

## **INDIVIDUALIZATION AND SOCIO-CULTURAL SIDE OF SOCIAL AND LABOUR RELATIONS**

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### **Abstract**

Two main trends of nowadays labour's market development are flexibility and individualization of social and labour relations. Although the first has a great number of scientific researches, the second, as the authors suppose, is in need of comprehensive research in order to, on the one hand, detect advantages and disadvantages of this type of social and labour relations, and, on the other, find the ways to eliminate this disadvantages. This paper suggests taking into account the social-cultural part of social and labour relations as the one of the most effective way to meet this challenge. Further, this paper represents the results of empirical research of labour's social-cultural characteristics that are used by making HR-policy. The investigation is based on the Hofstede's modified approach. As the result the gaps between the social-cultural characteristics of workers and senior management, real and regulatory relations were found out. It is indicated, that this gaps lead to the decline in efficiency of HR-policy. Therefore the list of methodic recommendation on the issue of consideration the labour's social-cultural characteristics was developed. Implementation of these suggestions by making HR-policy may represent the extra source of increasing both the labour productivity and job satisfaction of Russian labour.

Key words: HR-policy, social and labour relations, individualization of social and labour relations, social-cultural part of social and labour relations.

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### **Introduction**

In recent decades the process of flexibility's expansion in the different side of economic activities is typical for social and labour sphere. This led researchers to put forward the idea of modern developed economy's flexibility, of transition in the new era of production, social and labour relation's organisation, that replaced the Ford's and Taylor's phase (Kolosova, 2010).

In other words, flexibility in the labour sphere shows itself in the context of the overall transition of economic and social world to the new principles of existence, has a significant impact on all of its aspects.

The implementation of a flexible labour market concept in the every of its way significantly alters the nature of the such elements of social and labour relations, as employment, mobility, working conditions, industrial democracy, the quality of labour, use of working hours, labour costs, etc.<sup>1</sup> It promotes the industrial decentralization into small and medium-sized enterprises, the creation of new forms of employment, engagement in self-employment activities, involvement new groups of the population into the labour process. Together, these processes lead to the creation of another global trend under the development of social and labour sphere - individualization of social and labour relations.

## **1 Individualization of social and labour relations.**

Understanding the nature of labour relations's individualization is connected to the development of classification method of flexibility forms in the labour sphere, which, according to experts, is quite challenging. The reason are the breadth and diversity of their manifestations, different interpretations of some forms of flexibility, and ultramobility of the flexibility, which arises from its very essence.

However, the already formed and relatively common methodological approaches to the classification of flexibility forms in the labour sphere allow to characterize the quality of individualized social and labour relations.

According to the classification, external and internal forms of flexibility are distinguished. External forms refer to relation in the outer for a company market. Internal forms of flexibility, which are important in the context of our research, refer to the changes in the nature of the work itself, methods of its organization, workers' interaction at the workplace. Attributes of flexebility in the inner system of labour relations are: the use of irregular, flexible forms of employment; the introduction of flexible working hours; the application of differentiated forms of hiring and firing; the search for relevant to individualized approach ways to estimate the remuneration of labour, etc.

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<sup>1</sup> It should be noted that for the issue of labour flexibility was paid a lot of attention by the scientific community, theories and concepts were established, revealing different aspects of labour market flexibility. For example, works of O. Lange, G. Standing, M. Armstrong, T. Maleeva, R. Kapelyushnikov, M. Kolosnitsina etc. However, due to the ambiguity, complexity, inconstancy of this phenomenon as the analysis has shown, there is no uniform attitude to the flexibility among different scientists and scientific schools, there is no consensus on the issue of consequences of increased flexibility in the labour sphere.

This form and the relative attributes of social labour relations determine both the positive and negative consequences of its individualization, both for workers and employers. It is accepted to emphasize the following arguments that support the scientific and practical worth of individualized approaches to the regulation of social and labour relations: arguments of fairness, self-fulfillment and efficiency, as well as the socio-cultural argument.

By considering this side of the issue, it can be noted, that the development of an individualized approach to personnel is connected with switching from the typical, standardized labour contract to individual contracts, which are considered as a way to protect the worker. Since the late 1990s. legal regulation of employment at the level of "separate employer - employee" is becoming more common due to the legislative activity in the European Community, in the UK, the U.S.A., what itself is a result of the expansion of flexibility in labour relations.

However, strong constraints on individualization's potentialities exist. Among them are: the ethical side, in which individualization may not be appropriate for labour (misuse of internal information, etc.); specific tax legislation; reducing the level of collective protection of workers through trade unions and the "team spirit"; the decline of worker's conditions, and, as a result of all these phenomena, the reduction of social and labour relations' stability<sup>2</sup>.

As for practical expansion of the individualization concept, the data of multiple, but separate surveys (mainly German and American) suggest that individualization of social and labour relations mainly arises in the innovative, scientific and cultural fields. In addition, the individualization occurs in the fields such as personnel assessment, staff selection, working hours, hiring, firing, remuneration and work organization. The general trend shows a slow, but a steady increase in the extent of social and labour relations' individualization.

