Changing the Rules of the Game: The Impact of Privatization on Firm Industrial Relations

INTRODUCTION

This paper examines the impact of privatization on the industrial relations environment of state-owned enterprises (SOEs), focusing on the relative bargaining strength of management and trade unions. To date, much of the empirical research in this area is based on individual cases in the UK (see for example Arrowsmith, 2003; Ferner, 1998; O'Connell Davidson, 1993; Pendleton, 1994, 1999). In general, findings show that privatization places management in a relatively strong bargaining position and can force trade unions to accept concessions such as reduced employee numbers. However, such changes cannot be attributed solely to the transfer of ownership from the public to the private sector. Many of these changes were initiated while the firm was still under state ownership, reflecting a change in government policy in favour of commercializing SOEs. Market liberalization and increased competition have also been identified as important factors in determining the bargaining position of both management and unions following privatization.

In the context of Irish privatization, employment relations are also likely to be influenced by the introduction of substantial Employee Share-Ownership Plans (ESOP) as part of the transfer to private ownership. In most cases the privatization of Irish SOEs has included a 14.9 per cent shareholding and representation on the firm's board of directors for employees. An important aim of these schemes has been to gain the support of trade unions for the implementation of firm restructuring and rationalization programmes (Sweeney, 2004). It can be argued that the establishment of these ESOPs reflects a stakeholder approach to privatization in Ireland. Furthermore the existence of a substantial employee shareholding can be expected to improve the relative bargaining strength of trade unions, thereby at least partly offsetting the adverse impact of privatization.

To date, the most significant privatization to occur in Ireland has been that of the national telecommunications operator Eircom. Using data from a survey of employees this paper explores the restructuring and privatization of Eircom and the outcome for the industrial relations environment of the firm. In particular changes in the perceived bargaining strength of unions and management are examined. As part of its privatization process Eircom established an ESOP in 1998. Employees received an initial 14.9 per cent shareholding, although through a number of changes in firm ownership this shareholding has grown to 35 per cent. Given its substantial shareholding and influence, our analysis will examine the role of the ESOP in shaping the industrial relations of the firm post-privatization.

BACKGROUND: EIRCOM'S INDUSTRIAL RELATIONS ENVIRONMENT

Since its establishment in 1984 Eircom (named Telecom Éireann prior to 1999) has been a highly unionized firm. Of the employees surveyed almost 90 per cent were members of one of Eircom's five recognized trade unions. Eircom's largest union is the Communications Workers Union (CWU), which accounted for 73 per cent of surveyed employees. Prior to privatization relations between management and trade unions were relatively stable, with most issues being settled without need to refer to external dispute-resolution bodies such as the Labour Court or Labour Relations Commission (Hastings, 2003b). However, industrial relations were relatively bureaucratic and involved a great deal of procedural formality. The firm's only major industrial dispute occurred in 1978 and was settled in favour of the firm's trade unions. This resulted in 'a shift in the balance of power in favour of the unions and left those in government unwilling to countenance a similar strike occurring again' (Hastings, 2003b, p.168). This reflected the national strategic importance of the telecommunications network and indicates the high level of political sensitivity regarding industrial dispute within the industry.

In the mid-1990s the Irish government adopted a number of measures aimed at commercializing Eircom. The appointment of a new chief executive officer and personnel director signalled an increase in managerial autonomy and a change in the direction of managerial strategy. The firm was subsequently restructured around five market-based business units and the number of managerial layers was reduced (Telecom-Éireann, 1997a). Significant changes were made to place managers on a commercial footing, including the introduction of personal contracts, the removal of management from collective bargaining and the increased use of performance related remuneration (Hastings, 2002). In 1996 Eircom entered into a strategic alliance when the government partly privatized the firm by selling a 20 per cent shareholding to the consortium Comsource[1].

These changes in both government policy and managerial strategy placed pressure on management to take a harder line with the firm's trade unions. Furthermore, it reduced the ability of unions to use political pressure to maintain their bargaining position. Management also sought to avoid industrial unrest through engaging with unions on the issue of reform. Eircom's trade unions saw privatization and firm restructuring as inevitable, and therefore recognized the need to engage with management in order to protecting the interests of their members (Hastings, 2003b). This compromise approach was facilitated by the government as part of an on-going programme of social partnership at the national level.

