

Industrial Relations in Multinational Companies (MNCs): Double breasting and Trade Union Avoidance in Ireland

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Introduction

This working paper addresses the incidence of double breasting as a means of trade union avoidance in multinational companies. Double breasting is a phenomenon whereby multi-establishment firms concurrently operate union and non-union facilities. Drawing on survey findings from the largest and most representative empirical investigation of employment practice in MNCs in Ireland to date, we profile the incidence and pattern of this particular form of union avoidance. We subsequently use qualitative case study data to explore management's rationale for so doing.

Accordingly, our paper is structured as follows. In the next three sections we review pertinent literature. First, we address the broad area of trade union recognition and avoidance, particularly as it applies to MNCs. We then examine the concept of double breasting and subsequently review the Irish context, where we identify particular changes impacting on union avoidance and specifically on managerial capacity and willingness to engage in double breasting. This is followed by an outline of our research methodology, including information on sampling strategy and response rates. The next section presents our main findings on the incidence and pattern of double breasting among the MNC population. Using a strategic choice perspective and drawing on case study data, the penultimate section explores possible employer rationales for engaging in double breasting. In the final section, we present our discussion and conclusions.

Employer approaches to trade union avoidance

Employer resistance to union recognition has a long and chequered history and can take many forms, which largely straddle the continuum from union suppression to union substitution (cf. Freeman & Medoff, 1984; Jacoby, 1985, 1997; Kochan *et al*, 1986). However, convenient the substitution and suppression categorization may be, it lends itself to the criticism that it represents an inadequately nuanced interpretation of the variety of management approaches to union avoidance (cf. Dundon 2002). Thus Gall (2003), building on previous work by Roy (1980), offers a more detailed categorisation of employer resistance strategies towards trade unions (e.g. 'fear stuff', 'Sweet stuff' and 'Tame stuff'). This and similar categorisations provide a useful perspective into the *manifest strategies* engaged in by employers to thwart union penetration, primarily at the workplace level. However, such a workplace focus suffers from some significant drawbacks. By largely concentrating on direct employer opposition it tends to overlook *indirect* and often more subtle union resistance strategies on the part of employers. In particular, it fails to address the impact of higher (corporate) level employer thinking and choices respect to union avoidance or the more imperceptible union avoidance strategies developed at this level. To address this shortfall, we draw on a strategic choice framework. The notion of strategic choice in industrial relations is based on the premise that employers possess some room for manoeuvre and though environmental factors may limit the range of choice, senior management retain the capacity to make decisions on key aspects of industrial relations policy and practice (cf. Poole, 1986; Marchington and Parker, 1990). It therefore embraces the degree to which employers possess and exercise strategic

choice in industrial relations. As demonstrated by Kochan *et al* (1986), a strategic choice perspective is particularly useful in identifying and explaining the role played by employers and particularly by corporate level management in the industrial relations sphere:

“...the events having significant impact on industrial relations processes and outcomes start well above the functional level of industrial relations....Previous research has failed to address adequately...[such]..strategic decisions..[which]..are made far above the traditional reach of workers, their representatives, or the collective bargaining process”.

Kochan *et al* (1986: 10)

In Britain and Ireland at least, much of the research on industrial relations in multinational companies (MNCs) has focused on either *ab initio* union avoidance (i.e. non recognition in newly established sites) or on de-recognition in longer established firms (Gall, 1999; Dundon, 2002; Edwards & Ferner, 2002; Ferner, et al, 2005). In Ireland, several studies have highlighted the marked increase in trade union avoidance, particularly among American MNCs establishing at greenfield facilities (cf. Gunnigle 1995, Gunnigle *et al*, 1997; Geary & Roche 2001). Recent evidence finds no abatement in this trend, as union avoidance has increasingly become the option of choice for new inward investing MNCs, particularly those of U.S. origin (Industrial Relations News, 2003). In contrast, older MNCs, particularly those that established in the 1960s and 1970s, are seen as more solidly unionised (cf. Roche & Geary 1997). This reflects the fact that such inward-investing MNCs, both American and other foreign-owned, overwhelmingly conformed to prevailing local norms by recognizing trade unions and relying on collective bargaining as the main vehicle for handling workplace industrial relations (Enderwick, 1986). Many of these long-standing unionised MNCs are located in the manufacturing sector, especially pharmaceuticals and healthcare (Gunnigle et al, 2005). This ‘conformance’ pattern began to fade from the turn of 1980s. Since then many new inward-investing MNCs have successfully avoided union recognition. Consequently, the received wisdom is that while unions remain reasonably well entrenched in older MNCs, they have been effectively excluded from vast tranches of new MNC operations.

Union de-recognition, which Bassett (1986) sees as the sharpest form of union avoidance, achieved particular prominence in UK during the Thatcher era (Beaumont & Harris, 1995; Claydon, 1996; Gall & McKay, 2004). There it appeared to reach its high-water mark in the early 1990s and has fallen more recently, with some evidence of a softening in employer approaches in the face of the statutory union recognition provisions of the *Employment Relations Act*, 1999 (Gall, 2004). Unlike its larger neighbour, de-recognition of trade unions has never being an important feature of the Irish industrial relations landscape. Indeed, a detailed search for instances of union de-recognition since 1997 in both the *European Industrial Relations Directory* and *Industrial Relations News*ⁱ yielded less than a handful of cases.

