

# **National Culture and Comparative Industrial Relations Theory**

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## **Abstract**

This paper develops a cultural model of comparative industrial relations theory that will explain the cross-national pattern of industrial relations institutions and any change in this over time. A critical review of the existing body of theory establishes that national culture is currently given little weight as an explanatory variable. A cultural model is developed, based on a definition and specification of culture developed by Hofstede. Industrial relations variables are regressed on Hofstede's cultural indices. National culture is found to be significantly associated with all the dimensions of industrial relations. A related cultural model is developed to explain longitudinal change in industrial relations institutions and outcomes.

**NATIONAL CULTURE AND COMPARATIVE INDUSTRIAL RELATIONS THEORY**

## **Introduction:**

The central challenge facing comparative industrial relations theory and one which this paper attempts to address, is to explain the cross-national variety of industrial relations institutions and to explain why this pattern has changed, inasmuch as it has changed, over time.

The salient characteristics of different industrial relations systems are by now well established. However, there is less agreement about recent developments in international employment relations and over the extent to which there has been relative stability in industrial relations systems over time.

Clarke, Bamber and Lansbury (1998), in reviewing the evolution of post-war employment relations between 1960 and the late 1990s across ten countries, conclude that between 1960 and 1980 there were few significant structural changes to note. Between 1980 and the late 1990s, they remark on the legal reforms in Britain; the Auroux reforms in France; decentralisation in Sweden and Australia; and changes in Italy and Korea. Otherwise, they conclude 'systematic changes were not great', though there were widespread changes in the balance between employers and unions within the systems, reflecting the changed economic environment. Likewise, Wallerstein, Golden and Lange (1997) and Golden, Wallerstein and Lange (1999) find stability and resilience in industrial relations institutions and no evidence of a general union decline or decentralisation in bargaining.

Ferner and Hyman (1992; 1998) paint a similar picture of essential continuity in national industrial relations systems throughout Europe in the face of pressures for convergence. While there had been deregulation in countries such as Britain, this had not occurred in Germany and Denmark, while in some countries there had been re-regulation. Crouch (1993) likewise emphasises the 'power of continuity' and searches hard to find changes of style and structure, while Traxler et al (2001) find the prevalence of the 'path dependency' of institutions rather than convergence resulting from internationalised market pressures (p. 289).

A different view has been presented by Katz (1993) who argues that bargaining structure is becoming more decentralised in Sweden, Australia, the former West Germany, Italy, the United Kingdom and the United States. Flanagan (1999), using data on collective bargaining structure from 1980-1994, also suggests there was bargaining decentralisation in many countries, as well as a decline in union density rates outside of Canada and the Scandinavian countries.

Also dissenting on a different trajectory are Locke (1995) and Locke, Kochan and Piore (1995a; 1995b) who, in an eleven country study of recent changes in employment relations, suggest that there has been a significant transformation of industrial relations practices taking place, which varies both across and within industrial relations systems. While acknowledging the continuing importance of national institutions and traditions, the authors emphasise the emergence of sub-national variations in employment practices. This raises questions about the continued usefulness of macro-models of employment relations and suggests the

need for a focus on sub-national models and patterns to understand the diverging patterns within each nation.

The view that distinct national systems of industrial relations are disappearing is given partial support by the findings of Darbishire and Katz (1997) who argue in their seven-country study that variation in employment relations is growing within countries everywhere and in similar ways across countries. But the authors then qualify this assertion by arguing that the persistence of sizeable country differences in the relative mix of new employment patterns and practices and the role that national institutions play in complementing and shaping that mix, suggest a continuing influential role for national employment-related institutions. National institutional structures affect the distribution of choice between potentially equally viable employment patterns in an uncertain environment, as well as shaping the nature of the patterns themselves. They appear to have considerable built-in resilience.

Bamber and Lansbury (1998) argue that one of the reasons for studying international comparative employment relations is to understand the relative significance of various factors such as technology, economic policies, laws and culture in determining the type of employment relations systems adopted by different countries. As Strauss (1989) put it, if an IR theory is to be developed, it will be on a comparative base. Also, Poole's warning (1986, p. 199) that cross-national methodologies almost invariably understate cultural influences must be taken on board. In addition, if as Katz (1993) and Flanagan (1999) argue, there has been significant change in the pattern of institutions over time then our cultural model should be capable of

explaining the cross-national pattern in different time periods and in addition be able to provide an explanation for any changes which have occurred.

This paper critically reviews alternative theoretical models of comparative employment relations before developing a model based on national culture. In the subsequent section empirical tests are conducted to verify the model, while in the final section a related cultural model is used to explain change in IR institutions over time.

### **Theorising Without Culture**

Dunlop's (1958) *Industrial Relations Systems* made a pioneering contribution to industrial relations theory. An industrial relations system is an abstraction comprised of certain actors, certain contexts, an ideology that binds the system together and a body of rules that govern the actors in the workplace and in the work community. It is designed to highlight relationships and to focus attention upon critical variables and to formulate propositions for historical inquiry and statistical testing (p. 6). The dependent variable is the web of rules. The independent variables are the contexts (technology, markets and the distribution of power in the wider society) and the ideology of the system (Meltz 1991, p.11).

The ideology or set of ideas or beliefs commonly held by the actors, helps to bind the system together as an entity. Dunlop cites Clark Kerr's term 'shared understandings' as an equivalent concept (p. 16). The ideology is a body of common ideas that is created by the system (p. 383), that defines the role of each actor and defines the

ideas which each actor holds toward the place and function of the others. The ideology or 'shared understanding' of a stable IR system involves a congruence or compatibility among those views and the rest of the system (p. 17).

