EXPLORING THE DYNAMICS OF INDUSTRIAL RELATIONS IN US MULTINATIONALS: EVIDENCE FROM THE REPUBLIC OF IRELAND

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INTRODUCTION

Multinational corporations (MNCs) now represent a critical component in the infrastructure of most advanced economies. Nowhere is this truer than in Ireland which remains one of the most MNC dependent economies in the EU (cf. Barry 2002). However, as Cooke (2003: 4) notes, MNCs in their persistent quest to optimise profitability, “face a complex web of choices in configuring and reconfiguring their global operations”. Not least of these choices is the extent to which MNCs utilise globally consistent, standardised practices in their subsidiaries, or more localised practices adapted to fit their subsidiary’s host institutional context (Gooderham et al, 1999; Gunnigle et al, 2002a). Drawing upon case study data, this paper focuses on the industrial relations (IR) approaches of US owned MNC subsidiaries in Ireland. US-owned MNCs represent by far the largest source of foreign direct investment (FDI) into Ireland, accounting for some 70% of industrial output (O’Higgins, 2002). While previous survey-based research (cf. Gunnigle 1995; Roche 2001) has identified a shift in the host business system which facilitates MNCs in their quest to introduce non-union approaches, little or no qualitative data has been brought to bear on this issue. Consequently, we present case-based evidence on the dynamics of this trend, focusing specifically on management approaches to collective employee representation and providing an exposition of the patterns of union recognition and avoidance in evidence.

CONFIGURING INDUSTRIAL RELATIONS IN THE US MNC SUBSIDIARY

In the mid 1980s Tom Kochan and his colleagues developed a theoretical framework to explain the increase in trade union avoidance in the US (Kochan et al, 1986: 159). This focused on the interaction of a number of important causal factors in explaining the growth and diffusion of non-union approaches. Since our analysis focuses on US MNCs and their efforts to configure IR in foreign subsidiaries, we concentrate on a number of key factors seen as influencing IR in MNC subsidiaries. In this effort we employ a rational behaviour perspective (cf. Cooke 2001) to evaluate the choice of US subsidiaries to engage in union avoidance or recognition, and the nature of such engagement. In so doing we seek to identify the main motivators or drivers of behaviour of the parties and, secondly, to explain what factors influence their ability and actions to achieve those objectives (for example, legislative constraints in regard to trade union recognition). To this end we firstly consider the home country context and how this may affect the IR approach. We then consider the role played by the host country environment.

That organisations are operating in an increasingly globalised business environment is without question. The immense economic and political significance of MNCs is well documented in the extant literature (cf. Hirst and Thompson, 1999). Increasingly MNCs are controlling vast numbers of subsidiaries in significantly different business contexts. Importantly, research suggests that the nature of the IR environment and the preferred approach to the management of the employment relationship is significant in influencing an MNC’s location decision (Cooke 1997, 2003; Cooke & Noble 1998). These studies consistently indicated that IR systems factors help shape FDI location decisions, with the direct consequence that Governments are increasingly faced with the difficult balancing act of, on the one hand, attracting FDI through favourable host system characteristics, such as lower levels of institutional constraints, and, on the other hand, ensuring individual and collective rights are protected through legislative provisions and supporting institutions.

While the debate on the transformation of IR systems in response to the internationalisation of trade, technological innovation, etc., continues (cf. Sparrow & Hiltrop, 1994), few would disagree that the American IR system is different to most other industrialised nations. It was precisely this belief that led Jacoby (1985: 173) to coin the term ‘American
exceptionalism’. Colling (2001:1) argues that ‘the prominence of the non-union sector is the single most striking feature of American employment relations’. However, we are also mindful of the tradition of unionisation and collective bargaining in the US. Although collective bargaining served as a key means of regulating IR in the twenty years following the introduction of the Wagner Act in 1935, the role accorded to organised labour in the US has generally been characterised as ‘modest’ (Kochan et al, 1986). Indeed Colling (2001:2) posits that US unions pursued their role “in ways designed to fetter management discretion and the ability to respond to external change”. Explanations for low unionisation rates include the fact that initially industrial income in the US was comparable to farm incomes and higher than factory workers in Europe. Other reasons include the absence of feudalism in the country, early mass enfranchisement, working class heterogeneity, high rates of social mobility, and a dominant value system which stresses individualism and personal achievement (cf. Guest, 1990; Wheeler, 1993). Such explanations have drawn criticism, most notably for their focus on the impact of employee influences on union density and ignoring the hostility of US management towards unions (Ferner 2000; Jacoby, 1985). In this regard we witnessed the development of a distinctively American solution to the management of labour in the twentieth century, an approach which became known as ‘welfare capitalism’. Jacoby (1997) describes welfare capitalism as a management paradigm which viewed the industrial enterprise as the source of stability and security in modern society. It developed in the US in the early 1900s and firms using this approach exercised their paternalistic responsibility through forming company (in-house) unions, paying good rates of pay and providing job security, good working conditions and elaborate recreational facilities (cf. Ferner & Quantanilla 2002; Jacoby, 1999). As Finkin (1999) notes, the essence of welfare capitalism lay in security against unemployment, sickness, and old age. The onset of the Great Depression led to the demise of welfare capitalism as firms were forced to rationalise operations and lay off workers. However, Jacoby (1999: 124) argues that welfare capitalism did not disappear but rather ‘went underground’. He found that welfare capitalism responded to the challenges presented by the New Deal and re-emerged in a modernised form in the post World War II era. He further argues that these welfare capitalist firms (including Eastman Kodak, Sears Roebuck and IBM) laid the groundwork for the modern non-union company. Such non-union firms which emerged in the 1980s and 1990s represented a distinctively American approach to the management of IR, notably in regard to their emphasis on HRM practices.