In summary, the available evidence points to a greatly increased level of *ab initio* union avoidance among MNCs in Ireland since the early 1980s, while finding little evidence of de-recognition of trade unions. However, a major drawback of this research is the failure to consider the potential for changes in the pattern of union

recognition within unionised firms. In effect, there appears to be a tacit acceptance that while union avoidance has become *de rigueur* among newer MNCs, particular those located in ‘high tech’ sectors, union penetration among older MNCs in more traditional sectors remains more or less intact. This is hardly a tenable perspective, given the dynamic for change in workplace industrial relations in both union and non-union contexts. An especially critical omission is the phenomenon of double breasting, whereby unionised firms seek to operate some (generally newer) facilities on a non-union basis (see next section for more detail). The significance of this omission is reflected in the following observation on the UK context:

The problem was that the IR researchers spent all their time concentrating on the wrong variable! In short, we have masses of data on de-recognition which contributed very little to the overall fall in union density. In contrast, on the things that really mattered in terms of their implications for union density, namely the ending of recognition by extension (in other words double-breasting), we have little more than some very basic and old survey data

Philip Beaumont (2007) ⁱⁱ:

The concept of double breasting

The term ‘double breasting’ has its origins in America’s construction industry. It came into popular usage many decades ago to describe the practice whereby construction firms would choose to operate both unionised and non-union subsidiaries (cf. Doherty 1989). The incentive for this practice was to avoid higher wages and related employment costs in the unionised sector and, furthermore, to gain a competitive edge from the greater discretion and flexibility afforded to management as a consequence of union avoidance. Such benefits included less demarcation along craft lines, greater scope to employ semi- or non-skilled workers and greater management control of the pace and nature of work. Such argued advantages have clearly proved attractive as American scholars have charted the increased use of double-breasting arrangements in the US construction sector (cf. Northrup 1995), its spill-over into neighbouring Canada (Rose, 1986) and diffusion to other sectors of the US economy, notably manufacturing and transportation (cf. Edwards & Swaim, 1986).

On this side of the Atlantic, Beaumont (1985, 1987; Beaumont & Townley 1985; Beaumont & Harris, 1992) has been to the fore in documenting the incidence of double breasting. This work largely focused on investigating the extent to which multi-establishment organisations might “...simultaneously operate establishments on both a union and non-union basis” (Beaumont & Harris, 1992: 268) and on phenomenon of unionised firms establishing new ‘greenfield site’ facilities on a non-union basis (Beaumont & Townley, 1995). Its contribution is significant in two respects. Firstly, this research provided greater prescription of forms that employer decisions to engage double breasting might take, namely unionised companies (a) opening a new operation on a non-union basis and/or (b) acquiring an existing non-union plant and continuing to operate it on a non-union basis (see Beaumont & Harris, 1992)ⁱⁱⁱ. Secondly, this work identified broad indicators of double breasting for empirical investigation. These focused on two particular and related phenomena, namely the degree of uniformity of recognition arrangements among multi-establishment companies and the incidence of recognition by virtue of ‘extension agreements’. As far as we could establish, neither of these concepts were specifically defined. However, we can intuitively infer that uniformity addresses the extent to

which multi-establishment firms recognise trade unions in new or acquired sites along similar lines to the recognition arrangements prevailing in existing sites. It therefore provides information on the *incidence* of union avoidance via double breasting. Extension agreements appear to have involved extending an existing recognition agreement in a multi-establishment firm to any new or acquired sites. It thus addresses the *process* of union recognition in new or acquired sites. This practice seems to have been prominent in Britain during the 1960s and 70s but ran into employer opposition as the IR context there changed during the 1980s and 90s. One learned commentator recently observed that trade union recognition by way of extension was “..almost a variant of the closed shop and involved extending an existing recognition arrangement in a multi-plant set up to any newly built or acquired sites”^{iv}. In Ireland, however, we could only find a small number of cases of union recognition by extension in new sites and conclude posit that this is very much an uncommon and minority practice here.

We now turn to the Irish host context and to the changing business and industrial relations environment, which, we argue, has increased employer capacity to avoid trade unions, either on initial start-up or via double breasting.

An evolving context: industrial relations in Ireland and the multinational phenomenon

While often seen as an exemplar of Anglo-Saxon pluralism, the Irish industrial relations system is not easily characterised. For more than twenty years the industrial relations scene has been dominated by national level partnership agreements involving peak level employer and trade union bodies and Government. These afford trade unions such a high level of influence on public policy as to make latter-day comparison with the British system effectively redundant:

The participation of unions in a succession of ‘social partnership’ agreements, beginning in 1987, has set Ireland apart from Britain, the source of many of its labour market institutions. While it has been common to categorize Ireland along with Britain – and by extension other Anglo-American countries – as sharing one relatively homogeneous industrial relations system, any such easy labelling of the Irish case is now devoid of credible meaning. Among Anglo-American countries, the voice permitted to unions in macro-economic management and social policy making in Ireland is singular.

Geary, 2006.

However, social partnership in Ireland is quite unlike the forms that pertain in other parts of Western Europe. For one matter, it does not have a strong legally supported tradition of employee involvement and participation at workplace level. Indeed, initiatives to extend continental Europe-like initiatives in the sphere of employee involvement and participation have generally met with resistance. Even where compelled to comply, the arrangements adopted have been minimalist in nature as with the recent transposition of the European Directive on Information and Consultation into Irish law (Dobbins, 2005; Dundon et al, 2006). More generally, voluntary initiatives to extend national level partnership arrangements to enterprise level in the private sector have largely floundered, with just a few exceptions (Gunnigle, 1998; Roche, 2007). As we will see below, levels of trade union density in Ireland have fallen dramatically since the early 1980s. It is patently clear that high

levels of trade union influence on economic and social policy have done little to buttress union penetration across vast swathes of the Irish private sector (cf. Wallace et al, 2004; Geary, 2006). This reflects the development of what Wallace terms a “parallel system” of ER at establishment level, characterised primarily by burgeoning non-unionism in the private sector and greater competitive pressures on traditionally unionised firms, particularly state-owned or formerly state-owned enterprises (Wallace, 2003: 8). In the private sector, increased union avoidance in MNCs has been an especially significant development.

