	Employment Practices	1
Running Head: DIFFERENCES IN EMPLOYMENT PRAC	TICES	

What causes differences in employment practices throughout the world?

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Employment practices throughout the world are as variable as the temperature. Some countries prefer to use very concrete recruiting practices, such as the United States, whereas other countries such as Algeria use an informal system of kinship. Other employment practices such as the use of flexible work schedules (e.g., temporary work, telework, and part-time work) vary by cultural values. Differences such as these make running multi-national corporations difficult from the human resources perspective. Therefore, this paper will begin to uncover possible reasons for the differences in practices manifested throughout the world.

Of the potential reasons or causes of differences in employment practices that will be presented in this paper, some are well known while others are not thought of as readily. Included in the potential causes are first and foremost differences in culture as defined by Hofstede (1980). Other typical causes and reasons include differences in local customs and expectations, status of human resources departments, the capability of the human resources employees, and country-specific situational variables. Finally, a cause that is not often identified is political and social unrest, as in the case of Algeria where a kinship system has been adopted due to a lack of trust.

Given the breadth of these potential reasons for employment practice differences, this paper will attempt to address each in a brief manner. This will allow the reader to gain a general sense of potential reasons differences that exist.

Hofstede's Cultural Model

A well seasoned model within cross-cultural research is Hostede's four dimensional model of culture including masculinity-femininity, power distance,

uncertainty avoidance, and individualism-collectivism (1980). This model has been used to explain many differences, and has more recently been used in explaining employment practices.

Raghuram, London, and Larsen (2001) used Hofstede's model to assess how a country would utilize various flexible employment practices. Flexible employment is quite familiar to many people and includes such scheduling practices as part-time work, flexible scheduling (not 9-5), shift work, and now telework. Raghuram et al. made predictions using Hofstede's cultural model about why one country is more likely to adopt flexible practices than another country. Using a sample of 14 European countries that represented a total of 15 industries in both the private and non-private sectors, the authors found that differences in the use of flexible practices may be based on cultural differences as defined by Hofstede. Use of flexible work practices was in part determined by the level of a countries' uncertainty avoidance. More specifically, those countries higher in uncertainty avoidance (UA) were more likely to use contracts and shift work than telework, part-time work and temporary work because it was easier to control the output of the worker in a more rigid shift work or contract work setting. When looking at how power distance affected the choice of which flexible practices to use, again there were significant findings. Countries higher in power distance tended to use more shift work whereas countries low in power distance used more temporary work, contract work, part-time work, and telework. There was also support for differences resulting from individualism; low individualism countries utilized more shift work and those high in individualism used more part-time workers. Finally, the masculinityfemininity dimension did not significantly affect the use of flexible employment practices.

This study shows that Hofstede's cultural model can indeed help to predict how employment practices vary by culture, thus offering one method of explaining the differences. Raghuram et al.'s (2001) findings are not the only to suggest Hofstede's model is helpful in explaining the differences in practices throughout the world.

Taking a slightly different approach, Newman and Nollen (1996) assessed how the level of success of employment practices was affected by Hofstede's cultural model. For example, they found that when a low power distance culture used participative work units as a form of management, the unit's performance was higher than if it wasn't participative. This shows that if you know where a country falls on a scale of power distance you may be able to predict whether participative work units will be successful. Looking at individualism, Newman and Nollen found that for individualistic countries, performance was higher when individual employee contributions were acknowledged. This falls in line with the use of employee recognition programs as a common human resources practice. Unlike Raghuram et al. (2001), Newman and Nollen found evidence that the masculinity-femininity dimension was helpful in explaining when merit-based rewards should be implemented. More specifically, in a masculine culture, performance was better if merit-based rewards were utilized.

Although the work of Newman and Nollen (1996) takes a different approach than Raghuram et al. (2001), the information provided by these two studies comes back to the same point. Culture (and Hofstede's model) can be used to explain differences in

employment practices, including providing a basis as to why they are used and why they are successful.

Providing even more evidence that cultural differences play a role in determining employment practices throughout the world, Ryan, McFarland, Baron, and Page (1999) focused on how uncertainty avoidance and power distance affect which types of selection techniques are used in a company. Using a sample of 300 companies in 22 countries, they found that countries high in power distance were less likely to use peers as interviewers, but were more likely to be involved in the hiring decisions. Interestingly, it was found that countries high in uncertainty avoidance used less selection methods (e.g., application form, educational qualifications, family connections, one-on-one interviews, tests, and job trial) and did not use the ones they engaged as extensively. The authors suggest that this may be due to an uncertainty about the validity of the measures. Even though those high in uncertainty avoidance did not use as many selection methods, they did use more tests types and used them quite extensively as well as conducting more interviews for a position. This study, although presents some results that may seem counterintuitive, gives another example of how employment practice differences between countries have been explained in the literature.

These three studies provide merely a cursory overview of how different employment practices have been explained using Hofstede's (1980) cultural model. Although the majority of the literature explaining differing employment practices has focused on culture, there are other explanations provided as well. Therefore, the next sections of this paper will discuss some of the more obscure, yet important explanations.

Local Customs

Employment practices can differ between countries as just illustrated (Newman & Nollen, 1996; Raghuram et al., 2001) but they can also differ within multi-national corporations (MNCs) as well. One reason for this variation is the local customs and laws that exist at each location of the company. When there are local laws governing employment practices, it is difficult for a MNC to maintain a uniform set of guidelines; this results in differing employment practices between countries.

