GUEST EDITORIAL
The impact of the global financial crisis on managing employees

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Abstract

Purpose – This paper aims to provide a brief overview of the global financial crisis (GFC), highlighting its most frightening dimensions, the policy responses and issues around the management of labour during and post-GFC. Further, this paper introduces the five research papers that encompass this special issue.

Design/methodology/approach – The papers presented here are early contributions on how the GFC has impacted the management of people. The key areas focused upon include the human resource management responses of multinational enterprises, the response of trade unions, the roles of employee representative bodies and the rationalisation of post-crisis managerial strategies.

Findings – The major conclusions of this special issue are that the impact of the GFC was variable across countries and sectors in addition to the process of decision making, the types of decisions made, and the determinants and consequences of those decisions.

Originality/value – The papers of the special issue provide some of the first empirical findings on how the GFC has impacted on people management, trade unions and the HR function in different contexts.

Keywords Global financial crisis, Human resource management, Employee representation, Trade unions, Employees, Managers

Paper type Viewpoint

1. Introduction

The global financial crisis (GFC) refers to the events surrounding the collapse of many leading financial institutions in the USA and Europe in 2007 and 2008 as a consequence of, what has been referred to as, subprime lending. Put simply, many financial institutions found themselves unable to repay their creditors and depositors since many of the assets they were holding were either worthless or worth a fraction of their book value. As investment banks and other financial institutions were forced to go into liquidation there was a massive loss of confidence in the financial system globally. The contraction of credit and the loss of confidence in the financial system flowed into the real economy as expenditure declined, production was cut and jobs were shed. Faced with the prospect of the potential paralysis of the economic system many governments were forced to take decisive actions to support the financial

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system and to address the fears of households and businesses. The very existence of the national and international system of corporate capitalism was questioned, and the failure of regulators and markets were highlighted by many as being key players in the emerging crisis. Bramble (2009) demonstrates that on a number of criteria the depth of the recession post-GFC holds parallels with the great depression of the 1930s. The events, consequences and the key players were all highlighted in the documentary movie "Inside Job". Above all there was a loss of confidence in the system of financial regulation and a questioning of whether the dominant economic policy paradigm of market liberalism had run its course.

There have been many articles that report on the crisis, and indeed there have been public inquiries into the crisis in many countries, such as the turner review into financial regulation in the UK (Financial Services Authority, 2009) and the Financial Crisis Inquiry Commission (FCIC) in the USA (Financial Crisis Inquiry Commission (FCIC), 2011). The purpose of this collection is not to delve into great detail about the causes of the crisis. Indeed, for many countries the GFC is ongoing and several economies remain in deep recession or are facing major financing problems with the sovereign debt (Greece, Spain, Italy, Portugal and Ireland). The nature of the crisis has now switched from the financial system to the ability of governments to repay debts. In 2011 markets once again went into a rapid decline and the ability of many governments to offset the loss of investor and consumer confidence through fiscal stimulus is severely constrained with the US debt being downgraded by Standard and Poors and in turn precipitating a global decline in share prices (Stewart *et al.*, 2011). In 2008 and 2009 governments stimulated economies through fiscal and monetary expansion. In 2011 the discussion is of austerity budgets, reducing public debt and of the need for large cuts in the public sector (Bramble, 2011).

The interest here is the impact of the crisis on how firms have responded in terms of their labour use behaviour. For instance, did the crisis precipitate wholesale labour shedding or were there more subtle and nuanced responses to the crisis? What factors seem to be important in shaping labour use strategies in the aftermath of the GFC? Have human resource management (HRM) strategies changed as a consequence of the GFC? Have the relationships between social partners been enhanced or undermined by the crisis? What role did government policies and the actions of key social partners such as trade unions have in shaping the labour use responses to the crisis? Have any of the key social partners learned anything from the crisis? It has been argued that the HR function has undergone a noticeable shift from a traditional, administrative role to a broader one involving a significant strategic input in organisations (Barney and Wright, 1998; Sparrow and Hiltrop, 1994). If this is the case then we would expect that the HR function will have played a major role in organisational decisions on how to deal with the GFC. However, the HR function may not be involved in the decision-making processes assessing the necessity of layoffs and the practicality of other options. Instead, the HR function may have a more operational level role in managing layoffs and ensuring compliance with legal and ethical standards.