Any consideration of Ireland’s economic development and industrial relations therein must, almost inevitably, incorporate analysis of the impact of foreign direct investment (FDI). The 2006 *World Investment Report* labelled Ireland the world’s second most transnationalized economy (UNCTAD, 2006). Moving from a comparative economic backwater in the 1960s to a high growth highly developed economy by the turn of the millennium owes much to the attraction inward FDI by foreign-owned multinational companies (MNCs). Dating back to a significant policy change in the late 1950s, Irish Government policy has consistently sought to attract MNCs through an generous incentive package comprised primarily of grants and tax breaks but also premised on the supply of skilled labour and a comparatively benign industrial relations and labour regulation regime (cf. Gunnigle and McGuire, 2001). This policy has yielded much success. Ireland benefited disproportionately from the global FDI boom of the 1990s. During the period 1993-2003 it was the largest net FDI recipient in the OECD, recording a cumulative balance of inflows over outflows of \$71 billion and making Ireland the world's 11th largest recipient of inward FDI (OECD, 2006). This is a quite exceptional feat for a small nation of just over 4 million people. It makes Ireland one of the world’s most MNC-dependent economies, with the great majority of these foreign MNCs located in a small number of export-oriented high technology sectors, notably electronics, pharmaceuticals/healthcare, software, and international services. Most of the top ten global pharmaceutical, information and communications technology (ICT) and medical technology companies have operations in Ireland. However, inward FDI by foreign-owned firms is only part of the Irish MNC story. The other (much less heralded) is the dramatic surge in outward FDI by Irish-owned MNCs. This has been so great that the level of inward FDI is now more than rivalled by outward FDI. Ireland now boasts a larger stock of outward FDI as a percentage of gross domestic product (GDP) than most EU countries, and substantially higher than the EU average (Forfás, 2007). Recent data place Ireland in the group of countries with the second largest level of FDI outflows alongside the likes of Japan, Germany and Sweden (UNCTAD, 2006).

Turning to the role of trade unions, we find that in Ireland, like many developed countries, union density has declined significantly over recent decades. The figures speak for themselves. In 2004 trade union density in Ireland was 35 per cent, representing a fall of 27 percentage points from its high water mark of 62 per cent in 1980 (cf. Wallace et al 2004). Taking a shorter timeframe, union density fell by 11 per cent over the ten-year period 1994 to 2004^v. This decline in union density has been attributed to a variety of factors. Arguably though, two particular reasons stand out. The first is structural change in the Irish economy and related adjustments in the sectoral distribution of employment, particularly the growth in relative scale of service sector employment. The second is increased employer resistance to union recognition, a key focus of this paper.

We earlier noted the growth of FDI into Ireland, particularly during the 1990s. This catapulted Ireland to prominence as a major recipient of mobile FDI but also greatly increased its reliance on international trade. To maintain its upward economic trajectory, Ireland needed to both attract new and retain existing FDI. Consequently, public policy decisions in Ireland tend to be disproportionately influenced by FDI considerations. A case in point is the decision of Ireland's industrial promotions agencies to shift their policy stance on union recognition in the 1980s. Traditionally, these agencies encouraged inward investing MNCs to conclude recognition agreements prior to start-up. This policy reflected the prevalence of union recognition among larger private sector firms and was in line with the pluralist-adversarial IR model. It also explained the high level of union recognition among MNCs that established in Ireland from the early 1960s to the early 1980s. However, increased competition for mobile FDI stimulated a policy shift. Of particular importance was the desire to attract American ICT firms to Ireland. Most, if not all, of these firms were non-union and unlikely to conform to prevailing IR norms. To attract these firms, State agencies began to portray Ireland as an 'open and attractive' location with a young and flexible workforce. Union recognition was no longer encouraged. Initial success in attracting firms such as *Wang*, *Amdahl* and *Digital* paved the way for later and larger non-union investments such as *Intel*, *Microsoft* and *Dell*. Non-union status became the norm rather than the exception among inward investing MNCs.

More recently, increasing costs at home combined with the attraction of newer locations (especially Central & Eastern Europe, China, India, etc.) led to ever-greater international competition for mobile FDI. This was reflected in another important shift in industrial policy. Acknowledging the likelihood that Ireland's attraction to new FDI may diminish, industrial promotions agencies instigated two important policy changes: (a) a re-balancing of emphasis involving less reliance on the winning new greenfield investments and greater focus on retaining and developing existing MNCs; (b) greater spatial balance aimed at attracting FDI into economically disadvantaged regions. With regard to the former we have witnessed some considerable activity over recent years. This has largely involved identifying specific MNCs in particular sectors and providing financial and other incentives aimed at extending the mandate of the Irish operations to embrace higher margin/higher quality activities which effectively move these MNC operations up their respective corporation's 'value chain'. Case examples include recent expansions by companies such as *Abbott Laboratories*, *Boston Scientific* and *Wyeth*. Often these expansions involved either the opening or acquisition of new sites, thereby increasing the multi-establishment nature of MNC in activity and increasing the opportunity, at least, for double breasting. In regard to the latter (changing the spatial distribution of FDI), we find evidence in the US and UK literature (from both IR and social geography scholars) of some shift in the location pattern of new establishments away from traditional urban centres and towards smaller rural towns (cf. Lawler, 1978; Owen et al., 1986). This literature has often focused on management's desire to avoid some of the traditional 'constraints' associated with industrialised urban centres, such as high wages and union recognition and to seek locations where management have greater capacity to deploy particular work practices including union avoidance (Walton, 1982). In many respects one might argue that Ireland's small geographical scale combined with the centralisation of political decision-making is likely to restrict any marked variation in work practices such as the take-up of double breasting. Nevertheless it is

worth highlighting that a number of the vanguard non-union MNCs such as *Digital* and *Wang* located in towns seen as more union averse or in atypical locations e.g. on or near university campuses rather than in the more traditional industrial estates (cf. Wallace, 2003).