This collaborative approach resulted in the agreement and implementation of a substantial restructuring plan *The Telecom Partnership* in 1997. To meet the challenges of market deregulation and impending privatization the telecom partnership entailed supplementing the existing collective bargaining structures with partnership structures at the national, business unit, and local levels. The objectives of collective bargaining were also adjusted to reflect the new commercial objectives of the firm. As the personnel director of Eircom commented:

> 'We are focused on the strategic bargaining model. Our view is to move beyond collective bargaining, which is reductionist in its very nature for one party or the other. Strategic bargaining is about trying to create a bigger business cake and a strong position within which forms of distributive bargaining could work.'
>
> (Hastings, 2002, p.11)

The telecom partnership also involved significant changes in work practices and the introduction of cost-cutting measures, including reduced employee numbers, increased employee pension contributions and the disbandment of existing employee benefit schemes (Telecom-Éireann, 1997b). In exchange employees received a shareholding in the firm through the establishment of the Eircom ESOP. The Eircom ESOP Trust was established in 1998 with employees receiving a 14.9 per cent share of the company and the right to appoint two representatives to Eircom's board of directors.

In 1999 the Irish government sold its remaining shareholding in Eircom by way of an initial public offer. Since the completion of its privatization Eircom has undergone a number of changes in ownership, including takeovers in 2001 and 2006, and is currently undergoing another takeover. These changes in firm ownership have been accompanied by changes in management and the introduction of further measures aimed at reducing the firm's cost-base. Recent events however appear to have had an adverse impact on the level of management-union collaboration. For example, in 2007 management sought trade union agreement for a set of proposed measures aimed at reducing operating costs. After failing to reach agreement management withheld a two per cent pay rise provided for under national social partnership. The firm's unions responded with the threat of industrial action and the dispute was only resolved following the external intervention of the Labour Relations Commission. Incidents such as this highlight the significant weaknesses that have arisen in the firm's partnership structures and the resulting deterioration in the relations between firm management and trade unions (Sheehan, 2007).

Given its significant shareholding the ESOP has had a strong influence over changes in firm ownership since privatization. It has used this position to increase its shareholding to 35 per cent and board-level representation to three directors. It may be expected that the establishment of such a substantial employee shareholding would have a significant impact on the firm's industrial relations. However there appears to be little appetite among either management or trade unions to allow share-ownership to influence existing collective bargaining and partnership structures (Hastings, 2002). In any case the three directors appointed from the ESOP have the same obligations as other company directors to promote the financial wellbeing of all shareholders, and thus cannot use their position to promote a trade union agenda. Nor have the trade unions used the significant shareholding held in the ESOP Trust to bolster their own bargaining position. As a leading trade unionist and director of the Eircom ESOP Trust stated 'the management of the company cannot ever be seen as creatures of the employees as shareholders. ESOP Directors in the Trust cannot use it as a lever for trade union ends' (Hastings, 2003a, p.7).

Overall, the Eircom ESOP was not ostensibly established with the aim of promoting industrial democracy or the bargaining position of employees (McCarthy *et al.*, 2010). In practice it has provided employees with a form of compensation in return for firm restructuring and rationalisation and the firm's trade unions with some influence in decisions regarding firm ownership.

MODEL AND HYPOTHESES

State owned enterprises (SOEs) are often large employers who provide services that are of national strategic importance (e.g. telecommunications, energy, public transport). The objectives pursued by SOEs are not only based on commercial criteria but also take account of political pressures and social concerns. Consequently industrial relations matters and industrial disputes often loom large in government policy considerations on SOEs. Government can influence a firm's industrial relations by controlling the appointment of managers and directors, influencing the policies and objectives that management pursue, and shaping the industrial relations structures of the firm (Ferner and Colling, 1991; 1993). According to Ferner (1998) negotiations in the public sector are a triangulation between management, trade unions and the government. Both unions and management can bypass engaging with one another by negotiating directly with the government. This can convey particular advantages on trade unions, which as an effective mobilising force in the political arena can have considerable influence on government decisions. Thus SOEs are often highly unionized and are characterized by the relatively strong bargaining position held by trade unions.

