job, in the knowledge that a job was waiting for them when they finished.

The more the HRM managers talked about the idea, the more it appealed to them as it appeared a win-win initiative that benefited both the organization and employees. Detailed plans were developed on how such a scheme would work in practice and once it became apparent that it was feasible, the scheme was launched. In November 2008, Permanent TSB announced that it would be offering employees the opportunity to take a career break. Employees were offered up to €20,000 to take a two year career break and up to €35,000 for a three year break. Employees taking the incentivized career break would be offered upfront payments to a maximum of half their annual salary. Those wanting to avail of the offer had to agree to a number of conditions. They would have to sign a ‘non-compete’ clause to ensure that they did not take a job at a rival bank during the break.  In addition, they had to accept that they might not get their own job back on their return – which was in line with the company's general policy when people left the company for a time. Instead, the company committed itself to placing returning staff in 'an equal role in the same general geographic area'. The organization thought that the scheme would be particularly attractive to its younger employees, who may use the career break to travel or return to university to upgrade their skills. The proposal was positively received by employees. A total of 140 employees out of the bank's total workforce of 2,500 took up the offer, most came from Permanent TSB; only a small number came from Irish Life – the higher incidence of atypical work in this part of the organization made the scheme less attractive to employees there. The employees taking the career break were a mix of all employees: males and females, Irish and non-Irish, some who had worked for the organization for three years and others for over twenty. Thus, it was simply not young people taking the opportunity to leave the organization for a short period of time.

Although the incentivized career break signaled to employees that the organization was committed to retaining staff, if at all possible, during the recession, it was not enough to shield the business from the harsh impact of the downturn. In 2008, the company was included in the Government's guarantee scheme which was designed to safeguard all deposits. Although the company did not have any serious systematic bad loans, being covered by the guarantee was perceived by employees as the financial crisis taking its toll on the organization. A massive drop in profits in 2008, when the company notched up losses of €437 million, only confirmed this impression. It became immediately apparent that more had to be done across the organization to achieve a better balance between revenue and expenditure. In particular, management was emphatic that discretionary expenditure needed to be reigned in across the organization, future spending commitments scaled back and organizational efficiency improved by introducing more rigorous performance schemes.

The HR team accepted that it had to contribute fully to this consolidation effort. To signal that concerted action was needed, it was decided that senior managers would receive no bonuses. However, because bonuses were an important part of the remuneration structure for some employees, it was decided to pay bonuses to more junior staff at 25 per cent of normal levels. In conjunction with the business, the HR team also decided to increase the level of communication with employees. There was a concern that unhelpful rumors were beginning to circulate about the recession imperiling job security, pensions and employment benefits and rewards. The business wanted to put out the message that nothing would be decided about employment and working conditions without careful deliberations and in-depth discussions with trade unions. At the same time, the business as a whole realized that it had to do something on pay and rewards to help the organization contain costs and restore competitiveness.

The business decided that it would need to introduce a pay freeze in 2009. In a move that departed from established practice, the HR team sought to create a single bargaining process within the organization to obtain union agreement for the pay freeze policy and other related matters. Established procedure was for each part of the organization to conclude separate collective agreements. The HR team considered this change in practice was warranted by the severity of the decline in company fortunes. The various unions had been kept fully informed of developments and appreciated that the company was experiencing difficult times. They realized too that expectations about rewards and benefits would have to be tempered: room no longer existed for the generous deals that were concluded in the early part of the decade. Moreover, the trade unions understood the calculus that helping the organization respond effectively to the recession would be the most sure fire way of advancing the interests of their members. At the same time, they were not prepared to roll over and simply cede to company demands. They were eager to gain full information about the extent to which the company was unable to award any pay increases and to obtain guarantees about job security and other working conditions. They were suspicious of the decision to establish a single bargaining process and only reluctantly decided to join.

In proposing a single bargaining process, management was hoping that it would secure an agreement with the unions on a series of measures to help the organization counter the harsh business environment it was experiencing. This was not the only strategy open to management. Technically, *Towards 2016*, the national pay agreement, was still in operation and although this provided for a 6 per cent wage increase for employees during 2009/2010, it also contained an inability-to-pay clause, which allowed firms experiencing financial difficulties to opt out of paying the increase, subject to a verification process. Management at Irish Life and Permanent could have elected to follow this procedure, which almost certainly would have resulted in them not having to deliver any pay award. But it chose not to do so at that time in early 2009, deciding instead to travel the more difficult route of creating an internal procedure to build a company-wide consensus about the need for a pay freeze and other measures.

### 7.4 Implementing the Response Strategy

The first move made towards the single bargaining procedure was the creation of a facilitation process to allow for a full exchange of information and views. The company, with the agreement of the unions, appointed an external third party expert to manage the facilitation process. A hotel in the centre of Dublin, away from the company, was selected as the 'neutral' venue for the discussions. When the facilitation got under way, it was immediately evident that a lot of work would be needed to ensure that the process was a success. The lack of trust between the two sides was palpable at the beginning. Moreover, the process was a challenge to the unions because it was one of the few times they were obliged to forge a common view on company-wide issues. Thus, the process got off to a hesitant start, but the facilitator did an enormous amount of behind-the-scenes work to soothe anxieties that existed on both sides. He was also able to craft an agenda that was widely acceptable. Without this initial work by the facilitator, the process may not have got over the first hurdle.

In the ensuing three–four weeks, an intensive round of meetings took place, about 8 in all, involving all the parties. The unions challenged management to provide full information about cost and reward structures as well as the company's financial position. In response, management provided the unions with an unprecedented level of information on a broad range of topics. The company's Finance Director made a presentation that contained so much sensitive information that trade union representatives were required to sign a confidentiality agreement at the start of the session. Unions were also provided with a lot of information about the company's ability to deliver pay increases. In effect, the company opened up the company's books to the union during the facilitation process. These efforts by management to highlight the difficult commercial circumstances that the company was experiencing paid off as a new openness and candour developed between the two parties. Slowly but surely it appeared that union and management were now closer to being 'on the same page' with regard to the company's predicament.

Yet an agreement with the unions on a consolidation plan for the organization proved elusive. Unions were extremely reluctant to enter an agreement that would in all likelihood involve their members making concessions. Union representatives were sensitive to the fact that no other agreement had been concluded in the financial services sector in the aftermath of the financial sector. They were aware that any agreement they entered into would be the benchmark for similar deals that needed to be done elsewhere in the industry. As a result, they were determined to get the best possible deal at IL&P. Moreover, the union representatives calculated that although their members were fearful for their jobs and pensions, they were also annoyed, if not angry, that they were being asked to make sacrifices to indemnify the wildly profligate actions of a handful of irresponsible property dealers and financiers. Thus, the union officials were in a precarious position: while they empathised with the difficult times faced by the management of IL&P, to retain their credibility with their members and with other employers as a negotiating force, their representatives had to adopt a hard bargaining stance throughout the facilitation process.

Ultimately, although the facilitation process led to high level information-sharing and a lot of positive interaction between the management and union teams, the gap between the two sides was simply too large to bridge. As a result, the facilitation process ended without any agreement being concluded. Although it could be said that the process aimed at securing agreement had broken down, the relationship between management and unions did not descend into acrimony: the facilitation process nurtured cool, dispassionate heads on both sides. Of course, both management and unions reflected internally to assess whether they had followed faulty tactics during the course of the facilitation process, but this was done behind closed doors. For the company, although some positive things came out of the facilitation process, the bottom line was that it was still without an agreement on pay and working conditions. In the absence of any agreement, the company introduced a pay freeze for 2008 and made no profit-related pay bonuses as there were no profits to share. Management concluded that it would be best to avail of the services of the Labour Relations Commission (LRC) in its efforts to secure a deal with the unions. But it wanted some time to elapse before starting this third party process so that a better climate existed for the negotiations.

In early/mid 2009, management along with the unions decided to begin the LRC process. However, these talks did not prove successful. In the aftermath of this first round of facilitated talks and in an effort to prove beyond doubt the difficult financial circumstances facing ILP, the company decided to trigger the inability-to-pay clause of the national social partnership agreement, Towards 2016. An investigator was appointed to examine the financial state of the company. This assessment was conducted at a time when, if anything, the business conditions facing the company had worsened. Before the facilitator announced his decision, management and unions met once again and agreed to recommence the LRC talks. This decision to restart facilitated talks led to the inability-to-pay process being put on hold. The hope was that the LRC would be able to broker a deal between the company and the union. Although the ability-to-pay decision had formally been parked, it nevertheless acted as the ghost at the negotiations convened by the LRC. Knowing this decision lurked in the background, the unions decided to temper their demands. Moreover, LRC staff used the decision to encourage the unions not to pursue overly ambitious bargaining demands. In a sense, the inability-to-pay process was the lubricant that was needed to free up the stalled negotiations.

Yet the negotiations that the LRC managed to get going between management and union were anything but easy. Marathon sessions were needed to make slow progress through a long, complex agenda. Finally, after protracted exchanges and endless support from LRC staff, a deal was hammered out with which both sides were relatively satisfied. In terms of content, the agreement was nothing exceptional, which belies the complexity of the negotiations. On pay, the company agreed to give employees a 2.5 per cent increase in 2009 and 2010. However, the company would give no salary increments or profit share bonuses in these two years, which would have been valued in excess of 6 per cent on average. The 6 per cent set out in the national wage agreement was also set aside. The company committed itself to making no compulsory redundancies in 2010, but did not make any commitments on job security beyond that date. For its part, the union agreed to engage until completion in a review of the company's defined benefit pension scheme. In November 2009, the staff accepted the agreement, bringing to an end a protracted process. The result was a big boost in morale to both staff and management alike as the agreement restored stability to internal industrial relations.

## 7.5 Outcomes of the Strategy

Since the endorsement of the agreement, relations between management and unions have been constructive and positive, which is fortuitous since business conditions went from bad to worse in the early part of 2010. With the downturn in commercial circumstances, management were forced to propose harsher measures than hitherto had been the case. In particular, it put forward a voluntary redundancy programme for the Permanent TSB side of the business. Business conditions were considered too acute for a simple re-run of the incentivised career break scheme. This proposal for voluntary redundancies was agreed quickly and painlessly with the relevant unions. The implementation of the programme went smoothly and resulted in 200 employees leaving the organization. Our assessment suggests that the new more constructive relationship between management and unions is also reflected in the progress that has been made in the discussions about restructuring the organization's pension provision. It would be wrong to say that a fully cooperative system of industrial relations now prevails in the organization. But both management and unions have emerged from the long, arduous process of reaching a collective agreement trusting each other more. This new spirit of constructive engagement will be needed as the company continues to face tough market conditions.

Like other parts of the business, the HR function has had to cut back on its planned activities. Parts of a recently formulated learning and development strategy, for example, have had to be put on hold. More use is now being made of internal trainers instead of using external provision. The organization is still committed to the Ulrich model, but the context for its use has radically changed. The financial crisis has caused IL&P to review its business priorities and it is this agenda that is currently dominating the work of the HR function both at group level and in different parts of the business. Thus, HR managers are busy leading discussions on reform of the organization's pension scheme, engaging in scenario planning to make the organization more flexible by recasting internal structures. Throughout the organization, members of the HR team are advancing the idea of value-for-money: they want employees and teams to think about how they can improve value in what they do. Thus, the HR function is advancing the business partner model through the policies that are being enacted to deal with the recession rather that by creating structures and systems consistent with this model.

## Conclusions

A number of interesting points emerge from this case study. First of all, Irish Life and Permanent adopted some innovative HR policies in response to the economic crisis. Offering incentivised career breaks to employees was widely lauded as a creative way to adjust temporarily employee numbers in inclement business conditions without losing the company-specific skills and knowledge possessed by these people. Very quickly after introducing the scheme, it was being mimicked by other organizations, the acid test of whether a HR policy is widely considered to be well designed and useful. Second, almost immediately after the start of the financial turbulence hitting Ireland, the organization cranked up its communications with employees. Senior management were eager to keep employees as fully informed as possible about the impact of the recession on IL&P, not least to allay employee fears and anxieties about their jobs and livelihoods: apocalyptic rumours spread like bushfires on the arrival of bad business times and management sought to do everything to counteract these. Management was also eager to establish an open and constructive dialogue with the unions to establish consensus on the need for cost containment. This resulted in the unions gaining an unprecedented level of access to financial information. This strategy was not fully successful due to what might be called the initial conditions prevailing in the organization.

Third, inevitably when the new company was formed it was not starting from a clean sheet, but with a series of inherited legacies. One of these legacies was an industrial relations culture characterised by a lack of trust and shared commitment between employees, their representatives and management. These characteristics existed to a lesser or greater degree in each of the organizations that came to form Irish Life and Permanent. To use old-fashion language, the initial conditions in Irish Life and Permanent, at least in terms of industrial relations, was a 'them and us' mentality. Because it was decided not to integrate fully the new business, but allow different parts of the organization to operate autonomously, HR found it difficult to develop a coherent pan-organization strategy to promote a more consensus-based approach to industrial relations. The differentiated corporate structure that was put in place made it difficult for the HR team to promulgate a distinctive uniform set of values based on consensus and unity of purpose across the organization. The relative absence of this normative structure made the task of developing a common approach to the crisis all the more difficult. Nevertheless, the facilitation process that was launched was relatively successful in bringing the two sides closer together than ever before. Both management and unions realize that the task now is to build on this success and to move more decisively towards a consensus-based industrial relations model. The general point is that developing shared understandings between management and unions cannot be done overnight. Departing from relatively adversarial industrial relations requires sustained and on-going efforts.

The fourth interesting point that emerges from the study was how cooperative and competitive forms of bargaining and negotiations co-existed at the same time in the negotiation and facilitation process. The lesson from the case study is that to obtain more mutuality and shared understandings between unions and managers, especially in times of crisis, organizations, especially those with a complex legacy involving variable forms of industrial relations, almost inevitably have to accommodate both cooperative and competitive forms of bargaining.

## Minimizing Job Losses at Sherry Fitzgerald

### *Context*

If the boom in property values was synonymous with the Celtic Tiger economy, the slump in the property market has been one of the cardinal features of the Irish recession. An indication of the scale of the decline in property values is that in mid 2010 house prices nationally were 34 per cent below their (2007) peak and 42 per cent below their peak in Dublin. House prices had returned to their 2002 levels. The cumulative fall in the price of new houses by the end of 2011 was projected to be close to 50 per cent of their peak. Trends in activity in the housing sector also reflected a severe downturn. At end April 2010 new house completions were 50 per cent down on April 2009 (ESRI, QEC, summer 2010: 18-19: Bank of Ireland 2010: 2-3). Rents for private dwellings fell by 27 per cent from their peak levels (Daft, 2010: 6). In the commercial property sector, capital values underwent a cumulative decline in the downturn of 56 per cent (Bank of Ireland 2010: 11). These trends mark Ireland out as an outlier internationally and have had significant implications for businesses in the real estate sector. In 2010 some analysts believed that the recession in the sector was bottoming out (Bank of Ireland 2010; Daft, 2010).

Sherry FitzGerald is Ireland's leading estate agent, with a strong brand identity and commitment to customer service. The firm has both residential and commercial property arms (the latter being partly owned by the organization, DTZ International) and also has an international presence through its Marsh and Parsons business, which engages in residential sales and lettings in central London, and through its affiliation with Christie's Great Estates, which is involved in the sale of high-end properties in many countries. In addition to its direct employees and international activities, the firm also operates a network of franchises throughout Ireland through local estate agents. The firm has grown significantly from its foundation in the early 1980s, acquiring a series of real estate and related businesses and expanding beyond its original Dublin base. The company went public in 1999 but became a private company again in 2000 under a management buy-out. In early 2008 Sherry FitzGerald employed 315 staff in its Irish operations and about

177 in its London property business.  The company's business represents upwards of 20 per cent of the Dublin residential market branch network, and its commercial arm is in the top 5 in the sector. The company does not recognize trade unions or engage in collective bargaining.

## 7.6 The Impact of the Recession

The case study focuses on HR responses to the recession affecting those directly employed by the firm, primarily in its residential and commercial property divisions. Like other firms in the sector, Sherry FitzGerald was significantly affected by the recession, the associated credit crunch and the slump in the real estate market. In mid 2006, the company anticipated the fall in the residential property market, which was particularly pronounced in Dublin. The fall in the commercial property market occurred at a lag of about 18 months. With a shift occurring from a 'sellers' market, the company began to consider the implications for how the business was configured and the role of HR in supporting the business. Those directly involved in top-level management 'saw a correction coming in the marketplace but did not [at first] see the tsunami coming', represented by the Irish banking crisis and the deep and prolonged recession that was to ensue.  In the residential market the volume of transactions fell by some 40 per cent and their capital value fell by some 50 per cent from the market peak to 2010. The volume of the new homes sales fell by about 70 per cent. In the commercial property division, the market trend led to a change in the product mix with more emphasis on the provision of professional services and less on the agency function.

During the boom, fees had drifted downwards in the industry to an all-time low because property was selling so quickly and customers placed little value on service quality. As the volume of transactions fell away and property values collapsed in the recession, Sherry FitzGerald determined that it could not remain in business with its present fees structure. In the very difficult market conditions prevailing, and against the industry trend, an increase in fees placed a premium on service quality, and the company's need to add more value to services was supported by more focused learning and development activities as well as the addition of a customer insight function to the business.

### 7.7 Developing a Response Strategy

As discussed above, Sherry FitzGerald anticipated changing market conditions in 2006 and had begun to rethink the manner in which the business operated, and the role of HR in supporting the changes that seemed warranted in the light of business trends. HR is a group service function, providing support to all divisions of the business in Ireland. The function, including HRD, employed 5 people at the outset of the recession. The numbers employed changed thereafter, but not significantly. During the period of sustained buoyancy in the sector, HR priorities focused on recruiting and retaining staff. From 2006 onwards the focus was to change towards re-structuring and re-training.

As conditions in the industry began to change in 2007, HR was engaged in reviewing the type of people the company needed and the competencies they should possess. Other HR practices and systems such as performance management and succession planning were also subject to review. It was decided to restructure the reward system better to reward individual high performers, as the existing system was seen to reward average over ‘star’ performers to too great a degree. A quarterly bonus system linked to teamwork at branch level was also part of the reward system and this was now to be more closely aligned to data emanating from customer insight research. The company sought to achieve a balance between individual and group or team aspects of the reward system, both to recognize individual sales and fees income and to preserve a team culture. In particular responsiveness to customer service was recognized as integral to the brand and increasingly important to business success. More difficult market conditions were also seen to warrant the removal of a variety of fringe benefits.

In the summer of 2008, Sherry FitzGerald resolved that significant further and new changes in HR were warranted. Staff could no longer be insulated from developments in the market. Turnover had declined substantially and losses were expected for 2008 across the business. The firm decided that its chief HR priority in adapting to the worsening downturn would involve employment protection and job security. Faced with the imperative to cut costs significantly, the company initially resolved to engage in salary cuts in its Irish businesses as the ‘primary platform for change’ rather than to institute immediate redundancies. Salary cuts were to remain in place until market conditions improved significantly. Any redundancies that might be deemed necessary in the future would be kept to a minimum, and the company declared that there was no plan to close any branches or departments. Career breaks and flexible work options such as reduced working weeks were offered to staff. While voluntary, these measures were nevertheless targeted at staff in particular roles or at individual staff members, who were asked to consider their situation in the company.  Some use was also made of staff redeployment within the business, as a recruitment embargo was also in operation. With the onset and deepening of the recession, a significant number of staff that had joined the company during the boom chose to exit in the more difficult market conditions now prevailing, and with pay cuts now in place. Often longer-serving staff appeared better able or more willing to adapt to changes in the market. Though the company lost some high performers in this way, the general posture was that some who left had taken a sensible decision to exit the firm or sector.

The strategic decision to prioritize job security was understood and communicated as appropriate to a business and culture that emphasized teamwork and as consistent with Sherry FitzGerald’s brand and reputation. For senior management it was seen as a case of ‘Sherry FitzGerald being all about our people working together in good times and bad times’.  It was understood that some staff would have preferred to keep their salaries and see colleagues let go. But the company’s decision was to reinforce the culture by instituting cuts to protect jobs.

### 7.8 Implementing the Response Strategy

Sherry FitzGerald’s strategy was communicated to senior managers and staff in July 2008, and the first round of pay cuts came into force in September. The plan involved introducing cuts in base salary on a sliding scale, with the heaviest burden falling on the highest paid staff and with protection for staff on the lowest pay, whose pay was not reduced. The scale of the cuts introduced was significant involving reductions from the top down of between 33 per cent down to 5 per cent for those affected. All fringe benefits

– specifically car allowances and employer pension contributions – were also suspended. The approach adopted was seen as both fair and well aligned with the company's culture.

To roll-out the first round of salary cuts, Sherry FitzGerald used a programme of intensive communications. Staff were informed of the measures to be introduced by the company in a series of town-hall meetings, undertaken between managing directors and people employed in the business's different divisions. The ground for these was carefully prepared. Senior managers and HR met to agree and 'script' the substantive communications, which were then led by senior managers. The town-hall meetings were followed by one-on-one meetings between line managers and their reports, and HR provided support through a dedicated service informing staff of the effects of the salary cuts on individuals. Staff could also seek information or voice their views through the company's open-door policy. The approach adopted was understood as transparent and this was seen as critical to the preservation of the trust of staff in senior management and the company. Though no structured assessment of staff responses was undertaken, informal feedback and feedback received from line managers indicated that staff in general felt that the measures undertaken were unavoidable and fair. Nor did the changes result in any litigation or significant level of grievances. The changes in Sherry FitzGerald were being undertaken in an industry where competitors were making people redundant and closing down branches, and staff reactions were also affected by their awareness of developments in other companies.

With no easing of market conditions, the salary cuts implemented were not sufficient in terms of cost savings, and in late 2008 compulsory redundancies were seen as unavoidable. In total 31 redundancies were implemented across the Irish businesses. While it was hoped that this would be the final necessary cost-saving measure, in April 2009 the company implemented a second round of cuts in salaries. This round again involved cutting salaries on the basis of a sliding scale, although this time the reductions were introduced across the board with no protection for those on the lowest salaries. This arose from staff feedback that it was felt that insulating any groups from the pay cuts was unfair.

Besides reductions in salary and offering a variety of reduced and flexible working time options, the company also changed some other HR practices and systems. Once the programme of salary cuts and related changes in work and working time options was implemented, HR resumed the review of HR practices and systems that had begun in 2007 but had been overtaken by the severe effects of the recession on the business and the demands on HR and senior executives in responding to these. There was a concern to retain and motivate high performing staff and to prevent them being head hunted by competitors in the short or medium-term. Competences were also again addressed in the context of how the business might evolve. Talent management and succession planning were again considered.

There was a concern, in particular, to streamline the performance management system and adapt to the prevailing business conditions, but a determination at the same time by HR to maintain the performance management process in the face of scepticism from some in management as to whether much could be gained given the more difficult conditions in the marketplace and the reductions in bonuses that commonly followed. The management of performance, both through twice-yearly formal reviews, and more generally on a day-to-day basis, now occurred in the context of formal metrics in place in the business. These included key performance indicators, fee income, conversion rates in turning property valuations into sales, market share and customer satisfaction data arising from the company's customer insight process. These metrics were employed both at branch and individual level as appropriate. The company also now adopted a more rigorous approach to managing under-performance, with less tolerance being shown to under-performing staff than during the property boom. There was no greater resort to disciplinary processes, however, with any problems in this area confined to verbal warnings.

Sherry FitzGerald maintained its HRD effort but reduced its spend – HRD activity now also became considerably more focused and proactive. During the property boom the company had been willing to respond to staff training requests. Now HRD activity was more closely aligned with business imperatives, which included fostering cross-learning between the company's divisions and business activities and supporting marketing messages with service attributes valued by customers. Training was now used to a greater degree to change staff behaviour and was seen as having gained considerably in importance in consequence. It had been intended by the company to focus on employee engagement and to assess staff attitudes and satisfaction on a structured basis, but this activity had been set aside due to the pressures of handling the effects of the recession. Employee engagement was identified as a significant area of future activity.

The HR function was seen as central to and influential within Sherry FitzGerald's response to the recession. HR managers were required to devise responses to new business realities, as interpreted chiefly by senior business unit managers. To this process they brought their expertise, knowledge of employment law and professional appreciation of the importance that response options and their implementation needed to be perceived by staff as reasonable and fair. HR was seen as operating in a 'partnership' role with senior managers in devising the company's response to the effects of the recession. This was seen to have occurred as much through informal as formal processes, although the degree of informality/formality varied across business divisions in reflection of their somewhat differing cultures. Those involved in general management and HR positions believed that handling the effects of the recession had elevated the status and stature of HR, as HR had become more involved in the business, in contrast to the period of the property boom when it seemed often to be preoccupied with recruitment. It was also clear to people involved in the function that HR had needed to become more conscious of the importance of delivering value and delivering solutions, as distinct from simply informing other managers of problems and constraints. While strategic competence was important, operational processes also remained central and people involved in HR had to be comfortable in working at both levels and in moving between each.

## 7.9 Outcomes of the Strategy

Sherry FitzGerald has retained its position and brand identity in the industry during a period of severe and unprecedented contraction and has preserved and indeed reinforced its culture. The company's operational cost base has been reduced by some 48 per cent. Minimal compulsory redundancies have been instituted and there has been a satisfactory level of take up of reduced and flexible working-time options. Employment has fallen to 214 in 2010, a drop of about 32 per cent from the start of 2008.  Natural attrition, including retirements accounted for 70 per cent of the fall in employment and compulsory redundancies accounted for 30 per cent (representing a fall of about 10 per cent on the employment level in early 2008).  Staff experienced significant cuts in pay and the curtailment of some fringe benefits.

As senior managers see it, the company has experienced no significant decline in morale, and staff in general appeared to have formed the view that changes introduced in pay and conditions were unavoidable, appropriate and fair. No litigation or rise in grievance activity arose from the changes made to terms and conditions of employment. Of course those who exited the company may have included employees unwilling to accept salary cuts, curtailed opportunities for bonus earnings, or other changes in the company's HR regime.

As management perceives it, the combination of anxiety resulting from recessionary conditions in the industry, pressure on the business, the systematic use of metrics and the more rigorous application of HR processes, such as performance management, have meant that staff are now often working more intensively or feel under more pressure than in the past. A 'fear factor' has also come to exist in the current environment, not withstanding the company's concern to reassure staff that any developments in the business with implications for pay, conditions or job security have been and will continue to be communicated openly to all employees.

## Conclusions

Like other firms in the sector, Sherry FitzGerald was severely impacted by the recession and the slump in the Irish property market. The company resolved that only by achieving cost reductions could it remain in business and secure the maximum number of jobs.

Sherry FitzGerald's approach to unprecedented commercial pressures was well aligned with its culture, brand identity, mode of conducting business and business strategy. Leadership, trust and teamwork are the values seen to be of major importance to the success of the business, albeit balanced by a focus on individual performance and sales. The focus in managing the effects of the recession was on maintaining teamwork and, more generally, on preserving commitment to the firm by preserving the maximum number of jobs, cutting base salaries - initially through larger proportionate pay reductions at higher salary levels – stretching performance, focusing HRD and changing behaviour in the direction of better service quality at a time when fees were being increased.

Intensive communications, conducted for the most part through established mechanisms, in particular town-hall meetings and one-on-one meetings between line managers and their reports, were seen to be a highly significant and effective component of the company's approach to implementing changes in terms and conditions. These mechanisms were backed up by information on the effects of the changes on individuals provided by HR and through the company's open-door policy.

The firm had begun a review of HR systems, processes and objectives with a medium- to long-term focus at the outset of the recession. This review was initially overtaken by the cost-cutting programme, but more recently HR has returned to concerns such as the core competencies required to support the evolving business, succession planning and employee engagement – areas seen as central to position the company for its future development.

The changes introduced met with little resistance from staff; although some people not willing to countenance lower salaries and revised terms and conditions more generally may have left the company as a result. For those remaining work pressure and performance expectations have been higher in a work and business environment in which metrics relating to hard (conversion rates, fees income etc.) and soft (customer satisfaction, service quality etc.) dimensions of performance are more systematically deployed in the management process at both individual and branch level.