It should be noted, that a very efficient methodology of the analysis and control the problems of individualized social and labour relations provides institutional theory, particularly its part, which relates to information asymmetries and transaction costs.

Due to the different interests of the contracting parties (here - the employee and the employer), the unequal distribution of information between them and the limited capabilities of monitoring and controlling the activities of the employee, the problem of asymmetric information occurs, which is divided into two major groups: "unobservable characteristics" /

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<sup>2</sup> Observation of the social and labour relations' individualization issue shows, that conception, methodology and methods of practical solutions of individualization in HR-management combined the scientific positions and approaches of various sciences (labour economics, labour psychology, sociology, demography, etc.) and various scientific schools (HR-management, industrial relations, human capital, the model of multi-cultural organization, organizational culture, etc.).

hidden information and "unobserved actions" / covert actions. The hidden information is defined as the information, which is available for the employee, but inaccessible for the employer. In the case of personalized labour relations, this kind of hidden information aggravates risks (comparing to the case of traditional social and labour relations) as the employee may use this information in their own interests, benefiting from the falsifying of information provided about them. It should be noted, that the employer, as well, can be a carrier of the hidden information with all the consequences for the employee.

Along with the problem of hidden information exists the problem of covert actions. In this case occurs a situation, called "moral hazard" - a phenomenon in which the activities of one of the parties can't be fully observed and therefore creates the possibility of neglecting unobserved aspects of employee's or employer's duties. Thus, the information asymmetry is one of the main reasons for irrational labour behavior.

In order to overcome these fundamental challenges in the social and labour relations (which are particularly enhanced in terms of their individualized form), particular studies, assisting the elaboration of appropriate management decision, are required.

In addition, the most important part of such scientific studies should be the fundamental research of the socio-cultural side in the labour behavior of workers. These researches can create conditions for the development of effective methods of taking socio-cultural aspects of social and labour relations into account, in order to reduce moral hazard and overcome the information asymmetry in the labour relations.

## **2 Socio-cultural side of social and labour relations.**

The importance of a socio-cultural side of the labour behavior and motivation has been widely discussed after the study that had been conducted by G. Hofstede in the 1970s, in which the emphasis had been laid on national differences of workers. The IBM Company initiated this study. The aim was to identify the causes of the different effectiveness of labour management methods in its international affiliates. The first fundamental result of this research, that has been further developed in investigations of a number of researchers, is comprehension of the nature and definition of the «socio-cultural aspect» concept. Socio-cultural aspect is defined as such specific to certain community features that can be specifically measured and then used for comparison with the same socio-cultural aspect of the other community. To these aspects some researchers ascribe such socio-cultural features, as power distance, individualism, uncertainty avoidance, time orientation, etc. (Hofstede, 2010). Other researchers identify

socio-cultural features as the human relation to nature, orientation in time, focus on the activities, human relations, orientation in space, etc. (Lane & Distefano, 1988).

Secondly, the socio-cultural features are the context within the given company is functioning. Without this context, even the legal matters lose their significance. Thirdly, by thorough consideration of socio-cultural features of the labour behavior in different countries, the efficiency of HR-policy can be significantly increased, including the effectiveness of the motivation programs (Hofstede, 2010).

In Russia, the socio-cultural characteristics of workers in the social and labour relations have a great importance for many reasons: historical, political, social and economical. In the conditions of increasing global competition, Russia must and will fight for the conquest of a strong position in the international arena. This is proved by the large-scale program of economic development and modernization, approved by the government, such as "The concept of long-term socio and economic development for the period till 2020", as well as the programs of the dominant party (Electoral program, 2012) and the President of Russia, in which the transformation of labour sphere is quite important part. However, it is impossible to have a success in modernization without transforming and improving the labour behavior of employees, without increasing the extent of taking their interests and values into account.

One of the most serious economic challenges, that Russia will face in the next decades, is the "challenge of low efficiency" (Putin, 2012). Two main elements determine the possibility of solving this problem. The first element is creation of new high-performance and high-paying jobs. The second equally important element (that can largely predetermine the efficiency of the first) is social well-being of employees, their skills, professional pride, the ability and the desire to constant study (Putin, 2012). Both objectives cannot be achieved without adequate and effective HR-policy.

But nowadays, as the Russian opinion surveys show (Glad to work, 2008), the most important features of workplace are the wage rate (for 85% of the respondents, the reason is poor living standards, that prevail in Russia) and company's fulfillment of its obligations (for 65% of respondents).

Russian scientists pay more and more attention to this important scientific and practical problem. For example, given problem was widely discussed at a number of conferences, including XIII International Conference on the history of management thought and business<sup>3</sup>.