Alternatively the privatization of SOEs can be expected to 'depoliticalize' management-union relations and to increase the relative bargaining strength of management (Earle *et al.*, 1996). Following privatization management are often provided with greater autonomy by private-sector shareholders. The withdrawal of political control and the focus of private shareholders on wealth creation can also provide management with clearly defined and quantifiable targets (Ferner and Colling, 1991; Pendleton, 1999). As a result management can be expected to oppose certain union demands, particularly if they feel such demands will reduce shareholder value. Reduced political intervention can also reduce the ability of unions to oppose reform through their status as political interest groups. Where privatization is accompanied by market liberalization, economic regulation, or technological advancement the subsequent need to improve firm performance and protect market share also provides management with additional leverage in negotiating with trade unions (Ferner and Colling, 1993). This gives rise to the first research hypothesis:

Hypothesis 1: Privatization will be associated with an increase in the relative bargaining strength of management.

Employee share-ownership can also have a direct impact on the industrial relations environment of the firm. By providing voting rights, greater access to financial information and representation on the firm's board of directors, employee share-ownership can be expected to maintain or enhance the bargaining strength of trade unions (Poole and Jenkins, 1990). Furthermore managers may also have greater difficulties in opposing the demands of trade unions in a firm with a substantial employee shareholding. In this way, the ESOP can be expected to counteract the adverse impact of privatization on the relative bargaining strength of unions. This gives rise to the second research hypothesis:

Hypothesis 2: The ESOP will be associated with an increase in the relative bargaining strength of trade unions.

Obviously hypotheses 1 and 2 are mutually exclusive. Privatization and employee share-ownership can be expected to have opposing outcomes for the relative bargaining strength of management and trade unions. Where the impact of privatization dominates an overall increase in the relative bargaining strength of management can be expected, supporting hypothesis 1. On the other hand, where the impact of the ESOP dominates an increase in the relative bargaining strength of trade unions can be expected, confirming hypothesis 2.

In Figure 1 we model the effects of privatization and an ESOP on the perceived bargaining strength of trade unions and management. The way in which employees perceive changes in the relative bargaining strength of their unions and management is not only influenced by changes in the ownership structure of the firm created by privatization and an ESOP. It can also be influenced by changes in employee welfare that result from the internal adjustments (e.g. operating cost reductions and changes in work-practices and governance structures) made as a result of privatization and employee share-ownership.

Figure 1: **Impact of privatization/ESOP on the perceived bargaining strength of unions/management**
[pic]

For many employees changes in their welfare reflect the relative bargaining strength of management and trade unions. Where employees feel there has been deterioration in their welfare (e.g. reduced job security or autonomy), it is associated with a relative decrease in the bargaining strength of unions and an improvement in that of management. Three aspects of employee welfare on which privatization and employee share-ownership have a significant impact are included in the analysis: conditions of employment; management-union collaboration; and employee participation in firm decision-making. A perceived increase in employee welfare will be associated with a relative increase in the perceived bargaining strength of trade unions. Alternatively a decrease in employee welfare will be associated with a relative increase in the perceived bargaining strength of management. This gives rise to the final research hypothesis:

Hypothesis 3: Perceived changes in the levels of employee welfare will be associated with either a relative decrease or increase in the perceived bargaining strength of management and trade unions.

METHODOLOGY

Data collection is based on an online survey of Eircom employees. The survey was conducted in February 2007, eight years after privatization was completed. The survey received the endorsement of Eircom's management and trade union coalition, who encouraged employee participation by way of email prior to the survey's distribution. Using a representative sampling frame supplied by firm management, the survey was distributed among a thousand employees using an online survey provider. The final number of usable responses was 711, a response rate of 71 per cent of the population surveyed.