HR is seen as acting as an effective and valued business partner to the senior managers involved in developing and implementing the response programme in different divisions of the business. The function is seen as influential, but is also expected to contribute solutions to business problems. HR is seen to have gained in stature through its contribution to securing the firm in the most severe crisis ever experienced in the Irish property market.

## The Cost Recovery Programme at the Dublin Airport Authority

***Context***

The Dublin Airport Authority (DAA) is responsible for operating the main Irish airports at Dublin, Cork and Shannon. The DAA also has an international division, ARI, which is mainly involved in airport retailing activities. The DAA was established out of the re-organization of Aer Rianta in 2004, an initiative undertaken to provide greater strategic and operational autonomy for each of the airports. Aer Rianta/DAA has a tradition of orderly and progressive industrial relations and human resource management. The company is highly unionized: union density standing at 95 per cent. Staff are represented by SIPTU, Mandate, IMPACT, UNITE and the TEEU. SIPTU accounts for 70 per cent of staff. The negotiating and dispute resolution procedures in place when the company and its unions responded to the recession were standard, involving provision where deadlock existed, for resort to the LRC and the Labour Court.

From the mid 1990s to the early 2000s Aer Rianta and the majority of its unions were party to a radical and innovative partnership arrangement, known as Constructive Participation (CP). This involved a series of structures and joint arrangements designed to involve unions and employees in decision making from the level of day-to-day work to business units and corporate commercial strategy. The CP initiative chalked up some significant achievements, especially in areas such as the adaptation of airport retailing following the abolition (in 1999) of duty free sales for passengers on flights within the EU and in the development of a joint strategy for the company's future development (in 2000). However, the partnership model proved unsustainable and decayed under the weight of a series of internal and external pressures – leaving in its train a complex legacy which combined negative and positive experiences and assessments by management and unions. By the time of the onset of the recession, HR and IR at the DAA had reverted to a standard pattern for Irish commercial state owned enterprises and few of the figures who had been prominent in CP remained involved on either side. Thus the legacy of the company's and unions' foray into co-operative industrial relations was both variegated and depleted when the parties faced the new and unfamiliar challenges of a contracting business from 2008. Yet both the emergence and some of the achievements of CP also indicated the capacity of the DAA and its unions to adopt innovative postures towards the conduct of industrial relations and to develop innovative solutions to commercial challenges.

The airports, particularly Dublin Airport, are classical occupational communities. Staff frequently reside in areas contiguous to their work. Family ties and inter-marriage among staff are also common. Terms and conditions of employment have traditionally been favourable relative to other employments. While no work stoppage had occurred at the company for a decade, the airports were vulnerable to industrial action and closure, especially in areas such as security and the fire service. Measures such as compulsory redundancies or unilateral pay cuts were viewed as anathema or likely to be staunchly resisted in the commercial semi-state employment and industrial relations culture that prevailed at the DAA. If the unions had the capacity to disrupt or close the airports, it was less clear whether the Government would sanction management proposals that might provoke work stoppages and disruption.

## 7.10 The Impact of the Recession

Airport charges at the DAA had been regulated since 2001 by the Commission for Aviation Regulation. The recession began to affect the DAA in the third and fourth quarters of 2008. Over the year as a whole, passenger traffic declined marginally by 0.6 percent to just under 30 million. Passenger traffic had fallen by 6 percent in the final quarter of the year. Group profit for 2008 fell by 28 percent and credit rating agency Standard and Poor's changed the DAA's rating from A to A-. The Authority projected that 2009 would bring significantly more difficult trading conditions and involve the first significant decline in passenger traffic for two decades. In 2008 the DAA employed just over 3,000 (FTEs), 2668 of these worked in the DAA's Irish airports. A ban on the recruitment of permanent staff had been in place since 2007 pending the outcome of a competition for the right to operate a new terminal under construction at Dublin Airport. Some 300 employment contracts were rolled over on a month-to-month basis by the DAA.

Business conditions did worsen significantly during 2009. Passenger numbers declined by just under 13 percent and turnover also fell by 13 percent. The DAA's Annual Report for 2009 recorded that Group profit declined by 51 per cent. After provision for redundancy payments, this resulted in an after-tax loss of 13 million euro in 2009, compared to a profit level of 47 million euro recorded in 2008. Consistent with its posture towards the industry and developments at the DAA, Standard and Poor's further reduced the DAA's credit rating.

The Group's response to the effects of the recession on its businesses was to launch a cost-cutting plan with significant implications for staff costs and industrial relations, as will be examined below. During 2009, as the DAA sought to secure agreement on its cost-cutting plan, the outlook for 2010 progressively worsened. Early in 2009 the company projected that payroll cost savings of 25 million euro would be required in the light of the anticipated earnings shortfall for 2010. This was revised upwards to 55 million euro in June of 2009 in the context of an expected earnings shortfall now estimated at between €60 to €70 million. The DAA had borrowings of about € 1 billion in 2009, mainly arising from the ongoing construction of a second terminal at Dublin Airport and related infrastructural development.

At the same time as the recession was severely impacting on its business the DAA was anticipating the opening of the new second terminal (T2) at Dublin Airport in 2010. T2 was designed to accommodate 12 million passengers annually (compared to the 24 million passengers accommodated by Terminal 1 in 2008). The Government had declared its intention to open the operation of T2 to a competitive tender process. The DAA thus faced the prospect of having to compete to operate its own new terminal at Dublin Airport and the Authority anticipated that the cost of operating the new Terminal, in particular the pay-bill costs, would be a highly significant factor in awarding the contract to operate T2. The unions were of the view that they had secured a commitment from the Government in a medium-term review of the social partnership agreement, Sustaining Progress, in 2004 that there would be a role for unions in the operation of T2 – irrespective of the eventual operator. However, this seemed far from being an absolute guarantee, and they could not be secure as to the level of influence they could exercise on a new operator or as to the possible implications for pay and conditions in other DAA locations. Thus for the unions as for the DAA itself the search for an accommodation that both responded to the effects of the recession and that might secure the operation of T2 for the DAA were important background considerations.

### 7.11 Developing a Response Strategy

Prior to the onset of the recession in the second half of 2008, the DAA and its unions were occupied with a number of issues. Anticipating the competition for the contract to operate T2, the DAA sought agreement on a series of measures, including the introduction of a defined contribution pension scheme for new entrants, changes to the company's sick pay scheme, a severance package, revised performance management arrangements and revised work practices, new consultative arrangements and the introduction of a fast-track industrial relations tribunal that might expedite dispute resolution and deliver binding adjudication in disputes over change. This package of measures was rejected by SIPTU, and this union had balloted for industrial action in support of its own claim and that of the other unions for improvements in the company's pension scheme. The dispute and talks on other issues being pursued by the company were referred to the LRC. At the LRC the parties reached agreement on significant changes to the pension scheme for new entrants. The other issues at play between the parties were to carry over into 2009, by which time the effects of the recession were to add both further issues and added pressures to negotiations. December brought another dispute over the payment of an annual bonus, the DAA seeking to pay this on a pro-rata basis to part-time staff.

At the end of 2008 the DAA reached a high-level accord with SIPTU, which established agreed parameters for the operation of T2. This deal, unannounced at the time, and presaging less favourable terms and conditions in T2, cleared the way for a bid by the DAA for the operation of Terminal 2. Mandate soon after concluded an interim agreement with the company on terms and conditions in new retail outlets in an extension to Terminal 1, which were less favourable than those in existing airport retail shops. This interim agreement also anticipated that terms and conditions in T2 would diverge from those in existence in T1. Thus, the major DAA unions and the company were already converging on common parameters with regard to the likely character of terms and conditions in T2.

At the end of 2008 the DAA informed the unions that the financial outlook for 2009 and beyond had deteriorated significantly. In early 2009 the company presented the unions with the financial outlook in a large plenary gathering that involved many union representatives as well as full-time officials. The essential message communicated was stark: ongoing cost savings of €25 million would be required through the introduction of a Cost Recovery Programme (CRP). This savings target was subsequently to be revised sharply upwards several times as business conditions and projections further worsened. The company volunteered independent verification of its financial situation and prospects – grudgingly or unenthusiastically as the unions saw it – and the unions chose a financial expert from Mazar's, who authenticated the financial data presented to the unions by the DAA and who was to play an important continuing role in unfolding developments.

The DAA identified 4 pillars of a solution to the cost recovery challenge. These involved staff reductions (the largest single components of the cost savings sought), a freeze on pay and bonus payments, the buying out of some existing terms and conditions of employment (principally service-based increment payments) and a series of other changes. From the beginning HR led the strategy of identifying payroll cost saving areas to be pursued and determining how these and the financial circumstances of the company would be presented to staff and unions. The stature of HR in the company had been bolstered by the December 2008 agreement with SIPTU on T2 and by the earlier agreement on a new pension scheme for new entrants to the company. HR resolved to engage in intensive ongoing direct communications with staff, undeterred by union complaints that this approach might inflame the situation and impair the unions' attempts to gain an understanding among their members of the seriousness of the company's circumstances. While the company's Chief Executive fronted some of the communications activity, HR were the main drivers of the communications programme. The governance of HR strategy was conducted through a top-level management group, chaired by the CEO, and comprising key senior executives and the HR Director and the Head of Industrial Relations.

The company was of the view that negotiations between the sides concerning the CRP itself were from the beginning based on mature and constructive engagement that was 'open and honest', built on a platform of common agreement regarding the DAA's financial circumstances and prospects, and affected by few adversarial tactics or ploys. At the same time, management were prepared, as will be seen, to raise the spectre of compulsory redundancies and outsourcing, and to signal to the unions the company's resolve to stand firm in the event that work stoppages might be mooted. As will be seen, quite conventional forms of industrial relations leverage were also employed by the company to secure eventual agreement with the unions. The unions also portrayed the DAA's approach to achieving payroll cost savings as traditional in character. Rather than seeking to engage with them on a joint basis to examine potential options for cost savings, the company, as the unions saw it, opted to determine cost saving measures unilaterally. The unions felt that the message being conveyed was that if cost savings could not be achieved through a negotiated settlement, they were unavoidable and would in any event be achieved without agreement.

However before details of the cost-saving measures sought by the DAA were presented to the unions, industrial relations more generally at the DAA became considerably more adversarial and threatened to spill over into industrial conflict. As the company sought to hold the ring on pay costs, pending progress in negotiations on the CRP, the DAA unions, following the lead of the ICTU, balloted for industrial action in protest against the non-payment of the national pay agreement rises negotiated by the social partners in September 2008. While developments at national level led to the avoidance of a work stoppage on this issue, SIPTU threatened industrial action over the company's unwillingness to pay annual increments pending CRP talks. Conflict was avoided when the increments dispute was referred to the Labour Court in April. The Court's subsequent recommendation that increments should be paid in return for a commitment by the unions to engage positively with the DAA on the CRP - specifically on alternative cost reductions of similar value to the increment payments - cleared the way for engagement between the parties on concrete CRP proposals and measures.

### 7.12 Implementing the Response Strategy

Talks between the parties on the CRP began in earnest in May 2009. By this point the anticipated earnings shortfall at the DAA was €60-70 million for 2010 and the three airports were expected to record losses in 2009. This financial projection was conveyed directly to staff in a letter from the CEO. Against this backdrop the company would now seek cost reductions of €55 million, eventually to be scaled back to CRP payroll cost reductions of a minimum of €38 million.

The DAA presented the unions with a diverse range of options for achieving ongoing cost reductions in the pay bill of the magnitude now seen to be required. A reduction of 400 jobs was envisaged through a voluntary severance scheme; a pay and bonus freeze were proposed as were changes to overtime and other premium payments, as well as to the sick pay scheme. There were to be new terms and conditions for new entrants and also for staff categories subject to the T2 tendering process. The proposals presented also included career breaks and reduced working hours options. The company envisaged gaining agreement through a short intensive period of engagement on the proposals and also envisaged that local agreements would be reached on working practices and mobility and other arrangements resulting from staff leaving through the voluntary severance scheme. The company initiated its voluntary severance scheme prior to agreement on a package of measures, and received some 300 expressions of interest with respect to the package on offer.

Negotiations on the CRP continued through June into August. In the talks the unions canvassed what was described as a ‘golden share’. This would involve profit sharing or bonus payments on the company’s return to profitability. The negotiations reached a turning point in September when the DAA indicated to the unions that the take up of the voluntary severance scheme had been significantly lower than targeted with the result that higher cost savings would now be required in other payroll areas. An expanded set of cost saving proposals was now put on the table. These included the outsourcing of various service areas, including cleaning in Dublin, maintenance in Shannon and retail warehousing, management redundancies and possible pay cuts of 10 per cent. SIPTU declared its firm opposition to outsourcing and pay cuts and, in common with the other unions, was staunchly opposed to compulsory redundancies. The company halted the voluntary severance scheme pending agreement on the CRP and declared its intention to refer the Programme to the LRC.

The negotiations were being conducted in a context in which the parties shared some common principles and interests. The financial disclosure provided to the unions’ consultant meant that there was little disagreement with regard to the nature or scale of the company’s financial difficulties. Crucially also, both parties were aware that an inability to reach agreement on the CRP could seriously impair their joint objective of the DAA becoming the operator of T2, while any disruption to the airports could prove fatal to this objective. More generally, certainly as perceived by management, the parties had agreed some other objectives early on, particularly the restoration of the DAA to profitability, a commitment to sustainable good employment and an understanding that staff would share in the future success of the company.

Such areas of common interest and understanding aside, the parties were also divided in significant respects. The unions strongly opposed issues like outsourcing, changes to terms and conditions, such as the payment of increments, and the rescinding of some historic premium payments at the airports. For now they also maintained their opposition to pay cuts. The DAA had a strong awareness that any attempt to force changes in these areas might result in work stoppages that were unlikely to be acceptable to the Government. Yet the unions also harboured fears that the management side might still opt to take unilateral action around their preferred agenda for achieving savings. The DAA had gained leverage from initially offering the voluntary severance scheme before an overall agreement was reached with the unions and obtaining, thereby, some 300 expressions of interest – given the level of union organization most of these were from union members. The continuing roll-over of about 300 temporary contracts was an additional source of leverage for a successful agreement on the CRP and for progress on T2.

Yet as the parties had begun to engage in circular arguments and with little further progress in sight, the intervention of the LRC was welcomed by both sides. LRC mediation brokered agreement in areas where the parties had appeared willing to find accommodation - principally voluntary severance and its operational implications, the deferral of the national pay agreement and the non-payment of discretionary bonuses - and also allowed progress to be made in other areas like reductions in overtime and other premium payments. Critically, the process also created the space for some innovative proposals to emerge in the difficult area of reductions in pay.

Given the limited take up of the voluntary severance scheme and the unions' position on a number of strands of management's proposals, pay reductions appeared to be a necessary component of any agreement. The position of SIPTU's lead negotiator was that standard pay cuts would not work or meet with acceptance at the airports, and particularly at Dublin Airport. The unions also viewed management's proposal to cut pay as a permanent solution for a temporary problem. Once the DAA returned to profitability, lower pay on an ongoing basis would make the company more highly attractive for privatization. As one of the key SIPTU negotiators saw it, it was necessary in the circumstances that prevailed to 'think outside the box' in searching for a solution to the issue of achieving savings in the area of pay. Management also indicated a willingness on their part to adopt an innovative approach to cost saving from the outset of the process.

The SIPTU Aviation Branch official, Dermot O'Loughlin, had begun work on a proposal to be known as the Employee Recovery Investment Contribution (ERIC), in which pay cuts would be reversed when the DAA returned to profitability and staff would be accorded a financial dividend in return for their willingness to accept temporary pay cuts. This amounted to a development of the earlier 'golden share' idea, now linked with temporary reductions in pay which would be viewed as an investment by staff in securing the future viability and profitability of the DAA. At LRC conciliation SIPTU undertook to indicate how a proposal of this kind might form part of an overall agreement on cost recovery. The proposal that formed the basis of talks between the parties envisaged pay reductions on a graduated scale, wherein progressively higher earnings attracted larger percentage reductions. These reductions would be temporary and would cease when the company's business and financial circumstances revived. In an early formulation of ERIC the unions envisaged the repayment by the company of pay cuts that had been made. The unions had also favoured using passenger numbers as the basis on which the company's revival might be established. In the face of resistance by the management side, these proposals were modified by the dropping of the repayment proposal and by using return on equity (ROE) targets or thresholds as the basis on which the company's performance would be assessed and pay cuts rescinded. The employee dividend idea found expression in a commitment by the company to institute a profit sharing scheme. The ERIC proposal was developed and modified with the continued involvement of the unions' financial consultant, who also played a key role in communicating to union members the import of the version ultimately agreed with the company.

The ERIC proposal represented the cornerstone of the agreement on cost recovery brokered by the LRC. The craft unions however refused to continue in the conciliation process, walking out of the talks mainly because of their dissatisfaction with proposals to cut overtime and other premium payments, which they saw as having a disproportionate effect on the members' earnings. They subsequently engaged in a parallel talks process with the company, finally accepting essentially the same settlement that had been agreed to by the other DAA unions.

The agreement reached at the LRC in December 2009 reflected the parties' common understanding of the financial and business problems and challenges faced by the company. The restoration of the DAA's financial position was seen as the key to sustainable employment. With an eye to Terminal 2, the agreement accepted that new entrants would be appointed on different terms and conditions that would nevertheless be sufficiently attractive to recruit and retain high calibre staff. 100 temporary jobs would be lost and 320 permanent staff would be facilitated in exiting the company. A series of changes to shift rosters and work practices were agreed in different areas to deliver services with fewer people and at higher levels of efficiency. The unions undertook to facilitate staff mobility in that context. The parties agreed €5-6 million in headcount reductions in the management grades. For the company this would equate to over 80 management positions. Overtime payments were reduced from double time to time and a half and the number of permitted uncertified sick days was reduced from four to two. Reflecting a long-established management objective, a new dispute procedure was agreed involving the setting up of an internal committee with an agreed independent chair. This committee would adjudicate on any disputes that arose during the implementation phase of the cost recovery agreement. Adjudication would be non-binding at the insistence of the unions. However the stature of the committee was bolstered through the appointment of a former Deputy Chairman of the Labour Court and former head of conciliation at the LRC, as its chairman.

Pay levels in the DAA were frozen through the non-payment of the 2008 National Pay Agreement. The agreed form of the ERIC proposal made provision for graduated cuts in earnings, estimated by some observers to amount to average pay cuts of around 5.5 per cent. Pay cuts were graduated from zero per cent for staff earning up to €30,000 to 8.5 per cent for staff earning between €80,000 and €90,000. The company opted to apply graduated cuts to higher-level management grades not represented by unions, and so those earning more than €90,000 bore pay cuts of between nine to twelve per cent. During 2010 and 2011, as the company sought to restore its financial position, there would be no restoration of pay levels. In 2012 or beyond there could be a temporary partial (50 per cent) or full restoration of pay levels, by means of lump-sum payments, if a specified level of ROE (or profit target) was achieved. Only if the average ROE reached 4.57 per cent (or after-tax profits reach €60 million) or 6.75 per cent (or after-tax profits reach €80 million) in three consecutive years would pay levels be permanently restored. Pay will be restored by either 50 per cent in the case of the lower of the two ROI/profits thresholds or by 100 per cent in the case of the higher thresholds. The agreement also made provision for a €1 million fund to be distributed to employees if budgeted payroll savings for 2010 are achieved. It was further agreed that a profit sharing scheme would be designed and introduced by negotiation.

The management side was surprised at the scale of the pay cuts accepted by the unions. As they saw it, outsourcing, the removal of historical premium payments (for working on bank holidays), the deferment of increments and some other measures resisted by the unions would have made pay cuts unnecessary. The unions were in possession of a radical and technically complex agreement on which their members would be required to ballot. Influenced in part by their experience of the large and unwieldy plenary meeting convened by the company at the outset of the CRP, they opted to communicate the details of the agreement to their members in more than sixty small group meetings. Not alone were union members being asked to accept significant reductions in pay, they also faced radical changes in shift rosters and work practices arising from operating the airports with at least 400 fewer staff. Senior union officials felt that more was required in explaining the agreement to members than could be achieved in large general meetings preceding the conduct of ballots. When the agreement was balloted on the result was decisive. The margin in favour in SIPTU was over two to one and the deal also secured a 90 per cent margin in favour from Mandate. The agreement was carried decisively by a majority of members of the DAA unions. Mandate senior official, Linda Tanham, was quoted as commenting that the ‘deal has shown how reasonable companies and trade unions can work together for the sustained progress of both the organization and its employees’ The DAA’s Annual Report for 2009 recognized that ‘voting to accept a reduction in one’s pay is a hugely difficult thing to do and the employees that supported the Group’s efforts to address its cost base deserve praise and respect in equal measure’.

### 7.13 Outcomes of the Strategy

Soon after the cost recovery agreement was concluded the parties turned their attention to T2, due to open in November 2010. The company’s and unions’ shared objective of winning the operation of T2 for the DAA had been an important catalyst for the achievement of the CRP agreement. However, as the unions saw it, that deal provided little by way of a `fair wind’ when the parties subsequently sought to reach agreement on terms, conditions and grades for staff categories to be involved in the operation of T2.

The original procurement process for T2 had been terminated by the Government on the grounds that none of the candidates met the minimum requirements set for entrance to the competition to operate the new terminal. The DAA was then invited to demonstrate that it could operate the new terminal within stringent cost, including labour cost, parameters set by the Aviation Regulator. The requirement that T2 be operated at lower cost than T1 came as no surprise to the DAA or the unions. The parties engaged around the issue of new lower-cost grades in T2 within a radically simplified and more flexible grading structure. Agreement was reached on a new grading and pay structure, and management and SIPTU also reached agreement on a deal that would permit people employed in the Airport Search Unit in T1, who would become surplus to requirement when T2 opened, to avail of a severance package and transfer to the new flexible grade and pay structure pertaining to their work in T2.

No major problems have been reported by either side in the implementation of the CRP agreement. Over 400 people applied for voluntary severance and the company instituted an outplacement programme to provide advice for applicants on redundancy pay, tax, social welfare and career and training options. The unions regard the new rosters and work practices instituted by the CRP as highly onerous to many people. The new disputes committee has yet to be convened as of July 2010. The company and unions are on course to achieve budgeted payroll savings for 2010, which, if achieved, will result in payment of the €1 million incentive payments. The most contentious issue surrounds the handling of redundancies for managers. In what the company regarded as an innovative initiative, a Career Development Centre (CDC) was established for more than 30 managers seen to occupy redundant positions, but not opting for the voluntary severance package. Those managers transferred to the CDC worked with external coaching and facilitation preparing for a new career outside the DAA. This process can involve re-training and re-skilling, including attendance at courses outside the company and funded by the DAA. After six months, during which the voluntary package remains open, managers transferred to the CDC appear likely to be made redundant. The CDC has met with opposition from the main union representing managers. IMPACT has sought a collective agreement to regulate the operation of the CDC and has also represented members in appeals against their selection for redundancy via the Centre. In management's eyes, the establishment of the CDC has enabled the company to streamline management structures.

## Conclusions

The CRP at the DAA represents an innovative initiative in which management and unions, working mainly through traditional IR postures and processes, succeeded in concluding an agreement that secured the viability of the company and that also provided for the restoration of pay levels once the DAA returned to profitability. Financial disclosure to the unions at the outset of the process allowed the parties to focus on measures that might address the commercial problems affecting the company and its staff. While the company opted for a conventional approach in which management identified a series of measures with which to address commercial problems, they nonetheless responded to the unions' ERIC proposal, paving the way for eventual agreement on a comprehensive set of cost-saving measures. The innovative ERIC proposal developed by SIPTU is worthy of note as a measure to achieve pay cuts of the scale required in the context of a commercial semi-state culture, where the unions had rejected alternative management proposals involving outsourcing and staff would not countenance changes to some historical terms and conditions. The decision to include senior managers in the pay cuts at the highest percentage reduction level provided for was acknowledged by the unions as leadership by example. The eventual agreement was achieved without overt threats of industrial action or work stoppages in a context where either might have occurred. The unions' involvement of a financial consultant and their use of small group meetings to explain the agreement to members were also notable features of the case. The parties' shared objective of gaining the operation of T2 for the DAA was a very significant influence on their resolve to reach an agreement on cost reductions.

HR, led by Damian Lenagh, was pivotal to the company's response from the outset and throughout the talks. The function gained in stature on successfully concluding the CRP and reaching agreement on terms and conditions and a new flexible grade structure for T2. HR also managed a programme of intensive direct communications with employees in parallel with their ongoing negotiations with the unions.

Ultimately agreement between the parties had been possible in a context where the unions understood the financial pressures bearing on the company, while resisting outsourcing or changes in some historical terms and conditions; where management could utilize some traditional forms of IR leverage; required significant cost reductions but appreciated the risks of pressing for measures staunchly resisted by the unions and were also cognizant of the general significance of good ongoing relations with the unions; and where both management and unions sought to be involved in the operation of T2. These circumstances were conducive to an agreement with significant innovative features.

## 7.14 Containing Job Losses and Staying on Course: Conclusions and Discussion

A number of conclusions are offered on the basis of the first three case studies. First, all three cases implemented measures aimed at containing job losses and protecting employment, even if all three also found it necessary to introduce voluntary or compulsory redundancy. Thus IL&P offered staff incentivized career breaks which were availed of by about 6 per cent of employees. A voluntary redundancy programme resulted in a further 8 per cent reduction in employment levels The company also sought to freeze pay, eventually compromising with its unions on modest pay rises in conjunction with a freeze on service-related increments. In both the DAA and Sherry Fitzgerald, where the effects of the recession were more acute and severe, career breaks, short-time working and voluntary and compulsory redundancies were also put into operation to reduce headcount, along with curbs on recruitment. In both these companies, significant pay cuts were also introduced as a means of protecting employment. In the DAA, a mechanism was agreed to restore pay to pre-recession levels, contingent on the attainment of agreed business and financial targets. In Sherry Fitzgerald, the pay cuts were more open-ended: the company assuring staff that the cuts would be rescinded when more normal business conditions again prevailed.

In both the DAA and Sherry Fitzgerald pay cuts were implemented on a tiered basis, with the highest proportionate cuts falling on the most highly paid. This was seen in both companies as an important contributor to the maintenance of a sense of fairness and of organizational cohesion – its value being mainly symbolic in signifying that the highest financial burdens in the adjustment process would be borne by those with the most capacity to concede pay cuts. In the DAA this measure was welcomed by the unions, whereas in Sherry Fitzgerald, staff feedback led the company to extend cuts to all staff in a second round of pay reductions – low-paid staff having been exempt in the first round of cuts.

While these specific measures were influential and well regarded beyond the three companies in which they were devised and introduced, also important in gaining the firms their ‘exemplars’ accolade was the extent to which employees as stakeholders were involved in the process of adjusting to the cuts, through the aegis of their representative bodies in the case of IL&P and the DAA, and by senior management having significant regard for employees’ interests in the case of the non-union Sherry Fitzgerald.

A further feature of all three companies’ response to the recession was the extent to which they relied on more intensive communications processes and mechanisms in informing staff of the seriousness of the commercial circumstances that prevailed and the measures that were being contemplated to respond to these. For the most part, communication was focused directly on employees, sometimes to the irritation of trade unions.

In the case of Sherry Fitzgerald senior management initiated and implemented measures for responding to the recession, without structured input from staff – although staff feedback on the acceptability of the measures introduced was monitored and this resulted in a change of emphasis towards across-the-board tiered pay reductions in the second round of cuts implemented by the firm. In the case of IL&P and the DAA, management again opted to formulate response measures unilaterally, although their original proposals were significantly modified on the basis of engagement with the trade unions, resulting in final measures that were more palatable to staff. In terms of both the postures adopted by management in identifying response measures and the processes involved in winning agreement on these (in the case of IL&P and DAA) or bringing about their implementation, strong aspects of continuity with established postures and practices were evident, as well as some departures from established practice. Continuity was apparent in the decision of senior management in Sherry FitzGerald to formulate and implement response measures *de haut en bas*, and likewise in IL&P and DAA in senior management opting to formulate response measures unilaterally and then to seek accommodation with the trade unions. In the parties’ efforts to find accommodation, traditional, arms-length, ‘competitive’ negotiation postures and tactics dominated, and there was a considerable degree of reliance, in a traditional manner, on the LRC to broker a final settlement. But in addition to continuity with established postures and practices, some departures beyond what had been familiar territory to the parties should also be noted. First, in IL&P and DAA, both of the parties to industrial relations observed the advent of a more hard-headed, realistic or mature form of engagement, triggered by the seriousness of the challenges they faced. No industrial conflict ensued, although the parties were mindful that industrial action might well have been sparked off, particularly in the case of DAA.