This GFC has not been the first international recession thus a key question that emerges is whether the response and impact of this crisis has been different from those in the past. It appears that many countries that were adversely affected by the GFC gave strong consideration to employment policy through encouraging employees to only lay off workers as a last resort (Roche *et al.*, 2011). In addition, there were many cases, particularly in EU member states, of governments providing assistance to those who lost jobs in the form of training provision. For example, there was an emphasis in

Ireland on developing apprenticeship schemes (see the article by Gunnigle *et al.* in this collection) and in Germany to supporting workers on short-term working arrangements (see the article by Zalgelmeyer in this collection). Guest (1990) proposed two typologies of HRM encompassing a "hard" or "soft" approach, whereby the former views HR as a cost to be minimised and the latter views HR as an asset. In line with this, the avenues open to organisations with respect to the GFC may involve practices that can be categorised under these two umbrellas. For instance, hard practices may include layoffs, reduced working hours, decreasing recruitment and training and development activity; soft practices will be more concerned with maintaining employee motivation and commitment and involve strong communications, employee involvement and engagement, training and redeployment of staff. While it is inconceivable that many hard aspects will not take place, we would expect a greater use of soft mechanisms than would have been the case in previous economic crises. What an economic crisis does do is pose major challenges for organisations because it re-emphasises the conflict of interests between employers and employees (Kaufman, 1993).

This special issue is neither representative of the countries nor the sectors affected by the GFC, nor is it intended to be comprehensive in terms of identifying and reviewing all the possible labour use responses. Instead the collection touches upon several important areas that impinge on labour use strategies. These key areas include the responses of multinational enterprises; the responses of trade unions; the role of works councils and the rationalisation of post-crisis managerial strategies. In this paper we provide a brief overview of the GFC, discuss some of its frightening dimensions, briefly indicate the policy responses and then look at issues around the management of labour. We then proceed to outline the structure of the collection.

2. The origins of the GFC

Was there a single event that triggered the GFC? There have been many public inquiries into the causes of the GFC and a number of events and underlying conditions stand out. First, there was the inability of many financial institutions to meet the claims of creditors in the aftermath of holding assets that had declined in value. The US subprime mortgage market had seen financial institutions across the globe acquiring mortgages that had a face value which exceeded the real or market value of the underlying assets. Many of the mortgages that were traded were taken out by low-income families (including retirees and the unemployed) who had limited capacity for repaying the loans, especially after property prices in the USA collapsed. Not only is there a case for identifying the failure of financial regulation there is also a case to be made for the failure in providing consumer protection. It was estimated that close to 20 per cent of American households had negative equity in their homes (the value of the mortgages that were taken out exceeded the market value of the real estate) (Austrade, 2008). Many financial institutions ended up holding assets of questionable value. On 9 August 2007 BNP Paribus announced that it was to cease trading in hedge funds that dealt with US mortgage debt. This signalled to the market that there was a problem with derivates in US mortgage debt. Eventually the US investment bank Lehman Brothers was allowed to fail by the US Government in September 2008 and this in turn had a knock on effect across world financial markets (Elliot, 2011).