While Dunlop argues ideology is likely to be most distinctive at the cross-national level (p. 21), ideology does not seem to play a determining role in rule making (Blain and Gennard 1970; Wood 1978). Indeed, in so much as Dunlop says it is created by the system, it would seem to be an dependent rather than an independent variable, except when changes in ideology (stemming from the wider society) impact on the rules (p. 27). For Dunlop, it is the locus and distribution of power in the wider society, which structures the industrial relations system itself and defines the status of the actors, that is likely to be the most important of his contexts in influencing the characteristics of distinctive national rules (pp.26; 97). National culture has little role to play.

For Flanders (1970, p. 93) the origins of differences in national systems of industrial relations are to be found in "certain underlying principles, expressing value judgements, which are broadly accepted throughout the nation". These normative principles, (in Britain they were economic freedom and peace) as defined by Flanders, have institutional consequences (p. 101). Thus values perhaps play a more active, if still underdeveloped, role in Flanders' model than do Dunlop's 'common ideology' and Kerr et al's 'shared understandings' in theirs'. These latter two merely act to bind or to integrate the system together as an entity (p. 16)

The systems model as expressed by Dunlop and in a similar vein by Flanders (1965) was criticised by Bain and Clegg (1974). They argued that the systems concept needed to be formally broadened to include behavioural as well as structural variables and unstructured as well as structured relationships – to encompass all aspects of job regulation. If industrial relations was a system at all, it was a much more open system than in the Dunlop schema. Dunlop's emphasis on power distribution has also been criticised by Clegg (1979) on the grounds that the relevant elements in the locus and distribution of power have not been identified, and their relationship with patterns of employment rules identified. As a result, Dunlop's claim to have established a general theory is not established (p. 449). Dunlop's model has been further criticised for its inability to stimulate hypothesis testing research (Adams 1991, p.2), though it has been argued this is due more to a lack of interest in testing hypotheses among industrial relations scholars (Meltz 1991, p. 17). Meltz (1993) extends the systems framework in the light of subsequent theoretical research, and explicitly includes the role of cultural values in his environmental factors.

Dunlop was associated with Kerr et al (1960; 1962), whose thesis that technology and other homogenising forces resulting from industrialisation would generate convergence in industrial relations systems, was qualified by the acknowledgement of various offsetting forces which would lead to continuing diversity. Kerr et. al. repeated Dunlop's preferred thesis that international differences in industrial relations systems reflected vast differences in the locus of power and the distribution of rule-making authority among managers the state and workers' organisations (1962, p. 239). This diversity will be reflected in the rules derived from the policies and ideologies of the industrialising elites (p. 263).



Among the forces for continuing diversity in industrialisation, the two most forceful are a clear ideology held by a ruling class and a persistent, recognised series of national cultural traits developed in earlier times (p. 282). In the end, though, the new culture of industrialism successfully penetrates and changes the old order (Kerr et al 1960, p.241). The forces making for uniformity among different societies become stronger than those perpetuating diversity; the ideological differences tend to fade; the cultural patterns of the world intermingle and merge (p. 248). Pluralistic industrial society will be one in which the struggle between uniformity and diversity continues but which 'develops a common cultural consensus' (p. 249). This conclusion accords with the downgrading of the role of national culture in Dunlop's (1958) model. Culture is not even mentioned in the index. It may also explain his emphasis on the distribution of power in the wider society as the key to understanding cross-national differences, particularly in the prescribed status of the actors (p. 97).

Doeringer (1981) restates the convergence hypothesis in weaker form by arguing there is convergence in a broad sense, as countries develop alternative solutions to problems common to all industrial relations systems (p. 18). Differences observed among industrial relations systems are not simply random, but are rooted in individual country responses to the underlying compulsions of industrial evolution. Williamson (1981) argues that pressure from market forces will enforce institutional convergence on efficiency grounds. This may even result in 'regime shopping', as firms seek out locations with low labour costs and standards (Streek 1992).

The convergence thesis is challenged by Goldthorpe (1984) who points to the emergence of both corporatist and dualist tendencies in Western European economies as entailing significant departures from the model of 'pluralistic industrialism'. 'Divergence' rather than 'convergence' has characterised the responses to what are termed the incompatibilities that have emerged between the features of liberal capitalist societies and the successful performance of capitalist economies (p. 12). Also Maurice and Sellier (1979) and Maurice, Sellier and Silvestre (1984) (the Aix school) use the examples of different wage differentials, organisational structures and training provisions in France and Germany to question Dunlop's hypothesis of a convergence of substantive rules when the economic and technical contexts were held constant (1984, p. 26).

For Bain and Clegg (1974) and for Clegg (1976) variations in the dimensions of collective bargaining across countries are the principal influences in shaping union behaviour. This may constitute a theory of trade union behaviour under collective bargaining, but Clegg does not claim it to be a comprehensive theory of trade unionism, as it does not explain trade union political action. Even if it was comprehensive, it would not amount to a theory of industrial relations. For Clegg, the dimensions of collective bargaining are themselves mainly influenced by the structure and attitudes of employers' associations and management. State intervention through legislation may also be a powerful influence if it comes at a sufficiently early stage in the development of collective bargaining. A general theory of industrial relations would have to explain these factors as well. In any case, Sisson (1987) has queried whether employers are the most important influence in any of the seven countries he studied. Employers are not free to choose the structure of bargaining,

and even where they were free to take the initiative as in Britain and Sweden, the structure of bargaining reflected the nature of the trade union challenge (p. 190-1). The structure of bargaining is deeply rooted in historical compromise, and its key features, together with the attitudes and habits that go with them, are not easily changed except at times of great crisis.

Hyman's (1975) critique of the systems approach also stresses the dynamic nature of social relationships and the need for an historical dimension. Industrial relations systems, far from being compatible and integrated and stable, were full of contradictions, which could be exploited by the conscious organisation of workers in the interest of change. To describe industrial relations as the study of a system of rules (Dunlop 1958) or as the study of 'the institutions of job regulation' (Flanders 1965) was to 'focus on how any conflict is contained and controlled, rather than on the processes through which disagreements and disputes are generated' (Hyman, 1975 p. 11). Stability and instability must be treated as of equal significance as system outcomes.