DAA management and unions' shared objective of being involved in the operation of T2 had a major effect on the parties' willingness to reach accommodation on the Cost Recovery Programme. Also new to the industrial relations process was the level of financial disclosure sought by the unions and acceded to by management – however reluctant they may have appeared in the eyes of the unions. Thus the concession bargaining that ensued in IL&P and in DAA involved a combination of competitive and 'co-operative' bargaining; with the balance residing in more traditional and established postures and practices. Unions in DAA and IL&P remained strong and no decline in their influence was evident in the case research or in commentary by managers or union officials. At the same time, it was clear that they had gained few 'claw-backs' for their members in the form of expanded benefits when recovery was achieved – the DAA unions' achievement of agreement on instituting profit sharing excepted. Nor did they gain any institutional benefits in return for their involvement in concession bargaining.

With respect to union members and employees more generally it was noted that work regimes had become more demanding in DAA and Sherry Fitzgerald. New grading systems and more flexible work arrangements added to work intensity in T2 and union officials speculated as to whether these, combined with lower pay rates, would alter the long-prevalent work culture and perception that people working at the airport enjoyed good jobs with matching pay and conditions.

Manifestly the HR function experienced no cataclysm in the three case study firms. Resources remained broadly on a par with the situation pre-recession. The HR function was nonetheless stretched in all cases as the volume of strategic and transactional work increased greatly as a result of downsizing and related changes. Also in all cases HR was conscious of the need to demonstrate the value the function added to the business, reinforcing its primary objective of acting as a business partner in support of the business.

In all cases the HR function was pivotal to company responses to the recession, playing a central role in formulating and implementing options and measures supporting revised business strategies and plans. The stature of HR rose from the seriousness of the threats faced by the companies and their resulting level of dependence on HR expertise to achieve the required adjustments in headcount or in the pay-bill. The pivotal role of HR and industrial relations considerations in the winning of the tender to operate the new T2 facility in Dublin Airport further underscored he stature of HR in that company. In all cases there was respect by top-level management who were willing to take on the challenge of supporting the business as their primary professional responsibility. But some limitations on HR's sometimes new-found strategic prominence and stature should also be recognized. Consistent with the seriousness of the threats and challenges faced by all three companies, the major focus of HR initiatives was on the present and on survival. Less focus on the medium-term and on recovery was apparent - HR managers sometimes being very aware that fire-fighting activity had absorbed all or most of their time and energy, leaving fewer resources to devote to the issue of how the HR strategy might need to be reframed to support business recovery or steady-state development post-recovery. In the case of IL&P, a pre-recession initiative to create a unitary HR function, modeled after the template of Ulrich, was placed on the back burner, while an ambition to realign industrial relations arrangements through the creation of a unified group-wide bargaining structure was unsuccessful. Thus initiatives and activity to align the HR function and HR practices in support of the medium-term development of businesses were more a product of pre-recession, steady-state commercial conditions than the disjuncture caused by the recession.

Ultimately, therefore, all three cases involve exemplary, widely-admired and effective initiatives for responding to the recession: containing job losses; having regard to employees as stakeholders, either through engaging with their unions, or by taking their interests into account; led by influential HR functions and operating through intensive communications and information disclosure, and involving realistic and pragmatic negotiations and conflict resolution. At the same time, no ‘meltdown’ or radical shift in prevailing HR or employment models was evident, nor seemingly was any contemplated in the context of medium-term recovery or steady-state development beyond this. What the three companies have in common was a concern to work with their stakeholders to remain commercially viable, contain job losses and, at the same time, to stay on course with respect to changes in human resource management and industrial relations practices and systems contemplated prior to the onset of the economic crisis. The recession had not led the companies either to jettison major features of their established HR and employment models, such as job security, career systems, voice systems, performance management systems, HRD and other central policies and practices. Nor, it appears, had anything along these lines been contemplated. In the recession HRD activity was sometimes curtailed but also refocused better to support business strategy. In some cases performance was managed more rigorously but HR insisted on the continued relevance of performance management processes. In the unionized firms no radical measures aimed at disengaging from collective bargaining or curtailing its scope were undertaken or contemplated. While in some cases, changes to pension schemes were made - in advance of the recession in the case of DAA - or contemplated (IL&P), no major shift in the ‘burden of risk’ towards employees arose from the recession. No new philosophy of ‘fostering self reliance’ on the part of employees was promulgated and no ‘new employment deal’ was evident either in practice or in outline. While in some cases specific employee engagement initiatives were sidelined by the pressures on HR resulting from the recession in IL&P and Sherry FitzGerald, employee engagement remained an objective in all cases. Admittedly, given that these cases were chosen because they had sought to accommodate employees’ stakeholder interests in responding to the recession, they are unlikely to be in the vanguard of any shift towards a HR or employment model in which such a principle would be radically recast. At the same time, however, given their HR and industrial relations sophistication and strong commercial instincts, the three companies selected for in-depth study would be expected to have questioned the continued appeal or viability of their prevailing HR and industrial relations models if any general trend towards the emergence of a ‘new employment deal’ was underway or imminent.

What emerges from the cases is a pattern in which HR acted decisively to support business survival as an imperative, sought to take account of employee interests in employment security, and to these ends adopted a series of pragmatic and eclectic measures, guided by largely familiar and well understood principles of good practice and tempered by the opportunities and constraints that arose.

# Chapter 8

# Maintaining Trust and Developing Competencies in Challenging Business Times: Superquinn, Medtronic and Ericsson

### *Introduction*

Business responses to challenging economic times are difficult to predict in advance. Particularly uncertain is how a business downturn will affect management-employee relations. Sometimes when the abyss appears managers and employees are 'shocked' into leaving behind mutual mistrust and suspicion. New cooperative relations are forged to secure the viability of the organization. On other occasions, the opposite is true, with managers and employees who enjoyed trust relations suddenly at loggerheads, disagreeing over the scale and nature of any consolidation plan to address the decline in sales and profits. And as each side remains emphatic about the strength of their own position, the trust and cooperation that once prevailed evaporates before their eyes. Of course, some organizations might be in the fortunate position of having adopted a challenging business strategy in advance of a turndown which ensures that organizational routines are not disrupted too much even if business conditions are tougher. In this chapter, following on from the last, three case studies are presented of how organizations in quite contrasting organizational and business contexts, have rooted their responses to the recession in maintaining and even deepening trust relations inside the organization even if the strategies used to do so are distinctive in each case.

## Surviving through Partnership at Superquinn

### *Context*

Superquinn is a privately owned grocery retail chain with 23 stores and approximately 3000 employees. Until 2005 it was a family run business founded by Fergal Quinn in 1960. Fergal Quinn had a 'hands on' paternalistic management style. He spent a portion of each week working on the shop-floor of his stores, and he was well known by both employees and customers. Under Quinn's leadership Superquinn developed a reputation for quality fresh food, customer care and service excellence, and it was recognized as a pioneer in service provision. In its constant search for ways to create and sustain a good relationship with its customers, Superquinn created a significant competitive advantage for the organization. Superquinn was the first Irish retail organization to acquire the Q mark for quality and service excellence. It also pioneered the idea of in-store food preparation (bakeries and delicatessens) and was the first Irish supermarket chain to introduce online shopping.

In terms of its approach to the management of employee relations, Superquinn operates a closed shop and recognizes three trade unions: SIPTU (Services, Industrial, Professional and Technical Union) which represents the butchers employed by Superquinn; the BFAWU (Bakers Food and Allied Workers Union) represents the bakers; and Mandate represents the majority of employees (2,400) including, sales assistants and administrative staff. Traditionally, management and unions enjoyed a good relationship and Superquinn maintained what could be described as a benign arms-length relationship with the trade unions. Management operated from what is, in essence, a traditional pluralist perspective where unions were viewed as adversaries, kept at a distance but treated with respect and trust. Management acknowledged that differences of interest would arise between the company and employees, and accepted that unions could play a legitimate role in helping to resolve conflict. However, while the relationship could be categorized as adversarial, neither side adopted a rigid adversarial stance.

The nature of the working relationship between management and unions was very clearly illustrated by the way in which the vexed issue of extended opening hours was handled in the 1990s. Until the summer of 1994, none of the major multiples opened on Sunday with the exception of the Sundays immediately prior to Christmas on which staff were paid treble time. During the summer of 1994, some of Superquinn's competitors began to experiment with Sunday trading and to extend opening hours during the week. This prompted conflict between the unions and management in relation to the appropriate rates of pay for Sunday trading and the ratio of part-time to full-time staff working on the shop floor. One of Superquinn’s main competitors, Dunnes Stores, argued that it could not afford to pay premium rates for Sunday working because extended opening hours would not result in an increase in turnover but simply spread existing sales over 7 rather than 6 days. Therefore, in the summer of 1994, Dunnes opened some of its shops on Sundays and paid a flat rate to all staff for hours worked. This initiated a series of disputes which culminated in a long and bitter strike during the summer of 1995. Eventually, with the assistance of the Labour Court, Dunnes Stores and Mandate reached an agreement and the Labour court's recommendation became the blueprint for agreements on extended opening hours. Once the Dunnes Stores dispute was settled, other retailers such as Quinnsworth (now Tesco), and Marks & Spencers reached agreement with Mandate and so all of Superquinn's major competitors operated extended opening hours. However, it was not until five years later that Superquinn extended opening hours during the week and it did not commence Sunday trading until the spring of 2001. Through this period, Feargal Quinn made it clear that he was opposed to adopting a confrontational approach to the management of employee relations and would only introduce extended opening hours when his employees were readily willing to support such an initiative.

While there was clearly a sense of trust and mutual respect between management and trade unions in Superquinn, a partnership style arrangement did not exist. Management did not routinely share business-related information with unions and the role of trade unions was limited to handling disciplinary issues and grievances. The good relationship that management traditionally enjoyed with trade unions in Superquinn was to some extent sustained by the national Joint Labour Committee (JLC) structure which covers the grocery retail trade in Ireland. The JLC consists of an independent chairperson, employer and trade union representatives who agree, through a process of negotiation, the rates of pay and conditions such as hours of work, overtime rates, annual leave, and sick pay, for groups of workers in the industry covered by their JLC. The existence of a JLC for the grocery sector meant that bargaining about contentious issues such as pay was done outside the workplace and this factor, combined with management’s benign attitude towards trade unions, helps to explain the relatively positive industrial relations climate in Superquinn. Moreover from the unions’ perspective Superquinn was a relatively good employer and there was therefore no need to adopt an aggressive or rigid adversarial stance. In an industry associated with low pay and zero hours contracts, Superquinn had a contributory pension scheme for all employees over the age of 25 and offered opportunities for training, development and promotion.

While management did not exchange business-related information with shop stewards or union officials, and trade unions did not have any form of joint decision making role in Superquinn, management did routinely share information and consult directly with employees. A key component of Superquinn's voice management system was the Thursday morning meetings, or ‘huddles’. Every week, each department in all the stores received a visit from a member of the senior management team. The purpose of these meetings was not only to share information with employees but to monitor and control commercial performance of every department throughout the organization. The weekly discussions between senior managers and all members of individual departments covered the overall commercial performance of the organization and the results for the individual department. Each week, performance against targets was reviewed using a series of indicators. These meetings served as a very effective mechanism for managing the flow of information around the organization. They provided an opportunity for senior managers to communicate information to employees, and they provided a forum for employees to express their views and communicate with senior managers. Furthermore, the meetings allowed management and employees to engage in problem solving. For example, if sales of a department had declined during the previous week, the group would consider why this had occurred and make suggestions about ways to tackle the problem. From the management's perspective, this activity served two purposes. First, staff working in a particular store were best placed to identify local factors which influence local markets and these meetings gave senior managers access to this information. Secondly, it gave employees an opportunity to suggest solutions to problems, which made them more comfortable with changes that they would have to implement.

Thus, under Quinn’s leadership, Superquinn had a very effective voice management system which placed emphasis on direct employee involvement. Management not only shared information with employees but also actively engaged them in problem-solving in relation to the day-to-day operations of the business. The success of Superquinn's voice management strategy was dependent on a human relations oriented management style and the ability to maintain a relatively benign and arm's length relationship with trade unions. A series of contingent factors, such as the existence of the JLC structure, limited the sphere of influence of the unions within Superquinn, and in consequence there was no imperative to involve trade unions in the management of employee voice in any significant sense.

***Take-over by Select Retail Holdings***

In 2005 the current owners, Select Retail Holdings, a venture capital company, bought the company from its founder, Fergal Quinn. At the time, it was widely believed that they were primarily interested in the property portfolio retained by the business rather than the retail business itself. This speculation appeared to be confirmed when the company entered into a sale and lease back arrangement with Friends First for six of its properties in 2007 (Irish Times, *31 August 2008*, *Irish Independent*, *Friday 18 May 2007).* Since the takeover, there has been ongoing speculation that Select Retail Holdings will sell the retail business. For example, in 2008, there was widespread speculation that a number of bidders including BWG (which owns SPAR), Musgraves (which owns SuperValu), Asda (owned by Walmart) and Sainsburys were interested in buying the retail business (*Industrial Relations News*, 33, 2008).

Following the take-over, most of the senior management team were replaced and Select Retail Holdings introduced a series of cost-reducing initiatives including, for example, the elimination of staff canteen facilities. These factors, combined with a concern for employment prospects in the event of the business being sold, meant that the takeover altered the industrial relations climate within the organization.

## 8.1 The Impact of the Recession

Grocery retail outlets in Ireland can be subdivided into three main categories: (1) multiples (supermarkets e.g.Tesco, Lidl and Superquinn); (2) Independents (single proprietors); and (3) symbol groups (collaborative groups of independents e.g. Supervalu /Centra and SPAR). Six multiples hold 65 per cent of the value of the Irish grocery retail market. Tesco has 27 per cent, Dunnes Stores has 22.6 per cent, Superquinn 6.5 per cent and the two discount chains Aldi and Lidl have 3.6 per cent and 6 per cent respectively. [1] One symbol group, SPAR also holds a significant share of market value (20 per cent).

The Irish grocery retail sector has always been highly competitive and the entry of the two German discount chains, Aldi in 1999 and Lidl in 1998, added to the intensity of that competition. Since entering the market over ten years ago, Aldi and Lidl have acquired almost 10 per cent of the Irish grocery retail market. Because the market was growing year-on-year during the early part of the decade, the impact of the discounters' presence may not have been so keenly felt. Some groups may have lost market share, but most probably experienced either static or small increases in sales. But the arrival of the recession led to a big drop in consumer spending, which has had a dramatic impact on the grocery retail market. In 2008, the value of the grocery market was estimated to be €9.3 billion, in 2010 it had dropped to €8.8 billion (Kantar Worldpanel, 2010). As consumers became more cost-conscious and shifted from premium to budget products, the discount chains, Aldi and Lidl, enjoyed sustained market growth. An analysis of consumer behaviour by industry analysts Kantar Worldpanel suggested that consumers were switching from premium brands, shopping around, visiting more stores, shopping more often but spending less per trip (Kantar Worldpanel, Feb, 2010). The decline in the market was further compounded by cross-border shopping. A favourable exchange rate with sterling and lower VAT and excise duties enticed significant numbers of shoppers to Northern Ireland. In the weeks leading up to Christmas 2009, two UK based retailers who do not have outlets in the Republic of Ireland (Asda and Sainsbury) had a 2.9 per cent share of the Irish grocery market (Kantar Worldpanel, February 2010). These developments were bad news for Superquinn as traditionally its emphasis was on quality fresh food and service excellence; it was positioned at the premium segment of the grocery retail market. Unsurprisingly, the shift in consumer behaviour away from high end shopping, led to Superquinn's market share declining from 7.5 per cent in 2008 to 6.6

[1] Data based on Kantar Worldpanel briefing, October 2010. Data relates to value for year ending 3 October, 2010

per cent in 2010 (Kantar Worldpanel, October 2010). Trading conditions had become particularly difficult for the company.

## 8.2 Developing a Response Strategy

Decisive action was required by the company to adjust to these new adverse market conditions. The response strategy had two key components. First, the company negotiated a Survival Plan, the PCC - Programme for Competitiveness and Change 2009/10, which amounted to a substantive collective agreement providing for the introduction of cost-cutting initiatives such as redundancies and a pay freeze. Second, unions and management agreed the introduction of a new partnership style procedural agreement called Working Through Partnership.

The Survival Plan, the PCC, was negotiated with Mandate, SIPTU and BAFTW, and agreement was reached in March 2009. The deal was viewed as highly innovative and progressive by both the employer and trade unions, and is credited with securing the survival of the company. The deal provided for almost 400 voluntary redundancies, a 12 month pay pause and the introduction of new profit sharing and gain sharing schemes. While the primary focus of the deal was to agree the implementation of a range of cost-cutting measures, it also had a number of innovative features. One was the provision relating to 'banded hours' contracts. Prior to the introduction of the survival plan, workers could be scheduled to work anything between 18 to 39 hours per week and therefore their earnings could fluctuate quite dramatically from one week to another. The provision relating to 'banded hours' introduced two types of work schedule or 'band of hours'. Employees can now be contracted to work between 18 to 25 hours or 25 to 39 hours per week. The band to which workers are assigned is determined by the average hours worked over a 13 week period. As part of the review on working hours, unions agreed to a two hour 'window' of flexibility around start and finish times. This means that employees can be scheduled to commence and finish work within two hours of their standard start and finish times. The 'banded hours' contract offers some stability of earnings for employees and is viewed by trade unions as a major achievement for staff in the Irish retail sector at a time when workers' hours are being cut across the board. A further indication of the willingness of both parties to be flexible and find mutually beneficial working arrangements can be found in the introduction of annualised hours which allows employees to spread their earnings across periods of time such as school holidays, where in the past they would have taken unpaid leave.

***The Procedural Agreement – Working through Partnership***

Consolidating this substantive collective agreement was a new agreement, *Working Through Partnership*, that established additional procedural arrangements between the unions and management. Triggering this new procedural agreement was the need for the company to comply with the requirements of the Information and Consultation legislation (*Employees (Provision of Information and Consultation) Act*, 2006. Superquinn had to make arrangements for consulting with employees. However, the arrangements agreed in Superquinn's *Working Through Partnership* are more far reaching and radical than what would have been necessary to meet the requirements of the Information and Consultation legislation.

In essence, the agreement is a partnership-style arrangement in which unions and management have agreed to 'nurture and protect a consultative approach' to managing their relationship (*Working Through Partnership Agreement, p3*). In reaching this agreement, both unions and management were mindful that creating a forum, which would help them to work effectively, together was crucial to the survival of the business. When launching the agreement, Superquinn's chief executive, Simon Burke stated that

> ... the consultative approach is particularly important during the ongoing challenging trading conditions and Superquinn is committed to maintaining this partnership approach. The principal aim of '*Working Through Partnership'* is to work closely with all of our colleagues and the trade unions to build and grow Superquinn for the future.

(*Industrial Relations News:* 20, 2010)

The Working Through Partnership deal was agreed between management at Superquinn and the three trade unions which represent the various categories of staff employed by

Superquinn, Mandate, BFAWU and SIPTU. The agreement includes a series of initiatives including:

- Hosting monthly Store Partnership Forums (SPF) and biannual Company Partnership Forums (CPF).
- Enhanced disciplinary and grievance procedures.
- Improved communications facilities and training and development opportunities for staff members.

(*Industrial Relations News:* 12, 2010)

The structure of the partnership agreement is based on two forums which have differing levels of responsibility and jurisdiction. The Store Partnership Forum (SPF) is a store based committee with responsibility for addressing a range of store-level issues including routine operational matters such as health and safety and the review of store and company performance. The Company Partnership Forum (CPF) has responsibility for company-level issues and is also the ultimate escalation point for all issues from other levels of the *Working Through Partnership* operation.

Each store has a Store Partnership Forum (SPF) and each SPF is composed of: the store manager, the system resource manager, the duty manager and four shop stewards - two from Mandate, one from SIPTU and one from BFAWU. The forum meets in-store once a month and its purpose and operating procedures are clearly specified in the *Working Through Partnership* Agreement. As mentioned, the SPF deals with matters relating to local issues. Specifically, it reviews store performance, company performance business plans, local industrial relations issues and can also consider some HR matters as well as new initiatives/innovations. The Agreement clearly specifies, however, that discussions are confined to topics particular to an individual store. A week prior to the meeting taking place, the union representatives consult with their members and identify agenda items. This list is submitted to the Secretary who then adds management items; an agreed final agenda is circulated three days before the meeting. A time schedule for the meeting is agreed and, following the meeting, the Secretary circulates the minutes to all members of the group and a copy is posted on the store's 'colleague notice board'. The HR department provides the Secretary of each SPF with guidelines on the format for the agenda and this ensures that the process is consistent across all stores. The SPF does not deal with individual grievances/disciplinary issues. The Agreement stipulates that a solution to such issues can be achieved through the application of the grievance/disciplinary procedures and through the involvement of the union official and regional HR manger where appropriate.

In some respects, the form of consultation offered to employees through the SPF is similar to that offered by the informal 'huddles' initiated more than twenty years ago by Fergal Quinn. Both forums provide information to employees about routine operational matters such as: store level sales performance; customer feedback; health, safety and hygiene practices. The 'huddles' were, however, limited to engaging employees to address issues of concern within their own department, and differed from the SPF in two important respects. First, in a SPF trade unions are involved in representing the views and interests of employees whereas huddles were mostly conversations between employees and their immediate line manager. Secondly, the 'huddles' were informal and the depth and scope of consultation offered to individual employees varied from one store to another, and from one department to another within individual stores. The WTP agreement, on the other hand, specifies the agenda for a SPF and the issues dealt with (and they way in which they are addressed) are consistent across all the stores.

The Company Partnership Forum (CPF) meets twice per year. On the company side, the CPF is comprised of the company CEO, the Chief Financial Officer, the Head of HR, the Operations Director, two store managers, two regional managers, the Regional HR Manager and the Employee Relations Manager. On the union side the following attend: three Mandate officials, one SIPTU official, one BFAWU official, four Mandate shop stewards, one SIPTU and one BFAWU shop steward. The Chair of the Forum rotates between a HR management representative and a trade union official. The Secretary is the HR Manager.

The primary function of this forum is to provide updates on company progress and to address and resolve all relevant issues that may arise nationally or which are referred to it by the SPF. The agreement clearly makes a distinction between local (store level) issues and national (company level) issues and the remit of the CPF is to deal with 'national' issues. The agreement allows for all unresolved issues, which have broader implications, to be referred to an agreed working party or appropriate external third party for consideration. The WTP agreement specifies that the agenda items for the CPF may include: a review of store performances; company performance and business plans. In addition, provision is made for the review of industrial relations issues and agreements, and the review and planning of the *Working Through Partnership* strategy (*Industrial Relations News:* 12, 2010).

In essence, the monthly Store Partnership Forums and the biannual Company Partnership Forums, the nub of new partnership framework, gives workers and their representatives an opportunity to influence company policy and operational structures. The agreement also provides for the amendment of existing grievance and disciplinary procedures. Specifically, it sets out more detailed procedures for both individual and collective grievances and disputes. For example, it specifies the length of time that a disciplinary warning will be retained on file.

An indication of how committed both management and unions are to developing a consultative approach to the management of employee relations can be seen in the provisions made for training by both unions and management. Management and unions worked together to develop induction and advanced training programmes for both union and management representatives. Everyone involved in the partnership forums received at least three days of training. One day of this programme was devoted to a joint training session for management and unions, which was delivered in the Mandate Training Offices. The unions also agreed to develop and deliver a shop steward training programme specific to Superquinn colleagues. Management agreed to ensure that cover would be provided at departmental level in order that union representatives can fully participate in the process (i.e. attend training sessions and meetings associated with the partnership forum). In recognition that embedding a culture of consultation and co-operation would require on-going support, provision was made for training to take place on an annual basis. The spirit of partnership was further enhanced by an agreement that the SPF union representatives would be given the opportunity to make a presentation at all new staff induction sessions and that management would be offered the chance to make a presentation at the shop steward training sessions.

### 8.3 Implementing a Response Strategy

Agreement was reached on the *Programme for Competitiveness and Change (*substantive agreement) and *Working Through Partnership* (procedural agreement) in the Spring of 2009 and the training for the participants in the partnership forums was completed by September 2009. The first monthly Store Partnership Forums were held in October 2009 and the first Company Partnership Forum took place in the spring of 2010. Since then trading conditions have become even more difficult. There appears, however, to be consensus amongst management and trade unions that the forum structures are working well despite increased competitive pressures.

The pay freeze and the redundancies provided significant cost savings for the organization and obviously the willingness of employees and their union representatives to accept these measures gives an indication of their commitment to support management's attempts to secure the future of the business. These were major concessions, but given the economic climate, they were not unusual. Nevertheless, the willingness of both management and unions to co-operate with each other, to recognize and accommodate each other's needs is a significant development. The new spirit of compromise is reflected in the agreement on 'banded hours'. Unions agreed to a two-hour 'window' of flexibility around start and finish times and management agreed to limit the control they had over scheduling rosters by agreeing to guarantee employees that they would be employed to work within a fixed range of hours each week.

### 8.4 Outcomes of the Strategy

In the summer of 2010, unions and management entered into another round of negotiations to review the pay pause agreed in March 2009. Given the ongoing difficult market conditions, management were seeking a pay cut (the need for this had been signalled at the Company Partnership Forum). After detailed discussions, an agreement was reached not to cut pay, but to freeze contributions to the pension scheme for one year instead. Provision has been made for the full restoration of the pension contributions: after one year, employees can make a contribution to the pension scheme which is equivalent to the amount that was withheld and management will match this contribution.

This arrangement is further illustration of the willingness of both management and unions to address an issue as a mutual problem to be solved. The compromise reached suggests that both sides recognized the difficult circumstances faced by the other and were open to working together to find a creative solution: employees do not have to incur a pay cut while management save, at least in the short-term, on payroll costs. An interesting point to note is that in the course of these negotiations the unions were provided with access to company accounts. The unions' legal experts examined the books and produced a report for the union officials. That the unions were given access to such commercially sensitive information bears testament to the level of trust between management and trade unions that has developed in recent years.

This relationship was tested when a decision was taken to close a store in Naas in January 2011. The closure occurred because Superquinn's lease had expired and the landlord demanded possession of the premises. Superquinn had been making plans to open a new store on an alternative site. However due to the downturn in the property market a decision was taken to postpone the development of this site. The unions and employees were aware that the lease was due to expire. They were also aware that management were pursuing alternative options and so employees were not unduly concerned about the security of their employment. The decision to close the store therefore was unexpected. Within ten days of this decision being announced, unions and management had concluded an agreement which provided for the redeployment of fifty three of the one hundred and four staff to other Superquinn stores, and containing a redundancy package for the rest of the workforce. The deal also included an innovative arrangement whereby staff who were made redundant would retain the benefit of a staff discount scheme, which had recently been established, and they would also maintain their right to share the

€2.5 million 'gain-share pool', which would arise in the event of the sale of the retail chain. While the media carried reports of some staff expressing shock and dismay at the sudden and unexpected closure of the Naas store, the Assistant General Secretary of Mandate, Gerry Light, was reported as commenting on the agreement:

> The process involved in getting the deal over the line was a model of successful industrial relations with both sides dealing honestly and openly with the issues at hand. It shows that constructive outcomes can be achieved when two parties come together with a solution-oriented focus. *(Industrial Relations News*, 3, January 2011*).*

## Conclusions

The introduction of partnership style procedural arrangements was a radical change to the way in which unions and management interacted with each other in Superquinn. Clearly the severe economic crisis provided the incentive to embrace such a dramatic change. However, while the crisis may have provided the impetus to be co-operative and engage in joint problem-solving, the implementation of such a dramatic change would not have been successful without genuine and ongoing support from both unions and management.