Since the turn of the 1980s, Ireland has thus witnessed the development of a burgeoning non-union sector, led in large measure by MNCs. This can be traced to changes in the Irish economic and social environment that facilitated increased union avoidance and – potentially – a growth in double breasting.

Having thus portrayed a number of contextual changes, which, we would argue, enhance the capacity and incentive for organisations to engage in double breasting, it is important that we also highlight any possible countervailing factors. By far the most important is the critical role of national level partnership agreements outlined earlier. This affords trade unions influence on economic and social policy at the highest level. One might plausibly expect that such high level influence and interaction would more effectively buttress Irish unions from increased employer opposition and than say their American or British counterparts. However, the evidence suggests otherwise. We previously noted the dramatic and ongoing decline in trade union density. The failure of Irish unions to secure any legal avenue to union recognition in instances where employers oppose recognition provides further evidence that national level partnership provides no guarantee of union support at establishment level. The Irish business system allows employers freedom to deploy a wide range of IR approaches, again increasing the potential for double breasting.

Given that the objective of this paper is to inform the extent of double breasting as a means of union avoidance in MNCs, we have opted to focus on firstly establishing the broad profile of union recognition and avoidance among the population of MNCs in Ireland. We subsequently investigate in detail the incidence of double breasting (i.e. the degree of uniformity or otherwise of union recognition arrangements) and finally seek to explain employer and management rationale for engaging in double breasting. We now outline our methodology.

Methodology

The primary source of data used in this study is a large-scale survey of employment practice in some 260 MNCs in Ireland. Conducted in 2006-2007, this represents the largest and most representative empirical investigation of employment practice in MNCs in Ireland to date. This survey and its international counterparts^{vi} address the lack of representativeness that characterise much of the previous empirical work on MNCs. For instance, Collinson and Rugman (2005) highlight ‘sample biases’ in the international literature towards the largest, most global, well-known, US manufacturing firms (also see, Alfaro and Charlton, 2006). In Britain, Edwards, T. *et al.*, (2007: 1) contend that:

“... many of the studies that have used a survey to address this issue have been partial in coverage, based on small numbers and failed to assess the limitations of their population listings and sampling frames”.

The Irish context is no different (for a detailed review, see McDonnell *et al.*, 2007). In summary, we point to three principal methodological concerns. Firstly, many previous

studies rely on small sample sizes. Second, they invariably exclude one or both of the following categories of MNCs, namely, (a) foreign-owned MNCs which are not assisted or aided by the main industrial promotions agencies and (b) Irish-owned MNCs. A particular case in point relates to MNCs in the service sector. Although services is one of the primary growth engines in the Irish economy, MNCs in particular service sub-sectors, notably retail and hotels/leisure, have traditionally been under-represented or excluded from analyses of MNC activity. Finally, many of the conventional listings of foreign-owned MNCs entail double-counting i.e. listings which count different operations of the same MNC. Clearly, such omissions and deficiencies are likely to bias findings on key aspects of practice and behaviours of MNCs in Ireland.

To address these concerns, we first set about developing a comprehensive database of MNCs operating in Ireland. This initially involved agreeing defining our target population as follows: (i) foreign-owned MNCs employing 500 or more employees worldwide and 100 or more in Ireland and (ii) Irish-owned MNCs employing 500 or more employees worldwide and at least 100 abroad. The next step involved searching all available company listings including the industrial promotional agencies (e.g. *IDA Ireland* and *Enterprise Ireland*), the publication 'Major Companies of 2005', the *Irish Times* list of Top Companies and employing a private consultancy firm specialising in sourcing company information. This phase took some nine months to complete and resulted in a final population of 563 MNCs in Ireland (490 foreign-owned MNCs and 72 Irish-owned MNCs). We then stratified this population according to country of ownership, sector and size. From this population we selected a final valid sample of 416.

The final phase involved structured interviews with senior HR executives. To assist with the fieldwork, we contracted the *Economic and Social Research Institute* (ESRI). University of Limerick researchers along with the contracted ESRI team conducted the fieldwork, which began in June 2006 and finished in February 2007. A total of 260 face-to-face interviews^{vii} were successfully completed, giving a response rate of 63 per cent. This equates to a 61 per cent response for foreign-owned MNCs and 78 per cent amongst Irish-owned MNCs. The survey responses were broadly representative of the total population and, for the purposes of this paper, have not been re-weighted. Due to small cell sizes we have identified five different categories of country of origin^{viii}. Data on double breasting was garnered during questioning of respondents on the area of "Employee representation and consultation", which was one of four substantive areas of employment practice addressed in the survey.