Second, the collapse of the US property market was the catalyst for many banks and related financial institutions being unable to meet the demands of depositors and other lenders in lieu of holding subprime mortgages. The problem spread from being a US financial crisis to an international financial crisis as a result of the derivative financial

instruments that had developed around US mortgages, specifically collaterised debt obligations and credit default swaps. These facilitated the participation of investors and financial institutions from across the globe into the US mortgage market. In the USA property prices had increased by 70 per cent from 2002 to 2006; in some states such as Florida and California they had doubled (Austrade, 2008). In other countries the loss of confidence, combined with a downturn, exposed property markets to a dramatic fall after years of unprecedented growth in prices. Here Ireland is an extreme example of a dramatic collapse after high property price appreciation (see Gunnigle *et al.* in this volume for more details). A process of contagion worked its way through the financial system as financial institutions saw the value of their assets dwindling. Many financial institutions and investors globally were affected by the crisis as share prices fell as many investment portfolios were found to contain subprime assets. Whether it was municipal investments or pension funds, the contagion hit depositors and investors everywhere. As a result the value of household and corporate assets depreciated. On top of this the subsequent bail out and support of the financial system across the globe has left the public finances of many economies in a very precarious state.

Third, there was a failure of regulation. While most economies have a range of authorities to directly and indirectly regulate financial markets, there was an inability to anticipate the crisis or to limit its contagion. In the case of the USA the gradual removal of regulations in the 1990s together with the development of exotic financial instruments were contributing factors (Marks, 2010). Put bluntly, the system of prudential regulation failed in many countries. This was not just a story about the excesses of markets; it was also a story of the failure of government regulation. If the prudential regulators failed to see the crisis coming so too did the rating agencies.

Fourth, from the financial failures the links to the real economy became apparent. Demand fell as investors and consumers were reluctant to spend after household and corporate wealth declined, jobs were lost or firms and households found it difficult to access credit. Firms saw a rapid decline in sales and orders, and the cumulative process of a lack of confidence combined with job cuts put further downward pressure on property prices and in turn placed the financial and household sectors under further pressure. Many economies suffered from declining output and increasing unemployment, and three years after the event some countries remain in recession (see the case of Ireland in this collection).

While there is much consensus about the contributing factors to the GFC there is disagreement regarding the longer term view of the crisis. There are those who argue that it is in keeping with the Marxian view of a falling rate of profit and increasing concentration of capital generating inherent instability (Harman, 2009). Bramble (2011) argues that it had its origins in responses to crisis in the 1970s such as increasing the share of profits and through the policies of economic liberalisation. These measures only served to provide a temporary reprieve to an inherently crisis prone economic system. Others point to the growth in household and corporate debt to unsustainable levels and in the development of an array of financial products that distorted investment and consumption decisions (Keen, 2009). There is a view of systems failure, that the current international financial system is non-sustainable and the assumptions and architecture underpinning the system require fundamental reform (Bellamy and Magdoff, 2009). There is thus a need to differentiate between events and incidents and the underlying conditions that were behind the crisis. The collapse of subprime mortgage market was an incident that precipitated the crisis, but behind the events

there was inadequate prudential regulation, questionable surveillance by auditors and rating agencies, and a system of bonuses and rewards that encouraged recklessness by some financial institutions (Elliot, 2011). We also have to acknowledge the global dimensions of the crisis. It quickly spread from the USA to Europe and elsewhere. The scale of the crisis and its underlying causes was not just a US problem. In essence few countries around the world were left unaffected. We now examine the dimensions of the GFC.

3. The dimensions of the GFC

How do you measure a crisis? There are conventional macroeconomic indicators such as share price indices, the unemployment rate and GDP growth (or decline). With the 2008 crisis the problems of measurement are compounded by the duration and the spread of the crisis. It was an international crisis and it is still affecting many countries, notably the USA and some Eurozone economies such as Greece and Ireland. When we examine some of the data for the USA the figures are staggering. Employment in the USA fell by over seven million over the course of 2008/2009, median income fell by over US$2,000 per household in real terms between 2007 and 2009, and the numbers below the poverty line approach 50 million (Bramble, 2011). We have already referred to the dramatic collapse of the real estate market. Share markets fell across the globe and with this there were significant reductions in corporate and household wealth. For example, the value of household wealth in Australia declined by 10 per cent by March 2009 (Australian Bureau of Statistics, 2010). In Ireland over 300,000 homes were abandoned as a result of the falling property market and unstainable mortgages, and as a consequence "ghost" estates began to appear on the outskirts of the major cities of Ireland (Australian Broadcasting Commission, 2011).