The success of the initiative can be attributed to a number of factors particular to Superquinn. First, there was a strong group of trade unions committed to the introduction of both the substantive and procedural agreements. Superquinn is a closed shop, and the unions committed significant resources to training both union officials and management representatives and they were also proactive in eliciting the support of employees. Secondly, the HR personnel convinced the senior management team of the merits of engaging in a partnership style arrangement and, in consequence, the company also committed significant resources to support the roll-out and implementation of the initiatives. Thirdly, historically, in Superquinn unions and management had what could be described as a good working relationship. While the take-over by Select Retail Holdings altered this relationship it was not unduly damaged and there was therefore a basis on which to build a trusting and co-operative relationship.

## Defending a Subsidiary Mandate at Medtronic

***The context: HRM in multinational subsidiaries***

Devising and implementing HR policies are heavily influenced by organizational context. Small firms, for example, are likely to have an altogether different approach to people management than large complex organizations. Similarly, multinational companies (MNCs) by virtue of having to manage people across different countries face HRM challenges and opportunities that stand apart from those experienced by other organizations. Studying people management in MNCs is conventionally framed to find out whether ethnocentric or polycentric HRM policies are being pursued. Multinationals that transplant people management policies from their country of origin to a subsidiary in another country are seen as following ethnocentric HRM policies. An American MNC introducing USA-type people management policies into Ireland would be described as following this approach. In contrast, multinationals that adopt the dominant employment relations approach of the country where they are establishing a subsidiary are seen as possessing polycentric HRM policies. An American MNC conforming to established 'Irish' employment practices would be considered to be polycentric in its approach to people management.

A rich literature has amassed assessing the extent to which multinational subsidiaries have discretion in developing HRM policies that fit with local circumstances or whether their people management policies are passed down from headquarters. In Ireland, there has been a lively debate, which is on-going, about whether MNC subsidiaries adopt ethnocentric or polycentric human resource policies and practices. Overall, rich insights have been gained by employing this framework to understand the nature of HRM in multinationals. Yet doubts are emerging about whether this framework, which was first invented over forty years ago, has kept pace with the changing structure and conduct of multinationals, with the result that it may no longer fully capture the dynamics of modern international HRM. In particular, there is concern that because the ethnocentric/polycentric framework focuses on the vertical relationship between the headquarters of a multinational and its subsidiary – either headquarters control HRM policies or subsidiaries enjoy autonomy in the way they manage people - a narrow, one-dimensional view may be constructed of the nature of HRM in multinationals: modern multinationals tend not to be organized in such a hierarchical way. Instead, they operate more as networks, which involve subsidiaries developing a myriad of horizontal and vertical business relationships inside and outside the multinational. Bartlett and Ghoshal (2002) suggest that multinationals displaying these features should be called transnational organizations as they seek to be global and local at the same time.

The criterion for assessing the character of the HRM function in transnational organizations is not whether it is ethnocentric or polycentric, but whether 'best practice' people management policies are being pursued. In theory, a multinational subsidiary could have a HRM system that contains both ethnocentric and polycentric polices since the 'best practice' calculation may demand some policies to be operated centrally and others locally. Thus, MNC subsidiaries are increasingly likely to have HR systems that are internally more variegated than ever before. The organizational structure of transnational companies is also likely to have an impact on the mentality of HR managers, and even employees and their representatives, in subsidiaries. Within transnational organizations, subsidiaries not only have to produce or deliver high quality goods and services that are competitive on the external market, but they also have to compete internally with other subsidiaries for what is called mandates. A 'mandate' can be broadly defined as a business or element of a business in which the subsidiary participates and for which it has responsibility beyond its national market (Birkenshaw, 1999). Birkenshaw and Hood (1998) suggest that mandates must be considered as highly mobile as subsidiaries are not simply awarded these in perpetuity. Thus, to evolve and develop, subsidiaries must compete in an internal market to either consolidate existing mandates or to win new ones. This competitive pressure hangs constantly as a Sword of Damocles over managers and employees in a subsidiary. HR managers, for example, when considering new policies or developments not only have to assess the consequences for people management, but also for the subsidiary's mandate. Mandate consolidation or renewal is a decisive factor which separates out management-employee interactions in multinational subsidiaries from those in other organizations. Certainly, it needs to be given as much, if not more, weight as the traditional ethnocentric/polycentric approach when it comes to understanding the behaviour of HR managers and employee in multinational subsidiaries.

### ***Medtronic: the global company***

Medtronic is a leading global company in the medical technology industry. It develops and manufactures a wide range of products and therapies and conducts business in more than 120 countries around the world. It regards its business mission to alleviative pain, restore health, and extend life for people with chronic conditions around the world. Medtronic started trading in 1949 in the USA, initially as a product servicing company progressing to developing the world's first, battery-powered cardiac pacemaker, a pioneering product at the time. This product proved to be the foundation for dozens more Medtronic therapies that used the company's electrical stimulation expertise to improve the lives of millions of people. Over the years, the company has also adapted additional technologies for the human body, including radio frequency therapies, mechanical devices, drug and biologic delivery devices, and diagnostic tools. Today, the technologies developed by Medtronic are used to treat more than 30 chronic diseases affecting many areas of the body.

Headquartered in Minnesota, the company has a number of defining features. One has been its rapid rate of expansion.  Since its' foundation, the company changed from being a relatively small-scale, although sophisticated, organization to one of the world's most technologically advanced multinationals. Consider the following. In 1992, Medtronic had 8,000 employees now it has over 43,000; its revenue back then was $1.2 billion, but this has increased to $15.8 billion in 2010. Nowadays, the company spends in excess of $1.50 billion on research and development while in 1992 it was a mere $120 million. Currently, the company is valued at near $10 billion. A second defining feature of the organization is the relatively short cycle of many of its products.  The continuous advancement in the development of devices to treat a broad range of medical conditions has resulted in a substantial percentage of the organization's annual revenue being generated from products that are less than 2 years old. Thus, the company experiences constant pressure to innovate, improve existing products, develop new products and move into new related areas.

Accommodating rapid rates of growth while at the same time maintaining, if not upgrading, its innovative capacity places enormous organizational demands on the company. Over the years, the company has experienced considerable organizational change. For example, in the early 2000s, Medtronic was organized internally into a number of stand-alone businesses. However, this organizational structure has been overhauled in recent years and a new matrix-type structure has been introduced. To leverage the synergies of these various businesses the company consolidated its business into two operating groups – one focused on its heart rhythm and cardiovascular products and the other on restorative therapies. In addition to this consolidation exercise, several cross-business groups were also created to help leverage best practices, knowledge, and technologies across the company:

This organizational matrix structure is designed to meet three challenges: protect and grow core business activities; drive further global expansion; and cultivate innovation for new products and markets. The structure is regarded as promoting a global culture supportive of product innovation while simultaneously providing each business unit with the autonomy to nurture organizational collaboration so that high-performance teams could thrive. In a sense, the strategy is to create a transnational organization, with the emphasis on being global and local at the same time. All Medtronic sites, irrespective of location are encouraged to follow HR practices that combine centrally-inspired as well as locally designed initiatives. Thus, for example, in recent years the Medtronic site in Galway has recently introduced the Medtronic Corporate talent management programme. Similar to many other US multinational Medtronics' preferred business model is to engage directly with employees rather than via a third party. At Medtronic local business units are given freedom to promote particular bundles of policies that enhances high performances and contributes to the organization's standing as an employer-of-choice.

Thus, Medtronic can be viewed as pursuing a loose coordinated decentralized HRM strategy.

***Medtronic in Ireland***

Medtronic first came to Ireland in 1999 not by establishing a subsidiary in a new greenfield site, but by acquiring a division of another multinational, CR Bard, who had originally established s subsidiary in Galway, Ireland in 1982. When first started in 1982 the focus of the company was very much on low-tech operations and products, but its activities were continuously upgraded to such an extent that by 1998 it had acquired responsibility for global Research and Development as well as for the manufacturing and marketing of two important medical device portfolios.  It is clear that Medtronic was acquiring a strong performing, highly innovative site in Galway. This point was not lost on the senior management team at Medtronic as it continued to invest in the Galway. Under Medtronic ownership, the Galway site has been upgraded even further and is now a state-of-the-art high performance facility, a centre of excellence for the development and manufacture of a number of the company's key technologies for the treatment of cardiovascular and cardiac rhythm diseases.

Acquiring an already existing organization poses different HR challenges to those presented when establishing a greenfield site. In particular, the acquiring organization has to decide whether to stay with or change the HR regime in the organization that has been brought. Medtronic was eager to introduce at the Galway plant new policies and practices that encouraged learning and development across the workforce as well as an organizational culture that put a premium on innovative, high quality work. These new measures were not overly difficult to install as the company had acquired a very well qualified workforce and an experienced management team. Thus, the senior management team at Medtronic headquarters was quite prepared to introduce new HRM policies. At the same time, it elected to stay with a trade union recognition agreement that CR Bard had entered into with a trade union now called SIPTU even though Medtronic in the main was a non-union organization.

In total, there are about 2,000 employees at the Galway site, consisting of about 1,300 semi-skilled manufacturing team members, referred to as direct labour, and over 650 highly skilled support employees, referred to as support labour. A number of features of the HR system at the site are worthy of note. All of the regular (permanent) direct labour resources are unionized due to the recognition agreement at the site while most of the support labour is non-unionized. In a global economy, Ireland, as a location, cannot be considered a low cost operation. Terms and conditions of employment would be considered as competitive within the local market and above that received by Medtronic employees in some other Medtronic manufacturing sites around the globe. An extensive learning and development programme operates on site. Employees are actively encouraged to upgrade their skills and knowledge through pursuing in-house and external training and educational programmes. In support of this expectation of on-going learning, Medtronic actively develops internal career paths: every year about 50 per cent of vacancies are filled from internal staff pools. A battery of mechanisms exist to facilitate information sharing, including weekly departmental meetings, quarterly general employee updates on the business, newsletters, e-mail and face-to-face meetings in teams. Great efforts are made to ensure that information sharing and consultation is the same for both union and non-union employees. All in all, a strong commitment exists at the site to involving employees in decisions and to keeping them abreast of how Medtronic is performing.

Employment relations at the Medtronic Galway have consistently been good. No time has ever been lost to any form of industrial action and the organization continues to successfully solve problems in the main using in-house dialogue and grievance procedures. Interaction between managers and trade union representatives has been consistently positive. Management and trade union representatives alike feel they can approach each other directly and that their relationship is based on finding solutions to problems. For the most part, the SIPTU branch at Medtronic operates like an enterprise union found in Japan – the emphasis is on insulating internal employment relations from external industrial relations influences and to forge cooperative relations with management. Thus, for example, the Galway site did not directly participate in the national social partnership agreements that prevailed from when Medtronic took over the company until 2009: instead of adhering to the prescribed pay increases established by national agreements, the organization negotiated local wage deals. This practice was to prove to be a decisive factor in shaping how the Galway site responded to the recession.

The company can be seen as following a range of soft and hard HR policies. Importantly, within Medtronic, from a financial accounting perspective the Galway site is constituted as a cost centre rather than a profit centre. On a quarterly and annual basis the site reports to corporate headquarters on the extent to which it has met efficiency targets. These annual metrics place responsibilities on all aspects of the Galway operation to identify and leverage efficiency and cost containment opportunities. The HR department in conjunction with site leadership team is constantly working to find better ways of securing the full engagement of all employees. Thus, for example, in recent years it has concluded an agreement with the unions on a new absenteeism policy designed to encourage better employee attendance. In addition, it seeks to improve employee productivity performance on an on-going basis. This is a standard hard HR orientation. At the same time, the HR department is committed to classic ‘soft’ HR policies. It actively promotes an inclusive culture within the organization. Senior managers interact informally with all employees on an on-going, day-to-day basis, whether this is over lunch, in the car park or at work stations. Comprehensive well-being and health support programmes have been developed for the workforce. As all ready mentioned, an extensive range of information and consultation programmes exist at the site to provide employees with a voice on company affairs and to all input of their views and opinions. Extensive programmes exist to help employees improve their skills and competences. Innovative HRM policies are followed such as financial participation, e.g. Annual Incentive Plans and Employee Share Purchase Scheme, to forge positive relationships between the employee and the organization. Thus, whilst pressures to reduce costs are ever present, equal efforts are made at creating a high commitment workplace for employees.

## 8.5 The Impact of the Recession

To appreciate fully the impact of the recession on employment relations at the Medtronic site in Galway one has to begin in the months prior to the financial crisis in 2007 when the local management and unions were engaged in negotiations about a three year pay deal. As already stated, trade unions and management at Medtronic Galway had decided to stay outside the pay agreements of the national social partnership arrangement and negotiate their own wage deals. The negotiations of early 2007 were challenging as the company needed to contain costs to advance organizational competitiveness whereas the union sought substantial increases to pay and conditions of employment as the company was profitable and the Irish economy at that time, continued to be buoyant. Organizations can possess cooperative employment relations and yet experience tough, hard-nosed negotiations about pay and working conditions. Finally after protracted negotiations, an agreement was concluded between the management and trade union teams.

However, before the agreement could be implemented it had to be ratified by the employees who were union members. Normally, this process tended to be a formality as employees in almost every case endorse the recommendation of the Union Representatives. A meeting was called for all unionised employees to vote on whether or not to accept the agreement. The 12 person trade union representative committee had endorsed the agreement and it anticipated that it would be accepted by the majority of members. At the meeting, the union representatives went through the agreement carefully with members and some skepticism and even hostility was voiced about its contents. Negative comments by an individual trade union representatives on the proposed agreement, changed the mood of the meeting entirely, which resulted in the agreement failing to be ratified by the membership. Instead, the union representatives were mandated to go back and renegotiate the agreement with the Human Resource management team.

But management was of the view that the original agreement that had been concluded could not be improved as it was not in a position to give further concessions. Thus, there was a sizable gap in the positions of management and trade unions. In an effort to avoid a stalemate, the conciliation service of the Labour Relations Commission was contacted for support. Officials of the LRC spent a lot of time talking to both sides, particularly trade unions representatives. After effectively adjudicating between the positions of both sides, the LRC made a recommendation that the original agreement with relatively minor amendments on clarification of wording be adopted by the workforce. Once again the agreement was voted on by the union membership only this time the deal was accepted. The conclusion of this pay agreement was unusual; it was more time consuming than normal, a compromise was more difficult to reach in the negotiations; the refusal to ratify the draft agreement first time round was out of character as was the subsequent involvement of the LRC. All in all, negotiating the pay deal was an challenging time for both management and Union Representatives and concerns of both sides were allayed when the agreement was finally ratified. Yet not long after the agreement had been adopted, the financial crisis erupted throwing the world economy into chaos.

Very few businesses were left untouched by the subsequent downturn in business activity. All around many businesses were brought to the edge of bankruptcy due to the near collapse in consumer confidence. While the healthcare industry is generally resilient during economic downturns, the magnitude of what was happening around the world resulted in unprecedented challenges, both competitive and economic, in markets around the world, and Medtronic was not immune to the effects of this downturn. The value of Medtronic stocks fell in 2008. For sure, these developments were not welcomed, but at the same time they were not of a scale to threaten the viability of the organization. Nevertheless, the senior management team in the company was concerned about the challenging external business environment, and the potential impact of recession on the long term prospects of the company. Of particular concern was the potential impact of the recession to influence governments and patients to reduce expenditure on health related products, with a resulting potential adverse affect on Medtronic revenues. .

## 8.6 Developing a Response Strategy

In early 2008 Medtronic launched a global restructuring plan, which involved reducing job numbers, to improve performance. This announcement also affected the Galway site which offered a voluntary severance agreement to employees. However with the continued deepening worldwide economic crisis and increasing challenging market conditions, it was clear that future action was required. In early 2009 senior leaders at Medtronic Headquarters took the decision to revise downward its' long-term revenue growth estimates. Remaining committed on delivering profitable growth with this decision Medtronic had to ensure diligent control of operating costs. It was clear that further structural and other changes were required to better align the organization for the challenges ahead. To achieve this required reduction in cost structure Medtronic announced a further reduction in its global workforce.. Medtronic also announced a company-wide freeze on promotions and merit-pay increases. All operations across the globe were expected to adhere to this decision. . However, the latter part of this decision, i.e the freeze on merit increases caused specific problems for the Galway site as it meant revisiting the challenging 2007 pay agreement, which had set down that employees would receive a 4.5 per cent pay increase in 2009.

Thus, the pay freeze announcement placed the local management of the Galway site in something of a quandary. If it simply conformed to the call made by headquarters, it would have to renege on the 4.5 per cent pay deal with the local union, a decision that ran the risk of alienating employees, particularly given the agreement's difficult history. Even the cooperative management-union relations that prevailed for years at the site could be jeopardized if this matter was not handled sensitively. Alternatively, local management could have sought an exemption to the company wide pay freeze, and delivered the 4.5 per cent pay increase to employees. For sure, positive relations would have been maintained, if not deepened, with SIPTU and employees generally, but the costs associated with this action would have been significant. To have followed such a strategy could have had had potentially serious negative consequences for the Galway site and future investment decisions. Thus, in reality, the only option open to local managers was to try and comply with HQ's decision on the pay freeze in a manner that would not jeopardize, at least not to any great extent, the good employment relations climate in the Galway site.

## 8.7 Implementing a Response Strategy

Senior management immediately realized that achieving such an outcome would be difficult as the prospects of having to forgo a 4.5 per cent pay increase would be not greeted well by employees. A concerted communications plan was introduced to address this possible reaction. Communications to employees focused on the business rationale for the pay and promotions freeze, i.e. to enable the organization get through an uneasy period so that stability and growth could be restored, and the ultimate objective to ensure Medtronic emerged from the crisis as a stronger and better company. A communication from the Chief Executive Officer was sent to all employees. Managers at all levels were extensively briefed on communications with employees and on the business rationale underpinning the pay and promotions freeze. Thus, intensive communications efforts were made to explain to employees the reasoning behind the company's pay freeze decision.

To actually implement the pay and promotions freeze meant opening up negotiations with the trade union on the 4.5 pay increase that had already been agreed. Even though stories were prevalent in Ireland about various companies implementing redundancies and introducing pay freezes, if not pay cuts, the trade union representatives were not going to willingly accept the company's plan. For the union, the case for a pay and promotions freeze was not evident as the company was still making profits and thus on paper had the ability to pay. In addition, the union was loathed to make concessions on an agreement that was difficult to secure in the first place. Despite an intensive communication strategy by management these negotiations were made more difficult by various speculations and rumours that started to occur. Trade union representatives became unsettled and apprehensive by this rumour-mill, which hardly put them in a frame of mind to conduct cooperative, 'mutual-gains' negotiations. Yet a further complicating factor was that a tight timeline existed for the conclusion of the negotiations.

The HRM team deliberated long and hard internally about how to approach the negotiations. Extensive discussions were also held with the wider management team at Galway as well as with the Vice President of HR based in Corporate Head Quarters in

Minneapolis. Negotiations started and unsurprisingly there were robust exchanges about the need for a pay and promotions freeze. Management realized that the proposal placed union representatives on the defensive with their members and thus gave the union team as much space and time as possible to have internal discussions. It also realized that when negotiations started that to make the pay freeze more palpable to the unions, management would have to make some type of concession. An evergreen demand of trade unions in negotiations was for contract workers to be made permanent Medtronic employees. Thus the management team decided to offer to transfer 50 temporary contract employees to permanent Medtronic employees (which would give the union 50 more members) if the union agreed to deferral of a pay increase. Finally after intensive discussions, an agreement was concluded, which involved the union accepting the pay and promotion freeze for 2009 and management agreeing to implement the 4.5 pay increase in two tranches in 2010. In addition, management agreed to make 50 contract workers permanent Medtronic employees

Again the union membership was required to vote to accept/reject these proposals. However, this time round neither management nor unions left anything to chance. Union representatives were true to assurances they give to management and actively communicated the relative merits of the agreement to members. Management too, in its employee communications, also emphasized the importance of union members accepting the agreement. Prior to union member voting on the revised agreement, Galway's General Manager at a quarterly employee briefing session communicated openly and directly to employees on the 'strategic importance of making the right decision.' These concerted efforts at promoting the agreement proved effective as the Union membership voted 70:30 to accept the new agreement.

## 8.8 Outcomes of the Strategy

A number of important points emerge from this case-study. First of all, the arrival of hard business times represents a challenge even to organizations with longstanding cooperative relations between managers and employers. Organizational routines and processes that traditionally encouraged trust relations tend not to work as smoothly.

Rumors begin to circulate about the fate of the organization or about decisions that management is about to make. Trade unions become uncertain about which is the best position to take – whether to maintain close working relationship with management or to try and distance themselves thus reassuring members that they are not in the 'company's pocket'. For their part, management may feel the need to take decisive action to ensure that the organization adjust effectively to harsher business conditions without winning employee support. Such a course may cause negative rumors, thereby placing established cooperative relations under strain. Thus, in responding to a business downturn, organizations are more fully exposed to the risk of damaging cooperative employment relations.

This scenario did not emerge at Medtronic Ireland. Management and trade unions were ultimately able to face adverse business relations without jeopardizing trust relations. The senior management team realized that failure to comply with the announced pay and promotions plan could damage the future security of the Galway site. At the same time, no effort was made to impose this freeze on employees without negotiations. An extensive communications strategy was deployed to inform employees why the action was necessary. Although management negotiated hard it also provided space and opportunity for the trade union representatives to discuss the issue and develop a common position, without recourse to a third party. In adopting this position, management was adopting a central principle of interest-based bargaining, which is to recognize and take on board the constraints of the other negotiating side. Trade unions too acted in an interest-based bargaining manner. One of the mantras of interest-based bargaining is that each side in a negotiation must interact as much with their own constituents as with the other side. Trade unions representatives did this extensively at the Galway site. They worked in a constructive manner to make members aware of the issues at stake and to troubleshoot internal disagreement about which position was the best way forward for the union. Thus the problem-solving capacities of unions and management ensured that the subsidiary was able to meet the demands of headquarters for a pay and promotions freeze in a manner that maintained good trust relations.

The second important point to emerge from the case-study was how the behaviour of both management and trade unions was heavily influenced by the need not to damage the subsidiary's mandate. The Galway site is unusual within Medtronic in that it recognizes a trade union, but this has not impeded the site from developing its capacity to deliver high quality products. Over the years, the Galway site has not only been able to meet its designated mandate, but also to win new ones. The autonomy it has enjoyed from headquarters has been used to build a sophisticated internal organizational architecture. Many different elements made up this architecture, but an important component has been cooperative employment relations. Management and trade unions trusting one another has produced a stable, constructive atmosphere for the conclusion of agreements aimed at creating a high performance workforce. Rather than being an albatross, trade union–management relations have contributed positively to the comparative advantage enjoyed by Medtronic Galway. To put the matter another way, the pursuit of the sites' mandate embedded cooperative relations within the Galway site. Both management and trade unions realized that to have allowed the pay and promotion freeze announcement to disrupt their previously amicable working relationships would have been short-sighted as it could have jeopardized further investment decisions. Maintaining the site's mandate was the glue binding together management and unions.

## Pre-Empting the Crisis at Ericsson

### Context

Ericsson is a global company that provides telecommunications equipment and related services to mobile and fixed networks around the planet. More than 40 per cent of the world's mobile traffic passes through its 1,000 and more networks. The company was first established in Sweden in 1876 to manufacture telephones, cables and switching equipment. Its headquarters remains in Stockholm. From the very beginning, Ericsson was an international company, a 'born global' firm. Within a decade, the company was exporting to Britain and Russia and to places soon after as far apart as South Africa, America and Australia. Its first foreign plant was established in St Petersburg, Russia in 1899. The company continued its global expansion in the early part of the 20$^{th}$ century: at the start of the 2nd World War, the company had established subsidiaries in all of its most important geographical markets. In the second part of the 20th century, further subsidiaries were opened in countries such as Brazil, Argentina, Columbia and Mexico and more recently it has been expanding in Asian, China and India. Currently over 88,000 people worldwide, 40,000 of who are service professionals, work for the company.

Ericsson is a highly sophisticated multinational that places great emphasis on innovation, seeking not only to keep pace with but also to pioneer technological breakthroughs. In recent years, it has led the technological development of the mobile telephony industry. The company developed one of the first analog mobile systems: it played a leading role in the industry-wide development of the global system of communications; and it has also pioneered general packet radio systems as well as third and fourth generation mobile technological standards.

The company's present-day corporate strategy has been shaped by events nearly two decades ago. At the end of the nineties, the company rode the crest of a stock market wave due to the dotcom bubble. Technological-based companies were seen as opening the door to the knowledge economy of the future. Ericsson probably allowed itself to get swayed by this market exuberance, which led to the company investing too heavily in R&D. At the end of the nineties, the company employed about 30,000 people in approximately 100 technology centres, with considerable duplication of effort. But when the dotcom bubble burst in 2000, the company was left reeling. To restore profitability, Ericsson was obliged to implement a massive consolidation programme, which led to the wholesale closure of technological centres and 60,000 employees being made redundant. This was a salutary episode in the company's history: it allowed itself to be seduced by market sentiment and became oversized. Ever since, the company has been emphatic about the need to be lean as well as innovative. Thus, controlling costs and developing technologies sit cheek-by-jowl in current corporate strategy.

Until recently, the organizational structure of Ericsson consisted of three business units, Networks, Global Services and Multimedia, with each having responsibility for product management, marketing, development and sourcing of their respective product portfolios. In addition, there were also 24 market units responsible for sales and customer relations in different regions. Finally, there were Group level functions for the development and implementation of strategies and policies in each functional area. The purpose of this organizational structure was to allow Ericsson meet the transnational challenge of being local and global and at the same time. Overall, this structure brought commercial success: for most of the noughties the company experienced market growth and recorded strong profits. Yet the company must have believed further organizational improvements could be wrought as it introduced a new restructuring programme in 2010. The main thrust of this programme was to create a more pronounced regional organizational structure within the company. In particular, the restructuring initiative condensed the previous 24 market units into 10 regions so that the company could deliver an upgraded, more focused customer care service. In addition, it was anticipated that the new regional structure would promote greater integration and coherence between the various subsidiaries in particular regions.

***Human resource management at Ericsson***

Overall, Ericsson adopts a somewhat differentiated approach to human resource management. Some aspects of the management of the employment relationship are embedded in ‘universal’ company-wide policies and procedures. For example, each subsidiary is expected to uphold actively, through its human resource management activities, the core company values of professionalism, perseverance and respect. Similarly, all parts of Ericsson are expected to operate the company’s Individual Performance Management Programme and Leadership Development Programme, which are designed to encourage continuous improvement and learning as well as to develop talent inside the organization. But perhaps, the most prominent ‘universal’ policy followed by Ericsson is competency-based management.

Competency-based management is at the centre of how people are managed at Ericsson and it involves supporting the development of employee competences and learning capacities so that they can operate effectively in a knowledge-based organization: it aims to create the right mix of employee competences to meet on-going business challenges. The nuts and bolts of such a system include: registering the formal education, skills and experience of employees; mapping present and future target competence levels for business units and employees; analyzing competence gaps at various organizational levels; recording and tracking competence development actions; and operating as a repository of employee skills and learning portfolios. Competency management systems help firms identify where knowledge resides in the organization. They also help employees identify colleagues with similar interests and profiles, which facilitates shared learning.

At Ericsson, the competency management process is divided into three stages. The first analysis stage involves identifying the organization's long-term, short-term and obsolete/declining competence requirements by analyzing future market and technological demands facing the company. After establishing the competency gap between present competences and future requirements, the second stage concerns the creation of competence development plans for the organization as well as for individuals. These plans are revised and upgraded regularly. At the third stage, implementation plans are devised, which sets out more concretely the theoretical and practical courses that need to be completed. Evaluation is an important element of this stage to ensure that various plans successfully accomplish the tasks they were established to do. Ericsson has developed an extensive set of resources to support competency-based management and each subsidiary is obliged to do its maximum to implement this system successfully. It is perhaps the number one 'universal' management policy for employees.

But Ericsson does not adopt only 'universal' people management policies. Other parts of the employment relationship are managed through what has been called a 'transversal' approach to human resource management, which seeks to develop policies and practices that are global and local at the same time. Consider the matter of diversity management.

