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*ADVANCE REPORT TO PARTICIPATING
COMPANIES*

EXECUTIVE SUMMARY

**Human Resource Practices in Multinational
Companies in
Ireland: A Large-Scale Survey**

© Patrick Gunnigle, Jonathan Lavelle and Anthony
McDonnell

with

David Collings, Michael Morley, Thomas Turner and Joseph
Wallace

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*Employment Relations Research Unit
Department of Personnel and Employment Relations
University of Limerick*



EXECUTIVE SUMMARY

Chapter 1 Objectives & Methodology

1. As one of the most MNC dependent economies in the world, Ireland represents an excellent locale for studying MNCs.
2. This is the first representative study to be conducted on the human resource (HR) practices of multinational companies (MNCs) in Ireland. Both foreign-owned and Irish-owned MNCs are covered.
3. The analysis is based on 262 (216 foreign-owned and 46 Irish-owned) face-to-face interviews with the most senior HR person responsible for HR in the Irish operations. This equates to an overall response rate of 63 per cent, a 61 per cent response in foreign-owned MNCs and 78 per cent in Irish-owned MNCs.
4. The survey explores five substantive areas:
 - a. The HR function
 - b. Pay and performance management
 - c. Employee representation and consultation
 - d. Employee involvement and communication
 - e. Training, development and organisational learning
5. In asking about policy and practice in these areas, the survey looks at three categories of staff. These are 'managers', the 'largest occupational group' (LOG), and the 'key group'.

Chapter 2 Profiling Multinational Companies in Ireland

1. Foreign-owned MNCs in Ireland primarily come from the US, UK or mainland Europe.
2. Only a small proportion of MNCs in Ireland originate in Asia or other countries outside of Europe and the US.
3. There are however a substantial number of indigenous MNCs.
4. The majority of MNCs in Ireland are now located in the service sector. The remainder are mostly involved in manufacturing. However, a number of MNCs engage in both service and manufacturing operations and can therefore be classified as 'multi-sector'.
5. Firms vary greatly in terms of their Irish and worldwide employment where indigenous MNCs tend to be the largest domestic employers whilst foreign firms have the largest worldwide employment.
6. Foreign-owned MNCs tend to be relatively new to the country with two thirds having established since 1980.
7. Among foreign-owned MNCs, opening a 'greenfield site' facility is the predominant form of entry into Ireland.
8. Irish-owned MNCs are late internationalisers, with seven in ten having established foreign operations since 1980. Just over half internationalised through the establishment of 'greenfield' sites rather than through merger/acquisition.
9. Irish MNCs have expanded internationally quickly. Over eight in ten have operations in more than two countries.
10. The great majority of MNCs have two or more sites in Ireland.
11. Respondents predominantly believe the Irish operations are of great importance to the overall performance of the parent company. Furthermore the majority of MNCs also report that the importance of the Irish operations has increased over the past five years.

12. An overwhelming majority of respondents are extremely satisfied with various measures of the Irish labour force, such as quality of graduates, and the workforce's ability to learn new skills. However, one noticeable concern was in relation to the availability of university graduates.
13. Perhaps not surprisingly, cost concerns are clearly the most important area of disquiet among MNCs. General operating costs and labour costs are the most important influencing factors in whether the Irish operations receive new investment or new mandates from the parent company.
14. Seven in every ten MNCs indicate that male employees make up in excess of half of the workforce.
15. The use of 'atypical' forms of employment (i.e. part-time and temporary workers) is relatively low.
16. Just over half of the MNCs recognise a 'key group' of employees which range from analysts to chemists to research and development (R&D) staff.