Measures

Changes in the bargaining strength of management (MGTBar) and trade unions (TUBar) were measured using two items that asked employees to indicate the level of change in their bargaining strength since privatization and the introduction of the ESOP (Table 2). Changes in conditions of employment (Cond) were measured using a list of ten work conditions and asking employees the degree of change in each since privatization (Table 1a). Changes in employee participation was measured using a list of nine work related issues and asking employees to indicate changes in their level of involvement in decision-making regarding each since privatization (Table 1b). These nine items were subsequently divided into four items relating to operational issues (OpPart) and five items relating to departmental and strategic level decision-making (StratPart). Change in the level of management-union collaboration (Collab) was measured by asking employees for their level of agreement with six statements (Table 1c).

The analysis also includes a number of control variables relating to respondents' gender (Gender), years of employment with Eircom (Tenure), union membership (Union), ESOP membership (ESOP), and area of occupation (Retail, Other). Descriptive statistics, reliability measures, and a correlation matrix of the variables are shown in Appendix 1. The reliability of each measure was assessed using Cronbach's Alpha (?), and each measure was found to have a reliability value in excess of .7

Table 1: Description of independent variables

a) Perceived changes in conditions of employment[a]

What impact has privatization had on each of the following conditions of employment in Eircom?	Incr. (1-3) %	Unch. (4) %	Decr. (5-7) %	Mean	S.D.
Security of employment.	14.2	30.0	55.8	4.86	1.55
Hours worked per week.	32.4	46.8	20.8	3.77	1.40
Availability of overtime.	16.4	19.3	64.3	5.20	1.80
Flexibility in hours worked.	28.4	37.0	34.7	4.22	1.63
Basic pay.	12.2	27.4	60.5	5.19	1.60
Incentives/benefits received (excluding ESOP	15.5	21.0	63.5	5.18	1.63
benefits).	78.6	13.4	8.0	2.46	1.45
Workload.	46.9	24.6	28.6	3.73	1.83
Mobility between tasks.	39.8	32.0	28.2	3.91	1.65
Level of teamwork.	13.6	26.2	60.2	5.12	1.56
Level of training.					

b) Perceived changes in employee participation[b]

What impact has privatization had on the amount of say you have in decisions made with regard to the following?		More (1-3) %	Unch. (4) %	Less (5-7) %	Mean	S.D.
	Manner in which assigned tasks are	20.0	33.9	46.1	4.63	1.60
Operational	completed.	15.4	34.5	50.4	4.76	1.47
	Hours worked.	17.7	23.0	59.3	5.00	1.67
	Level of pay/benefits.	11.5	29.7	57.9	5.04	1.47
	Level of training.					
	Hiring/dismissal of personnel.	8.4	27.0	64.6	5.33	1.51
Strategic/	Promotion/transfer of personnel.	7.9	26.4	65.7	5.38	1.47
departmenta	Firm	18.9	23.1	58.0	5.01	1.83
l	closures/acquisitions/mergers/takeovers	17.7	18.0	64.3	5.23	1.94
	.	17.7	22.3	60.0	5.13	1.81
	Position/salary of senior management.					
	Firm budget/finances.					

c) Perceived changes management-union collaboration[c]

To what degree do you agree or disagree with each of the following statements?	Agree (1-3) %	Neith. (4) %	Disa. (5-7) %	Mean	S.D.
Since the ESOP unions have been more willing to					
cooperate with management in solving the problems	87.6	6.3	6.0	2.10	1.32
facing Eircom.					
Since privatization unions have been less willing to	10.8	9.7	79.5	4.64	1.58
cooperate with management in solving the problems					
facing Eircom.					
	73.4	10.0	16.7	2.75	1.74
Since the ESOP management have seen cooperation with					
trade unions as vital in creating change.					
	46.2	20.2	33.6	3.76	1.80
Since privatization management have put greater					
emphasis on cooperation with trade unions.	66.9	16.6	16.5	3.02	1.62
Since the ESOP union-management relations have	16.0	18.2	65.8	5.16	1.67
improved.					
Since privatization union-management relations have					
deteriorated.					