Like other state-of-the art international companies, Ericsson has spent considerable time and resources in developing best practice in this area. In particular, the company has designed a diversity management regime that simultaneously promotes convergence and divergence. After discussions with country level HR managers, the HR and Organization Department based at Headquarters develops a global framework for diversity management, which includes a series of global diversity initiatives based not only on best practice at subsidiary level, but also on innovative thinking on the matter from elsewhere. Support is then given to subsidiaries to implement initiatives in a manner that best suits their local circumstances. The strategy has been to adopt coherent, innovative diversity management policies with sufficient inbuilt flexibility to allow subsidiaries navigate country-specific factors.

The company also permits local discretion on some human resource management matters. In most cases, pay rates and negotiations about pay increases are the responsibility of the HR team in subsidiaries. Likewise, grievances and disciplinary matters are usually the preserve of local management. Subsidiary management is also responsible for ensuring compliance with country-specific employment legislation and for interacting with public employment relations bodies such as labour courts and conciliation and arbitration services. To some degree, the recent corporate reorganization that saw the creation of ten regions is likely to constrain the discretion of HR teams in subsidiaries. Part of this restructuring process involved the creation of a HR forum in each of the established regions, consisting of senior HR managers from respective subsidiaries. The task of a regional HR forum is to develop more strategic, region-wide people management initiatives, which is likely to encroach on the autonomy of subsidiary-level HR management. But to what extent this will occur is still uncertain as the restructuring programme has yet to be embedded fully.

Unlike many other multinationals in the telecommunications/technology sector, the company does not have a policy of developing non-union workplaces. Some subsidiaries are highly unionized while other subsidiaries are non-union workplaces. But whether or not a subsidiary is heavily unionized, each local HR team has to operate within the confines of a business-relevant human resource management system, which focuses on developing employee competencies.

### *Ericsson in Ireland*

Ericsson has been operating in Ireland since 1957 and has now over 1,400 employees in Clonskeagh, Dublin and Athlone, Co Westmeath. Together the Irish operations are engaged in three main activities, Sales and Support to local customers, Research and Development and the operation of Professional Services to the global market. Ericsson Ireland which has its own Board of Directors, is seen as strategically very important to the overall global company. Research and Development activity is seen as being particularly important as it plays a critical role for the company in improving the performance and reliability of 3G networks and driving innovative research in network management, wireless sensor networks and M2M (machine to machine) communication in the context of mobile networks.

Ericsson Ireland has a relatively small HRM team employing about 10 people. The HR Department has undergone considerable change over the past thirteen years. In 1999, Ericsson Ireland was divided into three legal entities, which were serviced by four HR units. This organizational set up was streamlined in 2003 when a single legal entity was created for Ericsson Ireland, with two main operations in Dublin and Athlone. After this legal change, a centralized and integrated HR unit was established to support all of the operations in Ireland. The Head of HR is at all times responsible for developing a more common approach to managing people in Ericsson Ireland. She also participates in a regional level HR forum for central and western Europe, which is charged with developing strategic HR polices for subsidiaries in the region. In addition, she reports into the Head of HR for the region which comprises 16 countries, divided into “clusters”. There are seven such clusters with Ireland being one. Since the restructuring, HR, at least in the region in which Ericsson Ireland is involved, is trying to develop what might be termed a coordinated decentralized approach to managing people: some people management policies will be regionally inspired while others will be driven more by local considerations. The HR team recognizes that they have to be active and display considerable capabilities to influence regional HR deliberations in their favour.

Only about 20 per cent of the workforce in Ericson Ireland is unionized, with the remainder being non-union. To some extent this is an historical legacy of Ericsson being involved in rigging operations at Dublin Port, which required them to recognize a union. SIPTU, the biggest union in the country, negotiates certain terms and conditions for the unionized employees while the company determines these for non-union employees. This situation creates a number of organizational anomalies and inconveniences, which although important should not be over-stated. Thus, for example, the company operates performance pay for virtually all non-union employees whereas until recently it operated under the national pay agreements for unionized employees. With the break-up of national social partnership it will have to start negotiating locally with the union on pay and other matters.

Different terms and conditions for employees make it that more difficult for the subsidiary to operate an integrated human resource management system. Operating information and consultation procedures, for example, is made more complicated, particularly in terms of timing the release of information and consultation. Union representatives believe that they should be able to receive information well in advance of any decision so that representations or even negotiations can take place on the matter. But to provide the union with information in advance of non-union employees would create problems in terms of horizontal procedural fairness: non-union employees may consider their unionized colleagues to be receiving more privileged treatment. To avoid this situation, the company releases information and news to all employees, whether they are unionized or not at the same time, which of course can make the union disgruntled.

Generally, relations between the union and the company can be considered workmanlike: management recognizes that it is the function of the union to represent its members and the union understands that management is in the business of obtaining agreements with employees that improve the competitiveness of the company. Thus, relations are neither excessively adversarial nor overly consensual. Because both sides engage with each other in a workmanlike fashion, negotiations can be tough and protracted. Sometimes an agreement can prove elusive. On occasion, the services of the Labour Relations Commission have had been used to assist discussions that had reached an impasse. On several occasions, some industrial relations disputes in the company, mostly relating to pay, have reached the Labour Court. For the most part, however, agreements are reached internally. In terms of managing non-union employees, a range of information and consultation arrangements, including a staff forum have been put in place. Performance management processes are used to assess and monitor employee progress. Overall, Ericsson Ireland follows a comprehensive range of people management policies for non-union employees.

The HR team is very much committed to developing a suite of business relevant people management policies. However, it has not followed the path of many other organizations in diffusing an Ulrich-style business partner model for HR, which involves dividing the HR function into transactional services, centre of excellence for particular functional issues and participation in strategic-making. For one thing, the HR team is too small to warrant reorganization on such lines. Instead, the HR team considers that the best way it can be business relevant is to help implement the business strategy for Ericsson Ireland. The senior HR manager participates in the business strategy-making process, but the focus of the team is on implementation.

Controlling costs and developing employee competencies have been core aspects of Ericsson Ireland's business strategies for the past decade. Pursuing these twin objectives in tandem is considered the best way of advancing the subsidiary's mandate and consolidating the reputation of the two sites in Ireland for employing talented people who deliver high quality products and services. The senior management team at Ericsson Ireland has kept relentless pressure on operational costs. An interview by John Hennessy, chief executive of Ericsson Ireland since 2003, is revealing on this score as he said 'over the past seven years, we at Ericsson Ireland have benchmarked our centres of excellence on a monthly basis against our competition right across Europe. That's because we firmly believe that in order to give ourselves that element of sustainability or competitiveness that we all talk so much about in Ireland, we must be able to compete with those countries'. Thus, controlling costs to ensure that Ericsson Ireland is not out of line with competitors is considered a central plank in protecting and advancing the subsidiary's mandate.

At the same time, Hennessy recognizes that corporate strategy for the subsidiary cannot be solely about controlling costs: as he suggests 'It's not necessary for companies based in Ireland to compete with China or India, or even, to a lesser extent with countries such as Poland or Hungary, but we have to be able to benchmark ourselves against, and compete with, other economically developed countries like ourselves, countries which are world leaders'. In other words, as well as competing on costs, Ericsson – and other Irish companies – also have to compete on productivity and quality. At the subsidiary, this is achieved through rigorously implementing the company-wide commitment to competency management.

Considerable effort goes into developing competencies at Ericsson Ireland. Ericsson has developed an extensive set of resources to support its competency management system in line with the template established by headquarters. Thus, employees must engage with the performance management process and the vast majority will be actively involved in a competency development programme. In addition, an Academy has been established in Ireland to provide training and learning programmes both for the company's employees and customers. Programmes for employees are sometimes delivered in-house, but at other times by specialist outside people and institutions. Thus, for example, the Academy has worked with the ICT Learning Network at the Institute of Technology, Blanchardstown, Dublin to provide customized training programmes. One such programme involved developing a tailor made programme for 100 Ericsson employees in particular IP and other networking technologies. Continuously upgrading the skill base at both Dublin and Athlone is seen by the senior management team as key to maintaining Ericsson Ireland's reputation as a hotspot for talent. More generally, competency development is considered a route to developing a modern, sustainable psychological contract at the workplace between employees and the organization. By increasing their portfolio of skills and competences, employees are enriching their individual integrity and self-esteem and the organization benefits too as internal human capital deepens: it is a win:win relationship that fosters a symbiosis between employees and the organization

## 8.9 The Impact of the Recession

Ericsson's global performance, overall, since the onset of the recession has been flat. In 2007, company performance was rather sluggish, which resulted in the company announcing that it would have to make 4,000 redundancies world-wide. A year later, the CEO considered the company to have turned in a 'flattish' performance. Yet this was above market expectation to the extent that it led to a 20 per cent hike in its share price. But in 2009 performance once again was lacklustre, with profits falling 31 per cent, which resulted in the company announcing that it would need to shed 5,000 jobs. So far the indications are that the company has been performing reasonably well in 2010. Overall, although not insulated from the recession, the markets in which Ericsson operates have not been severely hit by the recession. For the most part, heavy investment by some emerging markets, most notably China and India, in telecommunication infrastructures has ensured relatively stable business conditions for the company. At the same time, the senior management team is very aware that the telecommunications sector is highly competitive to the extent that any hint of the company not being able to control costs could potentially send the company's reputation into a tailspin. This is why the team responded to unimpressive profit results by announcing cost-cutting, which invariably took the form of job cuts.

## 8.10 Developing a Response Strategy

To understand fully how Ericsson Ireland responded to the recession, it is necessary to start in 2005 and not 2007/2008. In what has turned out to be a very prescient move, the senior management team in 2005 concluded, after assessing benchmarking reports, that operating costs both internally, and Ireland more generally, were becoming increasingly out of line with competitor companies. Decisive corrective measures were considered necessary to halt the slide into poor performance. As a result, Ericsson Ireland adopted a far-reaching competitiveness programme designed to drive down costs and increase productivity without making employees redundant. Ever since, the subsidiary has been aggressively pursuing policies aimed at improving competitiveness. In a sense, the recession of 2007 arrived two years early at Ericsson Ireland. The great merit of launching a cost reduction plan 2005 was that the recession, when it did arrive, was not a major market shock to the subsidiary. It did not have to uproot established organizational routines, but simply continue with existing policies and practices.

The HR team has made a major contribution to the implementation of this competiveness programme, which unsurprisingly took on added import with the arrival of the economic crisis. It has overseen changes to the subsidiaries pension scheme that resulted in new recruits being obliged to join a defined contribution scheme rather than the defined benefits scheme that exists for established employees. In 2009, the team managed to secure agreement for an increase in the working week from 37.5 hours to 40 hours. Incrementally, it has led changes to work practices and arrangements designed to create a highly flexible workplace. Additionally, the team has also been able to operate successfully a pay freeze since 2009. Thus, a battery of HR-related measures has been introduced to restore productivity. These various cost-controlling measures have been introduced at a breakneck pace with communication and consultation taking place at a similar speed and with urgency. Arrangements were seen as sufficient to secure employee buy-in.

Of course the HR team has been pursuing more than cost reducing policies. The commitment to developing people’s skills and competencies has remained undiminished during the recession. It is seen as equally important to the success of the business as controlling costs. The HR team has been doing a lot to support competency development. Thus, for example, the HR team has been loath to go beyond pay freezes and introduce pay cuts in an effort to improve Ericsson Ireland’s competitiveness. Reducing pay is seen as potentially making employees less willing to engage in competency development on an on-going basis. The HR team also oversees the performance management system that monitors and guides the formation of competences inside the organization. In addition, the recruitment and selection process is molded in such a way as to not only choose bright, well qualified people, but also those who are well motivated and appear to have the disposition for continuous learning and development. All in all, the HR team is eager to provide policies and programmes that advance skill and competency acquisition in the organization.

### 8.11 Outcomes of the Strategy

Ericsson Ireland has been doing everything within its control to make the business successful. But sometimes a subsidiary in a multinational has to enact policies that emanate from headquarters and over which they have little control. This has been the case with Ericsson Ireland as it has been obliged since the onset of the recession to introduce several different redundancy programmes. These job cuts have had more to do with organizational-specific factors than with the business downturn. Perhaps the most high profile redundancy programme involved the loss of 300 jobs from the research and development section of the Dublin site in early 2009. These jobs cuts were part of a world-wide restructuring programme announced by Ericsson headquarters – most of the jobs were not lost due to the recession, but were transferred to China, Poland and Sweden in line with a global need to reduce the number of R&D sites. SIPTU was unhappy with the way the job losses were announced. The company had emailed “a call to meeting” to affected workers before bringing them to O'Reilly Hall at University College Dublin for a meeting to communicate the decision that had been taken. News reports suggest that the employees were almost disbelieving and listened to senior management in "stunned silence". The union complained that they were provided with no opportunity to make any meaningful presentations about the redundancies. Once the job losses were announced, the HR team introduced a thorough support programme to provide those employees losing their jobs with comprehensive guidance and advice.

The other redundancy programme introduced was the result of the 2010 regional restructuring exercise. The result of this organizational change was closer integration and in some cases full merger of managerial activity within the new structure which led to a surplus of management positions. A number of voluntary and mandatory redundancies were required to address this situation. In addition, the new regional management team introduced a voluntary redundancy scheme that all subsidiaries were to introduce in an effort to reduce costs. The management team was given the responsibility of determining the conditions of the redundancy package in Ireland and the criteria that would be used to choose volunteers. So far about 75 employees have availed of the opportunity to leave the organization. So Ericsson Ireland has been obliged to let people go during the recession, but the job losses have not been the result of locally made decisions.

Despite the redundancies that have occurred in recent years, Ericsson Ireland remains a lynchpin of global Ericsson. Within the multinational, Ireland is still seen as possessing highly skilled and motivated people both in Dublin and Athlone who contribute considerable value to the company.  Ericsson Ireland is also considered to have a highly dynamic managerial team that consistently delivers on the company's objectives. But being a valuable strategic asset does not exclude the sites in Ireland from the ebb and flow of international business strategy making. Being a subsidiary of a multinational company can bring many benefits, most notably access to the latest technology and management thinking. But on occasion it has a downside, particularly when the subsidiary is adversely affected by a global restructuring plan. Unfortunately, Ericsson Ireland has faced this predicament recently. In this situation, all the subsidiary can do is to accept that such decisions are beyond its control and continue with efforts to realize fully its mandate. The Managing Director of Ericsson Ireland captured this sentiment when he stated "the world of multi-nationals is a very dynamic and constantly changing place. The day you're at the top of the curve is the day to be most concerned. That's why, to be successful, you have to have a constant lust for action and that action must be executed with consistent excellence".

## Conclusions

To stay leading edge, multinationals have continuously to upgrade business strategies. Sometimes this process results in subsidiaries gaining new investment and mandates. At other times it leads to subsidiaries losing business and jobs. Unfortunately, Ericsson Ireland has experienced the job loss scenario recently, although this was only tangentially related to the recession. In reality, the subsidiary had to do little that was new to face off the recession, as it was already aggressively pursuing a competitiveness programme, based on controlling costs and building competencies. In rolling out this programme, the HR team felt it did not need to develop any additional 'relational' type polices such as intensified employee communications or involvement schemes to secure employee buy-in given the primarily voluntary nature of the programme. Full information, context and support were given throughout the process.  This would have been the strategy of many organizations embarking upon a competitiveness drive: the calculus being that deeper forms of consultation, participation and negotiations can create a form of *relational* trust between employees and managers thereby providing social foundations for the competitiveness polices.

For sure, Ericsson Ireland uses extensive voice mechanisms to foster engagement between employees and managers, but it appears to assign less weight to these arrangements than to competency development to establish trust in the organization. The subsidiary has created a competency regime in which both employees and managers unambiguously commit to continuous training and learning. For their part, managers commit to providing a regime of training, learning and competency development that operates as a form of organizational public good. Competency development is non-rival: the provision of training for one employee does not exclude another employee from training; all employees have the ability to 'consume' some form of training. Providing competency development as an organizational public good has the effect of creating shared understandings between employees and managers about the professional conduct and behavoural standards that is expected of both. Employees get an assurance that the organization will provide the necessary support to allow them continuously to upgrade their skills and that managerial behaviour will be consistent with fostering a high skills workplace. Managers get an assurance that employees will commit to continuous improvement and learning so that they have the capabilities to do what is required to deliver high quality products and services. Thus it is through the competency regime that employees and managers development a commitment to each other, a form of competence trust rather than relational trust is created in the organization.

## 8.12 Maintaining Trust and Developing Competencies in Challenging Business Times: Conclusions and Discussion

Firms operate in different business environments, pursue contrasting business strategies and possess distinctive organizational characteristics. Thus, while recessions have an economy-wide depressing effect on the demand for products and services, they tend also to impact on firms in idiosyncratic ways. As a result, the strategies used by firms to respond to a business downturn will always be customized, at least to some extent, to deal with organizational-specific challenges. The organizations that were the subject of the three case studies had to deal with quite different problems brought on by the recession. One firm, Superquinn, found itself very quickly in a battle for survival as the economic crisis triggered a large-scale shift in demand from the premium end of the retail grocery market to the more price sensitive end: the recession had delivered a massive blow to the business strategy that had brought commercial success to the organization for so many years. In these circumstances, the company had no option but to take decisive action, which included making voluntary redundancies and reducing pay cuts, to secure the viability of the organization.  Medtronic subsidiary in Galway faced an entirely different situation. The challenge it encountered was to introduce a pay freeze not only to help the multinational restore cost competitiveness globally, but also to signal to the organization's headquarters that the Galway plant could deliver on commitments and on company strategy. The subsidiary was actively engaged in defending its mandate within the multinational. A different scenario yet again emerged in Ericsson Ireland. For organizational-specific reasons, it had to commit to a radical competitiveness plan that led to the implementation of hefty cost-cutting measures as well as a competency development programme several years before the arrival of the recession. This meant that when the business downturn did arrive the organization did not have to depart from established organizational policies and routines. Nevertheless, during this period the subsidiary did experience a business shock in the form of a headquarters decision to relocate 300 jobs based in Dublin to other parts of the global company. This is a salutary lesson of business life in the new global economy: even subsidiaries that are performing very well can have business decisions, which are effectively outside their control, go against them.

Although different problems were encountered and contrasting bundles of policies implemented, the responses of the three case-study companies to the recession shared some common features. In particular, even though hard HRM policies had to be pursued, each company made sustained efforts to maintain, if not deepen cooperation and trust inside the organization, sometimes by management and unions engaging intensely with each other and sometimes by the organization remaining committed to competency and talent management. But why did the organizations act in such manner? The most straightforward answer is that a calculation was made in each case that committing to trust relations would enable more effective buy-in for retrenchment policies. For management, when deciding to introduce 'hard' HRM policies to cope with challenging economic times, it is not sufficient to declare that such measures are required to safeguard the business, but also to ensure that such declarations are believed. Without trust, management retrenchment strategies may be hard to sell and even more difficult to implement. Employees may prevaricate and not fully support the strategies, which may create suspicion and bad feeling in the organization.

Where trust relations between management and unions are strong, employees, along with their trade unions in some cases, are likely to give their imprimatur to retrenchment policies, which increases the credibility of management statements: employees are more likely to accept that their interests are being incorporated into adjustment plans. Why would employees/trade unions be willing to be parties to such a scenario? The obvious answer is that there is unlikely to be any other credible alternative for them to follow. Thus, employees or a trade union provides its imprimatur as a form of what is sometimes called a 'gift exchange': employees or a trade union endorse retrenchment policies to signal their support for the trust relations that exist in the organization and to provide an assurance that they are committed to such an approach (Akerloff 1982).. Employees and unions will harbour hope that their gift exchange will be reciprocated by management in the future, but this is not specified and is effectively left to the discretion of management. If management does return the 'gift' then trust deepens further in the organization. Credible commitments have been forged between management and unions as each are assured about the other's willingness to work together to advance the interests of the organization.

But the case-studies also highlight that trust relations are not self-organizing or self-sustaining, but instead require deliberate and on-going actions and interventions by both management, particularly HR managers, employees and trade unions. Sometimes, for example, HR managers have to act as advocates for the need for cooperation and reciprocity between management, employees and unions. For example, HR managers may have to persuade other skeptical managers of the benefits that can accrue from developing trust relations with employees and trade union representatives. This is what happened in Superquinn, as HR managers played a decisive role in influencing other managers to accept the creation of a partnership arrangement. Similarly, trade union officials may have to win over reluctant employees to the idea of greater cooperation with management. There may even be times when each side has to give the other space to sort out problems that could jeopardize trust and cooperation. In Medtronic, for example, the HR Department did everything to facilitate internal discussions within the union to signal that it was eager to maintain trust relations and to provide the means for the union to sort out its internal difficulties. At Ericsson, the HR team went to great lengths to ensure that the competency development of employees was not compromised by the need to introduce cost-cutting measures. Thus on-going efforts are required to sustain trust relations between management, employees and their trade union representatives, but the prize is significant as non-cooperative behaviour is pushed to the margins inside organizations.

## Chapter 9

## Human Resources in the Recession: Summary and Conclusions

This study took a three-prong approach to investigating how human resource management and industrial relations have been operating in the context of the current recessionary and financial crises. A series of focus groups were held in Dublin, Cork and Galway to identify the respective experiences and challenges facing HR managers and union officials operating in the recession. The membership of these focus groups took account of differences in sector, size, unionization and nationality of ownership. The second approach involved conducting a survey of managers with responsibility for human resources, with the aim of ascertaining the types and incidence of measures adopted by firms in response to the recession. A series of six cases were conducted as the final approach taken by this study. These investigated in a more detailed manner the ways in which companies and unions developed and implemented response strategies to address the difficulties and problems thrown up by the recession. This chapter begins by summarizing the study's main themes and findings, and then presents a series of major conclusions on the basis of the empirical evidence collected.

## Summary

### 9.1 Recession, the Labour Market and Human Resources Management

The deep and prolonged Irish recession has had serious consequences for the labour market, with rising business closures and redundancies leading to a sharp rise in unemployment. The employment policy response adopted by the Irish Government to address the labour market fall-out of the recession was found to be more restrained, at least initially, when compared to a number of other EU member states. While measures to support jobs in the export sector were undertaken, until recently the Irish Government had decided against introducing wide-ranging support schemes pursued by other member states. Thus, for example, no public finance has been made available to provide more intensive support to companies considering introducing short-time working arrangement or providing training to employees instead of laying them off. But this stance has now changed somewhat due mainly to rising unemployment levels. In particular, the 2010 budget contained a series of additional active labour market policies to address the growing jobless problems.

A review of the established international and Irish literature on the effects of recessions on the conduct of human resource management and industrial relations, with a particular focus on the question of whether recessions lead to transient changes or caused profound and lasting change in the ways firms manage human resources and relate to trade unions, found that deep economic downswings generally do affect the conduct of employment relations. They do this by inclining employers towards more market-responsive postures that may involve downsizing and more flexible employment arrangements, less investment in training and development and general restructuring activities that may weaken internal labour markets and assured career progression. However, the review also concluded that the immediate effects of recessions may be a poor guide to any abiding effects that may arise, and experience internationally warrants caution against misconstruing cyclical developments as radical breaks or changes in employment relations models.

In the case of Ireland, recessions, particularly the deep and prolonged recession of the 1980s and early 1990s, appear to have had more lasting effects in generating innovation at a macro-level in relations between employers, unions and the State than at the micro-level of firms, their workforces and union representatives. The 1980s and early 1990s do not appear to have had major transformative effects on the conduct of human resource management and industrial relations at the level of firms and workplaces in Ireland. These conclusions mean that an examination of the conduct of human resource management in the current recession needs to be approached with caution against exaggerating the significance and durability of any immediate changes or effects. But it remains important to keep an open mind.

***The effects of the current recession on HRM***

In terms of the effects of the current recession on HRM, three strands of argument were identified in the literature. The first suggests that the recession will have a cataclysmic effect on the HR function, with one study suggesting that numbers working in HR would be cut disproportionately compared with other support functions, while 'transactional' HR processes would be increasingly outsources and even in some instances relocated to low-cost countries. The second (which represents the dominant perspective among HR commentators) suggests that the recession will both increase the stature and influence of the HR function and deepen the appeal and prevalence of HR practices consistent with the 'high-commitment model', whose features are widely understood. The third strand, often grounded in empirical reviews, is much more measured and circumspect regarding whether changes arising from the recession are fundamental or likely to be of lasting significance. In this strand of commentary changes are often understood to be pragmatic, eclectic and incremental in nature.

These contrasting views found in commentary and the literature, and which are often difficult to reconcile, are emerging not only about how HR managers are responding to the recession, but also about the impact of the recession on the strategic position of HRM inside organizations. This suggests that commentators are still grappling with the HR consequences of the arrival of harsh economic times. The review suggests that to date insufficient evidence has been amassed to permit an authoritative judgement about how HR managers have handled the recession and how they will be affected by it. This study seeks to add to the evidential base for addressing these major themes.

***HRM practices in the recession***

The literature on the policies and practices used by HR managers to help firms adjust and adapt to difficult economic conditions identified a number of commonly-used practices. The main HR practices that were identified in the literature include - wage adjustment; employment adjustment; re-organization of working time; workforce stabilization; employability; voice and engagement; and process or product innovation.

***HR practices in Ireland in the current recession: available evidence***

The penultimate section of this chapter provides a snapshot, based on the data available, of the type of policies that firms have been implementing in Ireland since the onset of the financial crisis in 2007.

An examination of the 2009 National Workplace Survey conducted by the National Centre for Partnership and Performance (NCPP), indicated an acute awareness amongst many employers that in responding to the crisis they have to develop strategies that combine initiatives to reduce costs with measures to improve innovation and product/service quality. The survey also found that most employees were willing to accept change and to work harder to help the organization succeed. An overall picture emerges from the survey of employees fearful for their jobs and futures and receptive to wide ranging changes to stay in employment. This picture is supported by participants in the union focus groups, in chapter six of this report.

Several reviews suggested that firms were responding to the recession by devising fairly multi-faceted restructuring plans. Some firms had combined redundancies with other cost cutting measures, while others had cut jobs, but at the same time introduced some form of employment or working-time adjustment programmes. Yet others firms had responded not by making people redundant but by freezing or reducing wages and in addition by adopting some form of employment adjustment strategy.

A review of the research available on what is happening to pay in the recession is difficult to assess in any authoritative way. While the CSO data suggests that public sector pay has fallen in 2009 and 2010, pay in the private sector appears to have fluctuated, if not remained static overall into 2010. A recent CSO release pointed to a modest overall decline in earnings in the private sector in 2010. A survey conducted by IBEC in 2010 showed that the total pay bill of firms fell by 2.9% over the previous year. Pay cuts too were widespread in a number of other sectors, such as construction and aviation. Some cuts too have been introduced on a tiered basis rather than across-the-board cuts. In some unionized firms, where an agreement has been reached to cut pay, claw-back clauses have also been agreed which lay down that employees will be able to restore or even improve their pay when firms return to profitability.

While the two social partners, IBEC and ICTU have adopted contrasting approaches to pay, there have been several examples of trade unions and management working co-operatively together at company-level to implement restructuring plans. For the most part, trade unions appear to have adopted a pragmatic approach when dealing with private sector organizations during the economic downturn. There have been however, some indications that the recession may be causing strains inside organizations where good industrial relations prevailed before the business downturn, for example, Bord na Mona. For some firms a tension that has emerged since the recession between managers wanting to make quick, speedy decisions and unions insisting that established collective agreements, particularly in relation to procedures, need to be respected. These two competing impulses have generated mistrust and ill-feeling. Thus in some instances the recession in Ireland has triggered greater cooperation between trade unions and management while in other cases established cooperative relations have been frayed by the downturn. As a result, it is hard to predict in advance the impact of the recession on employment relations inside organizations.

