

The Impact of the Global Financial Crisis on Human Resources in Multinational Companies in Ireland

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ABSTRACT

This paper aims to analyse and review the impact of the global financial crisis on human resource management in multinational corporations in Ireland. A review of the literature was done, taking as reference the study of Gunningle, Lavelle and Monaghan (2013). In addition, newspapers, magazines, books and scientific journals were used as secondary data. The great contribution of the article is related to the fact that how HR managers can be seen as key players within companies, acting in a strategic way over the crisis period in Ireland. It is necessary for HR managers to communicate effectively, build good relationships and pay attention to the difficult task of balancing individual and organizational desires. Addressing the specific case of Ireland, there are limitations from a general point of view, but it works as an illustration of managerial alternatives to companies impacted by economic "turbulence", whether for validation of proposed ideas or for the construction of new ones.

Keywords: Global Financial Crisis; Human Resources; Multinationals; Ireland

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INTRODUCTION:

At 2007 began the global financial crisis caused by the problems faced for the American financial system, the worst after the Great Recession of the 1930s. The recession influenced significantly developed countries' economies, affecting many countries and soon spread worldwide. This recession impacted on millions of business enterprises in an increasingly interconnected world (OECD 2009a). All countries in Europe faced the crisis sorely, but we can highlight the most affected countries, such as: Portugal, Ireland, Italy, Greece and Spain (PIIGS).

The aim of this article is to critically review and analyse the impact of the global financial crises (GFC) on human resource management (HRM) in Multinational companies (MNCs) in Ireland. The first point discusses the global financial crisis in Ireland and its current economic status; in addition, it was linked to GFC with HRM areas in MNCs. The HRM's ranges discussed were training & development, pay and benefits, industrial relations, HR function and the role of the human resource manager. Finally, was analysed the impact of the crisis on HRM in MNCs in Ireland during the GFC.

To evidence the purpose of this article was used a qualitative method of data collection. To investigate the specific

objective: "Analyse the Impact of Global Financial Crisis on Human Resource Management in Multinational Companies in Ireland during the GFC" was realised a bibliographic research supported by surveys, articles, reports, journals and books, to gain a broad understanding in this area.

Furthermore, a research sample that examined the impact of the global financial crises on HRM in MNCs in Ireland conducted by Gunningle, Lavelle and Monaghan 2013 were also used to back up information gathered by the author. Also, the literature review was used to complement this study, helping to identifies what is already known about the area of study, analysing the specifications of the study such as general and specific objective, making a case for why further study of research questions is important to this field.

The intention of this article is to discuss the development and changes of specific human resource's areas during the global financial crisis mainly on the Ireland context, considering that the GFC affected directly the HR sector positively and negatively. Furthermore, this article is important to show for companies and countries' governments alternatives to get out of the crisis or only to soften the situation, furthermore, to demonstrate creative alternatives for HR department.

IRELAND, GFC and MNCs

Today, Ireland's overall macroeconomic framework is solid with a Gross Domestic Product (GDP) of US\$ 2.077 trillion in 2013, thus it raised 2.5% in 2014 and by 3.3% in 2015 (IDA 2015) (WorldBank 2015). Furthermore, The Irish Central Bank raised its economic forecasts for Ireland and believes GDP will grow by 4.1 % in 2016.

While the global economic crisis hit Ireland hard from 2007 (Dellepiane and Hardiman, 2011) the global financial crisis affected all economies to varying levels around the world, it was however particularly severe in Ireland with a cumulative nominal GDP decline of 21 percent from Q4 2007 to Q3 2010. This ranked Ireland among the worst-affected countries in terms of output performance during that period (Lane and Milesi-Ferretti 2010).

Even though, Ireland has been an important country to foreign direct investments (FDI) since before the crisis. Ireland had a large share of productive activity and exports in both manufacturing and services generated by foreign multinationals located in Ireland. During the GFC heavy investment was needed to maintain Ireland as an attractive venue for foreign direct investment (FDI), thereby avoiding a large drop in exports (Godart et al. 2011).

Thus, the main aspects to attractive FDI to Ireland include a low level of tax on company profits, grants and other forms of financial incentives as well as labour quality and supply (Gunnigle, Heraty and Morley 2011). Demographics aspects, education and skills, wages and salaries, cost of living, tax, property and infrastructure are also reasons that influence investments in Ireland (IDA 2015).