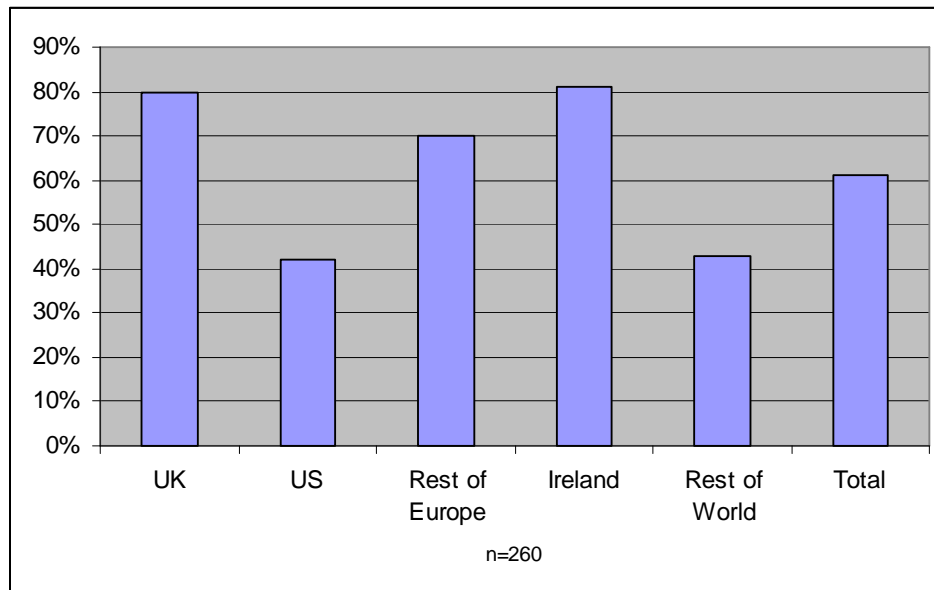
Apart from profiling the incidence and pattern of double breasting, we also explore the managerial rationale behind the decision to double breast. Here we primarily rely on data gathered from case studies of study of human resource management (HRM) and industrial relations in the Irish operations of five American-owned MNCs. These data were garnered through 63 in-depth interviews with managers (at all levels), employees, employee representatives and trade union officials and supplemented by information from company documentation, web sources and observation. This Irish study formed part of a larger international case based investigation of HRM practice in involving scholars in Germany, Spain and the UK (cf. Almond & Ferner, 2006)^{ix}. While the Irish study largely drew on subsidiary-level insights, we also utilised data

from interviews at corporate and European headquarter (HQ) level in one of the companies and from European regional HQ level in another.

Union recognition and avoidance and the extent of double breasting

Before considering data on double breasting it is firstly useful to gauge the overall extent of trade union avoidance and recognition among MNCs in Ireland. Our survey instrument investigated whether MNCs in Ireland recognised trade unions “for the purposes of collective employee representation”. The findings on this are outlined in Figure 1, which indicates that six in ten (61 per cent) of MNCs in Ireland recognise trade unions for purposes of collective employee representation in at least some sites.

Figure 1 Trade Union Recognition by Country of Origin



This figure is quite high given that much of the extant research, both Irish and international, tends to depict MNCs as likely union-avoiders. This apparently high figure may be explained by a number of reasons, most of which relate to the parameters of the research. Firstly, as outlined above, our coverage of foreign owned MNCs was greater than previous studies. We capture practice in sub-sectors often omitted from studies of this type, most notably MNCs in the retail and leisure sectors, the majority of which were UK owned and characterised by comparatively high levels of union recognition. Secondly, the size threshold used meant that smaller MNCs were excluded, and we know from the literature that larger organisations are more likely to recognise unions (Beaumont and Harris, 1989; Roche, 2001). Thirdly, our survey – unlike previous studies – included indigenous MNCs as well as foreign owned MNCs. As we will see below, union recognition is much higher among Irish owned MNCs. Finally, unlike much previous research, our investigation was focused at an organisational rather than establishment level. Thus, where a multi-establishment MNC recognised trade unions at just one site, then this case was categorised as a ‘unionised’ MNC.

This finding of six in ten MNCs recognising trade unions is also higher than in the parallel UK study (Edwards et al., 2007), where the equivalent figure was about half

(47 per cent). This differential is line with the lower level of aggregate union density in the UK (cf. Visser, 2006).

In discerning a pattern with regard to union recognition, it is clear that country of ownership matters. Levels were highest among indigenous and UK MNCs at over 80 per cent. Recognition was also high among European owned MNCs while – as expected - US MNCs (42 per cent) were significantly less likely to recognise trade unions^x. Overall, the level of recognition was much higher among Irish-owned MNCs (81 per cent) than among foreign-owned MNCs (56 per cent).

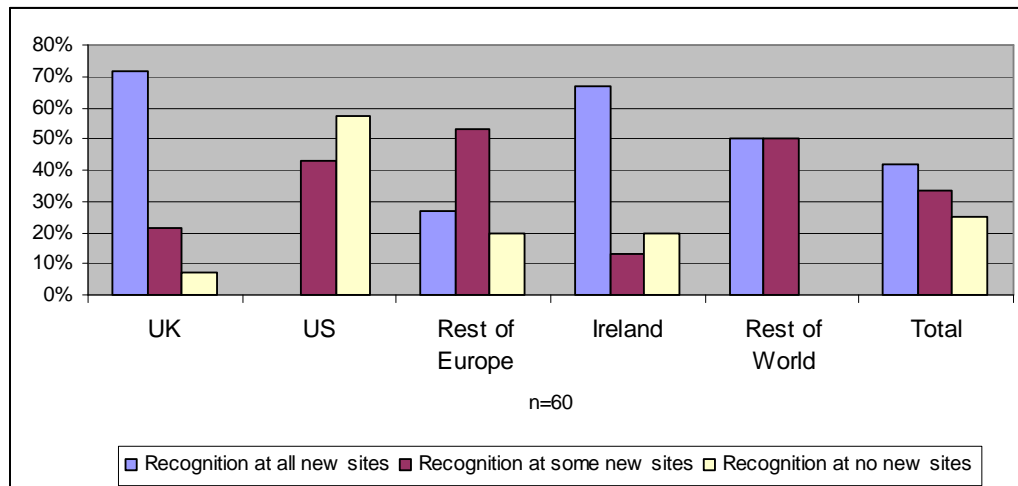
We noted earlier that management decisions to engage in double breasting may take two forms, whereby a unionised firm either (a) opens a new site on a non-union basis; or (b) firm acquires an existing non-union plant and operates it on a non-union basis (cf. Verma & Kochan, 1985; Beaumont & Harris, 1992). In line with the 1985 and Company Level Industrial Relations Surveys (CLIRS) in Britain (Marginson *et al*, 1988, 1993), our Irish survey firstly investigated union recognition at new sites established over the previous five years. These data are outlined in table 1. Overall, 60 from the total of 158 unionised MNCs (or 38 per cent) reported the establishment of a new site over the previous five years. Of these, approximately four in ten (42 per cent) recognised unions in all of their new sites. This means that the remaining 58 per cent - six in ten - engage in some level of double breasting and that one in every four unionised MNCs that opened new sites opted to avoid unions in all of these sites.