[a]Employees presented with scale 1 (increased significantly) to 7 (decreased significantly)
[b]Employees presented with scale 1 (much more say) to 7 (much less say)
[c]Employees presented with scale 1 (strongly agree) to 7 (strongly disagree)

RESULTS

When surveyed the majority of employees (80%) reported that Eircom's management were in a strong bargaining position compared to only seven per cent who believed they were in a weak bargaining position[2]. On the other hand the majority of employees (54 per cent) felt that trade unions were in a weak bargaining position, while 23 per cent felt unions maintained a strong bargaining position.

Table 2: Changes in bargaining strength of management and trade unions

Items	Increase (1-3) %	Neith. (4) %	Decrease (5-7) %
Changes in bargaining strength of management since privatization	76.6	17.0	6.4
Changes in bargaining strength of management since establishing ESOP	74.5	17.7	7.9
Changes in bargaining strength of trade unions since privatization	20.2	19.7	60.1
Changes in bargaining strength of trade unions since establishing ESOP	29.2	21.0	49.8

Note: employees presented with scale 1 (significant increase) to 7 (significant decrease)

Turning to changes in the bargaining strength of the parties since privatization and the introduction of the ESOP, Table 2 shows that the majority of employees reported a marked increase in the bargaining strength of management and a corresponding decrease in the bargaining strength of trade unions. A surprising aspect of these results is the similarity in employee opinion when addressing changes in the context of privatization and the ESOP. Approximately 75 per cent of employees reported an increase in the bargaining strength of management in the context of both privatization and the introduction of the ESOP. When employees were asked about changes in union bargaining strength, the majority reported a decrease since privatization (60.1 per cent) and the introduction of the ESOP (49.8 per cent). However the reduction in union bargaining strength is not as marked in the context of the ESOP and may reflect the perceived ability of the ESOP to provide some support for the bargaining position of unions post-privatization.

These findings provide support for hypotheses 1 that privatization will be associated with an improvement in the relative bargaining strength of management. However, they provide little support for hypothesis 2 that the ESOP will be associated with an improvement in the relative bargaining strength of unions. To a large extent the ESOP Trust is constrained from engaging in the operational activities of Eircom by a legal obligation to maintain and improve the value of its portfolio on behalf of participants. Representatives appointed to the firm's board of directors by the ESOP also have a legal obligation towards the shareholders of the firm. Consequently the ESOP Trust and its board-level representatives cannot use their position to directly pursue union objectives. Furthermore the ESOP is distinct from the firm's industrial relations structures and pay and conditions of employment continue to be determined through a combination of collective bargaining and partnership.

DETERMINANTS OF CHANGES IN BARGAINING STRENGTH

Many of the above changes in the perceived bargaining strength of management and trade unions arise directly from changes in the ownership structure of the firm. However changes in employee welfare that are associated with privatisation and employee share-ownership are also likely to impact on how employees perceive changes in the relative bargaining strength of unions and management.

The regression analysis shown in Table 3 explores the role changes in conditions of employment, management-union collaboration, and employee participation in firm decision-making have in determining employee assessments of the relative bargaining strength of unions and management. As the measures of operational participation (OpPart) and strategic participation (StratPart) are highly correlated (? = .65), separate regressions are run to capture their effects. Standardized regression coefficients (S?) between the variables and the relevant t-statistics are reported.

The results of the regression analysis support those obtained from descriptive statistics. Findings show that changes in conditions of employment (S? = .24 & -.11) and participation in operational decision-making (S? = .30 & -.21) have statistically significant relationships with perceived changes in both union and managerial bargaining strength. Overall a majority of respondents reported deterioration in conditions of employment and operational participation since privatization (see Table 1). Employees are likely to place considerable importance on the ability of trade unions to protect their work conditions and to act as their representatives with regards to workplace decision-making. Thus it is unsurprising to find that deterioration in employee welfare in relation to conditions and workplace participation is an important factor in reducing the relative bargaining strength of trade unions, and improving that of management.

