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Human Resource Management in Ireland: An Introduction

People are the lifeblood of organisations. An organisation's workforce represents one of its most potent and valuable resources. Consequently, the extent to which an organisation's workforce is managed effectively represents a critical element in improving and sustaining organisational performance. Indeed, it is widely argued that effective workforce management is one of the pivotal factors that characterises high-performing organisations (Boxall and Purcell 2008; Huselid 1995; Tiernan *et al.* 2001). However, the challenge is also great. Workforce management is one of the most difficult and complex aspects of organisational management. This largely stems from the fact that people are inherently different. Managing an organisation's workforce means dealing with people who differ physically and psychologically. This is the essence of *human resource management* (HRM): that aspect of organisational management concerned with the management of an organisation's workforce.

This chapter provides an historical overview of the field of HRM. The objective is to place HRM in Ireland within a national and international setting, and thus allow an evaluation of HRM in the context of broader contemporary developments in the field. It also explores the concept of HRM as it emerged as a distinctive approach to workforce management in the USA in the 1980s, contrasts this with what was then viewed as 'traditional' personnel management, and assesses the implications for HRM practice in Ireland. Finally, we consider recent developments, notably the global financial crisis, and summarily assess its impact on HRM.

THE HISTORICAL DEVELOPMENT OF HRM

Early Days: The Emergence of the Human Resources (HR) Role

The origins of what we now term HRM lie in the dramatic changes wrought by the Industrial Revolution, which had its primary roots in eighteenth-century Britain and later spread to Europe and North America (see Niven 1967). A central element of this was the growth of the 'factory system', whereby owners of capital employed large numbers of wage labourers to produce standardised goods in larger quantities for bigger markets. Such developments had dramatic effects on the organisation of work and on working lives. From the owner's perspective, the new factory workers required direction, equipment had to be installed and maintained, production controlled and goods distributed and sold. Here we find many of the key elements of modern management: the need to plan, organise, direct and control the use of equipment, capital, materials and workers within organisations. This early phase of industrial society was generally characterised by extremely poor working conditions for the bulk of the new 'factory' labour. Workers themselves could do little to improve their position since they had little economic or political power. It was not until the growth of organised labour, through the trade union movement, and of political influence resulting from mass enfranchisement that workers' needs and concerns could command the attention and action of employers and, indeed, governments.

We can point to two important developments in the late nineteenth and early twentieth centuries which critically impacted upon the development and evolution of HRM, particularly in regard to the emergence of the specialist HR function. These were (i) the welfare tradition and (ii) scientific management (see Niven 1967; Foley and Gunnigle 1994).

The Welfare Tradition

The origins of modern HRM are generally traced back to what has become known as the welfare tradition, which first developed in a few large companies in Britain during the late nineteenth and early twentieth centuries. In the early stages of industrialisation, many factory owners regarded their labour force in largely instrumental terms. Working conditions were poor and employees enjoyed few of the benefits we now associate with employment, such as sick pay, pensions, and basic health, safety and welfare provision. The welfare tradition (sometimes called industrial welfare) refers to a series of voluntary initiatives undertaken in certain companies to improve the conditions of factory workers, particularly in relation to working and living conditions, and pay (e.g. health and safety, housing, education, pay and working hours).

This phase is particularly important in the development of HRM in being characterised by the appointment of welfare officers, who are generally seen as the forerunners of the modern HR practitioner. Welfare officers first emerged in the mainly Quaker-owned firms in the food and confectionery industry in Britain in the late 1800s.* Though they were not the only companies that took employee welfare seriously, the best-known examples of industrial welfare from this period are the confectionery firms owned by Quakers, notably Cadbury, Rowntree's and Fry's. Progressive employers, often influenced by their religious beliefs, undertook various initiatives to improve working conditions in their factories. A common characteristic of industrial welfare involved the appointment of so-called 'welfare officers'. The early 1900s saw the appointment of welfare officers in Irish companies, such as W&R Jacob and Maguire & Paterson in Dublin (Byrne 1988). Indeed, Irishman Charles E. Jacob played a central role in the founding of the Welfare Workers' Association in 1913 (see below).

The First World War added some impetus to the welfare movement in Britain because of the need to accelerate factory production. However, large-scale unemployment and depression in the post-war period meant that initiatives in the area of welfare and HR work were abandoned in many organisations. In 1919 the Welfare Workers' Institute, founded in Britain in 1913 as the Welfare Workers' Association, had a membership of 700. By 1927, when it had been renamed the Institute of Industrial Welfare Workers, its membership had fallen to 420 (Farnham 1984).

Despite such oscillation in the significance of industrial welfare, its influence on contemporary HR practice is enduring. Welfare has been inextricably linked with a

* Formally known as the Religious Society of Friends, Quakers are a Christian group that originated in England in the 1650s.

paternalistic, 'caring' approach to employees, dealing with issues such as health, living and working conditions and personal problems. This is very much in evidence in modern HRM practice in areas such as counselling, employee assistance programmes, and occupational health, safety and welfare provision. On a rather different level, the welfare tradition has been a source of some confusion and debate about the position of the HR practitioner in the managerial hierarchy. Early welfare officers occupied a semi-independent position in the factory system, with employees the main beneficiaries of their work. This led to the so-called 'middle man' perception of the welfare role, with employees seeing welfare officers as the representatives of worker interests. However, it is patently apparent that modern HR practitioners operate as an integral part of the management team, representing employers' as opposed to workers' interests.

Scientific Management

Another important early influence on the emergence of HRM was the advent of scientific management and what became known as 'Taylorism'. As the welfare tradition succumbed in the face of economic depression, Taylorism and its associated notions of labour efficiency became an increasingly popular managerial approach. By the early years of the twentieth century, improvements in technology coupled with increases in scale and organisational complexity encouraged employers to investigate new means of improving industrial performance. In the USA, F. W. Taylor led the way by pointing to the efficiency and profitability benefits to be gained through greater standardisation of work systems and methods.

Based on his research at the Bethlehem Steel Company in Pennsylvania (1900–11), Taylor encouraged employers to adopt more systematic approaches to job design, employment and payment systems (Taylor 1947). Such so-called 'scientific management' approaches were widely adopted in both the USA and Britain in the inter-war years. A mechanical engineer by training, Taylor felt that management needed to become much more professional in its approach and that academic principles could be deployed to improve firm performance though co-operation between qualified, trained managers and a carefully selected and trained workforce. Particular emphasis was placed on job analysis, time and motion studies, and the creation of incentive bonus schemes, thereby extending the work of the emerging HR function. Scientific management led to a shift in the emphasis of HR away from the employee-oriented 'caring/do-gooding' agenda of the welfare tradition and towards the more managerial 'efficiency/profitability' agenda of the work study officer. From the HR perspective, the spread of scientific management placed greater weight on the careful selection and systematic training of employees. Associated with this trend was an increased attention to job design, working conditions and payment systems. HR also took responsibility for much of the research and administration required to underpin such initiatives.

Despite extensive criticism, the principles of Taylorism had, and continue to have, a profound impact on management practice. Of particular significance is that Taylorism put in place a body of knowledge, largely in the industrial engineering sphere, which demonstrated the potential benefits to be gained from the application of systematic management techniques. At an operational level, its most significant legacy is the notion that work *planning* (seen as a management task) should be separated from work *doing* (seen as a worker task). This delineated the primary role of management as that of establishing work standards, procedures and methods. Such approaches to work organisation were dominated by a desire to maximise the productive efficiency of the company's technical resources. Management's role was to ensure that other organisational resources, including employees, were organised in such a way as to facilitate the optimal utilisation of the technical system. Taylorism was critical in demonstrating that professional management practice could yield significant financial and performance premiums for employers.