Chapter 3

The HR Function

1. Some 54 per cent of all MNCs in Ireland have a HR information system (HRIS).
2. 39 per cent of firms reported usage of shared services centres. Of significance and somewhat surprising is that the level of utilisation of shared services centres is higher amongst Irish MNCs than foreign MNCs.
3. UK and US owned MNCs are also much more likely to have a shared services centre than MNCs from the rest of Europe or the rest of world.
4. There may also be an interesting sectoral effect between foreign and Irish MNCs. Two thirds of foreign MNCs engaged in multiple sectors have a shared services centre whereas the corresponding figure for Irish MNCs is just 17 per cent.
5. The use of HR policy formation bodies/committees was quite widespread (59 per cent) amongst MNCs, slightly higher than the figure found in the UK (53 per cent). The prevalence of these bodies was higher in foreign-owned than among indigenous MNCs.
6. Nationality was once more found to be a source of variation between firms with US owned firms most likely to have such a body/committee.
7. Companies engaged in multiple sectors were much more likely also to have such a committee, with 93 per cent of all foreign-owned MNCs having one. On the indigenous owned side, manufacturing MNCs most commonly had a HR policy formation body (73 per cent).
8. In terms of networking between HR managers in different countries, MNCs are broadly speaking, using a number of different mechanisms. Clearly the most popular mechanism is regular face-to-face meetings (78 per cent), followed by virtual networks (74 per cent). The figures differ slightly amongst foreign and Irish-owned companies, with foreign MNCs more likely to engage with these methods.
9. The findings indicate a high level of monitoring by senior international level management among both foreign-owned and Irish-owned firms.
10. The most monitored areas were employment numbers, labour costs, and issues relating to managerial grades (pay and career progression).
11. The level on monitoring was lowest in relation to absenteeism and workforce diversity.

Chapter 4

Pay and Performance Management

1. The vast majority of MNCs aim to have pay levels at or above the median/midpoint for all employees. Multinationals in the service sector consistently aim to be in the 1st or 2nd pay quartile compared to MNCs in the manufacturing or multi-sector.

2. The vast majority of MNCs report the utilisation of performance appraisal schemes.
3. Foreign-owned MNCs are more likely to use performance appraisals than Irish-owned MNCs.
4. The use of 'forced distribution' and peer/360 degree feedback are more common in foreign-owned MNCs.
5. Variable or performance related pay (PRP) is extensively used for all employees, particularly for the 'key group' and managers.
6. US MNCs are marginally more likely to use PRP systems.
7. Employee share ownership, profit sharing and share options are used by approximately one third of MNCs for each category of employees.
8. Foreign MNCs tend to have considerable discretion in the area of pay policy, variable pay and performance appraisal.
9. Irish-owned MNCs afford significantly lower levels of discretion in all reward and appraisal areas.
10. MNCs located in the manufacturing sector report greater discretion in the allocation of rewards to all employees.

Chapter 5

Employee Representation and Consultation

1. 61 per cent of all MNCs engage with trade unions with union recognition highest among manufacturing sector and lowest among US MNCs.
2. Whilst reporting high level of union recognition in Ireland, Irish-owned MNCs report lower levels of union recognition abroad.
3. We find the existence of non-union structures in 32 per cent of all MNCs with a significant growth in these types of structures over the past three years.
4. We point to the emergence of a trend of unionised MNCs not recognising unions in their new sites, a phenomenon referred to as 'double-breasting'. Almost 6 in 10 MNCs are engaging in some form of double-breasting, with it particularly prominent among US MNCs.
5. There is high collective bargaining coverage amongst the largest occupational group (LOG) with a strong sectoral effect where 79 per cent of MNCs have coverage greater than 75 per cent.
6. National collective bargaining is the preferred method of pay determination for this particular group of employees with individual measures the most common method of pay determination amongst managers.
7. Unionised MNCs are much more likely to follow the terms of national level agreements. Where national level agreements have an influence on non-union MNCs, they are much more likely to report to paying above the terms of these national agreements.
8. There is evidence of high levels of information and consultation provided with a significant minority reporting that the Information and Consultation Directive had initiated changes in employee consultation.
9. There are high levels of discretion afforded to subsidiaries of foreign MNCs over trade union recognition, union involvement in decision-making and employee consultation.
10. In contrast low levels of discretion are afforded by Irish MNCs to its foreign subsidiaries.

Chapter 6

Employee Involvement and Communication

1. There is a comparatively high usage of individual communication mechanisms.
2. Problem solving groups are present in nearly three-quarters of companies and these were the most common form of direct involvement.