Table 3 Determinants of changes in the bargaining strength of management and trade unions

	Bargaining strength of trade unions	Bargaining strength of management
Gender	.143 (3.235)**	-.039 (-0.829)
Tenure	.075 (1.269)	.006 (0.094)
Union	.013 (0.240)	-.019 (-0.322)
Retail	-.015 (-0.342)	.049 (1.030)
Other	-.049 (-1.175)	.065 (1.479)
ESOP	.029 (0.505)	.020 (0.323)
Cond	.238 (5.349)***	-.106 (-2.239)*
Collab	.001 (0.035)	.311 (7.163)***
OpPart	.300 (6.812)***	-.207 (-4.415)***
StratPart[a]	-.084 (-2.032)	.116 (2.710)
R^2	.256	.163
F	18.215(9,476)***	10.307(9,476)***

Note: Dependent variables: changes in bargaining strength of management (MgtBar) and trade unions (TUBar).

*Significant at 0.05, **Significant at 0.01, ***Significant at 0.001

[a]Coefficients for StratPart are derived from a separate regression analysis where StratPart is used in place of OpPart as an independent variable.

Unlike operational decision-making, employee involvement in strategic decision-making was found to have no statistically significant impact on either union or managerial bargaining strength. This may reflect the relatively low level of importance employees attach to strategic-level issues in comparison to factors that have a more direct impact on workplace conditions.

A significant proportion of employees reported improved management-union collaboration since privatization (see Table 1). The regression results indicate this has been a significant factor in improving the perceived bargaining strength of management (S? = .31), but it has had no statistically significant impact on union bargaining strength. This is surprising, given that it might be expected that closer management-union relations would have lead to an increase the relative bargaining strength of unions. A plausible interpretation is a belief that management-union collaboration has undermined the traditional oppositional role of trade unions, and unions have been co-opted on to the management side.

These findings provide some support for hypothesis 3. As predicted a perceived deterioration in employee welfare, particularly conditions of employment and operational participation, is associated with reduced union bargaining strength and increased management bargaining strength.

CONCLUSIONS

Privatization can be expected to create significant changes in the industrial relations environment of enterprises that move from public to private ownership. In the case of Eircom, privatization was accompanied by the establishment of an ESOP that is unique in terms of its size and degree of influence in the governance of the enterprise. Consequently it provides a rich opportunity to examine industrial relations issues from the perspective of employees participating in the ESOP.

The particular concern of this paper is how these changes in Eircom affected the relative bargaining strength of management and trade unions. It was predicted that privatization would be associated with an increase in the relative bargaining strength of management and that the ESOP would be associated with an increase in the relative bargaining strength of trade unions.

Our results indicate that employees believe that privatization has resulted in a substantial strengthening of the bargaining position of management despite employees' substantial shareholdings within the firm. Alternatively a perceived decrease in the relative bargaining strength of the trade unions is associated with deteriorations in conditions of employment and participation in workplace decision-making. Furthermore, increased collaboration between unions and management is associated with advantages to management rather than unions.

While employee perceptions of increased managerial bargaining strength is relatively unsurprising in the context of privatization, a perceived decrease in union bargaining strength is striking given that employees have a 35 per cent shareholding and board-level representation. The observed changes in union bargaining strength may in part be attributed to a general decline in Irish trade union density in recent years. However, this is unlikely to explain the substantial decline in union influence reported by Eircom employees. Overall union density levels have declined considerably over the last 25 years from 61 per cent of the employed labour force in 1985 to approximately 32 per cent in 2007 (D'Art and Turner, 2004; 2008). However, while the decline has been dramatic in the private sector, union density has remained high within the public sector and among current and former SOEs such as Eircom. At the time of the survey almost 90 per cent of Eircom employees are members of one of the firm's five recognised trade unions. To account for the observed decline in union bargaining strength we suggest three possible explanations.

First, the ESOP was established as a financial scheme with benefits granted in return for accepting privatization and concessions regarding employment, pension contributions, and reduced benefits. The ESOP was not primarily intended as a vehicle to promote industrial democracy or encourage a culture of cooperation in decision-making.

Second, legal aspects of the ESOP constrain it being used to directly enhance union bargaining strength. While the ESOP appoints three directors to Eircom's board, these directors have a legal obligation to make decisions that protect the interests of all shareholders and cannot use their position to promote a union agenda. Similarly, as a Trust, the directors of the Eircom ESOP have a legal obligation to protect the value of its portfolio on behalf of participants and cannot use their position to pursue other partisan objectives. In any case nearly 50 per cent of ESOP participants are no longer employees of the firm since the terms of the Trust allow participants who leave Eircom to retain their shares in the ESOP.