Our interest is in the labour market and here the dimensions of the crisis can be presented in terms of job loss; income loss; changes in employment conditions; and changes in labour supply decisions such as participation, emigration, hours of work and job turnover. We do not possess a systematic or comprehensive record, but again some of the data for individual countries is attention grabbing. Unemployment in the EU is approaching 23 million, 50 per cent up on 2007 (Bramble, 2011) while, as mentioned, close to eight million jobs were lost in the USA. As many governments enter a phase of fiscal austerity public services and public sector jobs and conditions are being cut and this is exacerbating labour market and living standards deterioration in such countries as the USA, Greece and Ireland (Bramble, 2011).

International organisations such as Oxfam (2010) and the United Nations Development Program (2010) have documented some of the global dimensions of the consequences of the crisis. The United Nations Development Program (2010) points out that it is many developing economies that have suffered the most and that it is the poor, women and children who have been the most affected. Specifically, they highlight a fall in global growth rates by 0.5 per cent per annum; an increase in global unemployment of at least 50 million; another 50 million being pushed into extreme poverty. Oxfam (2010) highlighted a 12 per cent contraction in trade flows in 2009. It was estimated that the banking sector globally had lost US$1.3 trillion in the year after the crisis began (Austrade, 2008).

What is apparent is that organisations and countries across the globe have felt the consequences of the GFC. As with all recessions the impact is very uneven across countries, regions and sectors. For countries whose financial sector was not greatly impacted by the crisis there remained collateral damage as trade, investment and

confidence declined across the globe. The full consequences of the GFC are difficult to estimate due to the extent and duration of the crisis, indeed it could be claimed that the GFC continues into 2011 (Elliot, 2011). Consequently, the full impact of the GFC is still emerging and in many countries the picture is one of ongoing weakness in labour markets and increasing pressure on living standards.

4. The GFC and government responses

The extent of state intervention that followed the GFC was very substantial across many countries. Intervention took several forms. First, there was offsetting fiscal actions to stimulate the economy in the face of declining private sector activity and confidence. The direct stimulus packages for the USA and Japan were estimated to be of the order of US$800 billion and US$300 billion, respectively, for 2008 (Bramble, 2009). Second, there were various measures of support offered to the financial sector and to financial institutions. Central banks pumped liquidity into economies and supported the financial system in direct and indirect ways. For instance, in Ireland and Australia all the deposits of the banking system were guaranteed by the government. Central banks reduced interest rates, for example; in 15 months the US key interest rate fell from 5.25 to 1.5 per cent (Austrade, 2008). Many countries were operating with negative real interest rates. Third, some governments directly supported affected companies by acquiring debts and assets and effectively becoming major owners of many major corporations. In the USA the government acquired debt and assets of many large financial institutions including Fannie Mae, Freddie Mac and AIG Insurance under its Troubled Asset Relief Program (TARP). The estimate is that the US Government provided bank subsidies, loans, guarantees and credits of the order of US$13 trillion in 2008 (Bramble, 2009). Fourth, governments in many countries engaged in direct pump priming of the economy through fiscal stimulation (largely expenditure increases). In Australia the government announced a stimulus expenditure package of AU$10.4 billion which included cash bonuses to pensioners and low-income families, and support for housing construction (Kennedy, 2009).