Turning to the host country context, Ireland presents an interesting and somewhat distinctive host country context which is seen to contrast with the US in a number of ways. The most important of these are the argued legitimacy and influence of trade unions in Irish society, the high levels of centralisation in collective bargaining, the higher levels of union density and recognition, and the absence of a strong anti-union ideology/agenda among any of the major political parties (cf. Roche & Ashmore 2001). For over three decades, Irish Governments of all political hues have generally been advocates of national level accords on pay and other aspects of economic and social policy, involving negotiations between the main ‘social partners’ (Government, employers and trade unions). Such agreements have ensured that trade unions play a prominent role in public policy determination. This clearly contrasts the US experience, particularly in the 1980s where the Regan-led administrations adopted a strong anti-union agenda and created a particularly hostile political and economic climate for organised labour. It should be noted that - again in contrast to the US - the Irish ‘system’ of collective bargaining is grounded on largely voluntary principles, relying on the moral commitment of the participants to implement agreements achieved through the bargaining process. Employers and trade unions are thus free to adhere to, or deviate from, the terms of such agreements. In international comparison, Ireland has a reasonably high, if falling, level of trade union density. The most recent figures suggest that in 1999 workforce density in Ireland was just over 44 per cent, a
figure considerably higher than in the US, where union density is approximately 13.5% and confined to a small number of industrial sectors (Roche & Ashmore, 2001).

Moving to the level of the firm, while the choice of strategy and indeed the configuration of IR may in part be driven by the product market context, it is also influenced by managerial values. Kochan et al (1986: 55) argue that managerial values profoundly impact upon the choices that firms make in relation to preferred IR styles, acting as the lens through which ‘managerial decision makers weigh their options for responding to cues from the external environment’. We earlier noted that opposition to trade unions is characteristic of the value system of American managers. Poole (1986) observed that while managerial preferences have fluctuated over time, US employers have, in the main, embraced union avoidance against a more general trend of tacit acceptance of trade unions in Western Europe. This is often linked to the notion of ‘individualism’ in American society and the primacy accorded to private enterprise (cf. Guest, 1990; Jacoby, 1997).

Given our focus on US MNCs and their approaches to configuring collective representation, it is useful to reflect on the reasons why such firms would be motivated to operate with or without unions, or adopt particular forms of union engagement. To this end, we employ a bounded rationality perspective (cf. Cooke, 2003) which assumes that MNCs seek to optimise company profitability and thus maximise operational performance at workplace level, while unions seek to act in ways perceived as maximising gains to workers. Thus managers would evaluate the choice of whether to engage in union avoidance or recognition on criteria related to the impact on operational performance and the bottom line. However, their decision or rationality may be bounded by constraints within the host environment, such as regulations which restrict employer freedom to set terms and conditions of employment, or impose significant transaction costs on making alterations to terms and conditions of employment. More significantly, Cooke (2003) points to the importance of the perceived added costs associated with union recognition and collective bargaining in evaluating the final configuration of subsidiary level IR. An important consideration here, as evident in international literature, is the impact of unionisation on measures of firm performance such as profitability, labour productivity and return on investment (cf. Freeman & Medoff, 1984). In evaluating this literature, Roche and Turner (1998) find the results on the impact of unionisation on productivity inconclusive but argue that the evidence from the manufacturing sector, particularly in the US, indicates that unionisation serves to reduce firm profitability. More generally, we find evidence that MNC managers attribute a number of disadvantages to having a union presence, *inter alia*, higher labour costs, protection of unsatisfactory workers, lower flexibility and responsiveness to change, promotion of trivial grievances and of an adversarial IR climate (cf. Flood and Toner 1997). However, there are also potential costs associated with union avoidance, such as the need to provide competitive pay and conditions, the temptation to employ a more relaxed supervisory regime and the absence of a mechanism for dealing with collective grievances. A further consideration is that MNCs may perceive home country IR approaches as an important source of competitive advantage (cf. Barney, 1991) and seek to employ these in their foreign subsidiaries. Consequently they may view the prospect of trade union recognition as a further disadvantage because it may constrain their ability to diffuse these practices to subsidiaries due to union resistance or incongruence with the host country IR system.