This efficiency-oriented approach, based on Taylorist principles, has been a characteristic of employers' approaches to job design since the early years of the twentieth century. It advocated the breaking down of jobs into simple, repetitive, measurable tasks requiring skills that could be easily acquired through systematic job training. Taylorism helped improve efficiency and promoted a systematic approach to selection, training, work measurement and payment. However, it is also seen as the source of many of the problems associated with industrial work, such as high levels of labour turnover, absenteeism, increasing the levels of monotony in industrial work and causing low levels of employee motivation (see, for example, Mowday *et al.* 1982; Steers and Mowday 1987). Indeed, the growth of the behavioural science movement (discussed below) can be traced to the 'downsides' of Taylorism, and to suggestions that improvements in organisational effectiveness could be achieved through greater attention to workers' needs and, particularly, by providing workers with more challenging jobs and an improved work environment.

THE BEHAVIOURAL SCIENCE MOVEMENT

The emergence of the behavioural sciences provided a major impetus to HRM by establishing a further body of knowledge to underpin many aspects of HR work such as selection, training, motivation, industrial relations and payment systems. It also served to focus attention on some of the problems created by work organisation in the large factories of the new industrial era, such as monotony and low morale.

The growth of the behavioural science movement is most commonly associated with the work of Elton Mayo (1933, 1945) and Roethlisberger and Dickson (1939). Harvard Professor Mayo came from a Taylorist tradition and his research initially focused on the impact on worker productivity of working conditions, including altering lighting levels. His studies conducted at Western Electric's Hawthorne Works in Chicago (1927–32) found that changing the conditions had little impact on productivity and worker satisfaction: in fact production increased among both groups – where lighting had improved and also where it had remained the same. The researchers concluded that the employees worked harder, not because of working conditions or out of economic self-interest, but rather because they were part of a group selected for this important experiment and thus felt more committed individually and as a group to their work roles (this is often termed a 'Hawthorne effect'). They therefore concluded that employee behaviour and performance was influenced by complex combination of motivation, individual needs and group dynamics in addition to working conditions and payment practices. This research highlighted the importance of social factors, particularly group processes and employee motivation, in affecting both individual performance and organisational effectiveness. Although this work has been the subject of methodological criticisms (see Carey 1967), it has had an enduring influence on management practice, particularly in the sphere of HRM. Its major contribution was possibly the stimulation of interest in applying behavioural science principles to the study of organisational and worker behaviour. Subsequent work on the application of the behavioural sciences to the study of organisations has helped inform our understanding of organisational functioning and, particularly, of the complex nature of workers' motivation. Indeed, much of the subsequent research in this field has focused on investigating employees' motivation and attempting to reconcile employers' and workers' needs through appropriate organisation structures, work systems and managerial styles. We consider this literature in Chapter 6, which deals with employee motivation and the design of work.

INDUSTRIAL RELATIONS AS A KEY HR ACTIVITY

A particularly significant development affecting the nature of HRM and the role of the emerging HR function was the growing significance of industrial relations. The growth of an industrial relations emphasis in HR work was a direct result of the increasing influence of trade unions. In Ireland, the trade union movement had become well established in the early 1900s in industries in the major cities of Dublin, Belfast and Cork (McNamara *et al.* 1988). A particularly important development during this period was the emergence of the 'new unionism', which primarily sought to organise unskilled workers.

In Ireland, the growth in influence and power of the 'new unionism' was most visibly manifested in the activity of Jim Larkin and the Irish Transport and General Workers' Union (ITGWU). A period of conflict between employer and worker interests came to a head in the 'Dublin lockout' of 1913 (see Yeates 2000). Gradually, trenchant employer opposition to trade unions gave way to reluctant acceptance of their role and legitimacy. Roche and Larragy (1989) estimate that in 1920 union membership rose from 110,000 in 1914 to 250,000, leading Roche (1997a:54) to label this period the 'first phase of rapid mass union membership growth in Ireland'. An important outcome of this turbulent period was that it served to accelerate the organisation of employees into trade unions and employers into employers' associations and thus placed an increased emphasis on *industrial relations* as an important aspect of workforce management (Gunnigle and Flood 1990).

The period from the early 1920s saw a reversal in the fortunes of unions. Membership fell in the face of economic recession and external competition as the government pursued an open economy policy. This reflected developments in Britain, where economic depression after the First World War saw a re-emergence of autocratic management styles. A combination of factors, particularly low pay and poor working conditions, contributed to high levels of industrial conflict, culminating in the General Strike of 1926 in Britain. During this period workers and their trade unions became increasingly suspicious of management motives in introducing welfare initiatives in the workplace. Trade unions became quite anti-welfare, viewing this as an employer strategy to prevent workers from joining trade unions.

A related and important factor contributing to the growth in significance of industrial relations was the nature of collective bargaining between employers and trade unions on pay and working conditions. During the Second World War wages were controlled under the Emergency Powers Orders. The rescinding of these in 1946 marked the start of a new era for industrial relations with the establishment of the Labour Court. The removal of the Emergency Powers Orders and the negotiation of a general pay increase for unionised employees constituted what became known as the first *wage round* (see Nevin 1963; McCarthy *et al.* 1975; O'Brien 1989). A wage round was essentially a period of intensive collective bargaining between employers and trade unions occurring at regular intervals and resulting in a similar general wage increase for unionised employees (Wallace *et al.* 2004).

The nature of collective bargaining in the immediate post-war period had important implications for the development of HRM in Ireland. Growth in the size and complexity of organisations demanded greater specialisation and knowledge in workforce management, particularly in the area of industrial relations. In the public sector and among some larger private companies these needs were achieved through the establishment of specialist 'personnel' departments, whose key activity was industrial relations (O'Mahony 1958). By the 1960s, levels of unionisation among manual workers had increased significantly and *shop stewards* began to emerge as important players in regard to workplace-level industrial relations (Roche and Larragy 1989; Marsh 1973). This situation was accentuated by the growth in white-collar trade unionisation from the 1960s (Bain 1970; Kelly 1975). The decade of the 1960s was also characterised by a marked increase in levels of industrial conflict.

A further development contributing to the increasing significance of industrial relations as a critical concern in HRM was the onset of the *national wage agreement* era in 1970. The negotiation of the first national wage agreement marked a transformation from the rather unclear system of wage rounds that had existed since the end of the war. An important effect of national wage agreements was to move major pay bargaining issues away from the level of the enterprise. This development was initially seen as freeing management from complex negotiations with trade unions and giving them more certainty in corporate planning. However, the reality was somewhat different. At a time of relative economic prosperity and substantial growth in union membership, the key workplace role for trade unions, namely pay bargaining, was removed. With the expectation that pay increases would be derived by means of national agreements, trade unions increasingly focused their attention on matters that could be negotiated at local (workplace) level, such as employment conditions, pay anomalies and productivity deals. Indeed, far from eliminating local bargaining, national agreements merely changed their focus, and the period saw the negotiation of various types of productivity deals. These became an important means by which trade unions could gain pay increases above the stated maxima laid down in national wage agreements. The emphasis on industrial relations therefore continued to expand during the national wage agreement era.

For the HR function, industrial relations remained a priority, with HR ('personnel') practitioners heavily involved in workplace bargaining with trade unions. Industrial harmony was the objective, and industrial relations specialists, through their purported negotiating, inter-personal and procedural skills, had responsibility for its achievement. Increased industrial unrest from the mid-1960s to the end of the 1970s served to confirm industrial relations as a key concern of employers. It gave the emerging HR function a central management role. HR departments, whose major responsibility was industrial relations, became established in most larger organisations. The Donovan Report in Britain (1968) was also influential in encouraging collective bargaining, the adoption of comprehensive industrial relations procedures and greater specialisation in industrial relations management.

Increased government intervention from the 1970s has also had a significant influence on the HR function. As discussed above, this was particularly evident in the area of centralised pay bargaining. The early seventies also witnessed the introduction of an unprecedented wave of *employment legislation*, which was to impinge on the industrial scene and significantly impact on the role of the HR practitioner. This legislation focused primarily on individual workers' employment rights in areas such as dismissals and equality. Key legislation approved in this period included the Unfair Dismissals Act 1977, the Anti-Discrimination (Pay) Act 1974, the Employment Equality Act 1977, and a number of Redundancy Acts. Clearly, organisations had to come to grips with the application of such legislation and much of this responsibility was assumed by the emerging HR function. HR practitioners were expected to provide 'expert' advice and guidance on the new legislation and to oversee its implementation in the workplace. Chapters 11, 12 and 13 of this text review employment relations issues in Ireland.