Table 1 Trade Union Recognition & Avoidance at New Sites (unionised MNCs only)

	%
Recognition at all new sites	42%
Recognition at some new sites	33%
Recognition at no new sites	25%

We found a strong country of origin influence on the extent of double breasting, see figure 2. In line with earlier findings of overall levels of union recognition, Irish and U.K. owned MNCs were far more likely to recognise a trade union at all new site(s). In contrast, US owned MNCs were by far the least likely to recognise trade unions at new sites.

Figure 2 Double Breasting by Country of Origin



Turning now to acquisitions, our primary focus is on unionised MNCs and the pattern of union recognition and avoidance in their newly acquired sites. It is firstly important to highlight the somewhat more complex array of choices with regard to union recognition that confront management in such instances. Clearly acquisitions by unionised companies may comprise either union or non-union facilities. Where the acquisition involves unionised site(s), management may opt to continue to operate such site(s) on a unionised basis, i.e. no change in union status. Alternatively, management might opt for the more radical alternative of de-recognising trade union(s) in the new site(s). On the other hand, acquisitions may comprise non-union sites. In such cases, management may continue to operate the site(s) on a non-union basis, or, for certain reasons, may concede union recognition in some or all of these hitherto non-union sites.

Just over a quarter (26 per cent) of the MNCs in our study reported the acquisition of sites in Ireland over the previous five years. The union status of these acquired sites at the time of acquisition and their current status are outlined in table 2. Among the cases of unionised MNCs acquiring only union sites, we find no change – union recognition remains in place in all of these acquired sites. Among cases of unionised MNCs acquiring only non-union sites, we find that all bar one of these sites continues operate on a non-union basis, i.e. union recognition was conceded at one of these non-union sites. Finally, there were ten cases of MNCs that had acquired a number of sites, some union and some non-union. Here we found that union recognition was conceded in two of the non-union sites. These data demonstrate a pattern of very limited change in union status among operations acquired by MNCs. However, where change occurred this resulted in union recognition in hitherto non-union sites. Interestingly, there we found no case of de-recognition of trade union(s).

Table 2 Trade Union Recognition and Avoidance in Acquired Sites (Unionised MNCs only)

	Status of sites on acquisition	Current Status	Observation
Non-union only	39 %	37%	<i>Union recognition conceded in one case</i>
Union only	37%	37%	<i>No change</i>
Union and non-union*	24%	20%	<i>Union recognition conceded in two cases</i>

* these MNCs did not provide adequate information to allow us discern the precise number of union and non-union sites at the time of acquisition

Nevertheless, this data point to an increase in the overall level of double breasting, as a result of unionised companies acquiring non-union sites and continuing to operate these on a non-union basis. Taken in tandem with the six in ten MNCs engaging in double breasting in new sites, the pattern of unionised companies operating recently acquired sites on a non-union basis points to a significant increase in the incidence of double breasting among MNCs in Ireland.

The management rationale for double breasting

While the absence of a base-line Irish study render it is impossible to assess the precise scale of this increase, our major conclusion is that a substantial and increasing

number of unionized MNCs in Ireland are engaging in double breasting. Why is this happening, and why now? From a management choice perspective two scenarios are posited. First, that management are reacting to a negative experience of unions by progressively reducing the extent of union penetration in their operations. Alternatively, it may be that management are proactively using a context of declining union density and influence to opportunistically reduce union penetration. Our survey asked management respondents in unionised operations to describe whether the approach generally adopted by unions was ‘cooperative’, ‘adversarial’ or varied according to the issue at hand. The findings for MNCs that had opened new sites over the past five years are outlined in Table 3. These provide no evidence of an embedded adversarial approach on behalf of trade unions. Rather it suggests that unions either pursue a cooperative approach or alter their approach depending on the issue under discussion. These findings indicate that management are not being pushed into double breasting but are choosing this route for reasons other than their experience of, and relations, with trade unions.

Table 3 Approach of Trade Unions

	<i>Double breasting</i>	<i>Not double breasting</i>
Cooperative approach	44%	64%
Adversarial approach	6%	4%
Depends on issue	50%	32%

What might these reasons be? This is clearly a difficult question requiring qualitative investigation of the process and experience of double breasting. In Ireland, we can draw on just one such investigation that focused on employment relations in US-owned MNC subsidiaries in Ireland (Gunnigle, *et al*, 2005, 2006). Based on data from five detailed case studies, this research found that three of the five US MNCs studied were engaging in double breasting. Two of these MNCs operated in the pharmaceutical and healthcare sectors and had either opened or acquired a number of new sites over recent years. This expansion was encouraged and part financed by *IDA Ireland*^{xi} in line with the national priority of moving MNC operations up the ‘value chain’ by engaging in higher margin activities in Ireland. Both of these companies had recognised trade unions and engaged in collective bargaining from start-up but had now initiated a process of union avoidance in its new sites. Five particular reasons emerged from discussions with management, employees and trade union representatives.

1. Positioning for new mandates: Initially, the decision to ‘go non-union’ seemed to be driven by local rather than corporate management. However, it was evident that local management felt that ‘union absence’ would better position Ireland to attract new mandates from headquarters. This encouraged local management to make double breasting part of their ‘pitch’ to gain a micro-political advantage from corporate level decision makers.