Hyman (1994) takes issue with Clegg's analysis of union behaviour, particularly with respect to the theory's failure to explain changes in trade union density and strike behaviour in subsequent decades. He points to the impact of political-economic dynamics such as intensified global competition, the restructuring of capital and employment, and the eclipse of Keynesianism in one country. He argues that, while national institutional arrangements certainly help shape the impact of these forces on industrial relations, he agrees with Shalev (1980, p.29) that 'the institutions of industrial relations should still occupy no more than the position of intervening

variables in comparative theories'. An adequate theory must be rooted in political economy. But we are left without a comprehensive explanation of national differences. For Shalev (1981), institutions are symptoms, not causes, with differences in institutions between countries being largely reflections of the distribution of power and the outcomes of conflicts between the various parties at the time these institutions came into being (p.248). They will also reflect the collective strategic choices of the parties, including the choice of unions and labour movements to pursue a political path.

For Poole (1984; 1986; 1993) variations in industrial relations institutions and practices across countries have their roots in the strategic choices of the parties to the employment relationship (Kochan, Katz and McKersie, 1984). The parties are essentially social 'actors' who shape the institutional arrangements in which they operate. Their choices are influenced by culture and political ideology, as well as by economic, public and legal policies. They are patterned and constrained in their formulation, implementation and formation by economic, political and social structures, by organisational and institutional forces, and by the distribution of power (1986, pp. 11-12).

What Poole calls macro-level subjective meanings and policies form the foundations of his approach to understanding national diversity, and are inseparable from his notion of strategic choice. These include cultural values, ideologies, economic policies and public and legal policies. However, for Poole, there are analytical problems in demonstrating the influence of culture because of imprecise definitions, diverse usage of the term and its specification in a post hoc, even residual fashion (p.

17). If these can be overcome and cultural meanings are properly specified, it will still be necessary to control for contingencies and different economic systems, and to demonstrate that remaining differences are explicable in terms of an adequate theory of national cultures. If this can be done, cultural values, which vary widely from one country to another may be expressed in for example, moral codes (especially in employment relations), commitments to legalism or voluntarism, and in the extent to which social integration and accommodation are widely accepted social goals. They will inform strategic choices in the industrial relations sphere (p. 18). Thus culture plays an important, though subordinate, role in Poole's model.

Turner (1991) argues, in response to strategic choice theory, that two variables are critical in explaining variations in the stability and extent of workers' interest representation in response to contemporary change. First, the extent to which unions are integrated into the processes of managerial decision making, as opposed to being engaged in adversarial, arm's-length unionism. Second, the presence or absence of laws or corporatist bargaining arrangements that encourage and regulate firm-level union participation from outside the firm (p.2). In the view of this 'new institutionalism' (p.4), it is the way union influence is institutionalised in an industrial relations system, not employer strategies or values, which is the causal variable at work (p. 27). A subordinate, if significant role is given to the role of strategic actors and their choices (p. 228), the range of strategic choice being defined by institutional possibilities. In certain circumstances actors can and do change institutions, as has happened in recent decades in the United States and the United Kingdom. However, the strategic choice analysis of Kochan, Katz and McKersie (1986) is criticised because it ignores the place of organised labour or management in society, the

organisational cohesiveness of the labour movement, and the structure of the political economy (p. 230). The timing and success of the managerial opposition in the US has to be understood in a broader institutional and comparative context (p. 231). Freeman (1989) provides a similar institutional explanation for the recent cross-country divergence in union density.

Ferner and Hyman (1992) again allow space for the strategic choices of the actors, but they too stress the 'relative autonomy of institutions' to explain persistent national diversity in the face of cross-national pressures for convergence. The key dimensions of the strength and degree of rigidity of institutions explained the trajectory of industrial relations systems (1998 p.xxii). At the same time they identify centrally co-ordinated decentralisation as the 'major tendency' on the employers' side (1998, p. xvi), with national state traditions persisting into the 1990s (1998, p. xviii). According to Ferner and Hyman (1998 p.xxii) the strength of institutions derives not just from strong formal arrangements. It also derives from institutional 'culture', which they describe as "an 'invisible' web of actors' perceptions and strategies, and of 'tacit skills' and experience in operating the arrangements" (p. xxii).

Recent work by Locke, Kochan and Piore (1995a; 1995b) is understandably agnostic about the usefulness of existing theory. Having identified recent shifts in employment relations, such as the emergence of sub-national variations, they raise the suggestion that comparative research needs to move away from conceptualising and comparing national systems and concentrate on micro-research, if it is to explain the systematic variations that are to be found within countries and the patterns common to many countries (1995b, p.159). Locke (1995) suggests that the national model of industrial

relations should only be returned to if one, or a particular set of micro-models emerges as dominant in a given country. But Darbishire and Katz (1997) and Kochan, Lansbury and MacDuffie (1997) in follow-up studies, argue there is a continuing role for national institutions in any model seeking to explain new developments occurring at work-place level. The theoretical confusion seems to be unresolved.

Kelly's (1997a; 1997b) theory based on long waves, worker mobilisation and employer and state counter-mobilisation in industrial relations adds greatly to our understanding of historical fluctuations and major upheavals in industrial relations variables internationally, but again is of limited help in explaining cross-national variations. To explain cross-national variations in trade union membership and density levels, Kelly falls back (1997a p.18) on an institutional model from Crouch (1993) which relies on the type of and extent of, corporatism that is predominantly determined by state religious and historical traditions.

### **Towards a Cultural Model**

Lipset (1961; 1990) was among the first to provide a cultural explanation for the differences in behaviour between American trade unions and those in other advanced market democracies. The basic values of American society, such as the achievement orientation and the belief in equality, generated the individualism, the lack of class-consciousness, the militancy, the high wage differentials and the lack of interest in participation in management which typified American union behaviour.