THE MULTINATIONAL INFLUENCE

The attraction of foreign direct investment (FDI) by multinational corporations (MNCs) has been a cornerstone of Irish government policy for over fifty years. The economic significance of the FDI sector in the Irish economy is highlighted by the fact that it accounts for approximately 50 per cent of manufacturing employment, compared to an average of 23 per cent for western European Union (EU) countries and 33 per cent for the three largest Central and Eastern EU countries (Czech Republic, Hungary and Poland) (Barry 2004, 2007; Lavelle *et al.* 2009). *IDA Ireland*, the state agency primarily charged with attracting FDI, notes the presence of over 970 foreign firms, employing more than 135,000 people (IDA Ireland 2008).*

Over the period 1993–2003 Ireland was the largest net recipient of FDI in the Organisation of Economic Co-operation and Development (OECD), recording a cumulative balance of inflows over outflows of $71 billion and making it the world's eleventh largest recipient of inward FDI. The key areas of MNC activity are electronics and engineering, pharmaceuticals and healthcare, software and internationally traded services (see Table 1.1). The United States is by some considerable distance the largest source of FDI, with the US corporate investment position in Ireland in 2006 larger than its combined investment into Brazil, Russia, India and China (Hamilton and Quinlan 2008) (see Table 1.2). However, Ireland's circumstances have changed dramatically in very short time: the country has moved from a high growth economy up to 2007 to negative growth in 2008 and 2009. We have recently seen significant divestment by MNCs, with much media spotlight focusing on MNCs that have closed or downsized their Irish operations, e.g. *Dell Computers* (Limerick) in 2009. However, concurrently some MNCs have increased employment, while new organisations have been attracted, notably Internet-based firms such as *eBay* and *Facebook*. We have also seen a change in the profile of MNCs, with much of the recent FDI activity now located in services rather than manufacturing. International and financial services experienced quite dramatic job growth from the early 1990s, though it has suffered particularly badly as a result of the global financial crisis. However, probably the most important development has been the substantial increase in outward FDI by Irish-owned MNCs. Ireland now boasts a number of indigenous firms operating on a global stage, such as *CRH* and *Kerry Group*. In the period 2004–2006, Ireland became a net exporter of FDI, with outflows exceeding inflows (Lavelle *et al.* 2009).

The main contributory factors used to explain Ireland's high level of inward FDI include a comparatively low level of tax on company profits (corporation tax), grants and other

* This figure, based on data from IDA Ireland, may well under-represent MNC activity, given that not all inward-investing firms receive financial or other assistance from bodies such as IDA Ireland (cf. McDonnell *et al.* 2007).

forms of financial incentives, labour quality and supply, and particular aspects of the Irish business climate. Both Barry (2004, 2007) and Gunnigle and McGuire (2001) point to the critical significance of Ireland's low corporate tax regime in attracting US FDI. Barry finds that the effective tax on profits from US MNCs in Ireland was 6 per cent, while the comparative figures for Germany, Spain and the UK were 29 per cent, 25 per cent and 19 per cent respectively. Labour supply and quality have also been identified as a positive influence in attracting FDI, particularly the comparatively young age profile of the Irish labour force and the high level of educational attainment among younger age cohorts (cf. Tansey 1998). High levels of labour flexibility and a comparatively less regulated industrial relations and HR environment also emerge as factors favourably impacting on FDI, as does the use of English as a first language, and Ireland's membership of the EU.

Table 1.1 Foreign direct investment by sector: employment in IDA-supported companies 2004–2008

Sector	2004	2006	2008
Pharmaceuticals	20,708	20,700	20,703
International and Financial Services (including software)	47,783	53,728	56,375
Medical/Dental Instruments and Supplies	16,709	18,728	19,447
Computer, Electronic and Optical Equipment	19,940	20,552	19,197
Metals and Engineering	16,729	15,591	13,574
Miscellaneous Industry	8,185	7,589	6,747
Total	**130,054**	**136,888**	**136,043**

Source: IDA Ireland Annual Reports (2004–2009).

Table 1.2 Foreign direct investment by ownership: number of firms (total employment) 2004–2008

	2004	2006	2008
USA	478 (90,236)	470 (95,515)	464 (93,987)
Germany	140 (11,158)	122 (10,782)	103 (10,119)
UK	116 (6,824)	111 (7,356)	108 (7,775)
Rest of Europe	209 (16,163)	201 (16,504)	210 (18,176)
Asia Pacific	46 (3,002)	39 (2,991)	43 (3012)
Rest of World	33 (1,563)	37 (2,339)	52 (2,974)
Total	**1,022 (128,946)**	**980 (135,487)**	**980 (136,043)**

Source: IDA Ireland Annual Reports (2004–2009).

A particularly important legacy of MNC investment has been the diffusion of new HR techniques. In areas such as selection testing, training methods, reward systems and communications, MNCs have been to the fore in introducing new developments and methods. We have evidence, for example, that MNCs have also been associated with innovation in areas of high-performance work systems (Mooney 1988), performance-related pay (Gunnigle, Turner and D'Art 1998) and with enhancing the status of the specialist HR function (Gunnigle 1998a). At a general level, the effect of MNCs has been to contribute to establishing HRM as a more central component of the management process. MNCs, particularly those of US origin, have also led the way with regard to trade union avoidance. This latter development appears to have taken root during the early 1980s and has become increasingly commonplace as an important plank of HR policy among many American and some other foreign-owned MNCs (cf. Gunnigle 1995; Wallace 2003).

The impact of MNCs on HRM in Ireland is considered throughout this text.

HRM EDUCATION

Another important factor that has contributed to the growth and expansion of the HR role is the increasing emphasis on the professional education of HR practitioners since the 1970s. Clearly, greater specialisation in the HR sphere required commensurate growth in the education and training of HR specialists. As industrial development progressed from the turn of the 1960s, many of the newer multinational and larger indigenous organisations emphasised the appointment of qualified and experienced HR practitioners. While the origins of formal academic courses in aspects of HRM can be traced back to the 1940s, the most significant developments have taken place since the 1960s.

The establishment of a national Industrial Training Authority, *An*CO (An Chomhairle Oiliuna)* in 1967 added impetus to the development of the HR role through increased emphasis on training and development. In the 1970s the first courses leading to membership of the then *Institute of Personnel Management* (now the *Chartered Institute of Personnel and Development* (CIPD)) were offered at centres in Dublin and Limerick. Since then, full- and part-time undergraduate and postgraduate programmes have been established at most universities and a large number of other institutes of higher education. In 2004, courses leading to various categories of membership of the CIPD were available at seventeen centres throughout the Republic of Ireland (www.cipd.co.uk/branch/ireland/cipdirlnd).

This growth in HR education has occurred in parallel with growth in membership of the CIPD in the UK and Ireland. The CIPD is the professional body for HR practitioners in Ireland and the UK. It began its life in the UK in 1913 as the *Welfare Workers' Association*, operated for many years as the *Institute of Personnel Management* (IPM) and became the *Institute of Personnel and Development* (IPD) in 1994 – the name being a derivative, resulting from the merger between the Institute of Personnel Management and the Institute of Training and Development in the UK. It was granted a Royal Charter in the UK in July 2000 in acknowledgement of its role as the major management association in the field. The resulting change in title to CIPD reflects this change to chartered status. Membership of the CIPD in the UK and Ireland in late 2009 was just over 135,000. In Ireland membership has increased dramatically over the years: from a base of just fourteen registered members in 1937, membership passed the 1,000 mark in 1987 and by late 2009 there were over 6,500 CIPD members in Ireland.

* In 1988 AnCo was replaced by FÁS (An Foras Áiseanna Saothair), as the national training and employment authority under the terms of the Labour Services Act (1987). The roles of two other state agencies, the National Manpower Service and the Youth Employment Agency, were also subsumed into FÁS at this time.