From a trade union perspective, it is evident that changing management approaches to IR have increased their difficulties in recruiting members and securing recognition in the private sector. At firm level, Green (1990) makes a particularly important distinction between the supply of an available union in a workplace, and the demand for a union by workers. Trade union presence in the workplace acts as a ‘gateway’, allowing workers to take up union membership. Factors associated with the occupation will also influence whether there is a recognised union available. In Ireland, for example, craft workers tend to be highly unionised and consequently their presence in a workplace increases the likelihood of union recognition. On
the demand side, we can identify a variety of reasons why workers might join trade unions, such as dissatisfaction with the work/supervisory climate, perceived poor management behaviour, ideological reasons, such as belief in collective solidarity, and other reasons such as peer pressure (cf. Flood and Toner, 1997). In the Irish context, it appears that a confluence of factors have resulted in the significant growth in union avoidance, particularly among US MNCs. Wallace (2003: 7) argues that the pattern of union avoidance among US firms which emerged in Ireland from the early 1980s mirrored the trend which had developed in the US a generation earlier:

Essentially, non-unionisation started in a small number of US companies. Notable early non-union companies were Digital and Wang Laboratories. Unions tended not to initiate vigorous recruitment campaigns in such companies for a variety of reasons. Pay and conditions were good and there may have been a poor prospect of gaining employee backing for recognition or the fear of unfavourable publicity. The successful maintenance of the non-union status of these companies over an extended period, produced a “demonstration effect”, which challenged the conventional wisdom among personnel practitioners that unionisation was inevitable.

We have already mentioned the increased scale of US FDI into Ireland in the 1990s. Much of this growth was in the information and communication technology (ICT) area (particularly electronics and software), a sector widely seen in the US context as overwhelmingly non-union (cf. Kochan et al., 1986). A change in the policy stance of Ireland’s state agencies with responsibility for attracting FDI was also a factor. During the 1960s and 1970s these bodies actively advised inward investing firms to recognise trade unions and engage in collective bargaining – an approach in line with practice in most larger organisations in Ireland at the time (McGovern, 1989). However, faced with increased international competition for FDI, these agencies have, since the early 1980s, adopted a ‘union neutral’ stance, indicating to inward investing MNCs their freedom to choose the non-union alternative should they so wish. Thus, over time union avoidance has become a common strategy among US MNCs.

We will now outline the methodology underpinning the study prior to presenting our research findings.

METHODOLOGY

This paper draws on new data gathered from two detailed case studies of IR and HRM in the Irish subsidiaries of US MNCs in the pharmaceutical and healthcare sectors. These sectors were chosen because they are largely dominated by MNCs, especially US MNCs, and also because of their significance to the Irish economy. They have also recently been targeted by Ireland’s main agency for promoting inward investment, IDA Ireland, for further development and investment. These sectors contribute some €35 billion per year to exports (IDA, 2000). Both of our case firms are identified through pseudonyms (Pharmaco and Healthco) to protect their anonymity. Pharmaco is one of the world’s leading pharmaceutical firms, employing approximately 90,000 people worldwide and boasting revenues in excess of $30 billion. Healthco operates in both the medical products and pharmaceutical sectors, employs over 70,000 people worldwide and has revenues in excess of $15 billion. Both these MNCs operate at a number of Irish sites and employ in the region of 4000 people in the country.

Access to both case companies was extremely good. The data used in this paper were collected primarily through interviews with company personnel. Information was also gathered through reviews of company documentation, web site data and observation. A series of in-depth interviews (26 in total) were held with all top management team members in the Irish subsidiaries, a reasonable cross section of middle ranking and front line managers/team leaders, shop floor workers, employee representatives (shop stewards) and trade union officials.
Interviews lasted a minimum of one hour and were tape recorded for accuracy and later transcribed. Some people were interviewed more than once. Interviews were conducted by a minimum of two interviewers. Interviewees were fully briefed in advance regarding the research agenda/nature of issues being investigated. The interviews were semi-structured and covered broadly similar themes in each instance.