In organisation theory, Crozier (1964) analysed the French bureaucratic system of organisation as a cultural phenomenon. The behavioural traits, patterns of interpersonal and inter-group relations, the problems of authority and avoidance of face to face relationships, corresponded to a number of cultural traits typical of French society. Likewise, the Russian and American bureaucracies reflect the cultural traits of their societies. Crozier's model was extended to cover the French industrial relations system (p. 245). He identified the basic problem of French industrial relations to be the difficulties of direct communication between workers and their unions, and between workers and management. This parallels the fear of face-to-face relationships, and isolation of social groups found in his model of bureaucracy, and again has its roots in French culture. This accounts for the importance of the state and bureaucratic centralisation in French industrial relations, and for the lack of negotiated compromise through collective bargaining. It explains the reliance on national political action, rather than local bargaining (p. 247). The state sets the minimum wage and so influences wage negotiations, which are concerned with minimum conditions on a regional industrial basis. As a major employer the state has an influence on a wide range of issues. Problems of discipline and working conditions are left mostly to the employer, with the unions refusing to play a role. The state plays a major role in lay-offs through the *inspecteurs du travail*. In wage bargaining employers will deal only with the minority trade unions, with the largest unions refusing to be part of the settlement. According to Crozier, such a system can only survive because it corresponds to the normal behavioural patterns of workers and employers and to their cultural values. (p. 248).



Crozier's argument was criticised by Sorge (1977) on the grounds that it developed out of a one-nation study, and that his explanatory cultural variables had a 'rather opaque character'. Also, they were 'defined in a dialectical way' which could lead to imprecision (p. 67). Sorge, along with the rest of the Aix School, were concerned to shift the culturalist perspective away from the 'opaque notions' of Crozier to what they call the 'societal effect' eg the impact of the national system of education and training. According to Sorge, this frees the concept of culture of its former ambiguity, isolating more precise and operationally definable variables (p. 71). The obvious riposte to this critique is that variables such as education and training may be, to some extent, proxies for national culture, but they may also be intervening variables that would disappear if more precise definitions of culture were available.

Crozier's approach has also been criticised by Rose (1985). He argues first, that it is necessary to demonstrate that cultural elements are both coherent and consistent and second, that large modern societies tend to have value systems of an oppositional kind that challenge any consensual cultural order. For these reasons he argues against the use of national culture as an explanation for societal variations, at least until all other techniques of analysis have been exhausted (at which point it is permissible to resort to cultural explanations) and endorses the societal effect alternative approach (p. 68).<sup>1</sup>

Gallie (1978) in his two-country study of British and French oil refinery workers, also stresses the importance of national culture in explaining the reaction of workers to automation, in particular the degree of social integration which occurs. Differences in

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<sup>1</sup> In a personal communication to the author Rose (21/7/99) suggests the Aix group overdid their critical attitude towards the culturalist approach of Crozier.

culture will not only result in variations in the aspirations and frames of reference of workers, they will also be reflected in the institutional structures of managerial power and of trade unionism in the enterprise (p. 36). Institutions will be moulded in significant ways by the values and beliefs of those in key positions, and will embody the strategies through which these groups seek to obtain their goals. Moreover, these values and beliefs will be influenced by the cultural traditions of the wider societies to which they belong.

Shalev (1981) is critical of Lipset's use of 'values' as an independent variable. He argues against the idea that social structures can be characterised in normative terms and that social action is normative based. He takes the view that dominant value systems are symptomatic of social (class) structural features of society and cannot explain the deeper origins of the behaviour of classes in conflict. Any observed correlations between dominant values and the behaviour of the subordinate class are spurious if both are the product of the class structure and the way in which class relations have evolved within that structure. Thus values should be treated analytically as lying midway between social structure and behaviour, so that they potentially moderate the relationship between the two in a Marxist dialectical manner. Differences in national systems can thus best be explained by the strategic choices of the actors, with values influencing these choices which will in turn impact on the social structure and then back on values again. It can be argued this still leaves open the possibility that, in a reasonably stable system where cultural values are to some extent proxies for the underlying social structure, but also have an independent force

of their own, differences in these values will have a significant impact on industrial relations structures by dominating the strategic choices of the actors.

Shalev also criticises Maurice and Sellier (1979) for their ultimate reliance on values in the form of 'legitimacy' in Germany and its denial in France. This is used to explain differences between Germany and France regarding the position of the enterprise in society; relations between management and workers in the enterprise; and the status of workers in the enterprise. For Shalev, the degree to which 'legitimacy' can stand alone in their analysis is ambiguous.

In his comparison of Britain and Japan, Dore (1973) adds the 'late development effect' to the effect of differing cultural traditions (Abegglen, 1958) in explaining Japanese distinctiveness. Japan was able to choose its unique type of social organisation and break away from the 19<sup>th</sup> century British model. The attitudes and values of workers and employers were in part the cause of the decision to adopt the institutional innovation that occurred (p. 417). The cultural pre-dispositions of the Japanese workforce made it more likely that these innovations would be successful. Dore's (1973) analysis is treated more favourably by Shalev, because in it values 'link, mediate, facilitate, and may even moderate the impact of historically specific structures on institutions and practices of IR. But they do not directly cause, and they cannot stand alone in our theories' (p. 257).

Likewise, Kendall's (1975) comparative study is lauded as an example of how value analysis can be used to 'link structure to behaviour in explaining variations between national industrial relations systems'. This uses the different experiences of capitalist

industrialisation to explain the differences between Anglo-American and European value systems, which Kendall argues cause some of the differences at the level of IR. (p. 253). Here, unlike in Lipset, the origins of value differences are explained. However, doubt is still expressed about the need for the 'value element' in Kendall's analysis, with Shalev arguing that differences in IR systems could be explained just as well in terms of the objective contexts e.g. the underlying differences in power resources between labour and capital. In this strict 'Marxist' interpretation, as in Dunlop's systems model, values have a strictly subordinate role.