THE 1980s – RETRENCHMENT AND RE-DEFINITION

In evaluating the development of HRM in Ireland, it is clear that increased industrialisation, foreign direct investment and general economic activity since the 1960s have contributed to the establishment of HR as a discrete management function. By the late 1970s the HRM role was firmly established in most of the larger Irish organisations. HR, or 'personnel' departments, as they were generally termed, operated as a distinct management function with responsibility for a reasonably well-defined range of HR activities, with particular focus on industrial relations.

However, the 1980s heralded a period of major change for HRM. A depressed economic climate, together with increased competitive pressures, led to a slump in business activity for most of the decade. These developments helped to change both the focus of HRM and the nature of HR activities. Increased competitive pressures combined to set new priorities, forcing the HR function to act under tighter cost controls and to undertake a wider range of activities (Berridge 1992; Tyson 1987; Foley and Gunnigle 1994). The recessionary climate reduced the need for many hitherto 'core' activities such as recruitment, training and, particularly, employment/industrial relations. The harsher economic conditions of the 1980s dramatically changed the industrial relations context. An economy characterised by widespread redundancies and high unemployment significantly impacted on the bargaining environment, with adverse consequences for trade unions. Increasingly employers sought to address issues such as payment structures and levels of wage increases, the extent of demarcation and restrictive work practices, and generally to reclaim managerial prerogative, which they felt had heretofore been eroded by trade unions.

Restrictive trade union legislation in Britain and hard-line management approaches in many firms indicated a more offensive approach to dealings with trade unions. This was reflected in the adverse outcomes for trade unions to strikes by miners in Britain and air traffic controllers in the USA in the early 1980s. Trade unions were in retreat and membership began to fall in many developed economies. In Ireland trade union membership fell significantly throughout the 1980s and industrial unrest also declined from the highs of the 1970s (see Chapter 13 for greater detail).

At the same time, increased market competition forced many organisations to seek new means of establishing competitive advantage. One apparent source of such improvements lay in the better utilisation of human resources. Some organisations began to investigate different approaches to workforce management, particularly in areas such as work organisation and job design, reward systems, employment relations and training and development.

However, the most widely debated and analysed HR development over the period was the emergence of what became known as *human resource management*. In this text we use the term 'human resource management' (HRM) in a generic fashion to encompass all aspects of workforce management in organisations. HRM has indeed become the umbrella term for what was formerly known as 'personnel management'. From an academic perspective, HRM has also become an umbrella term to capture research and education in the fields of employment/industrial relations, personnel management, organisational behaviour and human resource development.

This was not always the case. The use of the term 'human resource management' only came into popular usage in the early 1980s. In its initial conception, HRM essentially referred to the development of a more integrated and strategic approach to workforce management. It had its roots in the USA, which has traditionally been receptive to the application of organisational psychology and behavioural science principles in an attempt to improve organisation performance (Beaumont 1993). We now briefly consider this development.

THE DISTINCTIVE CONCEPT OF HRM AS IT EMERGED IN THE USA IN THE 1980s

While in this text we use the term *human resource management* in generic terms to encompass that aspect of organisational management that is concerned with the management of an organisation's workforce, it originally entered the management vocabulary as a term describing a distinctive and seemingly novel approach to workforce management. Here we briefly review the emergence of HRM as the field has developed in the USA since the early 1980s.

For some years now, both academics and practitioners have exhibited a growing interest in aligning business strategy and HRM more closely (see Chapter 3 for greater detail). Indeed, some commentators have identified HRM as a neglected area of strategic management and one with a potentially crucial role to play with regard to strategy implementation, especially in the area of organisation change (McGrath and Geaney 1998; Beer *et al.* 1984; Fombrun *et al.* 1984). We saw earlier that the 1980s was a period of reappraisal for the HR field. Increased competitive pressures forced many organisations to review their approach to workforce management. A key development during this period was the emergence of *human resource management* as a distinctive approach to workforce management. HRM was seen by many as a new development that contrasted with 'traditional' *personnel management*. Its apparently proactive stance was viewed as a major departure from the traditionally reactive 'industrial relations' focus associated with established approaches to 'personnel management'.

> The new approaches . . . which adopted a managerialist rather than a pluralist stance, the restructuring possibilities, and the reduction in trade union power and influence were the backdrop to what is now perceived as a new paradigm on which to base employment relationships. In the eyes of some commentators, human resource management (HRM) came to represent the new paradigm, and the critical distinction drawn was the notion that HRM placed initiatives on people management at the strategic heart of the business . . . The new flexibility agreements, new working practices, reorganisations, de-layering activities, the flatter organisations, direct communications with the workforce, and stronger corporate cultures . . . could be understood as a new, more coherent approach . . . If this was propaganda, it was propaganda that managers themselves started to believe as the 1980s came to a close.
>
> Tyson *et al.* (1994)

The conception of HRM as a distinctive approach to workforce management and the associated emphasis on a greater strategic role for HRM stems from two contrasting sources in the US literature. The first source emanates from the 'human resource' literature and is based on the 'human capital approach' developed by Michael Beer and his colleagues at Harvard Business School (Beer *et al.* 1984, 1985). This focused on the individual employee as the key organisational resource that management must nurture and develop so as to maximise their potential and organisational contribution. It encouraged employers to deploy a coherent range of pro-employee HR policies to ensure the attraction, retention and development of committed, high-performing employees. This model is thus the basis for so-called 'soft' HRM, whereby top management acknowledge that people are the organisation's 'most valuable' resource and put in place a set of coherent policies and practices to develop that resource.

The second literature source advocating increased strategic consideration of HRM comes from the broader business strategy literature, specifically the work of Fombrun (see, for example, Fombrun *et al.* 1984). This approach posited that organisational performance can be substantially improved by integrating HRM considerations into strategic decision making to ensure that HR policies complement business strategy. In contrast to the Harvard Business School (HBS) model, this approach does not prescribe either a 'hard' or 'soft' approach to workforce management. Rather, it is grounded on contingency principles, arguing that top management adopt the policies that best 'fit' the firm's business strategy and context. However, because its focus is overtly managerial, encouraging employers to employ the HR policies that will yield the best returns in terms of organisational performance, it has tended to become associated with the concept of 'hard' HRM (see Figure 1.1).

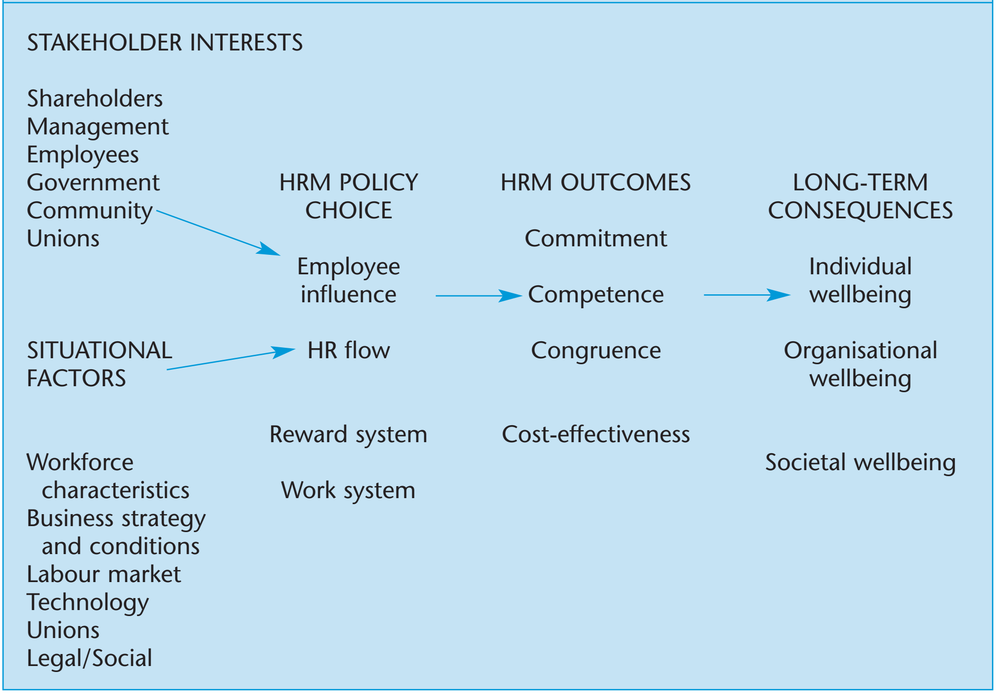
Figure 1.1 Hard and soft HRM

__Human Resource__ Management	*Human Resource __Management__*
HR Strategy as: Series of policy choices • Total HR/management philosophy • General management perspective • Multiple stakeholders • Evaluation through commitment, competence, congruence and cost effectiveness	**HR Strategy as:** Fit to corporate/business strategy Emphasis on alignment and coherence Key to strategy implementation
Primary emphasis on management philosophy (approach to HRM)	*HR as source of competitive advantage*

The HBS model presents a broad causal map of the determinants and consequences of HRM policy choices as outlined in Figure 1.2. HRM is described as 'involving all management decisions and actions that affect the nature of the relationship between the organisation and its employees – its human resources' (Beer *et al.* 1984:1). Thus, those in top management, and particularly the chief executive officer, are seen as having the primary responsibility for aligning business strategy and HRM. Four key components comprise the HBS model: (i) stakeholder interests; (ii) HRM policy choice; (iii) HRM outcomes and (iv) long-term consequences.