## 9.2 Survey of HR Managers

Chapter three of the study sets out the results of a survey of HR managers and their responses to the recession. HR managers reported opting for a wide range of practices to respond to the severe pressures presented by the recession. These practices range from changes to pay and pensions, staffing and HR systems, to changes in working time arrangements. While pay freezes for some or all employees were common, pay cuts too operated in a substantial number of firms. Other pay-related measures adopted include lower pay or salary scales for new entrants, bonus cuts and changes in pension arrangements. In terms of headcount and staffing arrangements, changes were also pronounced in that most firms in the survey experienced redundancy (compulsory and voluntary) for some employees. Freezes on recruitment were also commonly instituted. Firms with more than half the employees in the survey were also engaged in redeploying staff to new positions or product lines within the business. Changes in working-time arrangements, involving *inter alia* reductions in overtime working, increased short-time working and the increased use of contingent working arrangements (part-time and contract workers) were also common. Training budgets were commonly cut and substantial proportions of firms also reported managing staff performance more rigorously and otherwise tightening up on work regimes through a more exacting approach to discipline, time-keeping and attendance.

By and large, while most of the measures adopted were aimed at reducing pay costs in one way or another, Irish firms have been quite diverse with respect to the range of measures that have been implemented to steer their way through the recession. The survey results also show that HR mangers have been steadfast with regard to implementing the ‘softer’ side of HR practices. The importance of maintaining good communication links with unions (where relevant) and employees has emerged as a key issue for firms to help manage the effects of the recession. So also had been the wish to hold onto staff through re-deployment. Others have retained HRD initiatives (around half of the survey respondents did not say that they had cut their training and development budgets) and a significant proportion of firms – about one in five - have sought to retain high-potential or high-performance staff. Other measures which could have helped to promote organizational cohesion, such as higher proportionate cuts in pay and bonuses for senior managers however, have not been implemented on a widespread basis.

The research revealed two broad patterns of response in terms of the manner in which firms combined hard HR responses concerned with controlling or reducing pay-roll costs. Around half implemented what were described as general HR retrenchment programmes focusing primarily on pay freezes, curbs on overtime, short-time working, redundancies and more rigorous work regimes. The other half of firms implemented fewer measures overall. What measures they did implement were mainly in the areas of freezing pay, curbing overtime working and being more rigorous in the management of work regimes.

Firms who responded to the survey as being severely or very severely affected by the recession were more likely to have implemented general retrenchment programmes. In examining how firms sought to combine such hard measures and programmes with soft HR measures focused on maintaining motivation and commitment, it was revealed that firms in general had sought to combine hard and soft measures. More than 7 out of 10 firms had combined hard retrenchment programmes with a range of soft HR measures: more emphasis on communications, employee engagement initiatives and measures to involve employees in developing ways of responding to the recession. Less than 3 out of 10 firms occupied a grouping where most attributed more importance to communications allied to hard HR programmes – eschewing other soft HR measures examined. Soft HR response measures were more restricted in circumstances where firms had pursued general hard HR retrenchment programmes.

Many survey respondents believe that the business role of HR has been strengthened as a result of their role in the recession. There appears to be however, some uncertainty as to whether HR are acting as strategy leaders or strategy implementers. Less than a third of respondents believe that HR has been the biggest influence on the choice of measures adopted to respond to the recession and a similar proportion believe that the role of HR had been restricted to implementing measures already decided on by the business.

At the same time as HR has been taking on more of a business role, resources to carry out their function have been reduced somewhat, through reducing the use of external consultants, reducing the number of staff in the HR department (albeit to a lesser degree than the numbers of employees leaving organizations generally), cutting the training budget and reducing the costs of HR policies. These measures were not adopted however by all firms, however, or even the majority.

Respondents to the survey in firms recognizing unions reported that they actively engaged with them in developing HR options with which to respond to the recession, with only a minority reporting that the actions required to respond to the recession were so urgent that there had been little time in which to consult or negotiate with unions.

Most firms agreed that unions had been realistic and constructive in engaging with businesses in response to the recession, and yet a sizable number of firms were of the view that unions had impaired firms' responses by insisting on detailed and protracted negotiations. While opinion is evenly divided as to whether union influence had declined as a result of the recession, unions appear only infrequently to have gained greater access to financial information or any financial 'claw-back' arrangements for their members in return for agreeing on measures for responding to the recession. While only five per cent of firms agreed that unions had persuaded them to change measures they had initially resolved to implement in response to recessionary pressures, the vast majority of firms disagreed.

## 9.3 Human Resource Managers: The Effects of the Recession and HR Responses

The effects of the recession on a wide range of business and the subsequent pressures experienced by HR managers, was examined next in chapter four. The HR managers present at the focus groups outlined in detail the ways in which they were required to cut and control employee costs in response to deep and acute commercial pressures. Where participants had been taken up for much of the previous boom years with recruiting and retaining staff, the main hub of activity now for most of the participants was on finding ways to control and reduce pay and headcount. Relative to the difficulties of doing this, other areas of HR practice received less attention, although some firms reported continued recruitment efforts for specific positions or new skills sets. Some firms also took measures such as selective pay rises or promotions to retain valued staff. Others operated formal talent management programmes, though these generally predated the recession. Staff redeployment was presented as a routine measure in responding to the recession in non-union firms, but appeared to be more problematic in unionized firms, where it sometimes cut across agreements with unions or lines of demarcation between different jobs.

The HR managers reported that staff had been prepared to work harder in the recession and in one instance even to concede extra hours of work without seeking payment. Firms had also sometimes tightened up on performance standards, performance management and on workplace discipline and related procedures. Employee engagement programmes (or re-engagement in some circumstances) were promoted in some firms and partially suspended or eclipsed in others, as management dealt with the management of pay and headcount cuts and freezes.

In general, industrial relations had not been turbulent, although many firms and unions used the services of the Labour Relations Commission to move negotiations beyond sticking points. Bolstered by the intense media coverage, employees and unions could not but accept that commercial conditions were serious and could not be ignored. There were some complaints by HR managers that negotiations continued to be too protracted or that unions lacked the skills to negotiate locally in the difficult recessionary times. Unions appeared to promote certain issues such as the maintenance of current pay levels in favour of redundancies, voluntary as opposed to compulsory redundancies and the right to influence selection criteria for redundancies. In the experience of focus group participants unions in general gained few specific quid-pro-quos for agreeing to concessions over pay and conditions and had to be satisfied with the prospect of better employment security for remaining staff.

It was the experience of most of the HR managers present that the function of HR had moved centre-stage of the business throughout this period due to HR’s knowledge of how to manage pay and headcount adjustments, often essential to the survival of the firm. This often gave HR managers a new level of influence in business decision-making. This was a theme on which most HR managers concurred, and which some portrayed in terms of HR having become a ‘business partner’ in more vital sense than at any time in the past. A significant development note by the participants was the more intense engagement of senior executives around the pay and headcount agendas. No clear-cut change however, in the balance of power or influence as between HR and other management functions was apparent to participants. HR managers remained influential members of and contributors to senior management teams and decision-making. While line mangers with little experience of managing in a recession had sometimes become more dependent on advice and support from HR, in some cases corporate HR had assumed a measure of control over the conduct of HR in local subsidiaries not before evident.

***Best practice human resource management in the recession***

HR managers gave their views on what constitutes good or best practice human resource management in the recession, in chapter five. In general, HR managers' views of good HR in a recession largely echoed the received view as to how good HR in general should be understood. The common view was that long-standing principles and practices of HR remained relevant and robust.

The most prominent issue that emerged from this discussion was the importance of intensive communications with staff and unions, corroborating the survey findings of chapter three. HR managers indicated that they and their firms had communicated more intensively with employees in the recession than ever before, in particular regarding the commercial pressures facing firms and the necessity for firms to take corrective action. Generally, the communication activity appeared to be from firms to their employees and to varying degrees to their unions, rather than two-way or upward communication. It also appeared to be slanted towards direct communications with employees rather than through staff representatives. Senior management 's engagement in communication activities more so than in the past helped to add credibility to the communications delivered to staff, although HR continued to have a role in formulating the actual message to staff.

A number of HR managers spoke of the need to act as advocates of good HR management and to promote values such as 'honesty', 'integrity', transparency', 'trust' and 'fairness', which were of concern to the HR managers present . These values were understood to be abiding features of good HR in a recession, as in other conditions. The degree to which HR policies or values may have been under threat varied across firms. Some mentioned line managers, who might sometimes try to use the recession to resolve problems of under-performance or discipline, or may sometimes simply have lacked the skills, experience and training to enact the roles required to implement HR measures.

While HR managers portrayed their dealings with unions and their officials as constructive, in general, some expressed frustration with the time taken to revise agreements and reach accord on new measures, in the recession. The general view was that it was necessary in turbulent or uncertain commercial conditions to speed up negotiations with unions and that the traditional model of collective bargaining was no longer viable. Unions were seen for the most part as reactive in their responses to the recession and were not generally seen as effective in proposing innovative responses to the challenges of the recession. Good pre-existing relations nonetheless facilitated engagement and agreement.

A number of HR managers indicated that they had made more intensive use of personal and professional networks as sources of advice, intelligence and support in handling the HR challenges of the recession. HR metrics and other sources of information useful for benchmarking practices and performance had also been used in some cases.
While firms and their HR managers tried to combine 'hard' as well as 'soft' aspects of HR management, specific programmes for engagement or re-engagement, or specific initiatives in this direction, were not commonly in evidence.

Overall, little striking innovation is evident in the practices or approaches adopted by firms and their HR managers in response to the recession. What emerges from the focus groups is more of a re-prioritization of familiar areas of HR practice in recessionary conditions rather than (at least as yet) any profound challenge to the underlying HR and employment paradigm, much less any signs of any paradigm shift.

### 9.4 Trade Union Officials: Representing Members in the Recession

That the recession had prompted a period of considerable turmoil for trade unions was evident in chapter six, where union official give an account of their experiences of working with both employers and their members. In the current recession, along with acting for their members in terms of improving or maintaining their terms and conditions of employment, unions also appear to be struggling in some cases for their own survival as part of the traditional collective bargaining process. They claim that they often had to operate in a hostile environment and accused some employers of being opportunistic and taking advantage of employee fears. Unions found it difficult to get employers to come to the table and complained of the necessity to ballot for industrial action in order to get the employer to engage with them. Overall, the union officials describe a pattern where employers and HR managers sought to by-pass unions and implement change unilaterally. They also sought to rescind or ignore collective agreements, and to change the established rules of collective bargaining and industrial relations. Union officials were of the view that their role was often only to rubber-stamp decisions already made, corroborating the survey findings in chapter three, where it was found that unions had little influence in determining the measures introduced to address the recession.

The role of the union with their own members has also been difficult, in part because of the mixed legacy of social partnership. On the one hand the process, according to some, had not only de-mobilized shop stewards, but has also left unions members with a lack of connection and understanding of the work unions did on their members' behalf. On the other hand, unions are also having problems 'managing' their own members' expectations, who expected the process of annual pay increases to continue.

A factor contributing to the breakdown of 'normal' relations between employers and trade unions, as perceived by the focus group participants, has been the speed with which the recession has developed and the consequent perceived need for immediate cost-cutting by business. Unions found themselves in the position of having to react, with little time develop a strategic approach or to consult with their members. While it was clear that companies did not want long negotiations, the union officials believed employers have been too quick to abandon what they view as the hitherto successful collective bargaining process, and have underestimated the concerns and potential contribution of staff in this crisis. They accused HR of having a 'prescriptive' response to problems generated by the recession, which the unions have sometimes tried to counter by securing employment and growing density in the firms concerned. In this connection, some spoke of the need to get back to some shared and common understanding of the ‘business’ of industrial relations between trade union officials and HR managers.

As the recession progressed, the work of union officials has become very challenging and they have had to adapt themselves to new realities: such as understanding financial data, working against a background of the real threat of company closure, dealing with both honourable and opportunistic employers (and knowing the difference between the two), and in the end being party to decisions that may have a negative outcome for many of their members.

Overall, from the union officials views and experiences, there would appear to be very little evidence that firms have generally sought to achieve more co-operative or collaborative relations with unions better to respond to the pressures of the recession. Pre-existing co-operative or partnership-based relations have in some instances been sustained and have assisted the parties to reach accommodation when faced with acute pressures, but that does not appear to have been the more common pattern.

The features of good HR practices as outlined by the unions officials, such as the honouring of existing agreements, meaningful negotiations and a willingness to consider alternatives, communications, access to valid data and financial transparency, a business plan and agreed mechanisms to allow for future reviews of agreements, tends towards a largely conventional understanding of good industrial relations and human resource management rather than pointing towards any better or more appropriate model for the times and conditions that prevail. Those organizations that did support good HR practices and where there was a better chance for real negotiations and co-operation to exist, according to the views of the unions officials present, generally had strong HR structures and policies already in existence, couple with a strong HR leader and a supportive CEO and organizational culture. Those organizations were also likely to recognize the trade union as a stakeholder in the organization.

### 9.5 Containing Job Losses and Staying on Course

Chapters six and seven use case studies to examine six companies' responses to the recession in an in-depth manner. The cases examined are widely regarded as examples of good practice because they involve their internal stakeholders in responding to the recession and because they include some significant innovative features. The parties to employment relations succeeded, in all cases, in securing or strengthening the businesses affected. They did this by agreeing adjustments and significant changes to the operation of businesses, to work practices and to terms and conditions of employment. In one case, rigorous attention to cost and competitiveness and corporate restructuring prior to the recession had contributed to the firm in question 'pre-empting the recession' in the sense that no radical dislocation occurred, although significant job losses were experiences due to continuing global restructuring. The cases studied were selected as being representative of a series of distinctive challenges evident in managing human resources in the recession.

With regard to the first three case studies, all three implemented measures aimed at containing job losses and protecting employment, even if all three also found it necessary to introduce voluntary or compulsory redundancy at some stage. Thus Irish Life & Permanent (IL&P) offered staff incentivized career breaks and a voluntary redundancy programme which resulted in approximately 14 per cent reduction in employment levels. The company also sought to freeze pay, eventually compromising with its unions on modest pay rises in conjunction with a freeze on service-related increments. In both the Dublin Airport Authority (DAA) and Sherry Fitzgerald, where the effects of the recession were more acute and severe, career breaks, short-time working and voluntary or compulsory redundancies were also put into operation to reduce headcount, along with curbs on recruitment. In both these companies, while significant pay cuts were also introduced as a means of protecting employment, employees were give some kind of assurance that pay would be restored at some time in the future. In the DAA, a mechanism was agreed to restore pay to pre-recession levels, contingent on the attainment of agreed business and financial targets. In Sherry Fitzgerald, the pay cuts were more open-ended, but the company assured staff that the cuts would be rescinded when more normal business conditions again prevailed.

With the objective of maintaining a sense of fairness and organizational cohesion, pay cuts were implemented on a tiered basis in the DAA and Sherry Fitzgerald, with the highest proportionate cuts falling on the most highly paid. In the DAA this measure was welcomed by the unions, whereas in Sherry Fitzgerald, staff feedback led the company to extend cuts to all staff in a second round of pay reductions – low-paid staff having been exempt in the first round of cuts.

Also important in gaining the firms their 'exemplars' status was the extent to which employees as stakeholders were involved in the process of adjusting to the cuts, through the aegis of their representative bodies in the case of IL&P and the DAA, and by senior management and HR having significant regard for employees' interests in the case of the non-union Sherry Fitzgerald.

Corroborating the survey and focus group results, the intensive use of communications processes was a feature in all of the three firms' responses to the recession. These communication processes were about keeping staff informed of the seriousness of the commercial pressures that prevailed and about the measures that were being considered to address them.

While it was the case in all three firms that management formulated (and in the case of Sherry Fitzgerald, implemented) measures for responding to the recession unilaterally, it was also the case that for DAA and IL&P that managements' original proposals were significantly modified on the basis of negotiations with trade unions, and for Sherry Fitzgerald that feedback from staff resulted in a change of emphasis towards across-the-board tiered pay reductions in the second round of cuts implemented by the firm.

In terms of IL&P and DAA's engagement with unions, both parties to industrial relations observed the advent of a more hard-headed, realistic or mature form of engagement, triggered by the seriousness of the challenges they faced. No industrial conflict ensued, although the parties were mindful that industrial action might well have been sparked off, particularly in the case of DAA. Also new to the industrial relations process was the level of financial disclosure sought by the unions and acceded to by management. While Unions in DAA and IL&P remained strong and no decline in their influence was evident in the case research or in commentary by managers or union officials, it was clear that they had gained few 'claw-backs' for their members in the form of expanded benefits when recovery was achieved.

While resources for the HR departments remained much the same as before the recession, the HR function was stretched in all cases. This was mainly related to the volume of strategic and transactional work increasing greatly as a result of downsizing and related changes. Also in all cases HR was conscious of the need to demonstrate the value the function added to the business, reinforcing its primary objective of acting as a business partner in support of the business. HR played a central role too in all three firms in terms of formulating and implementing measures that supported changes to the business strategies and plans.

All three cases involve exemplary, widely-admired and effective initiatives for responding to the recession: minimizing job losses; taking account of the interests of employees as stakeholders, either through engaging with their unions, or by taking their interests into account in other ways. Led by influential HR functions and operating through intensive communications and information disclosure all cases involved realistic and pragmatic negotiations and conflict resolution.

## 9.6 Maintaining Trust and Developing Competencies in Challenging Business Times

Three further case studies are presented in chapter eight of how organizations have rooted their responses to the recession in maintaining and even deepening trust relations between management and employees. The organizations concerned had to deal with two quite different problems brought on by the recession. However, agreements reached illustrate the willingness of both management and unions to address an issue as a mutual problem to be solved.

In the first of these case studies, Superquinn, decisive action was required by the company to adjust to new adverse market conditions, brought on by the recession. A series of factors compounded by the recession led to falls in consumer demand, and in particular for demand for high-end shopping, the hallmark of Superquinn.

The response strategy had two key components. First, the company negotiated a Survival Plan, the PCC - Programme for Competitiveness and Change 2009/10 was negotiated. The deal was viewed as highly innovative and progressive by both the employer and trade unions, and is credited with securing the survival of the company. The deal provided for almost 400 voluntary redundancies, a 12 month pay pause and the introduction of new profit sharing and gain sharing schemes. Second, unions and management agreed the introduction of a new partnership style procedural agreement called Working Through Partnership, which gave workers and their representatives an opportunity to influence company policy and operational structures. An innovative aspect of this agreement which bears testament to the level of commitment both parties brought to developing a consultative approach to the management of employee relations can be seen in the provisions made for training by both unions and management. Management and unions worked together to develop induction and advanced training programmes for both union and management representatives.

Given the ongoing difficult market conditions, management and unions entered into another round of negotiations in the summer of 2010. Management were seeking a pay cut, however, agreement was reached not to cut pay, but to freeze contributions to the pension scheme for one year instead. Provision has been made for the full restoration of the pension contributions: after one year, employees can make a contribution to the pension scheme which is equivalent to the amount that was withheld and management will match this contribution. The compromise reached suggests that both sides recognized the difficult circumstances faced by the other and were open to working together to find a creative solution: employees do not have to incur a pay cut while management save, at least in the short-term, on payroll costs.

In the second case study, Medtronic Galway (the only unionized company in the multinational Medtronic group), pre-recession negotiations in early 2007 were difficult as the company wanted to keep a control on costs to advance organizational competitiveness whereas unions wanted high price increases as the company was profitable and the Irish economy continued to be buoyant. Finally, after protracted negotiations and along with the help of the LRC, an agreement was reached. Shortly afterwards, the financial crisis erupted, and while Medtronic was affected by it, the impact was marginal compared to many firms. Medtronic experienced a fall in sales of some products. Revenue growth and profits dipped leading to the value of Medtronic stocks falling in 2008. In response, senior management at headquarters announced a voluntary redundancy scheme which was quickly followed by a company-wide freeze on salaries and promotions.

This put the local management of the Galway site in something of a quandary. If it simply conformed to the call made by headquarters, it would have to renege on the pay deal recently agreed with the local union, a decision that ran the risk of alienating employees. The challenge it encountered was to introduce a pay freeze not only to help the multinational restore cost competitiveness globally, but also to signal to the organization's headquarters that the Galway plant could deliver on commitments and on company strategy. The subsidiary was actively engaged in defending its mandate within the multinational. In the end, the company felt it had no choice but to implement the pay freeze. Intensive communications efforts were made to explain to employees the reasoning behind the company's pay freeze decision. For the union, the case for a pay and promotions freeze was not evident as the company was still making profits and thus on paper had the ability to pay.

Management realized that the proposal placed union representatives on the defensive with their members and thus gave the union team as much space and time as possible to have internal discussions. It also realized that when negotiations started that to make the pay freeze more palpable to the unions, management would have to make some type of concession. The management team decided to offer to turn 50 contract jobs into permanent positions (which would give the union 50 more members) if the union agreed to the pay freeze. Finally after intensive discussions, an agreement was concluded, which involved the union accepting the pay and promotion freeze for 2009 and management agreeing to implement the 4.5 pay increase in two tranches in 2010. In addition, management agreed to make 50 contract workers permanent and to a number of other minor concessions.

This outcome was important for the management of the Galway site. It signaled to Medtronic headquarters that despite its idiosyncratic status as being the only subsidiary recognizing a trade union, the Irish operation could implement difficult company-wide decisions. The agreement has been adhered to in full. The pursuit of the subsidiary's mandate embedded cooperative relations within the Galway site. Both management and trade unions realized that to have allowed the pay and promotion freeze announcement to disrupt their previously close working relationships would have been short-sighted as it would have jeopardized further investment from Minneapolis. Maintaining subsidiary mandate was the glue binding together management and the union.

In the final case study, Ericsson, the company globally had begun a programme of cost containment and lean HR management subsequent to its experience following the bursting of the dotcom bubble. The firm's Irish subsidiary has followed this policy and has operated Ericsson's pivotal HR practice of competency-based management and competency development. This commitment to developing people's skills and competencies has remained undiminished during the recession. It is seen as equally important to the success of the business as controlling costs. Reflecting wider corporate restructuring of the HR function and local exigencies, HR in Ericsson's Irish subsidiary has undergone several cycles of restructuring but has remained a significant player both nationally and regionally within the firm.

As part of a world-wide restructuring programme, Ericsson Ireland was obliged in 2009 to cut 300 jobs from the research and development section of the Dublin site. Most of the jobs were not lost due to the recession, but were transferred to China, Poland and Sweden for cost reasons. In 2010, the subsidiary had to introduce another round of voluntary and mandatory redundancies due to another organizational restructuring programme.

Despite the redundancies that have occurred in recent years, Ericsson Ireland remains a lynchpin of global Ericsson. Within the multinational, Ireland is still seen as possessing highly skilled and motivated people both in Dublin and Athlone who contribute considerable value to the company.

The competency regime inside the subsidiary is key to developing trust and commitment inside the organization. Competency development is designed as a form of organizational public good; it is non-rival: the provision of training for one employee does not exclude another employee from training; all employees have the ability to 'consume' some form of training. This creates shared understandings between employees and managers about the professional conduct and standards of behavior that are expected of both. It is also the key to job opportunities and career development among the company's Irish workforce.

Although different problems were encountered and contrasting bundles of policies implemented, the responses of the case-study companies to the recession shared some common features. Superquinn and Medtronic made sustained efforts to maintain, if not deepen cooperation and trust, between management and unions. There was no attempt by management and unions in either company to exploit any vulnerability the other side was experiencing due to the recession. Without that trust, management retrenchment strategies may have be hard to sell and even more difficult to implement. Where trust relations between management and unions are strong, trade unions are likely to give their imprimatur to retrenchment policies, leading in turn to employees being more likely to accept that their interests are being incorporated into adjustment plans. Ericsson Ireland, though unavoidably affected by job losses triggered by global restructuring, has continued to operate a competency development programme which is seen as pivotal to the job and career opportunities of its Irish workforce.

## Conclusions

Having presented a summary of the main findings of the research, the study concludes by considering a number of principal conclusions in the remaining four sections.

### 9.7 HR Practices in the Recession

In the literature on industrial relations, there is a predilection to talk about models, distinctive ensemble of institutions that guide the behaviour of trade unions, managers and other relevant actors that have a say in the management of the employment relationship. Perhaps the most common distinction made, at least in contemporary debates, is between industrial relations institutions in coordinated and liberal market economies. Coordinated market economies are seen as possessing dense industrial relations institutions – strong unions, extra-firm wage setting mechanisms, works councils, elaborate training systems and so on – that interlock with each other to ensure that employee interests are incorporated into business strategies. Liberal market economies, on the other hand, are seen as having weak, fragmented industrial relations institutions that result in labour markets exhibiting a high level of flexibility and firms having considerable freedom to pursue their own employment practices. Corporate strategies in liberal market economies are considered to be imbued with a shareholder logic, the situation where the need to return high profits in the short-term trumps all other interests.

This distinction between industrial relations in coordinated and liberal market economies has been used to suggest that contrasting approaches have emerged to manage the employment relationship in the recession. In particular, it is argued that the wide ranging interlocking institutions of coordinated market economies has encouraged firms to use HR policies that promote internal flexibility in an effort to fend off economic adversity. Work sharing schemes are considered the most common method used to obtain internal flexibility. These schemes hold advantages for both employees and firms. For employees, short term employment schemes spread the risks of unemployment across employees even if they have different characteristics (more seniority or greater employability, for example). For firms, these schemes are a useful tool to avoid dismissals costs and to preserve organizational-specific human capital. Thus, industrial relations institutions in coordinated economies encourage labour hoarding by firms: they act like a buffer to ensure that losses in output are not translated into job losses (Bosch 2009).

Industrial relations institutions in liberal market economies are considered too fragmentary to act in this manner. In these circumstances, an alternative buffer has to be created if the near automatic transmission mechanism from output to employment is to be blocked. Usually this takes the form of reflationary macro-economic policies to boost demand which ensures that output does not stagnate. The last Labour Government in the UK followed this policy prescription in the aftermath of the financial crisis. In the absence of any reflationary programme, firms in liberal market economies are assumed not to be constrained by industrial relations institutions which leads them to have a bias towards making people redundant as it is a quick, sure fire way of getting operating costs back in line with market conditions (Hyman 2010). This behaviour on the part of firms normally results in an aggregate macro-economic dynamic which causes falls in output to almost immediately lead to increases in unemployment.

***Prevalence of combinations of 'hard' and 'soft' measures***

Thus, the argument is that firms in coordinated and liberal market economies strategies are tackling the recession differently; with one having a propensity to hoard employees while the other to shed employees. An important finding of this study is that Ireland does not fit neatly into either category for a number of reasons. First of all, the analysis of the survey findings conducted in chapter 3 found a pattern of some firms that were affected by the recession, although perhaps not as severely as others, responding first not by cutting jobs, but by introducing pay freezes, supplemented by curbs on overtime and by managing work regimes more rigorously. In other words, firms have not followed the so-called liberal market economy model where the first impulse when economic adversity arrives is to cut jobs. Instead, they have acted first to save jobs by placing curbs on pay. This is an interesting insight, for seeking to respond to the crisis by reducing pay (prices) is widely considered to be a socially preferable HR strategy than to reduce employment (quantities). As the eminent British economist, Lord Layard, emphasized to a Business Network Well Being Conference in the UK in 2010 “We should be doing everything we possibly can to limit unemployment. One powerful way is pay restraint. I'm very much in favour of pay freezes. Anything HR can do to ensure that as few people as possible lose their jobs has to be good" (Personnel Today Nov 22nd 2010).

Secondly, a further finding of the survey is that firms that have been hit very hard by the recession have not sought to either simply labour hoard or shed labour. Instead they have enacted a battery of policies, including pay freezes or cuts, curbs on overtime, short-time working, redundancies, voluntary and compulsory, and more rigorous work regimes. We have termed this type of response as general HR retrenchment programmes and these have been forced on firms by the sheer scale of the adverse business conditions they have been encountering. Two other features of these retrenchment policies are worthy of note. One is that the exact content of these retrenchment programmes varies a good deal from firm to firm. In responding to the recession, severely affected firms are not enacting a similar suite of policies rather they are adopting an a la carte approach, using particular policies that allow them to navigate their own pathway out of the recession.