Child (1981) has argued for the use of national culture in cross-national organisational theory, with culture being regarded as an additional contingency 'which both reflects and is reflected in the social institutions which have evolved in each country' (p. 335). For Child, an adequate test of national differences that are culturally intrinsic, would require an examination of whether organisational characteristics continue to differ across nations when contingencies and economic systems are similar or controlled. In addition, there would need to be a demonstration that the remaining differences are explicable in terms of an adequate theory of national cultures.

If we are to develop a cultural theory of comparative employment relations we need a reasonably precise definition of culture, an idea of how the term can be used with clearly specified dependent and independent variables, and a specification of the relationships between these variables that will allow for the testing of hypotheses. The theory must also specify the mechanisms or processes that give rise to these relationships (Kelly, 1994).

Definitions of culture have been provided by, amongst others, Kroeber and Kluckhohn (1952), Kroeber and Parsons (1958) and Hofstede (1984). Kroeber and Parsons make the distinction between the concept of culture and the concept of social system, arguing they are analytically distinct and independent. They suggest culture should refer to 'transmitted and created content and patterns of values, ideas, and other symbolic meaningful systems as factors in the shaping of human behaviour and the artefacts produced through behaviour' (p. 583). For Hofstede, culture is defined as the 'collective programming of the mind that distinguishes one group or category of people from another' (1984, p. 13; 1991, p. 5-6).

Poole (1986) has adapted work by Child (1981) and Kluckhohn and Strodtbeck (1961) to relate to the industrial relations strategies and styles of managers in diverse national contexts (p. 45). This shows that, in principle, it is possible to relate cultural value orientations to both organisational and industrial relations characteristics. For a specification that will allow us to measure the relationship between cultural values and the various dimensions of a country's industrial relations system, we need accurate measures of cultural values that are both reliable and valid and can be applied to many countries. And we need a model specifying the relationship between high and low positions along the various dimensions of national culture and our industrial relations variables.

Pot (2000) proposes a conceptual framework of national work-related culture based on the structuration theory of Giddens (1984). In this model the impact of national culture on the employment relationship is conceptualised by a cluster of national

work-related institutions. These could include formal societal institutions such as the educational and industrial relations systems and corporate employment practices. They also include informal institutions such as norms and value patterns. Culture exists solely when human agents draw on these nationally institutionalised rules and resources to (re)produce social action. The problem with this model is that it uses as the most important part of the independent variable that which industrial relations theory has never satisfactorily explained, namely the differing cross-national pattern of formal employment institutions.

The model suggested here is an adaptation of and an extension of that developed by Hofstede to explain cultural differences between nations and to explain how national cultural and institutional patterns are created and maintained. The model is in the tradition of Lipset (1961), Crozier (1964) and Gallie (1978) in that it gives culture an independent causal role, as opposed to the linking, mediating, subordinate role allowed by Shalev (1981).

For Hofstede, the collective programming of the mind is reserved for entire societies or nations. It includes systems of values, and values are among the building blocks of culture (1984, p. 21). National cultures have very old historical roots and their origins lie in a variety of ecological factors that have influenced the physical environment, including economic and technological development. For Hofstede, these systems of societal norms have resulted in the development and pattern maintenance of institutions in society with a particular structure and way of functioning, institutions that would include educational systems, the family, politics etc. While Hofstede pays little attention to labour markets, it is argued here that

systems of societal norms will, in a similar manner, also influence the shape of industrial relations institutions such as the structure of bargaining, the amount of federation and government involvement, the existence of works councils and the pay structure (Figure 1). This approach is similar to that adopted by Greif (1994) who has argued that cultural beliefs provide focal points and coordinate expectations, so influencing equilibrium selection and society's enforcement institutions. Cultural norms affect behaviour and result in different industrial relations institutional outcomes. These diverse outcomes become path dependent in large part because of the self-reinforcing nature of societal norms.

Hofstede's thesis is that these institutions, once they have become facts, reinforce the societal norms and the ecological conditions that led to them. As a result these systems of societal norms become very stable and remain unchanged even if the institutions are changed, a view supported by Child (1981). The result will be that the persistent influence of the majority value system will smooth the new institutions until their structure and functioning is again adapted to the societal norms. On this model, long-term institutional change would be very difficult in industrial relations: there will be cultural pressures to revert to a more compatible configuration.

Hofstede (1984) aimed to identify the main dimensions of national culture that would highlight the differences between societies. Differences in national work-related value patterns are summarised in terms of four basic dimensions: Power-Distance (PDI), Uncertainty Avoidance (UAI), Individualism versus Collectivism (IDV) and Masculinity versus Femininity (MAS), each of which is expressed in an index ranging from 0 to

100-110. Full explanations of the meaning of the indices can be found in Hofstede (1984), but they can be summarised as follows:

**PDI** The degree of inequality among people that the population of a country consider normal. This ranges from relatively equal (small power distance) to relatively large (large power distance).

**UAI** The degree to which people in a country prefer structured to unstructured situations. People in a high UAI society will prefer clear rules as to how one should behave thus avoiding uncertainty and ambiguity.

**IDV** The degree to which people in a country prefer to act as individuals rather than as members of groups. The opposite of individualism can be called collectivism (low IDV).

**MAS** The degree to which values like assertiveness, earnings and performance, which in nearly all societies are associated with the role of men, prevail over values such as the quality of life, caring for the weak, and maintaining warm personal relationships, which tend to be associated with the role of women.

Hofstede's cultural indices have been used in a wide variety of studies and are regularly being used as a paradigm outside their original setting (Sondergaard 1994). His dimensions have been subject to rigorous criticism and debate (Triandis, 1994; Todeva 1999). These criticisms have been summarised and assessed by Cheung-Birtch (2001). She cites recent studies that provide support for Hofstede against criticism on methodological grounds (Smith 1996); against criticism on theoretical



grounds (Hampden-Turner and Trompenaars 1993); and against criticisms that his work is out of date (Smith 1996). At the same time, it is recognised that some problems with this model remain and that further work into the definition and measurement of culture is required. The use of Hofstede's dimensions in this paper is justified on the grounds that, whatever their deficiencies, they remain the best measures of national culture available and they can be used for the empirical testing of hypotheses.