Presented as an open systems perspective 'in that HRM policy choices can affect each of the other components and be affected by them' (Lundy and Cowling 1996:51), the central contention is that HR outcomes are affected by policy choices made in four key areas: (i) reward systems; (ii) human resource flows; (iii) work systems and (iv) employee influence. Each of these policy areas is seen as a strategic lever with the capacity to profoundly impact employee behaviour and attitudes. Strategic choice in these areas is influenced by broader contextual factors (situational constraints and stakeholder interests). Decisions made in these policy areas are seen as affecting HR outcomes in the areas of employee commitment, congruence of employee and management interests, employee competence, and cost effectiveness. These outcomes are also seen as having broader long-term consequences for individual employee wellbeing, organisational effectiveness and societal wellbeing.

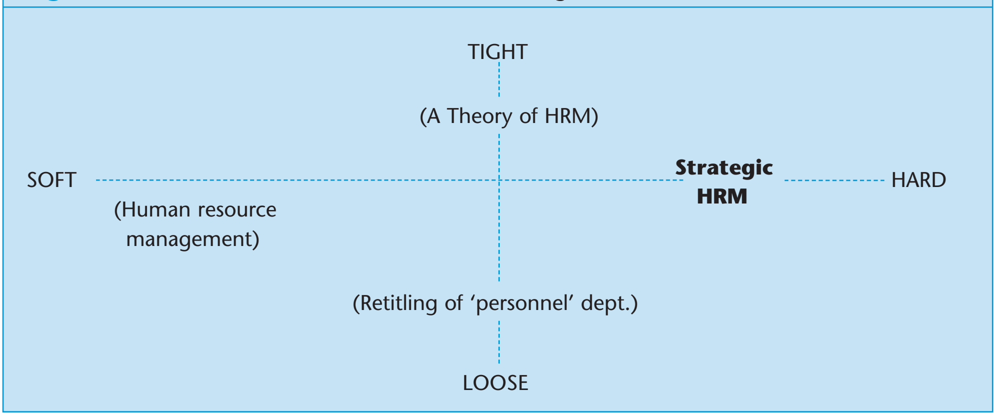
Figure 1.2 HBS model of human resource management



Source: Beer *et al.* (1984).

On this side of the Atlantic, Guest's (1987) 'hard–soft, tight–loose' framework of HRM is possibly the most widely referenced (see Figure 1.3). The 'hard–soft' dimension refers to a

Figure 1.3 Definitions of human resource management



Source: Guest (1987).

continuum ranging from a resource-based ('soft') managerial perspective, characterised by benign pro-employee policies, to a more calculated ('hard') management perspective where policy choice is driven by the need to complement business strategy and meet financial criteria. The 'tight–loose' dimension refers to a continuum ranging from, at one extreme, HRM merely involving a re-labelling of traditional personnel management ('loose') with no real change in practice, to, at the other extreme, HRM becoming a very clearly defined approach to workforce management with an explicit and strong ('tight') theoretical underpinning.

Guest went on to develop a more full-blown theory of HRM as outlined in Figure 1.4. He argued that firms would be more successful if they pursued four key HRM goals – (i) strategic integration; (ii) employee commitment; (iii) flexibility; and (iv) quality – and that these could best be achieved through coherent HRM policy choices in the areas of organisation and job design, management of change, recruitment, selection and socialisation, appraisal, training and development, rewards and communications. Guest identified five necessary conditions for the effective operation of HRM in this fashion:

1. *Corporate leadership*, to ensure that the values inherent in HRM are championed and implemented.
2. *Strategic vision*, to ensure the integration of HRM as a major component of the corporate strategy.
3. *Technological/production feasibility* – Guest warned that heavy investment in short-cycle, repetitive production assembly-line equipment mitigates against the job design principles and autonomous teamworking necessary for HRM.
4. *Employment relations feasibility* – he suggested that multi-union status, low trust levels between management and employees and an adversarial employment relations orientation mitigate against the implementation of HRM.
5. *Management capacity,* to implement appropriate policies.

Figure 1.4 A theory of human resource management

HRM POLICIES	HR OUTCOMES	ORGANISATIONAL OUTCOMES
Org./Job design		High job performance
Management of change	Strategic integration	High problem-solving, change and innovation
Recruitment, selection and socialisation	Commitment	
Appraisal, training, development	Flexibility/ adaptability	High cost-effectiveness
Reward systems	Quality	Low turnover, absence, grievances
Communications		
	LEADERSHIP/CULTURE/STRATEGY	

Source: Guest (1987: 516).

CONTRASTING HRM AND PERSONNEL MANAGEMENT

In contrasting HRM and what might be termed traditional personnel management (TPM), Guest (1987) identifies a number of key differences as outlined in Figure 1.5.

Figure 1.5 Personnel management and HRM compared

	Traditional Personnel Management	HRM
Input into corporate planning	Issue specific	Integrated
Time and planning perspective	Short-term; reactive; marginal	Long-term; proactive; strategic
Psychological contract	Compliance	Commitment
Employee relations	Pluralist; collective Low trust; adversarial	Unitarist, individual High trust
Organisation structures/ systems	Bureaucratic, mechanistic; centralised; formally defined roles	Organic, fluid; devolved; flexible roles
Principal delivery mechanism	Specialist personnel management function	Line management
Aims	Maximise cost-effectiveness	Maximise HR utilisation

Source: Adapted from Guest (1987).

First, it is argued that with HRM, workforce management considerations are fully integrated into strategic decision-making, whereas in the TPM model the 'personnel' input is less pronounced and issue-specific. A second contrast is that HRM is seen as proactive and long-term, while TPM is viewed as more reactive and shorter-term in perspective. In terms of the desired mode of psychological contract – defined by CIPD as 'the perceptions of the employee and employer as to what their mutual obligations are towards each other' (www.cipd.co.uk/subjects/empreltns/psycntrct/psycontr.htm) – HRM is seen as facilitating employee commitment, while the TPM management model is more oriented towards managerial control over employees (Walton 1985a). In regard to employment relations, HRM is viewed as essentially unitarist in perspective, seeing no inherent conflict of interests between employers and employees. In contrast, TPM is grounded in pluralist traditions involving acceptance that a conflict of interest exists between employers and workers and acceptance of the need for conflict resolution mechanisms and institutions to deal with this reality. A related factor is that HRM is seen as focusing more on relations between (line) management and the individual worker, while the TPM model is seen as operating primarily through collectivist relations between management and employee representatives (normally trade unions). Another area of contrast is that HRM is seen as operating most effectively in organic, fluid company structures, while TPM is seen as characteristic of more bureaucratic organisation structures. HRM is seen to operate primarily through line management, while in the TPM model primary responsibility is vested in the specialist personnel function. The final perceived difference is that HRM is seen as essentially focused on maximising the HR contribution to overall company effectiveness, while TPM focuses on the more limited goal of improving cost-effectiveness.