The fact that union absence represents a factor in corporate decisions to allocate new, higher order mandates to foreign subsidiary operations is particularly bad news for trade unions. In terms of immediate consequences, it encourages local management opposition to union presence – possibly – seek management personnel with experience and expertise in union avoidance. More notably, it means that newer,

better equipped and higher margin facilities are more likely to be union free with older, lower 'tech' and lower margin facilities more like to have a strong union presence. It is also likely that such unionised facilities are more prone to closure due to lack of investment and upgrading. One particular high profile example is *Coca Cola* (Ireland), which recently announced plans to close its unionised manufacturing plant (Drogheda) in September 2008 with a loss of 256 jobs. As a result, manufacturing activity will now be primarily consolidated at its newer 'high capacity' non-union plant (Ballina) (European Industrial Relations Observatory [EIRO] Online, 2007). Although denied by the company, the trade union view is that the higher wages and working conditions in the unionised Drogheda plant was a key factor in management's decision in favour of Ballina.

2. Re-claim management prerogative: Increasing the decision-making capacity of local management seems to be an important operational reason highlighted by managers for engaging in double breasting. In particular, managers emphasised the greater freedom afforded by non-union status to make and implement operational decisions, particularly an increased capacity to introduce changes in work and employment practices. A more specific manifestation of the potential advantage of double breasting in helping management reclaim prerogative arose in relation to pay determination. Our survey findings indicate that unionised MNCs tend to pay at or above the wage norms agreed through national wage bargaining. However, the case study evidence from U.S. MNCs engaging in double breasting (mentioned above) noted a more recent drive by local management to 'rein in' the tendency to concede above the norm increases and bring them into line with the average level of pay increases (cf. Gunnigle *et al*, 2005; also see *Industrial Relations News*, 2002).

3. Less union demand: another specific rationale raised by management was 'demand' related, namely that younger, well-educated workers in non-union sites exhibited little inclination to join trade unions. This contention is commonly based on the premise that younger workers hold more negative views of trade unions than their older counterparts due to either their lack of experience of trade unions or to the commonly posited view that younger workers harbour a more individualist orientation towards work and working life (cf. D'Art & Turner, 2008). International survey data provides little support for the contention that younger workers harbour more negative attitudes towards trade unions (see Furaker and Berglund, 2003 on Sweden; Haynes *et al*, 2006 on New Zealand; Hart Research Associates, 1999 on the U.S.). Using data from the European Social Survey and covering 15 EU countries, D'Art & Turner (2008) found that younger workers were in fact more positively disposed than older workers to the need for trade unions. In Ireland, we find that levels of unionisation are lowest among younger age cohorts (Quarterly National Household Surveys, 2004, 2007). However, this is more likely to be related to the lack of availability of trade unions in more and more workplaces than to a fall in union demand. This is evidenced in Geary's (2006) finding that some two-thirds of respondents in non-union workplaces would like to join a union in situations where management are supportive of union representation. However, where management do not support union representation, this figure falls to less than a third (28 per cent), indicating that union demand pivots substantially around the postures of employers towards collective employee representation via trade unions. Drawing again on case study data on MNCs, Gunnigle *et al* (2005) found that while an effective post-entry closed shop operated in the longer established unionised sites, the new sites were completely non-union. Consequently, workers in

these sites were not afforded the opportunity to join – in essence union supply has been cut off (cf. Green, 1990).

4. Greater capacity to go non-union: Finally, management respondents emphasised that their decision to go non-union was largely related to a confidence that they could carry it off without any great difficulty. Such confidence can be traced to the changing socio-political environment and the comparative freedom afforded to local management in terms of employment relations policies and practices, and to the reluctance or inability of trade unions to oppose employer moves in this regard (for greater detail, see Gunnigle, *et al*, 2006). It appears that Ireland industrial relations context has now transitioned from a comparatively prescriptive system in the 1960s and 70s, whereby managers felt they had little choice but to conform to local ‘tradition’ by recognising trade unions and engaging in collective bargaining. While this approach often flew in the face of home country practice of American companies in particular, local managers seemed to feel it was only rational choice. As has been observed elsewhere, Ireland’s recent evolution to a highly internationalised and developed economy has been accompanied by the emergence of significantly more permissive IR context within which employers feel increasingly able to avoid union recognition. This development first became apparent through *ab initio* union avoidance in greenfield MNC start-ups but now clearly embraces double breasting in older, hitherto unionised MNCs.

Discussion and Conclusions

In this paper we have sought to profile the pattern of double breasting among the MNC population in Ireland and provide a nuanced analysis of the reasons behind this development. As mentioned earlier, we employ strategic choice lens, which argues that despite environmental constraints employers retain the capacity to make decisions which either directly or indirectly impact on industrial relations policy and practice. Decisions to open a new site or acquire an existing facility represent particularly germane examples. In the US, for example, we find numerous instances of firms that have switched the locus of their operations to Southern states to benefit both from lower non-union wages and from the reduced prospect of union penetration as a result of a more ‘employer-friendly’ political and social climate (cf. Verma, 1985; Kochan et al, 1986). The globalisation of capital through international investment by MNCs provides a more contemporary context within which to evaluate the pattern of employer and management choice in industrial relations. One particular dimension relates to MNC decisions on where to locate foreign operations (Cooke & Noble, 1998). Here, we find considerable evidence to suggest that industrial relations systems, and particularly the level of institutional constraint on management decision-making and choice, can significantly influence the location decisions of MNCs (Cooke, 2003; Kleiner and Ham, 2003). Since industrial relations systems and practices differ between countries, MNCs may engage in ‘regime shopping’ as they seek out locations for investment which offer the most favourable conducive context, one aspect of which is the relative freedom to choose and deploy their preferred industrial relations ‘style’ (Traxler, 2000). However, we have much less evidence on how MNCs operate within specific national systems once the location decision is made. Of particular interest is the extent to which MNCs act as agents for change by introducing particular industrial relations innovations, which may, in time, alter the characteristics of the system itself (Ferner and Quintanilla, 2002). For example, much of the research on industrial relations in MNCs primarily focuses on whether MNCs

recognise trade unions for the purposes of collective representation or not (Innes & Morris, 1985; Edwards & Ferner, 2002). However, as Kochan et al (1986) demonstrated in the US context, employers and management have been particularly proactive in both influencing and reacting to the social, political and environment in which they operate and in altering and developing their strategies accordingly. Our findings address this very aspect of MNC behaviour, namely the extent to which unionised MNCs engage in double breasting, the pattern of such engagement and the reasons proffered for so doing.