### **Some empirical tests**

Empirical tests of the theory can be carried out by regressing scores on Hofstede's four dimensions of national culture (power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity) on various estimates of industrial relations structures.

It is suggested that employees in high UAI countries may be reluctant to join trade unions for fear of disrupting established procedures and possibly threatening their employment.

*Hypothesis 1: the UAI index to be negatively associated with trade union density*

Likewise, it is suggested that societies that prefer structured situations will wish to minimise uncertainty so that if they do engage in bargaining they will want the agreement to cover all the firms in the industry and will prefer to have extension

agreements in place and will have greater collective bargaining coverage (Hofstede, p. 144).

*Hypothesis 2: high UAI countries will be more likely to have extension agreements in place*

*Hypothesis 3: high UAI countries will have relatively high bargaining coverage*

Following Hofstede (1984) p. 167 where it is suggested that in high IDV countries, unions find it difficult to engage in the type of coordinated bargaining action that would be easier in more group oriented societies

*Hypothesis 4: we expect the IDV index to be negatively associated with the extent of bargaining coordination*

Following Hofstede p. 209

*Hypothesis 5: we expect the MAS index to be associated with low levels of bargaining centralisation, federation involvement and government involvement*

Again following Hofstede (pp.207-8), where he associates the MAS index inversely with a more cooperative workplace

*Hypothesis 6: we expect the MAS index to be negatively associated with the presence of Works Councils*

Also

*Hypothesis 7: we expect high PDI countries to be less likely to have Works Councils*

Given that high scores on the MAS variable are associated with high earnings, whereas low scores are associated with a sharing of rewards and a concern for the weaker members of society (Hofstede pp. 207-8; p. 271)

*Hypothesis 8: we expect the MAS index to be positively associated with the extent of earnings dispersion*

### **The Data, Model Specification and Results**

Where possible the data have been selected to take account of any changes that have occurred over time in industrial relations institutions over the period from about 1980 to the mid 1990s. Apart from those for Works Councils, collective bargaining extension and earnings dispersion, the data replicate (with minor adjustments) those found in Flanagan (1999, Table 1). Data for union density, bargaining coverage, bargaining centralisation and bargaining co-ordination, for the years 1980 and 1994, originate in OECD 1997, Table 3.3. Data for collective bargaining extension are taken from OECD 1994, Chart 5.2. Data for Federation Involvement and Government Involvement are taken from Wallerstein, Golden and Lange (1997) and Flanagan (1999, Table 1). Data for Works Councils are taken from Cameron (1984, Table 7.6). Data for earnings dispersion are taken from OECD (1996, Table 3.1). By confining our sample to OECD countries, we are dealing with industrial market economies with similar political ideologies, economic policies and levels of technological development.

To test the hypotheses posited in the previous section, a regression model is put forward where the dependent variable is one of our various industrial relations dimensions. It is argued that these variables are a function of Hofstede's four cultural variables, IDV, MAS, PDI and UAI. Two exogenous control variables for GDP per capita (Ycap84) and membership of the European Union (EU) are added to our equations. A variable representing OECD estimates of either the degree of bargaining centralisation (bargaining level) or the degree of bargaining coordination is added to each of the regression equations. Ordinary least squares regressions are estimated for each of the dependent industrial relations variables, using the TSP statistical package. Variables with *t* values of less than one are dropped from the equations. The results are summarised in Tables 1 and 2.

The results confirm the predicted statistical associations. The UAI index is negatively associated with trade union density and positively associated with the presence of collective bargaining extension agreements and the extent of collective bargaining coverage. The IDV index is negatively associated with the amount of bargaining coordination as predicted. The MAS index is associated with low levels of bargaining centralisation, low levels of federation involvement and low levels of government involvement. It is also associated negatively with the presence of Works Councils and positively with the degree of earnings dispersion. The PDI index is negatively associated with the presence of Works Councils. The predicted results for our cultural variables hold for both the earlier and later data.

Our control variables (GDP per capita, membership of the EU, bargaining centralisation and bargaining coordination) play a significant role in some of the equations. But national culture plays an important independent role in explaining all of our dependent variables.

This association is suggestive that culture can be a dominant exogenous determinant of employment relations structures. The results confirm findings in Black (2001a and 2001b) and Black (1999).

### **Change in IR institutions**

As Poole has suggested (1986, p.8.; 1993), a theory of industrial relations also needs an historical or temporal dimension. While Kelly's (1997; 1998) use of mobilisation and long wave theory can play an important role in explaining cycles in industrial relations, our cultural model can help in explaining cross-national institutional stability and change. Harzing and Hofstede (1996) demonstrate that national cultures influence the reasons people have to resist change, so that countries differ considerably in their resistance to change. Harzing and Hofstede developed their model in the context of planned organisational change. It is extended here to cover cultural resistance to change in industrial relations institutions.

Summarising the assumed influence of Hofstede's four cultural dimensions on resistance to change, Harzing and Hofstede suggest that both Power Distance and Uncertainty Avoidance increase the resistance to change, while Individualism reduces it. They presume that Uncertainty Avoidance has the strongest influence (p.

315) and calculate a resistance to change index giving two points to a large UAI and one each to a large PDI and a small IDV.

Table 3 shows scores on Harzing and Hofstede's resistance to change index for OECD countries, together with an estimate of the extent and direction of change in various industrial relations institutions in recent decades. What is remarkable is the correlation (*.65 significant at the .001 level*) between high scores on the resistance to change index and the stability of industrial relations institutions over time (number of stables). Those countries with resistance to change indices categorised as weak, medium, strong or strongest have experienced stability and continuity in their institutions. Countries with the weakest cultural resistance to change (UK, New Zealand, Sweden, Denmark, Ireland) have experienced decentralisation in their IR institutions (centralisation in the case of the Republic of Ireland). Norway and Finland have remained centralised despite having weak resistance to change on this index (Wallerstein et. al 1997).