Despite these argued contrasts between HRM and TPM, Guest cautions that this does not necessarily imply that HRM is any better than TPM. Rather, he suggests a contingency approach whereby either a HRM or TPM approach may be best suited to particular organisational contexts.

CRITIQUING HRM

Since its emergence, HRM has been a source of intense debate with respect to its theoretical pedigree, empirical foundations and practical implications. Several authors have identified a number of inherent contradictions and inconsistencies in HRM, particularly the 'soft' variant advocated by the HBS model (Keenoy 1990; Blyton and Turnbull 1992; Legge 2005). For example, Legge (2005) highlights the apparent paradox between the traditional commodity status of labour under the capitalist framework and the essentially unitarist perspective of HRM, which sees no inherent conflict of interests between management and employees. It has been widely accepted that in the capitalist system there is an inherent conflict of interest between management and employees over the price of labour. Indeed, this conflict of interest is the very basis of the pluralist perspective. However, the HRM perspective appears to ignore the 'inherency' of a conflict of interests, but rather focuses on the 'ideal' of achieving a congruence of management and employee interests and on securing high levels of employee commitment (Walton 1985a; Flood 1989). This focus is not only incompatible with the pluralist perspective of the organisation, but also appears to conflict with another basic tenet of HRM, namely that HR policies should 'fit' with business strategy. Clearly, many decisions that complement business strategy may not develop employee commitment or achieve a mutuality of worker and employer interests. Where, for example, an organisation's business strategy seeks to maximise short-term returns to shareholders, this may well require decisions that in fact damage employee commitment; for example, replacing labour with technology, contracting out certain tasks and/or making employees redundant. A related issue on this theme is the suggestion that HRM involves the simultaneous achievement of higher levels of individualism and teamwork. These twin goals clearly have tremendous potential for conflict. For example, performance-related pay based on individual employee performance may indeed conflict with teamwork, as can individual communications/negotiations (see Chapters 6 and 11). Guest (1989:43) aptly captures some of these criticisms with the following observation:

> HRM values are unitarist to the extent that they assume no underlying and inevitable differences of interest between management and workers . . . HRM values are essentially individualistic in that they emphasise the individual–organisation linkage in preference to operating through group and representative mechanisms . . . These values . . . leave little scope for collective arrangements and assume little need for collective bargaining. HRM therefore poses a considerable threat to traditional industrial relations and more particularly trade unionism.

High levels of flexibility are seen as a core objective of HRM. Guest (1987) suggests that increased flexibility involves the creation of structural mechanisms in organisations to ensure responsiveness to changing environmental conditions. This suggests high levels of flexibility: functional (ability to deploy workers across a range of different job tasks); numerical (ability to take on and shed labour in line with business demand); and financial (ability to link wages to the labour market context and to evaluations of individual performance). However, several authors have noted the difficulties in achieving congruence between numerical, functional and financial forms of flexibility. It is clearly difficult to achieve high levels of functional flexibility (e.g. multi-skilling) where employees have a tenuous relationship with the organisation, for example as a result of attempts to improve numerical flexibility (Blyton and Morris 1992; Gunnigle 1992b).

Another contradiction in the HRM argument that HR policies must be internally consistent/complementary arises in relation to job security. A prominent theme is that for HRM to be effective, management must provide implicit job tenure guarantees for employees (Beer *et al.* 1984; Guest 1987, 1989; Walton 1985a). For example, Guest (1989) argues that job tenure commitments are a ‘necessary’ precondition in achieving a ‘mutuality of management and employee interests’, which he suggests is a key policy goal of HRM. However, it is patently evident that ever-increasing competitive pressures can make job security increasingly difficult to achieve or sustain. Indeed, job security may itself be incompatible with broader business goals attributed to HRM, such as increased flexibility in responding to market changes. In practice, it would appear that some organisations seek to achieve such flexibility by policies that actually reduce the likelihood of job tenure commitments – for example, using temporary workers. On the issue of the practicability of achieving a ‘fit’ between business strategy and HRM policies (e.g. job tenure commitments), Blyton and Turnbull (1992:10) comment:

> This is particularly problematic in highly competitive or recessionary conditions where the ‘needs of the business’ are likely to undermine any internal ‘fit’ with (‘soft’) HRM values: shedding labour for example will severely challenge, if not destroy, an organisation’s HRM image of caring for the needs and security of its employees.

Although over two decades have now passed since the articulation of this particular comprehension of HRM, the implications for practice remain unclear. Some contributors argue that HRM merely involved a re-titling exercise, or ‘old wine in new bottles’, with little substantive change in HR practice (e.g. D’Art 2002). Others have argued, however, that the emergence of (strategic) HRM involves a complete reorientation of the HR role (Beer *et al.* 1984; Storey 1992). More recently, however, this rhetoric versus reality debate has effectively been overtaken by a new debate focused on establishing the causal relationship between HRM practice and firm performance, sometimes labelled the ‘black box’ or great unknown question (Boxall and Purcell 2008). The impact of HRM on business strategy and firm performance is considered in detail in Chapter 3. Now we briefly review contemporary developments in HRM, particularly those impacting on the Irish context.

CONTEMPORARY DEVELOPMENTS

FROM BUST TO BOOM . . .

Until the onset of the global economic crisis in 2008, Ireland's exceptionally high levels of economic growth and employment creation from the early 1990s made it difficult to fully appreciate the pessimism that characterised the Irish economy for much of the 1980s. Economic growth during the first half of the decade was extremely low, unemployment and inflation rose steadily, and the country's fiscal debt was unsustainable. Substantial employment decline was recorded during this period: unemployment rose from less than 8 per cent to almost 20 per cent of the labour force, resulting in the resumption of large-scale emigration (Tansey 1998). As public debt and unemployment reached record proportions, the economy became locked in deep recession. A quote from *The Economist* (1988:1) captures the situation in which the Irish economy then found itself:

> . . . the country was on the skids. In four years its national debt had doubled. As a proportion of Gross Domestic Product, Ireland's debt was the biggest in Europe. Servicing costs were gobbling one third of annual tax revenue and 90 per cent of the revenue from income tax. Real interest rates of 10 per cent were driving business to despair. A panicky flight of capital had begun. The International Monetary Fund [IMF] expected a call for help.

As we now know, IMF intervention was not called for, and by 1987 there was a political and societal agreement that fundamental initiatives were needed to tackle the problems facing the country. However, there also appeared to be limited support for a replication of the Thatcherite policies employed in the UK during the 1980s (Wallace *et al.* 2004). Rather, the government embraced fiscal rectitude, encompassing severe cutbacks in public expenditure, and social partnership as twin strategies designed to turn the economy around. These initiatives, together with a serendipitous confluence of favourable developments in both the domestic and international economy, contributed to a remarkable transformation in Ireland's economic fortunes. Indeed, the Irish economy recovered to such an extent that by the late 1990s it was widely heralded as a model of effective economic management. Expansive economic growth characterised this period. From the mid-1990s to the turn of the millennium, gross domestic product (GDP) growth rates averaged over 9 per cent a year or almost four times the EU average. Ireland became the OECD's fastest growing economy with levels of economic performance at or above the levels of the world's high-growth economies.

It is clear that employment/industrial relations played a key role in this transformation. In 1987 the first of a series of centrally negotiated national social partnership agreements (the Programme for National Recovery 1987–91) was signed by the 'social partners', principally government, employers and trade unions. Since then a further seven agreements were concluded up to 2008. While there are different opinions on the relative contribution of centralised bargaining to Ireland's economic transformation, there is widespread consensus that social partnership agreements played an important role. In particular, they are seen to have contributed to low levels of wage inflation (Tansey 1998), reductions in personal taxation and low levels of industrial conflict (Roche 2007, 2008). These issues are covered in greater depth in Chapter 13.

The transformation from a comparatively poor and under-developed economy in the late

1950s to one characterised by industrial expansion and strong economic growth from the early 1990s until quite recently involved major changes in the structural distribution of employment and in the nature and operation of the labour market (see Chapter 4 for greater detail). This primarily involved a progressive decline in agricultural and traditional industrial employment, and a dramatic rise in employment in the services sector. Between 1980 and 1996, Irish non-agricultural employment growth of 26 per cent exceeded that of the EU (7 per cent) and the USA (15 per cent).