It seems that nearly all governments had adopted a Keynesian approach to macroeconomic management as a consequence of the GFC. The fiscal costs of the GFC were considerable as expenditures increased through social transfers and direct support of industries and regions, and revenues declined. In Iceland and the Netherlands the direct fiscal costs of the GFC were put at 12 per cent of GDP (Contessi and El Ghazaly, 2011). The G20 had attempted to co-ordinate a fiscal stimulus internationally in order to offset the impact of falling private expenditure by businesses and consumers. In terms of the systems of capitalism literature it seems that there was a universal recognition that there should be extensive and direct intervention by governments to support the financial system and to stimulate the economy regardless of where they stood in terms of liberal or co-ordinate market management. In the aftermath of the GFC many governments (the USA, the UK and Ireland) found themselves owning large parts of the banking system as they acquired ownership (and liabilities) in order to maintain the confidence of the financial system and to limit the contagion of bank failures. For the majority of governments the interventions were massive and were necessary to support the sustainability of and confidence in the economic system. The public sector acted as an investor and lender of last resort and it engaged in direct counter cyclical strategies to stimulate the economy.

In 2011 with the public sector debt crisis (Martin, 2011) we are entering a new phase of government intervention. On the one hand this represents a logical response to the

2011 public sector debt crisis, but on the other hand, this response is likely to bring further job losses, growing numbers in poverty and ongoing economic uncertainty. Thus, it could potentially be counterproductive since it could drive already fragile economies further into recession. This of course will place further pressure on budgets and public debt as tax collections decline and public welfare expenditure increases. There are already headlines proclaiming that the "world is on the brink" of another recession (*Sydney Morning Herald*, 2011).We now turn to the area of employee management and what the GFC meant for this critical area of management.

5. The GFC and employee management

The impact of previous major economic downturns has typically meant organisations looking for major cost reductions. This usually hits labour hard with a major impetus on cost reduction including labour costs. However, the means of this can be variable from pay readjustment, reduced training and development, reduced recruitment, increasing working time flexibility and numerical flexibility to large-scale redundancies. The form and extent of adjustment will depend on product and labour market conditions, the discretion available to managers and the institutional processes that are in place to manage structural change, including redundancies. The employment relationship for the majority of firms and employees is not transitory, and not only are there institutional constraints (such as collective agreements) there are other reasons (such as labour turnover costs) for suggesting that adjustments will be nuanced, uneven and very contextually dependent (Blandy and Richardson, 1984). For instance, there has been much discussion about talent shortages over the last few decades and consequently organisations may have been hastier in downsizing with major layoffs. One's human capital can be "one of the principal determining factors in turning the downturn into long-term organizational sustainability and success" (McDonnell, 2011, p. 169). Other factors governing the adjustment processes include the extent to which employees are embedded into the internal labour market. Here we have core and periphery segmentation (Gasteen and Sewell, 1994), and the types of adjustment that are available – employee numbers, working hours, hiring rates, training costs, promotion rates and bonuses (Rubery and Wilkinson, 1994). There are many labour flexibilities that are available to firms (Standing, 1999) and labour costs can be significantly reduced while employment numbers remain stable (see the German examples in this volume), and with the advent of an unexpected crisis such as the GFC firms have many options available to them to adjust their labour use patterns and costs to falling sales and production, but at the same time, they also face institutional and legal constraints in their decision making (Boyle and McDonnell, 2013).

How did companies respond to the GFC is a question which is considered by the articles encompassing this special issue. With respect to the impact of the GFC on the HR function, Roche *et al.* (2011) have proposed three scenarios. First, it will have a devastating effect and potentially threaten the sustainability of long standing employment modes. They point to the possibility of operational level HR activities being offshored to low-cost economies and numbers employed in the HR function dramatically reduced. HRM becomes a casuality in business process outsourcing, or in the restructuring of business service provision (Thite and Russell, 2009). Second, which they suggest is the prevailing attitude, is that it will improve the HR function's role and influence in organisations. The utilisation of HR practices strongly linked with the idea of "high performance" and "high commitment" models will increase in appeal. This view is in keeping with the view that HR is a key strategic function in

organisations where human resources are viewed as assets rather than just a cost to be minimised. When there is a crisis the HRM function is highlighted and usually takes a more strategic role within organisations in dealing with the crisis. Finally, they point to a more guarded result with little by way of profound changes. Instead, more pragmatic and incremental change will occur that requires active HRM participation. Here we can see the reduction in labour costs while maintaining employee numbers through reduced hiring, a freeze on incremental pay progression and reducing bonus payments. These decisions may be mediated by government policies and by unions through pre-existing collective agreements that include change management procedures (see the German examples in this volume).