The major conclusion of our paper is that a substantial and increasing number of MNCs in Ireland are effectively metamorphosing from 'largely union' to 'largely non-union' status through engaging in double breasting. As with the growth of *ab initio* union avoidance in greenfield sites, this is most evident among US MNCs.

We further argue that this development has not occurred because of highly adversarial or difficult relationships with trade unions. Rather, management, at both local and global level, has proactively initiated double breasting as a strategic ploy to increase management prerogative and better position subsidiary operations to attract new investment from corporate levels. Local management have thus taken advantage for declining union density and a permissive regulatory industrial relations environment to go 'union free' in new sites. Conveniently, this strategy dovetails with efforts to optimally position the Irish operations to attract new, higher order investments from corporate level. Local management perception is that non-union facilities have a greater chance of winning such new investments. For unions though, the picture is far from rosy. In the short-term the metamorphosis from (largely) union to (largely) non-union operations clearly infers a loss of potential members. Longer term prospects for unions are also ominous, given that newer and likely better-equipped facilities are more liable to be union free while older, and possibly more poorly equipped sites are more likely to be unionised. This clearly increases the vulnerability of such lower order activities to out-sourcing and it is therefore plausible to argue that union density is likely to suffer at two junctures in the MNC global supply chain: (a) the loss of potential members in new facilities as a result of double breasting and (b) the loss of current members due to some combination of downsizing, closure, outsourcing or off-shoring in older facilities.

Overall, our evidence on the scale and diffusion of double breasting arrangements in older MNCs adds another dimension to the explanations of the dramatic fall in union density in Ireland over recent decades. For some time, scholars have noted a pattern of extensive employer opposition to union recognition in new MNC start-ups, predominantly among newer MNCs in the ICT sector that established since the turn of 1980s. The fact that union avoidance is now also embedded among longer established MNCs in sectors traditionally seen as conducive to union penetration (e.g. pharmaceuticals, healthcare products and financial services) underpins the challenge facing the trade union movement to maintain or grow its membership in the private sector. This dilemma is exacerbated by the recent change in industrial policy, which shifted the focus from attracting new greenfield MNC investment to incentivizing existing MNCs to win higher order investment and move up the 'value chain'. Our data indicates that a substantial proportion of such investment focuses on new non-union facilities rather than re-investment in older union sites. It would appear that the ascent of hitherto unionised operations up their corporation's value chain may

concurrently incorporate a transition towards non-union status. This significant change in industrial relations practice is largely driven by strategic decisions related to investment, location and management practice. It further indicates global-local management consensus on union avoidance and contrasts the often-divergent positions of global and local management on trade unions when many of the MNCs in question first established.

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NOTES

- ⁱ The European Industrial Relations Directory is available on-line at <http://www.eurofound.europa.eu/eiro/>, while *Industrial Relations News* is widely accepted the most authoritative periodical in the HR/IR field in Ireland, see www.irm.ie
- ⁱⁱ This is a quote from an interview/discussion in December 2007 with Professor Phil Beaumont (University of Glasgow) and co-author of the paper on double breasting in the UK (see Beaumont & Harris, 1992). Quote from interview/discussion with P. Beaumont, December 2007.
- ⁱⁱⁱ While not explicitly stated, we assume that a *sine qua non* is that unionised firms would deploy these forms.
- ^{iv} This is another quote from Professor Phil Beaumont (University of Glasgow) as per note ii above.
- ^v As the data on union density for 1980 and 2004 are from different sources, the drop of 27.4 percentage points is an estimate.
- ^{vi} The Irish survey forms part of a larger international study involving parallel surveys of MNCs in Australia, Canada, Mexico, Spain and the UK. For more detail on the Irish study, see Gunnigle et al., (2007). Reports are also available on the Canadian (Bélanger, *et al.*, 2006) and UK studies (Edwards, P. *et al.*, 2007).
- ^{vii} Our survey was directed at the most senior HR manager. This is consistent with Kochan et al's (1986) focus on accessing 'key decision makers' in the IR/HR sphere.
- ^{viii} The rest of Europe category consists of MNCs from the European region excluding Ireland and the UK. It should be noted that the number of MNCs in the 'rest of the world' category is quite small and comprise quite a disparate group in terms of country of ownership, encompassing firms from southern and central Asia, the Americas (excluding the US) and the Antipodes. Therefore caution is advised when interpreting results for this ownership category.
- ^{ix} The larger international study of HRM in US MNCs, of which the Irish study was part, was co-ordinated by Professor Anthony Ferner, De Montfort University (UK) and involved a number of scholars from De Montfort University and King's College, London, UK, the Universities of Trier and Erfurt, Germany, IESE Business School, Spain and the University of Limerick, Ireland. A compendium of this work may be found in Almond & Ferner (2006). More information on the Irish study is available in Gunnigle et al (2005, 2006).
- ^x We have not specifically discussed mentioned the 'rest of the world' category for two reasons. Firstly, the numbers in this category are quite small. Secondly, this is highly disparate group in terms of country of ownership, encompassing firms from southern and central Asia, the Americas (excluding the US) and the Antipodes.
- ^{xi} *IDA Ireland* is Ireland's main industrial promotions agency with responsibility for attracting foreign direct investment into the country.