CASE STUDY FINDINGS

Trade Union Recognition and Avoidance

In our earlier discussion on the IR approaches of US MNCs, we pointed to the fact that US firms are commonly characterised by antipathy towards trade unions and preference for more individualised management-employee relations and non-union status (cf. Jacoby, 1997). Both Healthco and Pharmaco entered into union recognition agreements covering the majority of employees on establishing their first operations in Ireland. Thus collective bargaining arrangements were set in train from the outset and remain the main vehicle for handling IR issues in these original plants to the present day. The decision to recognise trade unions represented a major departure from home country practice: the General Manager of Healthco reported that all of their American plants were ‘staunchly non-union’, in some cases moving to rural areas partly as a method of union avoidance, while the Head of HR in Pharmaco indicated that, at the time of establishment, the company was ‘a typical American multinational’ and ‘solidly non-union in the States’.

We found that both firms took the advice of the Industrial Development Authority (the predecessor of IDA Ireland) during the original start-up, to embrace a strategy of union recognition using post-entry closed shop arrangements. This was also in line with the advice of the Federated Union of Employers, the main employers association at the time. Also significant in the decision of both firms to recognise trade unions was the highly publicised and failed attempt by EI (an American MNC subsidiary) to operate on a non union basis in Ireland in 1968 (cf. McGovern, 1989). A final contributory, but arguably much less significant factor, was the fact that both firms had a requirement for craft workers, which tend to be a highly unionised occupational category: the HR Director of Healthco observed that craft unions tended to be quite protective of their craft by ensuring that only ‘card-carrying [unionised] workers were permitted to undertake certain types of work’. Interviewees pointed to a range of these factors in explaining the decision of these traditionally non-union firms to recognise trade unions. The following quote is illustrative of the opinions we elicited:

When they first came to Ireland in the late 1960s they would have done an assessment about whether to go union or non-union, but the climate at the time in Ireland was very much union. There was that firm’s case of union recognition in Shannon where a company was shut down [sic] through failing to recognise a union [the EI dispute referred to above]. This was prominent in the minds of management at that stage so they took the advice of the FUE and recognised the unions.

Head, HR, Pharmaco

Thus the overall IR strategy adopted by both Pharmaco and Healthco was to recognise trade unions representing operator and craft categories from start-up. Pay increases for both these grouping are subject to collective bargaining involving separate negotiations with general and craft groups on a plant-by-plant basis. We also found that both firms traditionally operated outside the terms of nationally negotiated agreements which have been the predominant mechanism for setting pay norms for unionised workers in Ireland. Healthco has consistently agreed pay increases above the norm set down in national agreements. For example, in 2002 unionised workers in Healthco received pay increases described by Industrial Relations News
(IRN) as ‘a good deal higher’ than that prescribed under the prevailing national pay accord, while a separate IRN report found that that the company concluded the largest number of ‘above the norm deals’ during a particular accord (IRN Report: see end note i). A similar trend was evident in Pharmaco, where recent negotiations resulted in operator grades receiving pay increases ‘well in excess’ of the prevailing national accord (IRN report). This report further observed that Pharmaco had agreed pay increases significantly above the norm set out in national accords even before the ‘Celtic Tiger’ boom of the 1990s.

Turning to contemporary IR developments, by far the most significant finding relates to the decision of both these MNCs to adopt a non-union strategy in their more recently established Irish plants. In both cases we find a trend of increased union avoidance over recent years. This is particularly pronounced in Healthco. Initially, union avoidance occurred in relation to the opening of their small Plant 4. More notably, the larger Plants 5 and 6, opened subsequently, also operate now on a non-union basis. The non-union status of these new plants (4, 5 & 6), all established in geographic proximity to the older established unionised plants, represent a significant departure from the initial policy of union recognition via post-entry closed shop agreements. Pharmaco presents a similar picture: their new pharmaceutical plant, opened on a greenfield site in the recent past, was also established on a non-union basis.

In commenting on this trend of union avoidance in Pharmaco’s newer plants, a union official noted this pointed to a change in direction with regard to subsidiary level IR. His union, which represents operative and some other grades in Pharmaco’s older plants, was refused access to workers in the new plant despite repeated requests to meet and address them. He noted:

> [Pharmaco] Ireland appears to have a new approach to industrial relations and I think if they had their time again they would be non-union or at least seek to be as non-union as possible.