There were clearly differences in the impact of the GFC across countries and sectors. When faced with a crisis of confidence in the system businesses and consumers are reluctant to spend and banks and other financial institutions are reluctant to lend. Falling sales and falling investment has a cumulative effect across the economy. The responses by business will depend on a number of factors including their financial position, the time horizons of managers, their relationships with key stakeholders and what forms of adjustment are available to them and how much discretion they have available in reaching decisions. There are different options and different capacities for adjustment available across firms according to size, ownership, sector and the regulatory environment. In addition the role of the HR function is likely to be a determinant in the response to the GFC. If the HR function has a "truly" strategic role then changes in business strategy will need to be supported by the HR strategy. This means that as a result there is likely to be changes in the HR strategy because a key theme in the strategic HRM literature is the ability to gain competitive advantage where the HRM and business strategy are integrated (Fry and Smith, 1987). Research from Finland by Vanhala and Myllyla (1993), on the biggest post-war recession before the current GFC, found the HR function's role was very reactive. The focus was on cost reduction and it was in only the downsizing phase that HRM played an active role.

Our primary interest in this volume is on the process of decision making, the types of decisions made, the determinants of those decisions and the consequences of the decisions. It is clear from the global data that in many countries the labour market collapsed and this was manifested in job shedding and a reduction in hires. However, the responses and management of employees is and was more nuanced and subtle than this. There has been a steady increase in labour flexibility over the past decades across countries and within organisations (Standing, 1999) as governments and firms seek to develop work organisations that increase productivity and allow for fast adjustment to external shocks. The OECD (1994) *Job Study* was in part about improving the flexibility of the labour market to increase job creation and allow for non-job shedding adjustments in response to falls in labour demand. There is a vast literature on the forms and growth of labour flexibility, and of their impact on employment conditions and job satisfaction (Standing, 1999). Firms can respond to a drop in demand through many forms of adjustment that include labour shedding, reduced hires, reduced hours, reduced bonuses, reductions in training expenditure, freezing staff numbers, removing increments and promotions and changing the composition of the workforce. In Germany firms were able to retain labour and reduce labour costs through government funding support for reduced working hours (see the article by Zagelmeyer in this volume). In Australia there was a shift towards part-time work and a reduction of the use of casual and contract labour with core labour (full-time ongoing employment)

being retained (ACTU, 2009). The article by Gunnigle *et al.* in this volume examines some of the workforce adjustments introduced by MNEs in Ireland.

The interest is not only on the types of adjustments made and the drivers of these changes but also about the process of decision making and change. For instance, what role did employees and employee representatives play? Much commentary on how to deal with economic crises discusses the importance of excellent communication systems and the role of employee engagement. In Germany this may be expected to be very strong due to their collectivist institutional framework where there is a role for works councils and collective agreements to co-operatively manage change, generate labour flexibilities and protect jobs. The contributions by Zagelmeyer, and Krantz and Steger in this volume examine the processes of decision making and whether the events around the GFC enhanced co-operation and the strength of the collective arrangements in Germany.