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<sup>3</sup> The subject of this conference was «Business and management ethics: comparative analyses of national models» (June 27-29 2012, Lomonosov Moscow State University).

A. Auzan and his colleagues note in their report "Cultural factors of modernization" the following important point: socio-cultural attitudes can work on acceleration of economic development as well as on its slowdown (Auzan, Arkhangelskiy, Lungin & Nayshul, 2011). By the effective use of these socio-cultural features, they could become the country's competitive advantage at the international labour market. Nevertheless, in order to actualize it, we emphasize it once again, it is required the development of the general concept of socio-cultural aspects importance in the process of creation system of labour relations, legal framework, in management decisions in the HR-policy. There is also a need of a keen perception of an inverse dependence: taking socio-cultural characteristics into account by the development of the HR-policy is capable not only to improve the performance of the company and social well-being of employees, but also to preserve the cultural capacity of the Russian people.

This issue nowadays is as relevant as ever, particularly in Russia. This relevance is justified not only by globalization process. The other reason, what makes the process of taking socio-cultural characteristics into account essential, is (as many experts note) significant gap between the socio-cultural features of the of workers and senior management, as well as between the real and regulatory social and labour relations. These phenomena lead to a decrease in the effectiveness of HR-policy. Therefore, a detailed investigation of the socio-cultural features of Russian workers may be, firstly, the most important prerequisite for considering them during developing and improving HR-policies, and, secondly, an additional source of increasing both productivity and job satisfaction of Russian employees.

This was an object of an author's research, conducted in Russian and Hungarian companies. Within the research the quality of conformance of socio-cultural labour features and its work conditions has been determined; a comparative analysis of the socio-cultural features of workers and senior management was conducted; the degree of satisfied socio-cultural preferences of workers is elicited; practical recommendations for improving HR-policy were developed.

The methodological basis of the research, as well as of the evaluation of socio-cultural company's features, was the G. Hofstede's approach, while it has a number of important advantages over other models: its popularity among researchers; possibility to analyze time series; its relative simplicity. And one of the main advantages of this approach is its focus on the assessment of that socio-cultural features, which find their clearest manifestation in the social and labour relations, and is closely linked to the workers' behavior.

Initial assumptions of the research were the following: the population of each country as a whole is the bearer of a particular set of socio-cultural features. But the main socio-cultural characteristics, that can be identified in a particular society by the research, are not necessarily shared by the whole population of the country. They are rather those features that are statistically prevalent in a particular community.

Within the author's research, two groups of hypotheses were tested: main and secondary. The main hypothesis tested the relationship between the socio-cultural indexes of workers and senior management. The reason is that many experts consider gap between the socio-cultural characteristics of workers and senior management, as well as the reflection of the senior management's socio-cultural features in HR-policy, as the biggest challenge in managing labour behavior.

Secondary hypotheses were used in order to verify the main hypothesis, and examined the real indicators' correlations that reflect the peculiarity of the social and labour relations within a given company.

The G. Hofstede's approach was supplement with a special questionnaire for the employer. It gave us an opportunity to characterize employer's assessment of peculiarities in work and production organization, labour and social relations, on those of Hofstede's questions, which have a visible embodiment at the workplace.

One of the main result of investigation is following: in general, socio-cultural positions of the majority of Russian workers and senior management on human values are rather close. However, socio-cultural features that characterize the labour behavior are significantly different. The most significant discrepancy between the indices of employees and employers are power distance and uncertainty avoidance, which were the most significant in the overall system of socio-cultural indices.

Hungarian senior management show, firstly, a greater extent in taking the socio-cultural characteristics of workers into account while managing their labour behavior. Secondly, the socio-cultural indices of workers and senior management in a Hungarian company have more close values than in a Russian company.

It necessary to mention that we analyzed the Russian Labour Code during the interpretation of socio-cultural differences between the indices of workers and senior management, The aim was to assess its adequacy with those socio-cultural workers' features, which we had measured. In general we can assert that most of the considered socio-cultural characteristics of workers are taken into account in the legal field.

However, our results suggest that workers do not feel the full force of law in their daily working lives. Consequently, there is a inconsistency between the law regulation and the functioning of social and labour relations in Russia. Therefore, one of the most important recommendations concerns the improvement of labour legislation, namely the need for institutional building and the development of tools, which can improve the efficiency of practical application and enforcement of laws, their monitoring and control. Overall, the study identified the necessity of taking the socio-cultural features of labour behavior of Russian workers into account during development and improving HR-policy.

## Conclusion

In conclusion, it is important to note that the social and economic changes (resulting from the globalization of world, as well as Russian's economy, its entry into the ITO) cause the internationalization of the economy; cross-border flows of information, labour and capital; the growth of multinational companies. As a result, - it has become evident - many management business decisions are losing their effectiveness when crossing national and cultural boundaries. Therefore, HR-policy of organizations cannot be based only on universal approaches: adaptation to the socio-cultural context of the country, its regions, and specific groups of the population is required.

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