In 2013, Ireland's total exports were valued at €185bn, up from €183bn in 2012. The country's main markets are the EU (Europe) and the USA (United States of America) with the main exporting sectors being: Pharmaceutical and chemicals, computer service, business services, financial services and insurance, food and beverage and medical devices (IDA 2015).

"Ireland currently hosts seven of the top 10 global information and communications technologies companies, 15 of the top 25 global medical technology companies, nine of the top 10 global pharmaceutical companies, over 250 global financial institutions and a growing social media and gaming sector" (Gunnigle et al. 2013, p. 215).

Therefore, Ireland needs to attract MNCs to the country in order to generate jobs, making its economy productive, creating a multicultural environment and becoming a global country. Ireland has the 5th highest ratio of inward FDI stock to GDP in the OECD and the highest ratio of employment in foreign affiliates in both the manufacturing and services sectors (OECD, 2010 cited in Gunnigle et. al 2013).

HUMAN RESOURCES MANAGEMENT ON THE CRISIS BOARD

During the recession, the economic downturn had an impact on HR (Human Resource) functions. A common trend noted in the literature examined by the author found that companies are often found to have adopted bundles of measures such as bans on overtime, freezes on recruitment,

lay-offs, job losses, and pay freezes or pay cuts to spread the process of cutting payroll costs over multiple complementary measures (Cameron et al., 1991; Cameron, 1994 cited in Teague and Roche 2013).

To evidence this trend Legge's 1987 (cited in Roche and Teague 2012) review of a wide body of evidence to assess the impact of the UK (United Kingdom) crisis of the early 1980s on the power, role and structure of personnel departments in companies. The focus of her investigation was on whether the recession: 1. enhanced the status of the HR function by opening up new opportunities for it to lead organisational change and restructuring; 2. Reduced the need for the HR function by making some its core activities – for example, recruitment and selection that is less important for companies. 3. Caused the HR function to be marginalised by opening up opportunities for more "macho" management; or 5. Led to no appreciable change to the role or values of the HR function owing to organisations maintaining a business-as-usual stance. Legge (1987) conclude that while incidences could be found of HR losing power and management becoming more macho, the dominant trends appeared to be HR remaining more or less the same as a result of the recession (Roche and Teague 2012).

On the other hand, Gunnigle et al. 2013 analysed the impact of the Asian Financial Crisis in 1997 on HRM providing reasonably recent evidence in this regard. Some of the keys themes to emerge from this literature include pay freezes/cut, reduced bonuses, variable pay allocations, recruitment freezes, use of atypical labour, changes in performance management systems and training & development (T&D) changes. (cf. Benson, 1998; Kamoche, 2003; Smith and Abdullah, 2004; Fodor and Poor, 2009; Gennard, 2009 cited in Gunnigle et al. 2013).

Therefore, there are many examples on the impact of the GFC on HR functions. Gunnigle et al. 2013 examined in their research "*Weathering the storm? MNCs and HRM through the GFC*" the validity of four typical economic propositions on the anticipated impact of the GFC on HRM practice in MNCs in Ireland, such as: Staffing, Pay and Benefits, Industrial Relations and Role of the HR function.

Propositions on the anticipated impact of the GFC on HRM practice in MNCs in Ireland, as follows:

- P1. Staffing: there will be a dramatic decline in the level of recruitment and selection as organisations adjust staffing levels to decreased demand while concurrently exploring more flexible and cheaper staffing patterns e.g. short-time working, casual/temporary labour, temporary lay-offs and unpaid leave. Furthermore, the scale of T&D activity, and expenditure thereon, will decline.
- P2. Pay and benefits: levels of pay and benefits will fall as firms seek to achieve labour cost reductions.
- P3. IRs (Industrial Relations): management will seek to exploit the weaker bargaining power of trade unions and employees by pursuing a range of changes in terms and conditions of employment and work practices, either through concession bargaining and unilateral management decisions.
- P4. Role of the HR function: the role and influence of the HR function and HR considerations will diminish in

strategic importance as financial and operational concerns come to dominate the managerial agenda. This is in line with long-standing reservations regarding the credibility of HR's contribution to conventional organisational success criteria (cf. Legge, 2005) – concerns likely to be more evident in during economic downturns.

evidence to indicate that MNCs have been in the precursor of organisations engaging in multidimensional restructuring programmes in response to the GFC, incorporating many initiatives in the domain of HRM.

Adapted from Gunnigle, Lavelle and Monaghan 2013, p. 216
Gunnigle et al. 2013 found in their research an extensive

In terms of staffing they found that a variety of actions have been pursued within MNCs in response to GFC (Gunnigle et al. 2013). According with ECM about 14,546 jobs were created while 27,317 jobs were lost, they also found evidences on the extend of part-time working in MNCs.