Managing labour is one component of the range of organisational responses to a crisis. Organisations can modify production and investment, rationalise products and operations, restructure the organisation, and reduce non-labour costs. In the case of MNEs there are issues around whether there is a global response or a local response, and the form of the response and the locus of the decision making, for the response may in turn be determined by the positions of subsidiaries in the global value chain of the organisation (Evans *et al.*, 2002). In the space of the available choices and the types of adjustments made we can identify the position and status of HRM within the organisation (Donnelly and Dowling, 2010). Do the labour adjustments reveal a sophisticated and central HRM strategy, or are HRM decisions subsumed by general managers and confined to a limited number of responses such as job shedding? What factors determine the global and local responses and how are these responses distributed? Possible mediating conditions and the type of adjustments available may be linked to the position of subsidiaries in global value chains (Sturgeon, 2001).

There has also been commentary expressing concern about whether organisations were reorganising, outsourcing and so forth under the auspices of needing to do so as a result of the GFC. For instance, in Australian one trade union suggested that some managerial responses were very opportunistic and that the GFC provided the justification for job losses, workforce casualisation or for renegotiating collective agreements (Australian Workers Union, 2009). Thus far there has been little empirical evidence on the impact of the GFC in organisations which is a key contribution of this special issue. We can, however, also draw on empirical evidence from Australia and Ireland on its impact. A large-scale survey of HRM practices in over 200 MNEs in Australia (Boyle and McDonnell, 2013; McDonnell *et al.*, 2011), conducted post-GFC, asked HR managers to indicate what changes were made in response to the GFC. The three most cited changes directly as a result of the GFC were reduced international travel (70 per cent), reduced recruitment (60 per cent) and reduced expenditure on training and development (51 per cent). Site closures, offshoring and outsourcing activities were far less common (less than 20 per cent indicated these). In Ireland, Roche *et al.* (2011) found a key awareness amongst businesses that focusing solely on cost reduction could be a critical weakness and instead the suggestion is made that cost minimisation needs to be combined with strategies to promote innovation and continue product and service quality. It was unsurprising to see that communications and information disclosure was regarded as the most effectively HR practice in assisting organisations manage the recession. However, the evidence on actual employee engagement or involvement, in either direct or indirect means, was lacking.

Therefore, it appears the importance placed on involving and communicating with employees seems a case of more rhetoric; a point that is supported in the contribution by Kranz and Steger. We now outline the key focus and contribution of each of the five papers.

6. The organisation of the special issue

This special issue brings together five papers that analyse how the GFC has impacted different aspects of people management. There are different approaches and methodologies available. One of the strengths of the collection is the demonstration of the different approaches and methodologies to understanding the impact of the GFC. Le Queux and Peetz take a macro approach that draws on official data and documentary evidence. Gunnigle and colleagues apply research methods that employ documents, surveys and interviews to present an overview of developments within Ireland and in the labour use strategies post-GFC of MNEs in Ireland. Zagelmeyer uses case studies of German organisations that draws upon documentary analysis combined with structured interviews. Finally, the article by Kranz and Steger uses a sensemaking approach where sensemaking is the attempt to understand "the ways in which individuals recognize and understand their actions as well as the situations in which they are acting thereby enacting the very environmental conditions that constrain their action at the same time" (Kranz and Steger, this volume, page number).

In terms of the papers presented in this volume, the first paper by Le Queux and Peetz analyses the responses and actions by supranational trade unions leading up to and post-GFC. This paper examines global and institutional dimensions of the crisis. In particular the analysis is about the inability of labour and unions to set or even influence the policy agenda of global institutions such as the IMF. They ask what went wrong and why has the architecture of the global economic system remained basically unchanged post-GFC and why does there remain a dependence on neoliberal policy solutions that were largely discredited by the GFC? In the aftermath of the GFC employees and households are facing financial insecurity following job cuts, falling real wages and cuts to many social programs. This paper focuses on cross-border trade union responses to the GFC, in addition to highlighting the problems facing unions in dealing with hostile contextual and policy conditions, and their failure to effectively impact on national and international policy development. Emerging from the crisis are new opportunities for unions to collaborate with non-governmental organisations to influence national and international policy development and to re-engineer the architecture of the international financial system and domestic policy settings.