There remains the possibility that, despite the apparently strong impact of culture, other factors may still predominate and contradict or override the predictions of our cultural model. This can be seen clearly in the case of Ireland, which has centralised its industrial relations against our cultural predictions, and in the face of pressures for decentralisation. This can best be explained by the strong influence of pro-European political ideology in Irish public life. The United Kingdom is another example where decentralisation, while finding weak cultural resistance, has been to a considerable extent, politically driven. Both cases suggest we may need to make room for political ideologies in our model (Goldthorpe, 1984). However, it should be noted that this

politically driven change has occurred in countries where cultural resistance to change has been low.

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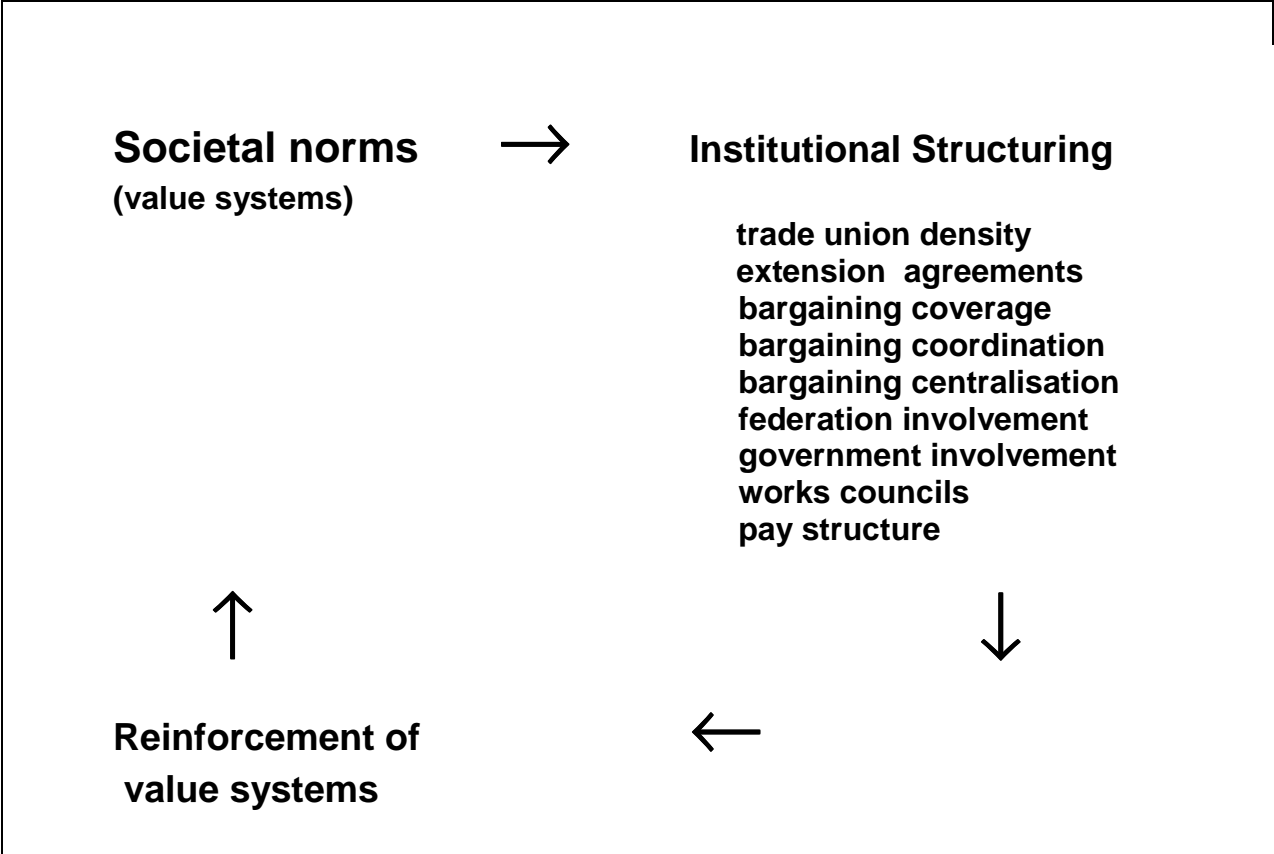
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**Figure 1. The Cultural Structuring of Labour Markets**



**Table 1. National Culture and Collective Bargaining Characteristics. OECD Countries. 1980, 1990 and 1994.**

Dependent Variable	c	MAS	PDI	UAI	IDV	Barg. Level	Barg. Coord	EU	Ycap 84	adj r <sup>2</sup>
<b>TU Density</b> 1980 n=19	102.7 3.24***			-.38 -2.48**		14.8 2.24**			-.73 -2.90**	.50
1994 n=19	71.9 2.07*			-.61 -3.28***		24.4 2.78**			-.45 -1.44	.42
<b>Collective Bargaining Extension</b> 1990 n=19	-1.55 -1.52		-.02 -1.56	.02 2.17**	.01 1.32	.47 2.16**				.28
<b>CB Coverage</b> 1980 n=19	-61.4 -2.75**	-.16 -1.33	-.78 -3.03**	.97 3.93***	.72 3.36***	27.4 4.81***		13.2 2.51**		.85
1994 n=19	-53.8 -1.67	-.20 -1.02	-.52 -1.22	.65 1.51	.60 1.79*	34.2 3.06***		15.5 1.82*		.76
<b>Bargaining Coordination</b> 1980 n=19	1.66 1.50	.007 1.52	-.02 -2.07*		-.03 -3.41***	.59 2.36**			.02 1.87*	.46
1994 n=19	1.06 1.07	.01 2.20**	-.01 -1.52		-.03 -3.11***	.82 3.19***			.02 1.66	.60
<b>Bargaining Level</b> 1980 n=19	1.50 4.03***	-.008 -2.16**					.29 1.98*	.38 1.96*		.45
1994 n=19	1.18 5.00***	-.007 -2.50**					.34 3.31**	.38 2.66**		.66