Union Official 1

He further cited management’s wish to increase prerogative and their desire to curry favour at corporate level as the key drivers of the change in direction. While acknowledging the influence of corporate HQ, this union official felt that this change in strategy was primarily driven by local management:

> It’s a matter of change…immediate change without a grievance procedure to discuss it. When management want to change, they don’t want to have anyone, particularly a union coming in and saying ‘wait, you have to discuss that with us’.

> I think it [the move towards non-unionism] is coming from the States but it is also a new breed of management that’s online [in Ireland] as such. In that you had [in the past] the [former Head of HR] and he had a unique way of dealing with things. Things took time but you always knew you would get things sorted…the problem I see with it today is that there are so many companies [Pharmaco sites] around ..and they are all jockeying for position. Their [HR’s] attitude is we will drive as much as we can. We won’t talk to unions as much as we can, we delay everything as much as we can. We drive as hard as we can to get the most out of people and we’ll look good. We’ll get our names in lights.

So what was the management rationale for going non-union in the more recently established plants and what specific approaches, if any, did management use to expedite this policy? Perhaps the most immediate question which springs to mind, given our finding on the existence of ‘good’ management-employee relations in Healthco, is why might management diverge from a tried and trusted approach which appears to have worked well, and, most pertinently, from
where did the decision to go non-union emanate? Interestingly, our findings suggest that the decision to go non-union was taken largely on the initiative of the Irish top management team:

It was the preference of Irish management …If local management had wanted to go the union route, we could have convinced corporate to agree. It was our preference

HR Manager, *Healthco*

On the question of ‘why go non union’, this seemed largely a management decision conditioned by a number of factors. Firstly, management seemed fairly confident that they would encounter limited union opposition to such a policy. Secondly, they felt that, on balance, it would make management’s task easier in the new facilities. In our attempts to get management to elaborate on the latter rationale, it seems that management felt that even ‘small changes’ are sometimes difficult to implement in the unionised plants and that non union status gives management the ‘ability to get changes done quicker’ (HR Manager, *Healthco*). However, as we have mentioned the choice to go non-union was not an absolute priority with the Irish management, simply a preferred choice which they would implement if it could be achieved in a straightforward manner. The following comment from the *Healthco* HR manager with responsibility for both unionised and non-union plants largely reflects the balance of opinion among the management team on the decision to go non-union:

It is not a huge issue though, just a preference. We don’t have militant unions here. We get on fine. Going non union is less hassle, especially with the operators. Here [plant 1] we meet with [the trade union for general workers] formally once a week and informally almost every day. The [craft union] situation is much easier, we meet formally once a year and have good relations with them. Demarcation can be a bit of an issue between the two operator grades but it’s not huge.

In *Healthco* we also investigated management’s choice of union avoidance in their newer sites. Here, senior management indicated that Plant 4 largely employed technicians, while Plant 5 was their ‘high tech’ facility, initially only employing engineers and other qualified technical categories, all of whom, management claimed, ‘were not pre-disposed to take up union membership’. While Plant 4 remains largely staffed by technicians, Plant 5 now employs a significant number of general operatives, posing the conundrum of why these have not sought to unionise. Here the management argument was twofold. They suggested that the operative level employees in Plant 4 were ‘mostly quite young’ and thus ‘not all that pushed’ about union membership (HR manager). Secondly, they argued that the company treated employees well, both in terms of pay and the general quality of work life, and thus employees had little incentive to unionise:

A few years ago they [a section of employees in Plant 4] made moves to say they wanted to join a union but that was overcome with increased communication. The plant had grown so fast and I think they were disgruntled at how things had changed.

HR Director, *Healthco*

By and large, it appears the company encountered little serious union opposition to its decision to go non-union in its new sites. The opinion of the Chief Shop Steward (general union) is instructive here:
Not once did (general workers trade union) even make a play for [plant 4] or the new one. It surprised me to say the least.

While pursuing a non-union strategy in its new plants is clearly a departure from tradition for Healthco and Pharmaco, it is very much in line with the recent practice among new inward investing companies (cf. Gunnigle, 1995). Hitherto, the conventional wisdom was that older MNCs, which had recognised unions from the outset, largely maintained this approach, while newer inward investing MNCs, especially those in the ICT sector, tended to opt for non-union status (cf. Gunnigle et al 2002b; Roche, 2001). The evidence from both our cases raises the spectre of union avoidance becoming a growing trend among longer established MNCs with a record of active engagement with collective bargaining.