The following paper by Gunnigle, Lavelle and Monaghan examines the impact of the GFC from a national perspective, specifically the case of Ireland whose economy and population have suffered a catastrophic reversal of fortunes since 2008. Utilising a mixed methods approach, they examine the HRM practices of MNEs in the aftermath of the GFC. They outline a number of propositions regarding the type of labour adjustments made and the position of HRM functions within MNEs post-GFC. They find that on average the MNE sector outperformed the rest of the economy post-GFC and predictable labour outcomes were common. These included job loss, reduced pay and conditions and a renegotiation of agreements with unions. While HRM was given a central strategic role within MNEs, HR departments were also subject to restructuring including outsourcing and reductions in staff numbers. That is, the HRM function itself was subject to the same processes of restructuring that were felt in other divisions of MNEs.

Compared to Ireland, Germany did not suffer as much from the aftermath of the GFC. Its financial system remained secure, the public finances were sound and the government took decisive action to support employment and the economy. Nevertheless, there were dramatic falls in sales and exports during the course of 2008-2010. This placed pressure on employment and labour conditions, and in turn put social partnership arrangements and collective agreements under pressure. Zagelmeyer investigates the impact of the GFC on management and employee relations. The research draws on five case studies to analyse the content and changes in collective agreements. He finds that there was a preference for workforce retention in the case studies and that collective agreements were used to introduce labour flexibility arrangements through trade-offs (concession bargaining) between job security and employment conditions (holiday pay, bonuses, increments). Zagelmeyer's research demonstrates that where collective employment relations arrangements are embedded within an organisation then these arrangements can be used to develop a dialogue and a consultative process on change management between the social partners that can avoid mass redundancies and avoid the collateral damage to an organisation associated with such actions such as reduced trust and commitment by the survivors.

Remaining in the German context, Kranz and Steger sought to develop an understanding on how the GFC impacted on corporate decision making with respect to employee participation. In times of corporate crises forms of engagement and participation may facilitate informed responses to the crisis and responses that are understood and supported by employees and unions (see Zaglmeyer's paper). The case studies in this paper involved companies that had planned reforms of employee participation pre-GFC. With the advent of the GFC there was the opportunity to study how the crisis impacted on decision making and on employee participation. They found an accentuation of traditional hierarchical decision making and an emerging authoritarian leadership style with a strong orientation towards senior management. Reforms of immaterial employee participation were rejected and the bodies representing staff were essentialy engaged in passive co-management.

Finally, and also in the German context, Zagelmeyer and Heckmann investigated the factors that were associated with establishments being affected by the GFC, or being able to resist the negative consequences of the GFC. The focus of their research was on the extent to which labour flexibility, specifically numeric flexibility, was an important variable in explaining crisis avoidance. Their analysis of establishment data for 8,000 firms found that product market and financial variables were more influential in explaining the impact of the crisis than were labour market variables and in particular labour flexibility measures. Having extensive labour flexibility was not associated with crisis resistance, if firms had a numerically flexible workforce, this did not improve their ability to deal with the GFC. Crisis resistance was linked to product market conditions, firm size and financial variables.

7. Summary

The papers of the special issue provide some of the first empirical findings on how the GFC has impacted on people management, trade unions and the HR function in different contexts. The five papers have explored different areas of employee management across different contexts. The findings of these papers indicate that the reactions of organisations had some similarity with previous economic recessions, however, we also find some evidence of a greater strategic role for the HR function. What is clear is that the impact of the GFC is still ongoing. Indeed, in 2011 we have

seen a major disruption in global financial markets leading to some concern that another major crisis is on the way. Continuing financial market instability and uncertainty will result in disruption and job losses in the real economy. Consequently, there remains scope for further macro and organisational research into how the adjustment process is being handled by governments, trade unions, other key stakeholders and HR divisions.

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