Figure1 - Types of Restructuring and Job Losses and Gains in MNCs in Ireland

Type of restructuring	Number of cases (%)	
Internal restructuring	58	(35)
Business expansion	49	(30)
Bankruptcy/closure	35	(21)
Offshoring/delocalisation	15	(9)
Relocation	6	(4)
Merger/acquisition	1	(1)
Outsourcing	1	(1)
Other	1	(1)

Source: European Restructuring Monitor (2010)

Types of restructuring in Ireland 2008-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gains	25,026	15,172	11,758	9,923	12,020	12,816	12,885	10,929	10,124	4,863
Losses	9,885	19,098	18,083	14,848	12,018	10,803	9,826	11,296	11,456	20,039

Source: Forfás (2010)

Job losses and gains in MNCs in Ireland (full time employment) 2000-2009

Adapted from Gunnigle, Lavelle and Monaghan 2013

Finally, an important aspect is in relation Training & Development (T&D) that confirms expenditure has been subjected to substantial expenditure cuts, therefore, T&D activity and expenditure is becoming more systematic and targeted with discretionary costs being curtailed (CIPD, 2010; Hay Group, 2009 cited in Gunnigle et al. 2013). Another point is that training was more affected due to the fall in R&S activity (Gunnigle et al. 2013).

The role of HR function, they did not find any widespread evidence to suggest that as financial and cost concerns take centre stage, HR's role and influence will be relegated to the periphery *vis-a-vis* that of other management functions such as finance and operations (Gunnigle et al. 2013). The HR function appeared to play a key role in delivering the results of the GFC within MNCs. Key MNC response such as restructuring, downsizing and changes in pay and benefits were generally managed through the HR function (Gunnigle et al. 2013).

In relation to pay and benefits, companies are making changes to their benefits schemes, particularly pension plans and profit-sharing schemes. Gunnigle et al. 2013 found in their research that MNC sector has been disproportionately represented in the minority of firms in Ireland who have conceded pay increases through GFC.

It is the author's opinion that the HR function was affected by the GFC, both negatively and positively, the HR managers for example, during the GFC demonstrated their capacity to make strategic decisions and their capacity to solve problems. Studies found that HR managers have gained influence in decision-making processes in many organisations during the crisis, thus, the HR department within the companies increased their level, up on from tactical level to strategical level.

In terms of Industrial Relations Gunnigle et al. 2013 indicate that management prerogative has increased substantially and this change in the balance of power is been used in MNCs to push through restructuring initiatives and changes in terms and conditions of employment, some but not all of which are directly related to the GFC. Furthermore, employees' interest to joining the trade unions has increased and then offers the prospect to the labour movement of reversing the decline in membership. Therefore, trade unions possess limited room for manoeuvre in preventing job cuts at firm level.

In terms of MNCs in Ireland the important legacy for them has been the diffusion of new HR techniques, for example in areas such as selection testing, training methods, reward system and communications (Gunnigle et al. 2011). Mainly during the crisis with changes in many ways. In addition, during the crisis HR functions has been highlighted as an essential sector for the companies, mainly for multinationals that have greater number of employees.

CONCLUSION

In conclusion, the HR managers can be seen as key players within the affected companies during the GFC. The HR managers were tested to their limit during this time by promoting their important mission of employee engagement. Therefore, it can be concluded that it is necessary for HR managers to communicate effectively, build good relationships and be attentive to the employee's needs.

However, to maintain these characteristics during the crisis, it was essential for the HR managers to stay calm and be creative in order to make adaptations, such as; keeping company's employees motivated and aware of everything that is happening during the crisis. It is important that good internal communication is exercised in order to involve the employees in the necessary changes.

In difficult economic times it is essential that costs are reduced, and often difficult decisions have to be made with some costs being cut almost to zero, for example, training and development. The HR managers should negotiate this situation creating strategic alternatives that allow growth of their talents, in order to assure employees that all necessary actions are taken to ensure the health of the company and the jobs.

Furthermore, the initiatives taken by the MNC in Ireland within the GFC linked to Ireland Government's alternatives are an example for countries who have faced crisis, on the other hand, it is suitable to all companies as a strategic study to develop or fix gaps in the HR functions. Finally, properly human resource management (HRM) assistances businesses survive and tackle the long-term challenges of economic crises (Rowley and Warner 2004).

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