**DISCUSSION AND CONCLUSIONS**

Trade union recognition and avoidance is an area of intense current debate in Irish public policy. This debate stems from a significant fall in levels of trade union density experienced in Ireland over the past two decades or more. As noted earlier an important factor in this decline has been the increased level of union avoidance in the MNC sector, most especially among US MNCs. A study of firms which established at greenfield sites in Ireland over the period 1987-1997, found that 65 per cent of firms were non-union (Gunnigle et al 2002b). Non-unionism was by far the most prevalent among US MNCs: only 14 per cent recognised trade unions compared with an equivalent figure of 80 per cent among European owned MNCs. Roche (2001) similarly found a sharp increase in union avoidance in US workplaces established since 1980. The trend of US MNCs opting to establish on a non-union basis contrasts with the research evidence on IR practice among inward investing firms up to the 1980s which found that such MNCs generally recognised unions and engaged in collective bargaining (Enderwick, 1986; Kelly & Brannick, 1985).

Looking at the evidence from both our case firms we find what appears on initial review to be a relatively traditional picture. Both MNCs recognised two trade unions representing manual and craft categories. Pay and other major IR issues in these plants are handled via collective bargaining on a plant-by-plant basis. We have seen that the practice of entering into union recognition agreements at start-up stage was a standard feature of IR practice in the FDI sector in the 1960s and 1970s. These ‘sweetheart deals’ as they became known, allowed new firms to prescribe which trade unions it wished to deal with. The decision to recognise trade unions and engage in collective bargaining in both firms clearly aligned their IR approach with the prevailing trend among inward investing MNCs of the time. It also represented a departure from home country practice of union avoidance. It seems that the advice of the local management team, the IDA, and the Federated Union of Employers convinced Corporate HQ to go the union route.

While it is clear that collective bargaining goes on as normal in Healthco’s and Pharmaco’s unionised facilities, the shift to non-union status in its newer plants represents by far the most significant IR departure since these firms arrived in Ireland. Having first established its small plant 4 on a non-union basis some years ago, Healthco has since opted for non-union status in all of its recently established plants. This decision appears to have been taken largely on the initiative of the Irish management team, albeit in the knowledge that it accorded with the preference of corporate HQ. Likewise the decision by Pharmaco to take the non-union route seems to have been primarily driven at subsidiary level. Regardless of the source of these decisions, the adoption of union avoidance strategies by both these major MNCs gives support to the argument that host country effects are increasingly being overridden by the country of origin effects in regard to IR practice in MNC subsidiaries (Roche 2001; Turner et al, 1997). We earlier referred to evidence of a general growth in resistance to trade union recognition in Ireland during the 1980s and 1990s, mostly among US MNCs (cf. Gunnigle, 1995; McGovern 1989).
However, it is also important to point out that increased resistance to union penetration is not exclusive to Ireland, but also evident internationally. Even in the US, where employers have traditionally opposed union recognition, we find evidence of an increased intensity in opposition since the 1980s (cf. Blanchflower & Freeman, 1992), while the UK Workplace Industrial Relations Surveys indicate a fall in union recognition among newly established companies (Cully et al, 1999).

However, the concurrent adoption of union recognition and avoidance in sister plants represents an important development in the Irish context. We know that union de-recognition, which Bassett (1986) identifies as the sharpest form of union avoidance, is quite uncommon in Ireland, although the UK witnessed some important cases since the 1980s. While neither of our cases entails de-recognition, they are examples of so called ‘double-breasting’ arrangements, whereby a multi-plant organisation recognises trade unions in some (older) plants but does not concede union recognition in other (newer) plants. While the growth in the incidence of ‘double-breasting’ in the UK was predicted by Beaumont and Harris (1992), its development in Ireland is somewhat unexpected. We earlier noted that Ireland’s IR landscape has long been characterised by national level agreements between Government, employer associations and trade unions. This level of national engagement affords Irish trade unions very significant influence in shaping economic and social policy. At enterprise level too, recent centralised agreements have explicitly sought to promote partnership based IR arrangements. One would therefore expect that this context of ‘social partnership’ would ensure the endurance of a strong role for unions in Irish society and of pluralist IR traditions. Clearly this is not the case. Taken in concert with the progressive trend of increased union avoidance among new MNCs in Ireland, the prospect of increased ‘double-breasting’ among older MNCs exacerbates the already grave difficulties which unions encounter in organising the MNC sector. Ireland has recently seen an important change in public policy in regard to FDI, which seeks to shift the focus away from attracting new Greenfield start-ups towards more deeply embedding existing MNCs through the attraction of higher order investment. The healthcare and pharmaceutical sectors are to the forefront of this strategy. Several long established MNCs in this sector have recently announced major expansions to their Irish operations, the most high profile being Wyeth Medical’s new ‘bio-technology campus’ in Dublin, claimed to be the largest ‘single site biotechnology facility in the world’ (IDA, 2001: 1). Our findings suggest that such sites will increasingly operate on a non-union basis, despite the fact that longer established sister facilities were highly unionised. More generally it implies that union penetration in a very large part of the Irish private sector is being impeded by (a) the fact that new FDI, particularly in the ICT sector, is overwhelmingly non-union, and (b) the emerging trend of ‘double-breasting’ in sectors where union recognition was once the accepted norm. In essence, union penetration is being challenged at two critical junctures in the FDI ‘life cycle’ - among new inward investing MNCs, and now in longer established MNCs which are increasing their foothold in the country.