3. 55 per cent of companies had formally designed teams – this is much lower than the 73 per cent figure found in the equivalent UK survey.
4. Despite impressions to the contrary formally designed teams were not more likely to be present in US companies.
5. Variation by country of origin was substantial with 84 per cent of American MNCs having problem-solving groups.
6. Eighty-five per cent of manufacturing companies had problem-solving groups as against 66 per cent in the service sector. In contrast 56 per cent of service organisations had formal teams as against 51 per cent in manufacturing.
7. The main communication mechanisms are the traditional ones of meetings between line managers and employees, meetings with the whole workforce and systematic use of the management chain. These mechanisms are also considered the most important.
8. There is also significant growth of newer forms of communication via emails, newsletters and use of a company Intranet.
9. There is a much lower usage of attitude and opinion surveys and only three respondents – one per cent of the total - considered these the most important communication mechanism.
10. Seventy three per cent of companies provided information on the financial position of the company in Ireland and sixty-two per cent on investment in Ireland and fifty-nine per cent on staffing plans in Ireland.
11. American companies were to the fore in financial and investment information provision.
12. Irish MNCs reported higher provision of information on staffing plans in Ireland compared to foreign-owned MNCs.
13. MNCs generally appear to have a high degree of discretion over most forms of direct communication mechanisms, with the exception of attitude and opinion surveys.

Chapter 7

Training, Development and Organisational Learning

1. A majority of respondents indicate that the training and development expenditure of the Irish operations congregates in the “greater than 1 per cent but less than 4 per cent of the annual pay bill” category.
2. The biggest ‘spenders’ (i.e. those spending in excess of 4 per cent) are US owned MNCs followed by UK and European MNCs.
3. Almost two thirds of firms have a succession planning system, with the overwhelming majority of these being global in orientation.
4. Relatively few differences were found according to nationality of the MNC or industrial sector. However multi-sector MNCs are the most likely to have a global system.
5. In terms of country of origin, US-owned MNCs are most commonly found to have a global succession planning system.
6. Just over half of multinationals have a formal management development programme. Again, these programmes tend to be global in reach rather than local programmes.
7. US-owned firms were found to be the most likely to use all of the management development interventions explored.
8. Some 57 per cent of firms that identified a ‘key group’ report they have a specific development programme for these employees.
9. While less than half of multinationals have a formal organisational learning policy in their Irish operations, a much larger percentage indicated the use of a number of mechanisms for organisational learning purposes.
10. The most popular mechanisms used are international informal networks and international project groups.
11. Foreign-owned MNCs (54 per cent) were substantially more likely to have a formal organisation learning policy compared to indigenous Irish MNCs (29 per cent).

12. Parent country nationals no longer dominate the expatriate population. A substantial number of firms indicated the use of third country nationals in addition to parent country nationals.
13. The findings indicate a variance between the levels of discretion afforded to local management across various T&D policy areas. However on a whole there are relatively high levels of autonomy afforded to local management.
14. Not surprisingly US-owned MNCs are least likely to report full discretion across all of the policy areas examined.

Chapter 8 Conclusions

1. The MNC population in Ireland is composed of a diverse mix of companies, particularly in regard to factors such as size and sector.
2. The majority of MNCs in Ireland are now located in the service sector, though manufacturing remains an important area of MNC activity.
3. Irish-owned MNCs comprise in excess of 10 per cent of the total MNC population.
4. It appears that we are experiencing a high level of 'job churn' in MNCs i.e. concurrent job loss and job creation, particularly in the manufacturing sector.
5. Respondents in foreign-owned MNCs were broadly optimistic about the position of the Irish operations within their respective corporation's value chain.
6. Most expressed satisfaction in regard to various aspects of the Irish labour force, including the quality of graduate supply and workforce capacity to learn new skills.
7. However, a substantial proportion was also concerned about the decline in the competitive standing of the Irish economy.
8. Particular anxiety was expressed with regard to increased operating costs (including labour costs).
9. Concern over future labour supply was an important source of unease among MNCs.
10. Over half the MNC population surveyed reported the presence of 'key group'.
11. Country of origin remains a demonstrably influential factor in explaining divergence in HR practice. Significant differences were found between US, UK, European, Rest of World and Irish MNCs in relation to many of the different facets of HR explored.
12. A number of notable differences were also found according to the industrial sector.