From an HRM perspective, the 'Celtic tiger' years brought very different challenges. Probably the most pressing of these concerns was the attraction and retention of workers. Rapidly falling levels of unemployment, combined with greater demand for labour, made for a very tight labour market. Employers were increasingly forced to compete for new workers and sought to develop innovative means of retaining current employees. Related issues included pressures from workers and trade unions for better reward packages. We also witnessed increased activity in the areas of HR development, performance management and reward systems as organisations sought both to enhance the capacity of their workforce and to improve performance and competitiveness.

Changes in the structural distribution of employment have important implications for HRM (see Chapter 4 for greater detail). An important characteristic in the pattern of economic development in Ireland is the progressive growth in employment in the *services sector*. As mentioned earlier, the structure of the labour market has changed drastically since independence. In 1926 agriculture accounted for 54 per cent of total employment, while today the equivalent figure is just over 5 per cent. Thus Ireland has followed the pattern of other developed countries: employment in primary sectors (agriculture, fishing, etc.) is gradually superseded by employment in industry (including manufacturing), which is in turn superseded by employment in services. By far the most marked development over the recent past is the dramatic growth in employment in the services sector, which increased by a staggering 70 per cent between 1993 and 2004. In 1990 the services sector accounted for 57 per cent of total employment. By 2004 this had risen to 66 per cent and the most recent (June 2009) figure is 74 per cent (employment in industry is 21 per cent) (www.cso.ie/releasespublications/documents/labour_market/current/qnhs.pdf).

The HR implications of these changes are addressed throughout this text. Of particular note is the increased variety in employment forms, higher levels of female participation and greater ethnic and cultural diversity in the workforce. There is little doubt that increased employment in the services sector has involved a growth in diversity in employment forms, specifically a growth in atypical or non-standard employment forms (i.e. any form of employment that deviates from the full-time, permanent format, including self-employment, temporary and part-time work). A National Economic and Social Forum report (NESF 1995) identified the principal characteristics of services employment as involving a relatively high proportion of female, part-time, temporary and self-employed workers. Wallace and Clifford (1998:9) attribute the high proportion of part-time working, and other types of atypical employment forms in services, to 'demands for greater flexibility arising from the sectoral shifts from traditional manufacturing and agriculture to services employment'. Data from the Central Statistics Office (CSO) indicated that in 2000 some 30 per cent of female employees worked part-time (compared to 7 per cent of males), of whom 27 per cent worked in the services sector (O'Sullivan 2005). Other HR implications of these developments in the Irish labour market are addressed later in this text, notably changing migration patterns

(Chapter 4), training and development aspects (Chapters 9 and 10) and employment relations implications (Chapters 11 and 12).

. . . AND BACK AGAIN – THE GLOBAL FINANCIAL CRISIS

By the turn of the millennium a number of developments, particularly the so-called *dot.com* downturn and the aftermath of *9/11* (2001), initially impacted on the Irish economy and indeed HRM. Given Ireland's reliance on FDI, especially by American MNCs, it was predictable that these events would have important knock-on effects in Ireland. The period immediately after 2001 saw a fall in the level of FDI into Ireland and increasing economic difficulties for some MNCs operating in Ireland. However, the impact was primarily concentrated on the information and communications technology (ICT) sector, where the level of job losses and company closures increased in 2001 and 2002. These included the closure of both *Motorola* and *Gateway*'s Dublin plants, involving a gross loss of almost 1,700 jobs. Indigenous ICT firms suffered particularly badly and some of the prominent casualties included *Ebeon* and *Baltimore Technologies*. IDA Ireland (2003) estimated that employment in the ICT sector fell by over 5 per cent in 2002, which represented quite a creditable performance in the circumstances. Indeed, some ICT firms in Ireland, such as *Dell Computers*, appeared to weather the 9/11 and dot.com downturn reasonably well, though this was to change later in the decade, as we see below. Subsequent years also witnessed some important new investments, such as *MBNA* and *Google*.

More significantly, much of Ireland's economic development post-2001 was based on high levels of consumer spending and a huge boom in construction. This masked, to some degree, a progressive fall in competitiveness. The 2000 *World Competitiveness Report* (www.imd.ch) ranked Ireland as the fifth most competitive world economy, achieving particularly strong scores in areas such as education, government and technological capacity. Since then successive reports have charted the progressive decline in Ireland's competitive standing to its current position of nineteenth in 2009 (down seven places from twelfth position in 2008).

Turning to the current global financial crisis (GFC), Ireland became the first euro-zone country to enter recession in September 2008 (CSO 2008). Output as measured by gross domestic product (GDP) fell from a positive growth level of 6 per cent in 2007 to a decline of –3 per cent in 2008 and by a further –8 per cent in 2009, with forecasts predicting a much smaller reduction in 2010 (–2.3 per cent) (Barrett *et al*. 2009). At the same time unemployment increased substantially from just 4.6 per cent in 2007 to 6.3 per cent in 2008, an estimated 12.6 per cent in 2009 and 13.5 per cent in 2010. As might be expected in such adverse economic circumstances, general government debt (as a percentage of GDP) has increased from 44 per cent in 2008 to 61 per cent in 2009 and a projected 74 per cent in 2010. The International Monetary Fund (IMF 2009) described the severity of Ireland's recession as the worst in the advanced world, due in large part to Ireland's status as one of the most open economies with a huge reliance on international trade and investment, but also a function of an over-reliance on construction activity and personal consumption combined with reckless lending in the banking sector.

It is clearly impossible to address all of the implications for HRM in this section, and indeed many developments are currently unfolding as the country, and indeed the rest of the world, grapples with the challenge of recovering from the huge downturn in economic activity wrought by the GFC. Consequently, in this section we merely summarily document some of the anticipated HRM implications. The first and most obvious is that, as during the 1980s, much HRM activity in organisations is now focused on cost reduction (including organisational restructuring) and, in many cases, down-sizing. This may include a range of activities, particularly managing redundancy and/or outsourcing programmes, but also measures that may help protect employment (somewhat) such as redeployment, overtime bans, wage cuts or freezes, benefits reduction, sabbatical/unpaid leave, recruitment bans and enforced shut-downs. In unionised firms this is likely to involve in-depth negotiations with union representatives. Where redundancy programmes are deployed, the HR function will generally assume responsibility for managing the selection of people for redundancy in a manner that complies with legal provision and ethical standards. An indicative snapshot of the types of HRM activity ongoing in organisations is outlined in Box 1.1.

Box 1.1 HRM in recession – examples of current practice (2009)

- Many companies are introducing initiatives such as short-time working, pay freezes, career breaks and redundancies to deal with the impact of the recession (e.g. *Intel*, *Microsoft*, *Abbott*, *DAA*, *ACC Bank*).
- Some firms are seeking/initiating pay freezes or claiming 'inability to pay' under the terms of the current national wage agreement, Towards 2016 – The Transitional Agreement (e.g. *Irish Aviation Authority*, *Roadstone*, *Rosderra Meats*), while some companies have committed to press ahead with pay increases (e.g. *Apple Computer*, *Pepsi*, *Dulux*, *Pfizer*).
- There is evidence of increased number of redundancy deals (up 30 per cent in 2008). However, recent evidence suggests that the proportion of workers receiving the minimum statutory severance level increased in 2008.
- Some examples of company level measures include:
  - *Independent Newspapers* – package of wage cuts and new working time arrangements. Unilaterally introduced by management, unions opposed.
  - *Aer Lingus* – 'leave and return' plan: 850 employees take a lump sum severance payment and leave the company before returning on reduced pay and conditions; lower entry pay rates, voluntary redundancies and changes in working conditions. Union-led initiative. Later announcement of additional redundancies, pay cuts and reduced pension benefits – union opposition and developments ongoing.
  - *AXA* – new remuneration process, changes to performance management and rewards programme, new profit share criteria and voluntary redundancies. Agreed with unions.
  - *Irish Life and Permanent* – two- and three-year career breaks. Unions in agreement.
  - *Element Six* – short-term working with voluntary and, possibly, compulsory redundancies. Negotiations ongoing/some union opposition.