Of particular interest are the reasons why both these long established MNCs have chosen to operate their new sites on a non-union basis. We first consider enterprise level factors. In our findings we described three broad rationales, as articulated by management, to explain their decision, namely: (a) flexibility: management felt going non-union would allow them greater freedom in making and implementing operational decisions; (b) workforce profile: management argued that these new sites employed younger, better educated workers who were ‘less inclined’ to seek union membership; (c) capacity: management were confident they would encounter little union opposition to their decision.

If we apply a rational behaviour lens to management’s decision, we would expect the decision to ‘double-breast’ be made on the premise that it would enhance operational performance in the particular site, and thus contribute to increased company profitability (cf. Cooke, 2003; Freeman & Medoff, 1984). Overtly, only the first of the three categories above (enhanced flexibility in decision making) would seem to impinge directly on operational
performance. Even then, the impact on performance is unclear: management seemed mainly interested in increasing the speed of decision making, and their own prerogative, by avoiding what they saw as an unnecessarily protracted negotiation/consultative process. However, the final category (capacity to go non-union) also reflects increased management prerogative: in contrast to their counterparts who decided to recognise trade unions on first establishing in Ireland, the current top management teams seem confident of their ability to establish and sustain non-union status.

In addition to these espoused reasons for double-breasting’, we feel two other factors are important in explaining management’s decision. Firstly, in relation to pay bargaining, we find emerging evidence of management initiatives to curb the level of pay increases in unionised sites and bring them more in line with practice in the non-union sites. We noted earlier that both firms’s unionised plants have traditionally operated outside of national accords, concluding pay deals which were invariably above the norm. A 2002 IRN review found that both of these firms had negotiated ‘key local pay deals’ above the terms set down in the prevailing national accord (IRN Report: see end note I). This report identified pharmaceuticals and healthcare as the sectors with the consistently largest numbers of ‘above the norm deals’, labelling them as ‘normally recession-proof’ sectors. Recent developments in our case companies question this assertion. In 2004, for the first time, Pharmaco, has taken a firm stance in stating it will hold the line and not pay more than the prevailing national agreement. More pertinent, the Irish Labour Court recently upheld Healthco’s offer to pay similar terms to that of the prevailing national accord in its main manufacturing plant, citing the company’s ‘more difficult trading position’ and rejecting the trade union’s claim for an above the norm increase. Thus, both firms are now moving to bring their pay deals into line with national norms. This ‘above the norm’ issue does not appear to arise in the non-union sites, suggesting that there is a real pay advantage to be gained from double breasting. Secondly, we feel there is also a micro-political advantage to be gained from double breasting. A consistent theme which emerged in our discussions with both top management teams was their desire to garner favour with corporate HQ so as to attract higher order investment and, effectively, extend the Irish subsidiary’s corporate mandate. Both appear to have been highly successful in this regard: Healthco and Pharmaco have announced very considerable investments in Ireland over the recent past. The fact that much of this investment is in non-union sites was clearly a factor which went down well at corporate level. In Healthco, for example, the Irish HR manager emphasised that while the decision to ‘double-breast’ was ‘the preference of Irish management’, they were also acutely aware that it was ‘what US (corporate) management wanted’.