***t*-statistics in italics**

\*\*\* statistically significant at the .01 level

\*\* statistically significant at the .05 level

\* statistically significant at the .10 level

**Independent Variables:**

**MAS PDI UAI IDV** are Hofstede's variables (Hofstede, 1984).

**Barg. Level** is bargaining centralisation (plant/industry/central).

**Barg. Coord** is bargaining coordination.

**EU** is member state of the European Union.

**Ycap84** is GDP per capita 1984.

**Data Sources:**

Collective bargaining extension: OECD (1994) Chart 5.2.

Trade union density, collective bargaining coverage, bargaining centralisation (level), bargaining coordination OECD (1997) Table 3.3.

**Table 2. National Culture and Industrial Relations Systems Characteristics. OECD Countries. Circa 1980, 1992.**

Dependent Variable	c	MAS	PDI	UAI	IDV	Barg. Level	Barg. Coord	EU	Ycap84	adj r <sup>2</sup>
<b>Federation Involvement 1977-80</b> n=16	14.0 2.90**	-.08 -4.03***		.03 1.67		2.35 2.54**		-3.31 -3.50***	-.13 -3.12**	.73
<b>1990-2</b> n=16	13.9 2.32**	-.08 -3.01**		.04 1.38		1.69 1.10		-3.42 -2.60**	-.12 -2.14*	.48
<b>Government Involvement 1977-80</b> n=17	12.6 1.68	-.05 -2.98**			.19 3.46***		2.68 2.62**	-1.99 -2.10*	-.26 -5.47***	.72
<b>1990-2</b> n=17	13.3 1.89*	-.09 -2.89**	-.14 -2.19*	.15 2.33**	.12 1.80			-2.09 -1.70	-.17 -2.62**	.36
<b>Works Councils 1980</b> n=17	-2.02 -3.40***	-.004 -3.02**	-.01 -3.53***		.01 2.49**		.48 5.79***	.34 4.13***	.01 3.15**	.90
<b>Earnings Dispersion (males) D<sub>5</sub>/D<sub>1</sub> 1980</b> n=16	1.89 9.18***	.004 4.88***	-.003 -1.69		-.007 -3.51***		-.26 -6.46***		.008 4.27***	.82
<b>1993-4</b> n=18	2.27 7.19***	.004 3.02***			-.008 -1.95*		-.35 -4.68***		.005 1.28	.61

***t*-statistics in italics**

\*\*\* statistically significant at the .01 level

\*\* statistically significant at the .05 level

\* statistically significant at the .10 level

**Independent Variables:**

**MAS PDI UAI IDV** are Hofstede's variables (Hofstede, 1984)

**Barg Level:** plant/industry/centralised. OECD (1997) Table 3.3. (2+=2.25; 2-=1.75).

**Barg Coord:** bargaining coordination (uncoordinated to highly coordinated). OECD (1997). Table 3.3. (2+=2.25; 2-=1.75).

**EU** is member state of the European Union

**Ycap84** is GDP per capita 1984

**Data Sources:**

Federation Involvement, Government Involvement: Flanagan (1999) Table 1.

Works Councils: Cameron (1984). Table 7.6.

Earnings Dispersion: OECD (1996). Table 3.1. 1980 data for Canada is for 1981; for Germany is for 1983; for the Netherlands is for 1985; for New Zealand is for 1984.

**Table 3. Cultural Resistance to Change**

Resistance Level <sup>1</sup>	Country <sup>2</sup>	Union Dens.	CB Coverage	Barg Level	Barg Coord	Fed Inv -olvement	Gov Involve -ment	Earnings Dispersion	No of stables <sup>3</sup>
4(strongest)	Portugal	fall	stable	stable	stable	n/a	n/a	rise	5
	Japan	fall	stable	stable	stable	stable	stable	stable	6
	Spain	rise	stable	stable	stable	n/a	n/a	n/a	6
3 (strong)	Belgium	stable	stable	stable	stable	rise	stable	stable	6
	France	fall	rise	stable	rise	stable	fall	stable	3
	Austria	fall	stable	stable	stable	stable	stable	stable	6
2 (medium)	Italy	fall	stable	stable	rise	fall	rise	stable	3
	Germany	fall	stable	stable	stable	stable	stable	fall	5
1 (weak)	Switzerland	fall	stable	stable	stable	stable	stable	n/a	5
	Australia	fall	stable	fall	fall	stable	stable	rise	3
	Norway	stable	stable	rise	stable	stable	fall	fall	4
	Finland	rise	stable	fall	stable	stable	stable	stable	5
	Netherlands	fall	rise	stable	stable	stable	stable	stable	5
	USA	fall	fall	stable	stable	stable	stable	rise	4
	Canada	stable	stable	stable	stable	stable	stable	rise	6
0 (weakest)	UK	fall	fall	fall	fall	fall	fall	rise	0
	New Zealand	fall	fall	fall	fall	n/a	stable	rise	1
	Sweden	rise	stable	fall	fall	fall	rise	rise	1
	Denmark	stable	stable	fall	fall	fall	fall	stable	3
	Ireland	fall	rise	rise	rise	rise	rise	rise	0

**Notes**

1, 2. Derived from Harzing and Hofstede (1996). The index has been calculated by giving one point for a PDI over 50; one point for a UAI of 45-59; two points for a UAI of 60 plus; and one point to a IDV below 60.

3. Based largely on OECD (1997 ), Flanagan (1999), Katz (1993), Wallerstein, Golden and Lange (1997) and Ferner and Hyman (1998).

|