The other is that retrenchment programmes adopted by firms do not simply include ‘hard’ HRM policies aimed at cutting pay-roll and boosting productivity. Frequently, programmes also include ‘soft’ HRM policies aimed at maintaining employee commitment and loyalty. Thus, many firms have intensified their communication efforts to ease employee anxieties about their future. Employee engagement efforts have also been intensified as firms strive to forge a collective spirit inside the organizations. Some firms have avoided the knee-jerk reaction of cutting training budgets by retaining HRD initiatives. A good many firms have sought to inject as much fairness as possible into their retrenchment programmes by requiring senior managers and employees to take higher proportionate cuts in pay and bonuses and so on. HR managers appear to be balancing hard 'hard' and 'soft' people management policies in an effort to ensure that efforts to address short term pressures do not erode employee motivation and commitment, organizational attributes that are essential for firms to remain successful in the medium-to-long run.

Thus the Irish experience does not conform to the dominant HR approaches to the recession that is said to be occurring in the so-called coordinated and liberal market economies. This situation may simply reflect that Ireland is neither a coordinated nor liberal market economy and that the country does stand, as some proclaim, between 'Boston and Berlin'. But the suspicion is that to divide how firms are managing their human resources in the recession into two neat and tidy categories, coordinated and liberal, may be taking too much license with what is actually happening on the ground. The fairly clear evidence from Ireland is that firms hard-hit by the recession in Ireland are responding by packaging together bundles of 'hard' and 'soft' HR policies. One would be hard pressed to suggest that the HR policies and practices being used by firms to cope with the business downturn represent a distinctive new model of HR restructuring or of the role of HR inside organizations. Overall, the picture that emerges from this study is of HR managers adopting a more thorough-going business partner role, which stresses the role of organizational performance, yet trying to hold on to some perhaps modernized aspects of their traditional 'welfare' role, as witnessed by the pursuit of soft HR policies. These changes are leading to but versatile and eclectic or even makeshift sets of practices that appear to be driven by the peculiar needs of particular firms.

## 9.8 Unions and Representation in the Recession

From the focus groups conducted with trade unions, it is evident that they have a fairly clear idea of their preferred good practice framework that companies should follow when making adjustments to cope with the recession. A key aspect of this framework is management recognizing that trade unions are a key stakeholder in the company and thus should be closely involved in any discussions about how to secure the future viability of a business in the face of the economic downturn. Unions believe that the interests of employees will only be fully accommodated if collective bargaining is used to negotiate a restructuring plan. In addition, unions believe that negotiated solutions to the recession are more likely in firms with robust HR structures and policies and where senior management commits to working with trade unions. Gaining and maintaining trust between the two sides is considered critical by the unions to securing employee buy-in for restructuring plans. This is why unions put so much emphasis on gaining access to the ‘financial books’ of companies.

Unions believe that a good practice framework not only involves the procedures used to reach a restructuring agreement, but also the nature of the substantive policies that are subsequently implemented – good practice covers both processes and outcomes. The trade union priority is for restructuring plans to save as many jobs in companies as possible and to provide employees with the strongest possible job security guarantee. In addition, when employees are obliged to accept a pay freeze or even a pay cut to help a company stave off the recession, unions believe that some ‘claw back’ provision should exist to allow them recoup forgone earnings when prosperous business times return.. A further principle which unions deem important is that higher earning employees should bear a disproportionate amount of any restructuring burden. Providing greater protection to more vulnerable or less paid employees is seen as building fairness into a restructuring plan. A commitment to provide unions and employees with full information about the financial state of the company on an on-going basis is considered another key element of a restructuring plan as it allows trust to be maintained between management and unions.
A restructuring plan that contains these various elements would be considered by trade unions to be a ‘high-road’ (progressive or ‘good practice’) strategy.

***Union power and influence weaker in muted workplaces***

But the evidence presented in this study suggests that the incidence of such high-road restructuring plans is low. The survey evidence presented in chapter 3 suggests that while management in many firms actively engaged with unions when developing HR policies to respond to the recession, only a handful of firms said that union engagement led management to change its original plans. In most cases, the discussions held between unions and employees were not preference changing; management stayed with their initial proposals. The survey also found that only in about 5 per cent of companies were unions able to secure an agreement on some type of financial ‘claw back’ mechanism. Moreover, unions were able to gain greater access to financial information in only a small number of companies, about 14 per cent in total.  Thus few firms appear to be travelling along the ‘high-road’ to restructuring or at least the one mapped out by the trade unions. Certainly there appear to be relatively few firms following the Superquinn example and using economic adversity to attempt to forge a new consensus between management and unions to improve the productivity of the organization in a manner that advances the interests of employees. These finding correspond with the findings of the focus groups and the case studies, which suggest that the recession has placed trade unions on the defensive, unable to exert decisive influence on the direction companies elect to follow in response to the recession.

At the same time, it is wrong to paint an apocalyptic picture of the fate of trade unions during the recession. There appears to be little evidence of employers ‘not wasting a good recession’ by either launching a concerted offensive to by-pass unions when developing a response to the crisis or even to marginalize union representation. About six out of ten firms recognizing trade unions in the survey said they engaged with trade unions on HR matters relating to the recession. Most firms were of the view that the impact of the recession was not so severe as to prevent adequate consultation or negotiation with trade unions. Nearly half of unionized firms thought that the unions were realistic and constructive in negotiations compared to about a third saying that unions were not particularly cooperative. Thus, the picture that emerges is of collective bargaining and other engagement processes being used mainly in an attempt to gain consensus on management plans and not to negotiate solutions about how to restructure the enterprise in response to the business downturn. A kind of equilibrium appears to have emerged which involves management agreeing often to work within established collective bargaining procedures and unions accepting that management will be the decisive drivers behind company policies for the recession. To some degree, this balance benefits both sides. Whereas management avoids relations with unions turning sour, which may have the effect of damaging any restructuring plans, unions keep representational channels intact in the hope that these can be used to reassert influence when more buoyant economic times return. At the same time, the impatience of many employers with the pace of established bargaining practices needs to be recognized, as does the newly reported tendency in some cases to seek to short-circuit these by working towards quick and definitive outcomes – often putting unions 'on the back foot' in the process. Union officials also reported significant numbers of instances in which firms sought to proceed as if past agreements no longer had any status. So firms' postures towards unions in implementing measures to respond the recession seem to vary significantly between involving and seeking to find accommodation with unions, often in short bargaining cycles, to seeking only to accommodate unions when resistance has arisen.

A number of factors account for the inability of unions to act more assertively to secure for themselves an active role in the creation of restructuring plans. First of all, the sheer scale of the recession has resulted in trade unions being caught in situations where they could do no more than acquiesce to managerial priorities. Secondly, the collapse of the national social partnership framework has weakened extra-firm industrial relations institutional structures that could have strengthened the bargaining hand of unions inside organizations. Thirdly, the weak position of trade unions may to some extent reflect the outlook of their members. Although there is a seething public anger about the scale and nature of the recession, employees at the workplace are subdued and compliant, fearful for their jobs, pensions and livelihoods. Thus, trade unions are engaging with muted workplaces, which have weakened their bargaining positions in individual companies. Compounding this problem for unions is the willingness of a sizeable number of employees in firms proposing job cuts to take voluntary redundancy packages. In this situation, it is difficult for the union to muster support for any alternative plan that involves saving jobs. Union representatives are instead encouraged to get the best possible redundancy deal for their members. In other words, the willingness of many employees to exit the workplace through the redundancy door has the effect of weakening union voice on job retention inside organizations.

Thus, the recession has debilitated trade unions even though they may have experienced increased membership here and there as some employees join in an effort to secure greater protection at work. In particular, unions have found that the slump has weakened their capacity to mobilize their members at the workplace, which inevitably has made it more difficult for them to advance their goals. The current bleak situation for trade unions is unlikely to improve in the near future as economic conditions are destined to remain depressed for some time to come. The big concern is that the current situation will have permanent negative consequences for trade unions in that they might be unable to recoup lost members and bargaining power when economic conditions improve. Thus, these are challenging times for trade unions and moreover there does not appear to be any straightforward pathways out of these difficulties.

## 9.9 The Recession and the HR Function

The international literature shows no consensus regarding the experience of HR managers and departments during the recession, nor regarding their prospects beyond it. Some have predicted cataclysm, large job losses and extensive outsourcing; others modest changes in staffing downwards or even upwards, and others still have portrayed the recession as an opportunity for HR to gain lasting influence as a key business partner and strategic player.

### *HR Managers – Business Partners and 'Working the Pumps'*

The research conducted in this study reveals the advent in the Irish recession of HR functions that have commonly avoided radical reconfiguration or depletion of resources and that have gained new influence as 'business partners', mainly on foot of a 'hard' HR agenda dictated by short-term responses to commercial challenges. Relative to the extent and scale of downsizing identified in this study and in other reviews of the Irish labour market, people working in HR have fared lightly, although they have not been entirely spared. HR functions have been restructured infrequently, especially when compared with the incidence of corporate restructuring reported. While the focus groups identified a number of incidences and models of restructuring, for example based on the creation of centres of excellence and on the general centralization of HR in multinational companies, these seem very much the minority. Transactional HR processes and services also appear in the main to have escaped strong pressure to reduce costs. Only in the area of use of HR consultants have a significant minority experienced cuts-backs.

The new centrality of HR as a ‘business partner’ in firms in Ireland has emerged from the survey, focus groups and case studies. Most HR managers report that their business role has strengthened, though they are divided as to whether that role has been mainly restricted to implementing measures decided upon by other managers (‘the business’), or have played the major role in decisions as to the choice of measures adopted by firms. The new influence of HR managers as business partners and contributors to decisions on company’s responses to the recession emerged clearly from the HR focus groups and was also illustrated in the case studies where senior HR executives had a major influence on the development and/or implementation of response measures. It was clear from the focus groups, in particular, that many HR managers now define their professional identities squarely in terms of adding value to the business and supporting the business. The old image of the personnel manager as the mediator or buffer between employees, their unions and the employer has little resonance with the experience and self-understanding of focus group participants. Participants in the union focus groups commented on this also, pointing out, sometimes in an almost elegiac manner, how different people now occupying this role were to their ‘personnel’ predecessors, and how commonly they nowadays expected to move onwards and upwards in the HR career system. They saw this development as something that predated the recession but which had formed professional priorities that had been starkly in evidence in recent years.

The basis of HR’s new-found centrality to business is manifestly the increased dependency of firms on HR expertise and knowledge in successfully introducing controls or reductions in areas like pay and headcount and related changes in working-time regimes and work practices. In some instances, as illustrated by the case studies, HR had won respect from senior management before the recession and this provided a platform on which they could extend their influence and contribution to firms grappling with acute commercial challenges. The dependence of line managers on HR expertise has also grown as redundancy programmes and other retrenchment measures have become common. In these ways, the HR function has grown in stature mainly on the basis of a ‘hard’ HR agenda. The picture presented in the survey, focus groups and case studies is one of HR managers frequently being involved in multiple curbs on pay and headcount focused on alleviating acute commercial pressures. HRD budgets have been cut in most firms and tighter controls introduced on staff performance, discipline, time-keeping and attendance. Overall, focus group participants have reported the degree to which they have attended to these kinds of measures in managing HR in the recession.

The picture has not only been about hard measures focused on cost reduction and containment however. Many HR managers have been involved in implementing hard measures with a short-term focus while also giving as much attention as possible to softer HR measures and sometimes longer-term concerns about positioning HR to support business revival. Communications have been used more intensively than ever before in winning the acceptance of staff and unions for retrenchment programmes. This is one of the most salient findings of the survey, focus groups and case studies. Just over half of HR managers agree that their firms had undertaken specific measures to promote employee engagement, and some of the measures adopted were reported in the focus groups. Somewhat more agree that employees had been actively involved in developing options for responding to the recession – though few such initiatives were reported by focus group participants. One in five had attended to talent management through measures to retain high-potential or high-performance staff.  Thus the overall picture appears to be one in which hard HR measures have dominated but in which HR managers have also commonly sought to balance these with softer HR practices geared to preserving motivation and even commitment. If hard HR measures have dominated so too has a focus on short-term measures and HR strategy focused on immediate commercial problems and even basic survival.  Few instances were reported in the focus groups or case studies where HR managers were active in positioning HR practices, systems or processes to support business revival over the medium-term. Sometimes such activities had been displaced or at least eclipsed by the acute pressures of the recession. Where they were reported, they tended to be found in firms where HR strategy focused on the medium-term development of the business had been in play prior to the recession and remained in place as a guiding vision, or in firms relatively little affected by recessionary set-backs. In Ericsson the HR competency framework which allows HR to support efforts to position the firm for the medium- to long-term in global markets preceded the current recession. It as been continued in the firm's Irish subsidiary despite significant job losses rooted in global restructuring. The image suggested by the study overall is one of HR managers frequently 'working the pumps' but only infrequently 'navigating from the bridge'.

If this picture is at variance with the more pessimistic prognostications regarding HR in the recession, it is also significantly at variance with the projections of HR gurus like Ulrich or Cooper or theorists like Mohrman and Worley. For sure HR in Ireland has come to the fore during the recession and has gained a new centrality by adding value to firms as a business partner. But this new centrality does not appear to have commonly translated into leadership with respect to HR strategy over the medium- to long-term, nor into strong advocacy regarding the pivotal role of many soft HR practices in harnessing commitment and engagement for sustainable business success. As for the idea of specialist HR managers as a professional services group, or as a kind of business within a business, HR managers have clearly mastered the lexicon of adding value and serving the business and its various stakeholders. However, as discussed, the dominant image is one of HR managers busy working the pumps, mainly by implementing hard, short-term HR measures that form but part of the wider repertoire of professional HR knowledge and skills. Mohrman and Worley's appealing image of organizations reconfiguring themselves and deploying human capital to 'thrive and survive in rough times' also seems at variance with the picture emerging from the study. In essence the Mohrman-Worley thesis is that organizational structures and systems have become more fluid and dynamic in recessionary conditions to facilitate the intensive bottom-up involvement of employees in firms' operational and strategic activities. The balance of effort and activity in many firms in Ireland seems to be less with these softer sides of organizations and their functioning than with the hard slog of survival through cost cutting and short-term measures, while, at the same time, preserving motivation and commitment, and keeping

HR and industrial relations practices and systems that were contemplated or developed prior to the recession on course in the face of acute recessionary pressures.

In conclusion the study indicates that the HR functions of many organizations have changed significantly during the recession, but not in the kinds of radical or even revolutionary ways portrayed by either the heralds of cataclysm or the gurus and theorists proclaiming transformation. Because the new-found leverage of the function is rooted primarily in firms' high level of dependence on HR knowledge and expertise in recessionary conditions, it cannot be predicated with any confidence that HR managers will remain influential when more normal business conditions return. Whether they succeed in doing so will depend in part on the extent to which they are capable of using their new-found influence among senior management to institutionalize their role by proving their worth. It will also depend on the success with which they can convince senior colleagues of the continuing centrality of HR when business conditions revive.

## 9.10 Good HRM in the Recession and the Future of Work and Employment

The last recession during the 1980s sparked considerable international commentary and analysis regarding its likely effects on the future conduct of HR and the character of employment arrangements more generally. Commentary has proceeded along similar lines during the current recession. Some projections claim that the recession is driving disjuncture in work and employment. The nature of this disjuncture is disputed: some have pointed towards developments akin to the emergence of a more market-driven model; others pointing towards the growing prevalence of a commitment-based model. Alongside these projections are found more empirically-based commentaries that emphasize the pragmatic, eclectic and contradictory nature of many of the measures adopted by firms in recent years.

What can the study add to this important strand of commentary and debate? The first thing that should be highlighted is the difficulty of making sound projections about trends and disjunctures based on developments during a few years when the onset and impact of the recession have been rapid and very severe. Salutary lessons can be learned from previous exercises of this kind about the peril of mistaking cyclical changes for secular trends or disjunctures. This caveat aside, the study's findings are relevant in a number of ways to thinking about the future of HR, work and employment.

***The Recession and Good HRM – 'Plus Ca Change'***

To begin with, a striking feature of the research is the degree to which principles of good HR and industrial relations in the recession identified by focus group participants reveal continuities with long-abiding ideas about the features of exemplary people management and relations with trade unions. In general and nearly unanimously when asked to identify principles of good HRM and industrial relations in recessionary conditions focus group participants have pointed to well-established and well understood precepts and practices. Managers have stressed the role of intensive communications, advocacy of values that include integrity, forthrightness and fairness and of acting in accordance with established company policies and procedures. The importance of engaging or re-engaging staff has been underscored, albeit less unanimously or more problematically. They have espoused the principle of engaging constructively with trade unions and of information disclosure.

A reprioritization of HR policies and practices has also been evident. Obviously the intensive effort devoted to recruiting and retaining staff during the boom now has little significance. Less obviously, communications, long something of a Cinderella area of HR, has assumed pivotal significance during the recession. There is more emphasis on senior management leadership with respect to HR initiatives, including communication. The management of performance and especially under-performance and policies with regard to discipline, attendance and time-keeping have been applied more rigorously. Professional support networks have been more widely and intensively used to share experiences and pool expertise. While espousing the need to engage constructively with unions, HR managers have also identified the need to expedite negotiating cycles and to leave behind the prolonged and detailed negotiating activities seen to be commonplace in the past. Aside from this process of reprioritization, few new principles or practices have been espoused or practised. Nor are there any signs from the focus groups or case studies of the advent of appealing new HR fashions or fads borne out of the challenges of the recession.  The case studies reveal firms in different sectors and circumstances acting in accordance with established or reprioritized HRM principles and practices in their dealings with employees and trade unions.

Union focus group participants largely underscored many of the principles and practices of good HR in the recession identified by HR managers – while often being critical of the degree and extent to which firms had acted in accordance with espoused principles. So union officials defined good HR and industrial relations in terms of honouring existing agreements and procedures, meaningful consultation and a willingness to consider alternative proposals, communications and the disclosure of financial information. These are familiar and long-established principles of good industrial relations. Less familiar and more specific to recessionary conditions is the emphasis on firms producing viable business plans when seeking concessions from union members, or on review mechanisms and 'claw-back' arrangements in agreements arising from concession bargaining.

Overall, therefore, whether we consider managers' or unions' understandings of good HR in the recession we find little evidence of any really significant change in the ideas guiding practice, and no real sense that the ground has been shifting and that new principles and practices are coming to the fore or fundamentally altering long-established precepts and ways of working. It is also significant in this regard that the case study firms, chosen for study because they are widely viewed as having managed HR effectively in recessionary conditions, have largely acted in accordance with these principles. The innovative practices adopted in HR response programmes in these firms (e.g. the ERIC mechanism in the DAA or tiered pay-cuts in the DAA and Sherry Fitzgerald) mainly reflect established principles such as fairness and transparency. Ericsson has continued to operate its pivotal competency programme, rooted in a pre-recession concern to manage costs and productivity rigorously. If the ground had been shifting with respect to good HR principles and practices this would have been expected to be evident in sophisticated, leading-edge firms of this kind, admired in the HR and industrial relations professions for their success in managing the effects of the recession.

***Models of work and employment – the mould unbroken***

The critical thing in assessing competing strands of commentary on the long-run effects of the recession is whether the changes that have been made to work and employment arrangements during the recession are congealing – or seem likely to congeal - into new patterns or models of work and employment that will abide when the recession passes

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Throughout this study scepticism has been expressed about apocalyptic prophesies pointing to the imminence of a market-driven 'new employment deal' or alternatively prophesying what might be referred to as the 'second coming' of high-commitment HRM.[1] This scepticism will be underscored here by drawing together the pattern of findings of particular relevance to this issue.

There is little evidence of institutional innovation in the current recession at national level and little enough either of innovation at the level of firms and workplaces. The deep and prolonged recession of the 1980s and early 1990s in Ireland led to greater innovation at the macro-level of national institutional arrangements than at the micro-level of firms and their union interlocutors. The current recession has led to the collapse of the formal national social partnership arrangements ushered in during the previous recession rather than to any further cycle of innovation. The 'Croke Park' agreement on public service pay and reform and the joint accord between IBEC and ICTU on public policy priorities and private sector pay reflect the legacy of social partnership and its continuing informal or depleted influence on employment relations in Ireland. As outlined in chapter 2, Irish public policy has largely steered clear of the kinds of interventionist and innovative measures on employment preservation, short-time working and training observed in a number of European countries, most notably Germany.  The available literature on developments at the micro-level of firms and unions in Ireland points towards considerable tumult but highlights few stand-out innovations in management practices or union representation.

Turning specifically to the empirical results of this study, the point made above regarding principles of good HR in recessionary conditions is significant also for debates about the effects of the recession on work and employment. In the cauldron of the recession to date, no significant changes in guiding ideas of effective people management have emerged that might reflect profound change or disjuncture in underlying employment arrangements or ways of organizing work and careers. No such changes are evident either in the case study firms, where considerable improvisation and some innovations have been apparent. But firms' and unions activities have been largely in line with established principles and ways of working. For the most part, changes and response programmes in the case study firms have been 'path dependent': in the sense that they reflect long-established relationships between the parties and the parties' concern to sustain these through the recession. Thus the ERIC proposal in DAA reflects a heritage of stable industrial relations and significant past innovation. The agreement in Metronic reflects good industrial relations and a shared awareness of the need to co-operate to protect and extend the subsidiary's mandate from the parent company. Tiered salary reductions in Sherry Fitzgerald reflect an organization that has traditionally valued staff cohesion and commitment as key brand attributes. The survival and partnership agreements in Superquinn reflect a tradition of good if paternalistic industrial relations extending back to the company's previous owner. The continuing centrality of the competency framework in Ericsson has not been disturbed by significant job losses caused by global restructuring. The point is that the cases overall highlight continuities with pre-existing practices, traditions and actions concerned mainly with sustaining HRM and industrial relations through the recession. None of the case studies involved 'path innovation', where firms have sought to transform established patterns of work and employment and point them in a new direction.

It is perhaps the union officials in the focus groups whose comments and experiences point towards some of the most significant changes in prevailing work and employment arrangements and models. The union officials gave the strong impression of being people on the defensive, at best holding on to what they had with great difficulty in organizations under severe pressure. This picture fits uneasily with the prescribed principle in the high commitment model that unions should be involved more deeply in company decision-making. Perhaps it fits better with the concept of a market-driven workforce, managed in accordance with a 'new deal'.  But caution is warranted in inferring the advent of such a new deal on the basis of evidence of the recent experience of trade unions. Unionization has been in decline in Ireland for three decades and unions generally have been unsuccessful in extending their influence in Irish firms and workplaces commensurate with their influence at national level. The recession has certainly contributed to this decline and may have accelerated it. Some union officials in the focus groups were emphatic that there had been much opportunism and short-termism in employers' postures. Yet the evidence of the union focus groups overall seems discordant with any notion of a widespread and full-frontal onslaught by employers bent on exploiting the recession to deliver a terminal blow to unions and their influence within firms. Consistent with this view are survey results that present a picture of employers continuing pragmatically to engage with unions and divided in their assessments of whether union influence had declined.

The evidence in support of any shift in the direction of a new-deal, market-driven employment model is not impressive. While significant numbers of firms employing about 4 out of 10 workers show evidence of possibly shifting the burden of uncertainty toward employees by changing pension arrangements, the incidence of forms of employment flexibility such as outsourcing remains very low. The net rise in the incidence of firms employing contract workers remains very modest, while the net level of use of agency workers has declined.  Some proponents of the 'new deal' model lay emphasis on employees no longer expecting a secure career or career progression within firms. However more than 6 out of 10 employees work in firms indicating in the survey that formal career progression was an objective for all of their employees. This represents a rise in the level of workforce penetration of internal labour markets or career systems as reported in a 2008 survey conducted by some of the authors.[2]   A comparison with the same survey also shows a rise in contingent reward systems like individual performance-related pay and profit sharing/share ownership. These reward systems are not, however, specific to a market-driven employment model but are consistent with a range of different models. The agreement in a new grading system and work practices in T2 at Dublin Airport, and related developments in parts of T1, are the closest developments in the case studies to a shift in the direction of a more market-driven model of employment. However these developments arose less out of the pressures unleashed by the recession than out of the functioning and priorities of the aviation regulatory system. The DAA unions have continued to exercise influence on terms and conditions at T2, not least with a view to precluding the spread of the T2 model to other parts of the company.

All in all, the survey evidence and other strands of research reported in the study provide little support for the emergence of a 'new social contract at work' based on growing employee self reliance, and related HR practices. The survey, focus group and case study evidence revealing that firms have commonly sought to balance hard and soft HR practices in managing the recession might be taken as evidence in favour of high-commitment HRM. However, what matters in assessing the view of heralds of the high-commitment model is whether the circumstances of the recession have acted as a catalyst by accelerating the incidence and workforce penetration of this HR and employment model. This seems doubtful. The survey results provide some relevant data and the focus groups and case studies are also highly pertinent to assessing this line of commentary.

The standard prescription of the high-commitment model involves responding to declining output by activating 'employment stabilization measures' (in-sourcing, short-time working, reductions in contract work, curbs on overtime, higher performance standards, the redeployment of staff and pay cuts) as ways of buffering firms' employees and avoiding compulsory lay-offs (see Kochan and Osterman 1994: 53). Hardly surprising, given the severity of the Irish recession, these measures have often been adopted in programmes (described in chapter 3 as 'general HR retrenchment programmes') that have commonly included compulsory job losses.

Turning to softer HR practices, the survey suggests that communications, engagement and employee involvement measures have commonly been allied to harder measures focused on pay and headcount. Other measures such as the promotion of organizational cohesion through higher pay or bonus reductions for senior staff have been a good deal less in evidence. Turning to relations with trade unions, it appears from the survey that the recession has not commonly prompted firms to deepen unions' involvement in response and recovery measures. Union representatives – commonly portrayed as 'realistic', 'constructive' and 'pragmatic' - have only uncommonly been allowed more access to business and financial data or succeeded in modifying employers' initial proposals for responding to the recession. Nor have unions gained institutional supports in areas such as organizing or representation in compensation for agreeing response measures. Finally, union members have only very exceptionally gained financial 'claw-backs' aimed at recovering pay and conditions or financial participation when business recovery sets in. All in all, the survey evidence hardly points to any blossoming of high-commitment practices and postures during the descent into recession.

Survey data, while useful, only allows for a snap-shot of HR practices. The focus group and case study data is useful in allowing for a more dynamic appraisal of firms' HR postures during the recession. The HR focus groups appear consistent with the survey data in revealing the degree to which firms have sought to balance hard and soft HR measures and to <u>sustain</u> or <u>preserve</u> their existing approaches during the recession and have tended to proceed in a cautious and incremental manner. Thus it had sometimes been necessary to 'park' employee engagement initiatives, with a commensurate decline in morale and commitment, in order to attend to pay and headcount priorities. HR managers commonly battled to sustain HRD budgets and often lost this battle. The big HR advance reported in the focus groups and illustrated also in the case studies involved the area of communications. More intensive communications have been allied pragmatically and nearly exclusively to the handling of retrenchment programmes rather than allied to wider programmes aimed at transformation or changing the 'rules of the game'. The new centrality of top-level managers in the formulation and communication of HR policies was focused on the same concern.

The case studies fill out this picture. What they show are efforts to manage severe setbacks or significant commercial challenges, while in the main seeking to sustain existing HR and industrial relations postures and practices. Thus the DAA and IL&P both sought to control payroll costs by engaging unions on a largely traditional basis. In each case significant innovations occurred in the areas of union access to financial information and the use or creation of new dispute resolution mechanisms. But in neither instance did the parties seek to break the mould of established HR or industrial relations practices. In the case of IL&P, a medium-term project of unifying the HR function, guided by Ulrich's framework for HR, was put on the back-burner as management sought to address the immediate challenges of the recession. In both cases management adopted an eclectic approach: opting to remain with tried-and-trusted postures, while also being prepared to modify these in response to union demands for access to financial information. In Sherry FitzGerald tiered pay-cuts were instituted to minimize involuntary redundancies and sustain organizational cohesion and esprit de corps. But here too the recession had forced management to set aside a medium-term strategic review of HRM, geared to the firm's future position in the sector. In Medtronic, the parties were able to harness their pre-existing positive industrial relations heritage to ensure that the subsidiary's mandate was sustained within the parent multinational. In Superquinn the recession had been a catalyst for moving ahead with a partnership approach - an approach which built on the firm's established industrial relations tradition and that seemed not to be intended as any radical departure beyond this. Ericsson's Irish subsidiary had continued to operate a pivotal HR practice, the competency management programme, notwithstanding significant job losses caused by corporate restructuring.

