Out in the cold? The role of industrial relations actors in the attraction of foreign direct investment

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Introduction

- Institutional theory as a useful lens for analysing the issue of attraction of FDI
- Institutional stability vs institutional change – incremental change (Thelen and colleagues)
- Mahoney and Thelen (2010) framework for explaining institutional change
  - Focus is on the process of change with explanatory variables
Mahoney & Thelen (2010) framework

- Characteristics of political context
- Characteristics of institution
- Type of dominant change agents
- Type of institutional change
Characteristics of political context

Characteristics of institution

Type of dominant change agents

Type of institutional change

1. **Layering** – the introduction of new rules on top of or alongside existing ones
2. **Conversion** – the changed enactment of existing rules due to their strategic deployment
3. **Drift** – the changed impact of existing rules due to shifts in the environment
4. **Displacement** – the removal of existing rules and introduction of new ones.

Mahoney & Thelen (2010) framework
Mahoney & Thelen (2010) framework

Characteristics of political context

Characteristics of institution

Type of dominant change agents

Type of institutional change

1. Insurrectionaries – seek to eliminate existing institutions
2. Symbionts – parasitic and mutualistic. Both seek to preserve and exploit existing institution for private gain
3. Subversives – seek to displace an institution but do not break the rules
4. Opportunists – seek to both preserve and change the institution. Follow or break the rules
Research objective:

- Describe and explain how the attraction of FDI in Ireland has incrementally changed with a specific focus on industrial/labor relations actors.
Methodology

- Context – Ireland - ‘MNE dependent’ economy…LME with some characteristics of CME
- Comparative framework of two subnational regions
- Mix of qualitative and quantitative research methods
  - 58 semi-structured interviews with 32 institutions and social network analysis
Institutional network for attraction of FDI
Findings

- Mode of institutional change = **Conversion**
  - The changed enactment of existing rules due to their strategic deployment

- How and why?
  - Characteristics of political context
    - Weak veto for unions despite social partnership
  - Characteristics of institution
    - IDA Ireland full discretion in interpreting/enforcing the rules
  - Type of dominant change agent (IDA Ireland) – **Opportunists**
    - Seek to preserve the institution but not follow the rules
Findings

- What this change really means
  - Trade unions – little penetration in MNC sector (union recognition/certification), falling levels of union density (27%)
  - Employer org’s – high levels of penetration in the MNC sector (density rate 90%+)
  - Wider political, economic and social implications
Summary and conclusion

- The game of the FDI attraction in Ireland has incrementally changed
- Mahoney and Thelen (2010) useful framework for describing and explaining this incremental institutional change
  - No major exogenous shock
- Consequences for both trade unions and employer organisations