The other explanation proffered by management for choosing the non-union route was that of workforce profile, namely that these new sites largely employed younger, well educated workers who had ‘little interest’ in joining trade unions. This demand side explanation relates to the impact of longer term structural shifts in employment, particularly the decline in the numbers of manual/blue collar workers and growth in the proportion of so called ‘knowledge workers’, on union membership (Kumar, 1995; Valkenburg, 1996). We earlier noted that both our case firms had seen considerable growth in the scale of their Irish operations over recent years, due to the attraction of ‘higher order’ investment. This resulted in increased employment, involving an influx of younger workers, a large proportion of who were third level graduates. In Healthco, we saw that the HR Director stated that their new more highly qualified workers ‘were not predisposed to take up union membership’. This management line that younger, better educated workers have a lower propensity to unionise is not supported by data on overall patterns of union membership in Ireland. The 1996 Labour Force Survey (CSO, 1996) found that professional and technical workers had the highest level of unionisation of any occupational category. In regard to educational attainment it similarly found that third level graduates had the highest level of unionisation. Thus, we would argue that the critical factor explaining non-membership of trade unions in the new sites is not a lower propensity of workers to join unions.
but rather the lack of union availability. We know that most analyses of union membership orientations in the developed world indicate that the most workers fall into the category of passive membership orientation, i.e. they have a largely ambivalent attitude towards union membership (cf. Flood et al 1996; Nicholson et al 1981). In contrast to the older sites where union membership was, de facto, a condition of employment for many workers, the new sites lack any vestige of union presence. This lack of a union presence in our case firms, or information thereon, means that new employees are not afforded any opportunity to take up union membership: in effect the ‘gateway’ to union membership is closed off (cf. Green, 1990).

While developments within MNCs are clearly important in regard to the configuration of IR policy and practice in subsidiaries, it is widely accepted that developments in the external environment, particularly the social, political and economic climate in the host environment, are critical in establishing the context and parameters within which subsidiary level arrangements are constructed. Of particular note in this regard is our conclusion that a key factor in both subsidiaries’ decision to go non-union was the Irish management team’s capacity to choose this alternative. Numerous commentators have noted Ireland’s long track record in competing aggressively for FDI. Having pursued a protectionist approach to industrial development since independence, Ireland reversed this policy stance in the late 1950s. With the objective of accelerating industrialisation, the country set out to attract FDI through a series of incentives, including, grants, subsidies and low tax on profits. This strategy has clearly impacted on the host IR context and the behaviour and approaches of the key IR actors, particularly with respect to the role of the State. Over recent decades we have witnessed considerable change in public policy in regard to trade unions. In line with the extant literature (cf. McGovern, 1989), our case evidence shows that the main industrial promotions agency, the IDA, encouraged both companies to recognise trade unions on first establishing in Ireland. Such state agencies have now shifted position, emphasising the capacity for inward investing companies to opt for non-union status should they so wish. Our discussions with union officials confirmed this change. One such official noted that during a recent case, which his trade union had taken against a US MNC, under Ireland’s recent ‘right to bargain’ legislation, his General Secretary was contacted by a senior IDA Ireland official and informed that if recognition was secured the company may close their Irish operation:

On the night before the hearing, the IDA got onto our General Secretary threatening that the company were going to walk out of the country if this [case] was carried through. In fairness, our General Secretary rang me and I said we have a right to discuss this and I don’t believe them. There is no company going to walk because of unionisation…. there are hundreds of millions invested [in Ireland by this MNC]

This change in Irish public policy over time is aptly captured in the contrast between the recommendation of the Commission of Inquiry Report (1969) on the EI trade union recognition dispute that “incoming companies should recognise the industrial relations of this country and the inevitability of union recognition” (McGovern, 1989: 63), with the following statement from the then Minister for Enterprise and Employment over quarter of a century later (Hourihan 1996: 21):

The IDA is there to encourage the establishment of new companies. It is not there to press one particular way of dealing with industrial relations. I don’t see that as part of the IDA agenda….Some companies have an approach to personnel relations which doesn’t involve (trade) unions… fine, we have to be realistic and recognise that that is the approach they have taken. We can’t set preconditions.
In evaluating the dynamic between home and host country business systems in the management of foreign subsidiaries of US MNCs, we find clear evidence of the evolving nature of business systems, particularly in the host country (Ireland) and the resultant impact on management practice in our case firms. Of particular consequence is the emergence and predicted growth of ‘double-breasting’. Arguably the ability of these firms to choose the non-union route in their recently established plants is closely linked to the change in conditions prevailing in the Irish business system. Because of Ireland’s dependence on FDI, successive Governments have increasingly sought to position Ireland a ‘new’ economy: pro-business and enterprise, and thus a suitable location for inward investing MNCs. One aspect of such positioning is the relative absence of constraining IR regulations and institutions which might impose alien IR practices on inward investing MNCs.

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References


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END NOTES

\[1\] In this paper we have not provided the full references to any documentation which would reveal the name of the company.