Source: *Industrial Relations News* (various issues, 2008–2009).

We now briefly consider some of the key emerging debates relating to the impact of the GFC on HRM. An initial starting point is what, if any, impact the GFC will have on the strategic role of HRM. There are two contrasting lines of thought here. First, it might be argued that as financial and cost concerns take centre stage, HRM's role and influence may be relegated to the periphery vis-à-vis other management functions, notably finance and operations. On the other hand, there is at least anecdotal evidence that HRM may well play an increasingly strategic role as it works with other key managers, particularly operational-level managers (e.g. logistics) in evaluating sites, deciding on investment/divestment, outsourcing, evaluating and addressing labour costs, etc. Turning to the HR function itself, there are likely to be cuts in the numbers employed (one leading financial institution recently indicated that HR is taking a 25 per cent headcount cut). This may often be linked to a shift to shared services HR provision and, possibly 'off-shoring' of such provision.

Turning to specific HR activities, the GFC and recessionary environment has heralded a sea change in regard to recruitment and selection. The shortage of labour brought about by a booming economy and effective full employment has now given way to a very loose labour market and an abundant supply of labour across many categories of employment. Related changes in the HR sphere include dramatic falls in employee turnover (a medical devices firm indicated that turnover levels had recently come down from an average 20 per cent some years ago to between 3 and 4 per cent and falling). Training and development (T&D) is another likely victim of the GFC as firms cut back on expenditure in this area. However, the impact may well be variable across different employee categories. For example, one prominent financial institution reported that while T&D had been cut and the numbers trained reduced, this largely related to operational-type training, and that certain strategic T&D initiatives had survived, particularly those aimed at senior managers involved in managing change.

The GFC has also impacted on the work climate, with some managers reporting a greater willingness among (and possibly pressure on) employees to accept changes in working conditions (e.g. greater flexibility), as firms and workers seek to protect business and employment. However, there may also be an element of opportunism in such management behaviour. Firms that may have long wished to initiate organisational change or terminate employment may now be able to do so under the guise of the recession, even though their motives may not be exclusively recession-based. The fact that trade unions are in a weaker position as a result of the GFC renders them less capable to resist such management action. On the other hand, some union executives have reported that the GFC has increased worker interest in joining trade unions. Employee frustration with regard to the banking crisis in particular and a consequent feeling of powerlessness may well encourage some workers to seek union membership. However, as previously mentioned, the power of unions themselves is greatly diminished in a recession. For example, many firms have only paid part of the pay increase due under the current national agreement (Towards 2016 – The Transitional Agreement), but trade unions remain reluctant to tackle this issue and also have limited capacity to prevent further job cuts. However, unions continue to pursue two principle objectives in such situations: (i) to ensure that any job cuts are voluntary and to resist compulsory redundancies; and (ii) to achieve satisfactory redundancy terms.

The GFC has also placed a question mark over the effectiveness and suitability of particular HR techniques. A particular case in point is performance-related pay/performance by results systems. In the banking sector, for example, the performance of senior managers on performance metrics such as the size of the 'loan book' and quarterly growth in business activity formed the basis for decisions on the distribution of additional financial rewards. It would appear that much less attention was paid to the quality of this growth, as demonstrated by the extent of bad loans among the majority of the major banks and financial institutions. Another area which has seen increased activity is performance management and related disciplinary action. Trade union officials have reported increased use of disciplinary procedures (warnings, etc.) against workers, for example taking disciplinary action against workers on long-term sick leave, which might not have happened during the 'boom years'. This change in management behaviour and their increased inclination to implement performance management systems more strictly may partly be related to falling management concern about high turnover.

A more general consideration relating to the GFC is its impact on FDI, specifically the challenge of maintaining or, indeed, increasing the volume of FDI into Ireland. We have already outlined Ireland's adoption of 'industrialisation by invitation' as an important plank of Irish economic policy from the early 1960s. Much of this investment focused initially on high-volume, low-margin manufacturing which was attracted to Ireland by a combination of financial incentives, low corporation tax and low labour costs. As the economy developed and costs increased, many of the firms in this wave of FDI closed and/or moved production to lower-cost locations, particularly Asia and, more recently, Central and Eastern Europe. While most of the past two decades have seen a major increase in FDI into Ireland, we have also witnessed a concurrent trend of firms transferring all or some of their operations abroad, particularly over recent years. Given increasing competition between nations for FDI and the accelerating costs of doing business here, it is clear that Ireland will find it much more difficult to attract new FDI start-ups from abroad. The most recent report of the United Nations Conference on Trade and Development (UNCTAD 2009) showed that Ireland has been hard-hit by the global decline in FDI, with the inflow of FDI into Ireland turning negative during 2008 and falling by some $20 billion. It should be noted that this downturn in FDI activity affected a number of other developed countries, and UNCTAD predicts a slow increase in FDI activity from 2010.

While the scale and impact of the GFC was not foreseen, there was recognition quite some time ago, particularly among industrial development agencies, that Ireland's attractiveness as a site for inward FDI was likely to diminish, particularly for manufacturing investment, and that if the country was to continue to attract inward investment it needed to re-evaluate its position in this 'market'. Acknowledging that Ireland's success in securing new FDI was likely to recede in the face of more intense international competition for FDI and increased operating costs at home, the industrial promotions agencies (particularly *IDA Ireland*) initiated two specific changes in strategy (cf. Gunnigle *et al.* 2003):

1. Shifting the emphasis away from attracting new start-ups and towards a greater focus on retaining existing MNCs and facilitating the attraction of higher-order activities to the Irish operations (e.g. attracting higher-margin products or services and/or developing greater development and research capacities).
2. Placing a greater emphasis on regional balance in the geographic distribution of FDI (essentially encouraging FDI projects to locate outside Dublin and major industrial centres into more economically disadvantaged regions).

These changes reflect a significant HRM dimension. It is clear that during the 'Celtic tiger' years both labour and other operating costs rose substantially. Consequently, it has become the conventional wisdom to suggest that if Ireland is to retain its position as a leading European location for FDI, it must seek to attract higher-order production or service activities which are less reliant on low labour costs. The recent return to high unemployment levels, last seen in the mid-1980s, is likely to go some way towards lowering labour costs. While some sectors, notably the ICT sector and international financial services, have had a difficult time, other sectors, particularly healthcare and pharmaceuticals, fared much better. In fact the most recent data (mid-2009) shows that exports of pharmaceuticals, chemicals and medical devices are defying the global recession and have helped pull the overall figure for Irish exports into positive territory. A particular example is *Abbott Laboratories* (Ireland), whose expansion over the recent past appears to reflect well on the policy changes highlighted above, both in the Irish subsidiary's success in attracting 'higher-order' investment and in aiding employment growth in less developed regions (the Midlands and North-West).

More generally, though, the success or otherwise of this change in industrial policy remains unclear. The recent past has seen both positive and negative developments. On the positive side, a number of new investments, often involving the creation of high-quality jobs, have been announced in both start-up and expansion forms. The most notable include the attraction of prominent Internet-based organisations such as *Google* and *eBay* and expansions by established MNCs such as *Wyeth* and *Merck*. There have also been some significant closure and retrenchment decisions, notably those at *Dell Computers*, *Celestica*, *Honeywell* and *Procter & Gamble*. Predictably, the majority of these job losses have been in manufacturing, a trend likely to continue for the foreseeable future. However, the fact that more recently the services sector has overtaken manufacturing as the major source of employment is an indicator of the changing profile of the FDI landscape in Ireland.

CONCLUSION

These various historical developments provide a context for our treatment of each major area of HR activity addressed throughout the text, notably the management of HR flows, work systems, performance management, reward systems, training and development, and employment relations. As noted above, the impact of the GFC crisis is currently unfolding and some of the potential implications for HRM were briefly reviewed above. An understanding of the historical evolution of workforce management serves to highlight key influences on the evolution of modern HRM, many of which are evident in contemporary HR practice.

In the next chapter we move beyond our historical review to consider the principal aspects of HRM practice in organisations.