The picture of HR in the recession that emerges from the survey, focus groups and case studies, therefore, seems to be marked by the following major features. Firms, their employees and unions have experienced considerable tumult and have responded by controlling or reducing pay and headcount, while seeking to balance these with soft HR policies concerned to preserve motivation and commitment and seeking also, for the most part, to sustain prevailing approaches to human resource management and industrial relations. In this process there has been much cautious and incremental improvization and some innovation. There have been few attempts to break the mould and either reverse or significantly deepen existing models of HR and employment arrangements. The recession *per se* seems unlikely to cause any disjuncture or transformation in work and employment arrangements.

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**Notes**

[1] To continue the metaphor, the 'first coming' of high-commitment HRM as a widely prevailing model was prophesied by many HR commentators during the 1990s.

[2] For details of the survey see Hahn et al. 2009. In that survey firms accounting for 56 per cent of the workforce (in firms with 50 of more employees) claimed that internal career progression was a formal objective for all employees.

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# Appendix 1

# Questionnaire

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**MANAGING HUMAN RESOURCES IN THE RECESSION**

***STRICTLY CONFIDENTIAL***

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Name of Firm: ______________________________ Location: ______________________________

Contact Name: ______________________________ Job Title: ______________________________

Tel. No: ______________________________ Email: ______________________________

**Q1:** Please indicate the primary sector[1] in which your organisation operates [*select one only*]

*1. Traditional Manufacturing* ☐ *Other Business Services* ☐

*2. High-Tech Manufacturing* ☐ *7. Transport & Communications* ☐

*3. Construction* ☐ *8. Hotels, Bars and Restaurants* ☐

*4. Distribution* ☐ *9. Other (please specify)* ☐

*5. Financial Services* ☐ ………………………..……………

**Q2:** Is this business **part of a larger group**? Yes ☐ No ☐

*If yes, please confine your answers (e.g. no. of employees, etc.) to that part of the business for which you are responding.*

**Q3:** How many **employees** are currently working in this business in Ireland? ☐

**Q4:** What is the approximate **% change in the numbers of your workforce** (+ or -) attributable to the recession, over the periods:

(a) Jan 2008 – Dec 2008: _____ **+ % or** ______**-%**

(b) Jan 2009 – Dec 2009: ______ **+ % or** ______ **-%**

**Q5:** Is this business (please tick as appropriate) **Irish-owned?** ☐ **Foreign-owned** ☐

*If foreign owned, please state country of ownership* ___________________

**Q6:** How would you **rate the severity of the recession** in terms of its impact on your business?

Very Severe ☐ Quite Severe ☐ Not at all Severe ☐

**Q7:** Please state the % change (+ or -) in the **revenue** of your business in Ireland due to the recession, over the periods:

(a) Jan 2008 – Dec 2008: _____ **+ % or** ______**-%**

(b) Jan 2009 – Dec 2009: _____ **+ % or** ______ **-%**

**Q8:** Was your business significantly re-structured as a consequence of the recession? Yes ☐ No ☐

**Q9:** Does this business have a specialist JR manager or a HR department? Yes ☐ No ☐

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[1] *See end of page 4 for Sector Classification guide*

**Q10:** HR Practices: Please indicate whether your firm has any of the following HR practices in place for the majority of your employees.
*Please tick all that apply to your firm*

| | | | | | |
|---|---|---|---|---|---|
| 1 A formal performance management system | | 2 Performance-related pay | | 3 Profit-sharing/share ownership | |
| 4 Regular employee surveys | | 5 Employees formally assessed at time of hiring for values, attitudes or personality | | 6 Formally designated team-working | |
| 7 Common terms and conditions of employment for all employees | | 8 A system of regular team briefing that provides employees with business information | | 9 Internal career progression as a formal objective for all employees | |
| 10 A policy of no compulsory redundancies | | | | | |

## RESPONSE TO THE RECESSION

**Q11:** Below are a series of HR measures that firms may have adopted in response to commercial pressures brought on by the recession.
***Please tick all that apply to your firm***

| **Pay and Bonus** | |
|---|---|
| 1. Cut wages and salaries for all staff | |
| 2. Cut wages and salaries for some staff | |
| 3. Froze wages and salaries for all staff | |
| 4. Froze wages and salaries for some staff | |
| 5. Increased wages and salaries for all staff | |
| 6. Increased wages and salaries for some positions | |
| 7. Introduced proportionally higher cuts in pay for senior staff | |
| 8. Introduced lower pay/pay scales for new staff | |
| 9. Cut bonus for all staff | |
| 10. Cut bonus for some staff | |
| 11. Bonus paid to some staff | |
| 12. Introduced proportionally higher cuts in bonus for senior staff | |
| **Pensions** | |
| 13. Changed pension arrangements for existing staff | |
| 14. Changed pension arrangements for new staff | |
| **Redundancies/Early Retirement** | |
| 15. Introduced compulsory redundancies | |
| 16. Introduced voluntary redundancies | |
| 17. Introduced early retirement | |
| **HR /Training** | |
| 18. Decreased use of external HR consultants (e.g. for recruitment/training, etc.) | |
| 19. Reduced number of staff in HR dept | |
| 20. Re-structured HR department (e.g. centralised HR Services, introduced ‘centres of excellence’, etc.) | |
| 21. Increased use of internal staff for training and development | |
| 22. Cut training and development budget | |
| 23. Reduce the costs of HR processes/policies (e.g. in the areas of Health and Wellness, EAPs)? | |
| **Talent Management** | |
| 24. Undertake specific measures to retain high-potential or high-performance staff? | |

| **Working Time Arrangements** | |
|---|---|
| 25. Introduced career breaks | |
| 26. Introduced short-time working | |
| 27. Increased use of part-time working | |
| 28. Reduced use of part-time working | |
| 29. Increased use of contract staff | |
| 30. Reduced use of contract staff | |
| 31. Increased use of publicly paid or subsidized trainees (e.g. FAS trainees, interns, etc.) | |
| 32. Increased use of agency workers | |
| 33. Reduced use of agency workers | |
| 34. Reduced overtime | |
| 35. Increased overtime | |
| 36. Introduced flexible working hours to better match staffing levels with peaks and troughs of the business | |
| **Out-sourcing/In-sourcing** | |
| 37. Introduced ‘out-sourcing’ | |
| 38. Introduced ‘in-sourcing’ (i.e. brought back into the business work that had been previously outsourced | |
| **Redeployment** | |
| 39. Redeploy staff to new positions or lines of business within the firm | |
| 40. Train staff for new roles within the business | |
| **Performance Management** | |
| 41Staff performance managed more rigorously | |
| 42. Tightened discipline, time-keeping, and attendance requirements | |
| **Recruitment/Promotions** | |
| 43General recruitment frozen | |
| 44. Undertook recruitment for certain grades only | |
| 45. General promotions frozen | |
| 46. Proceeded with promotions for certain positions only | |
| 47. **Other**: (please specify) ………………………… | |
| 48. **Other:** (please specify) …………………………………… | |

**THE CONDUCT OF HR**

**Q12:** Thinking about the HR practices in which you have been engaged in response to the recession, please indicate your level of agreement with the following statements:

| **Responses to the Recession** | **Agree Strongly** | **Agree** | **Neither Agree nor Disagree** | **Disagree** | **Disagree Strongly** |
|---|---|---|---|---|---|
| a) The business role of HR has been strengthened | | | | | |
| b) HR has been the biggest influence on the choice of measures adopted by the business to respond to the recession | | | | | |
| c) The influence of HR has been restricted to the implementation of measures adopted by the business to respond to the recession | | | | | |
| d) The business has undertaken specific employee engagement measures | | | | | |
| e) Communicating the demands of the business to staff has gained greater importance | | | | | |
| f) Business pressures have meant that the issue of fairness is a lower priority | | | | | |
| g) Greater attention is being paid to implementing HR policies surrounding discipline, attendance, time-keeping | | | | | |
| h) Senior managers have become more active in communicating HR actions | | | | | |
| i) Employees have been actively involved in developing options for responding to the recession | | | | | |
| j) HR had to learn new skills to address the challenges posed by the recession | | | | | |
| k) Business realities have led to some existing HR policies being suspended or dispensed with | | | | | |

## RELATIONS WITH UNIONS

**Q13:** Does your firm recognize unions in this business for the purposes of negotiating pay and conditions of employment?

***Yes*** ☐ ***No*** ☐ ***If no, please go to Q15.***

***If yes, please answer Q14 (a – j).***

**Q14:** Thinking about the manner in which your firm has conducted relations with trade unions in response to the recession, please indicate your level of agreement with the following statements

| **Relations with Trade Union** | **Agree Strongly** | **Agree** | **Neither Agree nor Disagree** | **Disagree** | **Disagree Strongly** |
|---|---|---|---|---|---|
| a) The firm has actively engaged with unions in developing HR options with which to respond to the recession | | | | | |
| b) The actions required to respond to the recession have been so urgent that there has been little time to consult or negotiate with trade unions | | | | | |
| c) Union representatives had to learn new skills to address the challenges posed by the recession | | | | | |
| d) Unions have impaired the firm’s response to the recession by insisting on protracted and detailed negotiations | | | | | |
| e) Unions have been realistic and constructive in engaging with the firm in response to the recession | | | | | |
| f) Union influence in the firm has declined as a result of the recession | | | | | |
| g) Unions persuaded the firm to change measures initially sought by the firm to address the recession (e.g. from redundancies to shorter working hours) | | | | | |

| Relations with Trade Union (cont''d) | Agree Strongly | Agree | Neither Agree nor Disagree | Disagree | Disagree Strongly |
|---|---|---|---|---|---|
| h) Unions have secured agreement on financial 'claw-backs' for their members when the recession ends | | | | | |
| i) By agreeing measures for responding to the recession, unions have gained greater access to the firm's financial information | | | | | |
| j) By agreeing measures for responding to the recession, unions have gained support for organising or representing members in the firm | | | | | |

**Q15:** Describe briefly the **three most effective HR practices in the recession**, in your experience:

Most Effective Practice: ______________________________________________

______________________________________________

2nd Most Effective Practice: ______________________________________________

______________________________________________

3rd Most Effective Practice: ______________________________________________

______________________________________________

## **Key to sector classification*

1. **Traditional manufacturing, energy, utilities and extraction** - manufacture of food, beverages, tobacco, textiles, furniture, paper or wood products; rubber/plastic and non-metallic minerals or their products; mining and quarrying; energy production and distribution; waste disposal and recycling
2. **Hi-Tech manufacturing** - manufacture of manufacture of chemicals or pharmaceutical produced; manufacture of metals, metal products, machinery, equipment, electronics, precision instruments and medical devices
3. **Construction**
4. **Distribution** - wholesale, retail and motor trade (sale and servicing of automobiles and sale of automobile fuels)
5. **Financial Services** - banking, finance, insurance, brokers
6. **Other business services** - legal, accounting, research and testing, technical engineering and architectural consultancies, real estate, property management, management, marketing and advertising consultancies
7. **Transport and communication** - providing transport services or services auxiliary to travel and transport; postal and telecommunications
8. **Hotels, bars and restaurants**

## Appendix 2

## Technical Report on Methodology of Survey on Managing Human Resources in the Recession - 2010[2]

### Sampling

The survey targeted private sector employers (excluding agriculture) employing 50 or more employees in the Republic of Ireland. As most employment in health and education is in the public sector, these sectors were also excluded. The sample was selected from the *Kompass* database of Irish firms and organizations. This is a commercially available database of over 120,000 firms and organizations in Ireland which includes contact information, the numbers employed and the sector in which the organization operates. The database is updated annually by the providers. The sample was selected from a listing of all organizations employing 50 or more persons. The list from which the sample was drawn was cleaned by the ESRI and UCD (excluding duplicates which might occur when several branches of a large organization are listed and excluding public sector organizations other than commercial semi-state companies). This yielded a total of 2,872 enterprises and the study attempted a census of these. The sectors included in the population for the study are shown in Table 1.

[2] This technical note is an amended version of a document prepared by Professor Dorothy Watson of the Economic and Social Research Institute.

**Table 1: Sectors included in the Study**

| Sector | NACE Rev 2 | Example Industries |
|---|---|---|
| Traditional Manufacturing | C (10-18, 31, 32), B | Food & Beverages, textiles & clothing, leather, wood, Paper, Printing (also includes mining & quarrying) |
| Hi-Tech Manufacturing | C (19-30, 33) | Chemicals & pharmaceuticals, rubber &plastic, machinery & equipment, electronic, precision, optical & computer equipment |
| Construction | F | Construction |
| Wholesale/retail | G | Wholesale and retail trade; repair of motor vehicles |
| Financial and Business Services | 62-66, L, M, 77,78 | Financial & insurance activities, real estate, professional scientific and technical activities, computer programming & consultancy, security, office and administrative support activities |
| Transport and Communication | H, 58, 59, 60, 61, 79 | Transport & storage, telecommunications, broadcasting and publishing, travel agencies |
| Hotel & Restaurant etc. | I | Accommodation and food service activities |

The questionnaire was directed to the managers responsible for human resources in the firm. In some cases, where an organization had multiple outlets or branches, the questionnaire was redirected to “Head Office” for completion, typically where human resource management is organized centrally. Larger firms were contacted by telephone to make sure that the questionnaire had reached the right person in the organization.

## Response Rate

Of the 2,872 firms contacted, completed questionnaires were received from 460. Of these, 16 had fewer than 20 employees at the time of the survey and a careful check of their responses indicated that they were unlikely to have had more than 50 employees at the time the sample was selected so these were excluded. A further 58 firms had between 20 and 49 employees but their responses indicated that they had substantially reduced the numbers employed in the preceding two years[3]. To minimise the risk of selection effects related to the impact of the

[3] Of these, 49 had 35 or more employees at the time of the survey.

recession, these firms were retained in the survey.  This yielded 444 firms available from analysis.

Given the economic climate in 2010, we expected that a certain proportion of the firms would have gone out of business or reduced their number of employees compared to the list used for sampling[4]. A number of the questionnaires were returned as undeliverable by the postal service (34).  In calculating the response rate, these (as well as the 16 firms ineligible on size grounds) were excluded from the base.  In addition, the known eligibility rate among firms on which we received information was used to estimate the total eligible sample, as shown in Table 2.  The overall response rate was estimated at just over 17 per cent.

**Table 2: Calculation of Response Rate**

| Response Rate Calculation | N Firms |
|---|---|
| A. Initial Sample | 2,872 |
| B. Completed | 444 |
| C. Ineligible | 50 |
| D. Non-respondents | 2,378 |
| E. Estimated % Eligible, where known (B/(B+C)) | 90% |
| F. Estimated Eligible Sample (E*D)+B) | 2,581 |
| G. Response Rate (B/F) | 17.2% |

Table 3 shows the percentage of target firms by size and sector who responded to the survey. Note that this table does not adjust for firms that were ineligible, as information was not available on the size and sector of ineligible firms, so that the completion rate here is somewhat lower than the response rate.  Table 3 shows that the completion rate was higher in larger firms (250+) than in medium-sized (100-240) or smaller firms (50-99).  All of the larger firms had response rates of 21 per cent or higher.

[4] The Kompass database is updated annually on a rolling basis, so we would expect the figures on the numbers employed to be, on average, 6 months old at the time the sample was selected and 9 months old by the time the fieldwork took place.

**Table 3: Response rate by Firm Size and Sector**

| Size | Sector | Completion rate* |
|---|---|---|
| **50-99 employees** | Traditional Manufacturing | 24% |
| | Hi-Tech Manufacturing | 8% |
| | Construction | 17% |
| | Wholesale/retail | 13% |
| | Financial and Business Services | 11% |
| | Transport and Communication | 13% |
| | Hotel & Restaurant | 8% |
| **100-249 employees** | Traditional Manufacturing | 26% |
| | Hi-Tech Manufacturing | 16% |
| | Construction | 14% |
| | Wholesale/retail | 11% |
| | Financial and Business Services | 12% |
| | Transport and Communication | 13% |
| | Hotel & Restaurant | 15% |
| **250+ employees** | Traditional Manufacturing | 26% |
| | Hi-Tech Manufacturing | 27% |
| | Construction | 26% |
| | Wholesale/retail | 28% |
| | Financial and Business Services | 22% |
| | Transport and Communication | 21% |
| | Hotel & Restaurant | 23% |
| Total | | 15% |

* Completion rate is the percentage of target firms completing the questionnaire. It does not make allowance for non-eligibility, so is somewhat lower than the response rate in Table 2.

## Weighting the Data

In line with all sample surveys, the data was re-weighted or statistically adjusted prior to analysis to ensure that it is fully representative of Irish workplaces. The data is weighted to reflect both the number of firms and total employment by sector and size.

Obtaining up-to-date estimates of total employment at the enterprise level is a challenging task. The most comprehensive list of enterprises is that held by the Central Statistics Office for use in producing the business demography statistics, but the most recent data available at the time the survey was completed pertained to 2008.

Further, a breakdown of the number of firms and the number of employees by size category and sector was not available from the business demography database, and we know that total employment fell further between 2009 and 2010. In estimating the population figures for 2010, we made use of three sources of information:

1. The total number of firms employing 50 or more employees in 2008, and the total number of employees in such firms, were obtained from the Business Demography Database (special tabulation from CSO).
2. The Kompass database (with duplicate entries and public sector organizations excluded) was used to estimate the proportion of firms in each size category (50 to 99, 100 to 249 and 250 and over) in each industrial sector.
3. Information from the survey itself was used to estimate the drop in numbers employed and the fall in the number of firms from 2009 to 2010.[5]

Table 4 shows the resulting estimate of the number of enterprises and the numbers employed in the population and the numbers in the completed sample. Note that the numbers employed recorded in this way will differ from the number employed according to the QNHS. The measure of size of employer in the QNHS is based on the local unit, rather than the enterprise as a whole. In addition, the enterprise-based numbers we use here may double-count people working in more than one job.

[5] This was done by comparing the numbers employed recorded in the survey to the numbers employed recorded in the sampling frame. The ratio of the two was used to adjust the population estimates of the numbers employed. In estimating the number of firms, we assumed that the fall in the number employed was distributed evenly between reductions within firms and reduction in the number of firms.

**Table 4: Breakdown of Firms by Sector and Size in the Population and in the Completed Sample**

| Sector and Size | *Population estimates* | | *Completed Sample* | |
|---|---|---|---|---|
| | **N Enterprises** | **N employees** | **N Enterprises** | **N employees** |
| 11 Traditional manufacture (incl. mining, quarrying), 50-99 | 211 | 12,020 | 46 | 2,690 |
| 12 Hi-tech manufacture, 50-99 | 232 | 13,573 | 17 | 1,034 |
| 13 Construction, 50-99 | 120 | 4,752 | 23 | 1,060 |
| 14 Distribution, 50-99 | 391 | 21,980 | 46 | 2,760 |
| 15 Financial & Business Services, 50-99 | 292 | 17,007 | 29 | 1,751 |
| 17 Transport and communication, 50-99 | 103 | 5,610 | 12 | 672 |
| 18 Hotel/Restaurant etc, 50-99 | 305 | 17,072 | 23 | 1,348 |
| 21 Traditional manufacture (incl. mining, quarrying), 100-249 | 162 | 23,558 | 34 | 5,011 |
| 22 Hi-tech manufacture, 100-249 | 190 | 28,579 | 24 | 3,685 |
| 23 Construction, 100-249 | 72 | 9,736 | 9 | 1,669 |
| 24 Distribution, 100-249 | 179 | 26,608 | 15 | 2,194 |
| 25 Financial & Business Services, 100-249 | 236 | 35,289 | 22 | 3,369 |
| 27 Transport and communication, 100-249 | 68 | 9,874 | 7 | 1,165 |
| 28 Hotel/Restaurant etc., 100-249 | 179 | 24,130 | 22 | 3,035 |
| 31 Traditional manufacture (incl. mining, quarrying), 250+ | 75 | 67,197 | 19 | 9,228 |
| 32 Hi-tech manufacture, 250+ | 97 | 52,558 | 23 | 20,827 |
| 33 Construction, 250+ | 29 | 9,741 | 7 | 3,165 |
| 34 Distribution, 250+ | 80 | 77,962 | 20 | 29,135 |
| 35 Financial & Business Services, 250+ | 165 | 161,200 | 32 | 43,376 |
| 37 Transport and communication, 250+ | 43 | 41,918 | 8 | 23,610 |
| 38 Hotel/Restaurant etc, 250+ | 29 | 17,056 | 6 | 7,295 |
| **Total** | **3,258** | **677,420** | **444** | **168,079** |

### Two weighting variables

Two weighting variables are constructed in the dataset. The first adjusts the number of firms in the sample to the number of firms in the population. This weight is appropriate when estimating means and proportions that refer to the behaviour of firms (e.g. the percentage of firms that have implemented any given measure in response to the recession). The second weight, when multiplied by the number of persons in each firm in the sample, can be used in order to draw inferences about the percentage of those at work (in firms of 50 or more employees) employed by firms that have implemented any given measure in response to the recession. Caution is advised in adopting this approach, as some firms have very high numbers of employees (22 firms in the sample have 1000 or more employees) and the resulting estimates will be strongly influenced by their responses.

# Appendix 3

## Profile of Participants - HR Managers' Focus Groups

**Table A3.1 Aggregate Background Features of Participants in Human Resource Managers' Focus Groups (N=30)**

| | No. of Firms |
|---|---|
| Manufacturing | 8 |
| Services | 22 |
| Irish-Owned firms | 14 |
| Foreign-owned Multinationals | 16 |
| Union (s) Recognized | 19 |
| Non-Union | 11 |

**Table A3.2 Detailed Background Features of Participants in Human Resource Managers' Focus Groups (N=30)**

| Firm | Manufacturing | Services | Irish-Owned | Foreign-owned Multinationals | Union(s) Recognised | Non-Union |
|---|---|---|---|---|---|---|
| Financial services 1 | | X | | X | | X |
| Software 1 | | X | | X | X | |
| Professional services 1 | | X | | X | | X |
| Financial services 2 | | X | X | | X | |
| Financial services 3 | | X | X | | X | |
| Manufacturing 1 | X | | | X | | X |
| Retailing 1 | | X | | X | X | |
| Utility 1 | | X | X | | X | |
| Manufacturing 2 | X | | | X | X | |
| ICT 1 | | X | | X | X | |
| Hospitality | | X | X | | | X |
| Manufacturing 3 | X | | | X | X | |
| Manufacturing 4 | X | | X | | X | |
| Manufacturing 5 | X | | | X | X | |
| Manufacturing 6 | X | | | X | X | |
| Manufacturing 7 | X | | | X | X | |
| Manufacturing 8 | X | | | X | X | |
| Retailing 2 | | X | X | | X | |
| Distribution 1 | | X | X | | X | |
| Leisure 1 | | X | X | | | X |
| Newspaper 1 | | X | X | | X | |
| Retailing 3 | | X | X | | X | |
| Hospital 1 | | X | X | | X | |
| Estate Agent 1 | | X | X | | | X |
| Distributor 1 | | X | X | | X | |
| Professional services 2 | | X | | X | | X |
| ICT 2 | | X | | X | | X |
| Software 2 | | X | | X | | X |
| Professional services 3 | | X | | X | | X |
| Services 1 | | X | X | | | X |

# Appendix 4

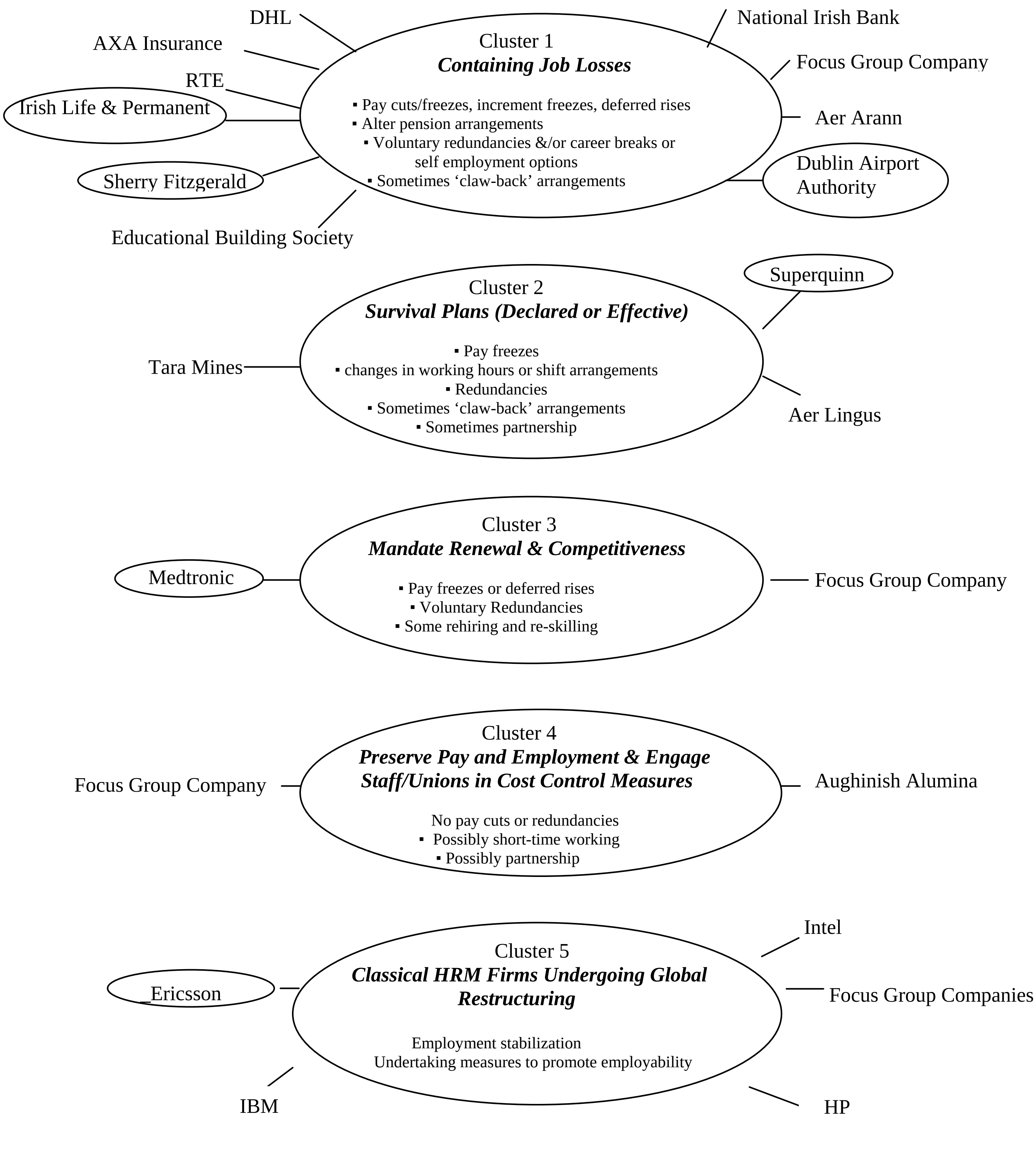
## Profile of Participants – Union Officials' Focus Groups

**Table A4.1 Sectors in which the Union Focus Group Participants Operate**

| Sector | SIPTU | IMPACT | Mandate | NUJ | CWU | UNITE[6] | TEEU |
|---|---|---|---|---|---|---|---|
| Construction | X | | | | | X | |
| Energy/Engineering/Electrical | X | | | | | X | X |
| Food & Drink | X | | X | | | X | |
| Printing/Publishing/Media | X | | | X | | X | |
| Chemical/Pharmaceutical | X | | | | | X | |
| Financial Services | X | | | | | X | |
| Transport | X | X | | | | X | |
| Tourism & Hospitality | X | | | | | X | |
| Retail & Distribution | X | | X | | | X | |
| Postal/Telecommunications | X | X | | | X | X | |
| Health Services | X | X | | | | X | |
| Public Sector services | X | X | | | | X | |
| Commercial Semi-States | X | X | | | | X | |
| Local Authorities | X | | | | | X | |
| Education | X | | | | | X | |
| Voluntary & Community | X | X | | | | X | |

[6] In Ireland + UK

# Appendix 5: Recessionary Conditions and Case Study Clusters




Note: Small ovals denote cases chosen for study