Third, the ESOP has a limited life-span and rules concerning eligibility to participate have implications for trade union influence. The Eircom ESOP has a maximum life-span of 20 years and can only make tax-free distributions to many of its participants until 2013. Indeed, the ESOP is likely to be wound up before this date is reached. As membership is confined to those who joined the firm prior to 2002 new employees are excluded from ESOP membership. These features of the ESOP tend to limit the possibility of the ESOP enhancing the employee voice role of the trade unions.

Overall, these findings raise questions about the effectiveness of the ESOP to enhance employee voice in Eircom. Although there was a sizable exchange of shares and board representation in return for employee co-operation with privatization, there is no clear indication that the position of trade unions has been strengthened in terms of protecting employee welfare. Moreover the ESOP has played a key role in approving a number of controversial changes of ownership at Eircom. Since privatization in 1999 the company has undergone three takeovers and these changes have been associated with deteriorations in company performance and service quality (Palcic and Reeves, 2005). As these changes have arguably not been in the public interest the role of the ESOP has been widely criticized for not acting in accordance with trade union principles (Sweeney, 2004). These events as well as the factors outlined above shed light on our finding that from an employee perspective privatization and the ESOP is associated with enhanced managerial bargaining strength and a corresponding reduction in the bargaining strength of trade unions.

ACKNOWLEDGEMENTS

The authors are grateful to the Irish Research Council for the Humanities and Social Sciences for providing funding for this research.

BIBLIOGRAPHY

Arrowsmith, J. (2003) Post-Privatisation Industrial Relations in the UK Rail and Electricity Industries. *Industrial Relations Journal*, 34: 2 pp150-164.

D’Art, D. and Turner, T. (2004) *The Experience of Union Officials with Recognition and Partnership at work in the Irish Private Sector*. Working Paper Research Series: Paper No. 02/04. Department of Personnel and Employment Relations, University of Limerick.

D’Art, D. Turner, T. (2008) ‘Is There a Potential ‘Representation Gap’ in the New Irish Economy?’ in Hastings, T. (ed) *The State of the Unions*. Dublin: Liffey Press.

Earle, J. S., Estrin, S. and Leshchenko, L. (1996) ’Ownership Structures, Patterns of Control and Enterprise Behaviour in Russia’ in S. Commander, Q. Fen and M. Schatter (eds.) *Enterprise Restructuring and Economic Policy in Russia*. Washington: The World Bank,

Ferner, A. (1998) *Government, Managers and Industrial Relations: Public Enterprises and their Political Environment*, Oxford: Basil Blackwell Ltd.

Ferner, A. and Colling, T. (1991) Privatization, Regulation and Industrial Relations. *British Journal of Industrial Relations*, 29: 3 pp391-410.

Ferner, A. and Colling, T. (1993) ’Privatization of the British Utilities: Regulation, Decentralization and Industrial Relations’ in T. Clarke and C. Pitelis (eds.) *The Political Economy of Privatization*. London: Routledge, pp125-141.

Hastings, T. (2002) Interview with Cathal Magee: How to Implement Change. *The Journal of the*

Labour Relations Commission, 1: 1 pp9-11.

Hastings, T. (2003a) Making the Quantum Leap with an ESOP: Interview with Shay Cody. *Labour Relations Commission Review*, 1: 2 pp5-7.

Hastings, T. (2003b) *Politics, Management and Industrial Relations: Semi-State Companies and the Challenges of Marketization*, Dublin: Blackhall Publishing.

McCarthy, D., Reeves, E. and Turner, T. (2010) Can Employee Share-Ownership Improve Employee Attitudes and Behaviour? *Employee Relations Journal*, 32: 4.

O'Connell Davidson, J. (1993) *Privatization & Employment Relations: The Case of the Water Industry*, London: Mansell Publishing Limited.

Palcic, D. and Reeves, E. (2005) An Economic Analysis of Privatisation in Ireland, 1991-2003. *Journal of the Statistical and Social Inquiry Society of Ireland*, 34: 2004/2005 pp1-27.

Pendleton, A. (1994) Structural Organization and Labour Management in Public Enterprise: A Study of British Rail. *Journal of Management Studies*, 31: 1 pp33-54.

Pendleton, A. (1999) Ownership or Competition? An Evaluation of the Effects of Privatization on Industrial Relations Institutions, Processes and Outcomes. *Public Administration*, 77: 4 pp769-792.

Poole, M. and Jenkins, G. (1990) *The Impact of Economic Democracy: Profit-sharing and Employee-Shareholding Schemes*, London: Routledge.

Sheehan, B. (2007) Eircom Agrees to Pay Rise Under Partnership Agreement in Wake of Dispute, Dublin: IRN Publishing.

Sweeney, P. (2004) *Selling Out? Privatisation in Ireland*, Dublin: New Island.

Telecom-Éireann (1997a) Report & Accounts for the Year Ended 3 April 1997, Dublin: Bord Telecom Éireann.

Telecom-Éireann (1997b) The Telecom Partnership: A Framework Agreement for the Transformation of Telecom Éireann into a World Class Telecommunications Business, Dublin: Bord Telecom Éireann.

Appendix **1**

Descriptive statistics and correlation between variables
Variables |*M** |*SD* |*?* |*1* |*2* |*3* |*4* |*5* |*6* |*7* |*8* |*9* |*10* |*11* | |1 Gender |- |- |- | | | | | | | | | | | | |2 Tenure |26.4 |10.2 |-
|.36 | | | | | | | | | | | |3 Union |- |- |- |.14 |.59 | | | | | | | | | | |4 Retail |- |- |- |-.26 |-.38 |-.26 | | | | | | | | | |5 Other |- |- |- |-
.14 |-.04 |-.06 |-.19 | | | | | | | | |6 ESOP |- |- |- |.11 |.63 |.65 |-.28 |-.03 | | | | | | | |7 Collab |2.8 |1.0 |.71 |-.04 |-.15 |-
.02 |.04 |.05 |-.05 | | | | | | |8OpPart |4.9 |1.3 |.85 |.05 |.07 |.06 |-.03 |-.02 |.10 |.10 | | | | | |9 StratPart |5.3 |1.4 |.90
|.07 |.12 |.11 |-.04 |-.03 |.08 |.01 |.65 | | | | |10 Cond |4.6 |0.9 |.75 |.01 |.07 |.09 |-.01 |.01 |.06 |.15 |.45 |.31 | |
| |11 MgtBar |2.5 |1.4 |.77 |-.09 |-.12 |-.08 |.08 |.08 |-.09 |.28 |-.23 |-.28 |-.18 | | |12 TUBar |4.8 |1.7 |.85 |.20
|.16 |.10 |-.08 |-.07 |.09 |.06 |.42 |.41 |.41 |-.46 | |*Note*: N = 711, If r ?.08, p < .05; r ? .12, p < .01; r ? .14, p < .001,
*mean values, with the exception of tenure, are based on each measure's original seven-point scale

----

[1] Comsource was a consortium of the privatized Dutch telecom KPN and the Swedish state???"??-owned telecom Telia

[2] Employees were asked to rate the bargaining strength of management and trade unions on a scale of 1(very strong) to 7 (very weak). A response of 1 to 3 was considered 'a strong bargaining position', while a response of 5 to 7 was considered 'a weak bargaining position'.

ESOP
•ownership rights
•board representation

Privatization
•reduced political intervention
•shareholder control
•market competition

Relative bargaining strength of trade unions and managementd[pic]   d[pic]d[pic]
d[pic]

d[pic]
d[pic]
d[pic]d[pic]d[pic]d[pic]d[pic]d[pic]d[pic]d[pic]$d[pic])d[pic].d[pic]3d[pic]4d[pic]5d[pic]6d[pic]7d
[pic]8d[pic]9d[pic]:d[pic];d[pic]Bd[pic]Dd[pic]öööööööñööööööö

•conditions of employment
•mgt.-union collaboration
•employee participation