Taking this reasoning a bit further, Rosenzweig and Nohria (1994) decided to test which types of employment practices adhere more closely to the local customs and laws than to the MNC parent company guidelines. They found that all six practices being examined (benefits, amount of time off, training, gender composition of the workforce, executive bonuses, and participation in decision-making) more closely imitated the local customs than the parent company guidelines, but only benefits, time off, training, and gender composition were significantly closer to the local norms. Another interesting finding of the study was that when an affiliate was acquired by the MNC rather than founded by the MNC, the employment practices were closer to the local norms than the parent company guidelines.

These findings bring yet another piece of the puzzle to the table. In addition to cultural differences affecting employment practices, it also appears that local customs and laws affect them as well.

Tying together the explanations involving culture and local customs is the research of Hannon, Huang, and Jaw (1995). They found that when a MNC is adjusting their employment practices as well as other business practices for a local subsidiary they must take into account both the local culture and customs. Although these are major

concerns, whether or not the local methods must be adopted depend on factors such as the dependence of the subsidiary on the parent company as well as the ownership of the subsidiary. Given this information it is possible to say that although both culture and local customs can explain differences in employment practices so can the dependence of a subsidiary on a parent company.

The next section will deviate from the mainstream explanations and move to a more neglected explanation, political context.

Political Context

What happens to employment practices when a country is in the middle of political instability? Many countries in the world are currently in a state of political unrest, and this does in fact impact the employment practices that are used, particularly the selection techniques.

Authors Mellahi and Wood (2003) were able to access this information in a rare glimpse into the small and medium businesses in Algeria. Although their sample only consisted of 14 managers, the information gathered on recruitment practices is very valuable. Of 144 employees, the managers knew 80% of them prior to offering employment. This 80% was comprised of candidates who the manager knew, those who had worked for the manager previously, and those who were recommended by a trusted friend. This data shows that in a state of political unrest, it is important to be aware of who you are hiring, especially considering that only 5% of the employees hired did not know the manager prior to hire. The managers stated that trust was necessary and therefore, they were more willing to hire someone that they either personally knew or came on high recommendation. Furthermore, they did acknowledge that simply knowing the person would not ensure that they could perform the job adequately. Therefore, ranked just behind trusting the candidate was the candidate's ability to work with current employees.

It is evident that the recruitment practices in Algeria are quite different from other countries, and this difference can be explained by the political unrest. With the unrest comes a lack of structural support and resources from the government as well as a general distrust. Each of these circumstances leads to the highly informal employment practices described by Mellahi and Wood (2003).

Up until now, this paper has focused on factors outside of the organization that affect differences in employment practices. The paper will now turn to an explanation that exists within the organization.

Status and Capability of Human Resources Departments

Bowen, Galang, and Pillai (2002) have shown that there are multiple reasons that employment practices differ across countries. One of these explanations is that the status given to human resources departments by the country affects which methods and policies are adopted. For example, Australian human resource departments tend to have a higher status ranking than their counterparts in the United States. Given that Australia and the United States are culturally similar, it is possible to look at how this status difference may explain employment practices. The high status departments Australians enjoy tends to result in more training opportunities to help workers become competitive, whereas lower status departments in other countries may not be able to offer such training. This difference in training being offered seems to be explained by status.

Similar to the theme of department status is the organizational capability. This simply refers to the quality of the mangers and employees. Bowen et al. (2002) suggest that the more capable the human resources department is, the more likely that they will be able to tailor employment practices to meet the specific needs of the company. This may not seem like a between country type of observation, but it is. Certain countries, like the United States, will be more likely and better able to produce qualified and capable managers due to the countries' resources and educational system. Other countries that may not have access to these same resources will not be able to produce nearly as qualified managers and therefore the employment practices may not be as sophisticated or tailored.

Although the explanations presented in this section may appear to only apply between companies and not necessarily between countries, this is not the case. Each country assigns a ranking of importance (status), albeit informal in most cases, to every aspect of business. Therefore, when a country determines that the status of a human resources department is low, the employment practices will most likely not be very extensive or highly specialized to the company because funds will not be allocated for that purpose. Additionally, the capability of the managers is in many ways a function of the country's wealth, educational system, apprenticeship system, and any number of other country-controlled aspects of learning. Therefore, both the status and capability of human resources departments can be offered as explanations for between country variations of employment practices.

The final explanation of why employment practices differ between countries that will be addressed are situational variables.

Situational Variables

Similar to the idea of capability is the idea that practices may differ due to dissimilarity in opportunities available in various countries. For example, Drost, Frayne, Lowe, and Geringer (2002) examined how training programs addressing different aspects of work (e.g., interpersonal skills, reward system, technical skills, and remedy of poor performance) differ by country (e.g., whether or not they are offered). A significant difference that was found dealt with training being offered as part of a reward system. The authors found that in Mexico participants reported that this type of training was not readily available because there is not much room for salary increases or upward job mobility, whereas in Taiwan, this type of training was used quite a bit.

Another aspect of training that was examined by Drost et al. (2002) was interpersonal skills training. Latin American respondents reported that there is not enough of this training being offered because there is not as much of a focus on "softer" management practices in these countries. Additionally, the Asian respondents did not report needing more of this training because in their countries, interpersonal skills were so highly valued that they were already incorporated into daily corporate life.

The examples presented above of variations in training offered among countries clearly shows that differences do exist. Furthermore, it offers another explanation for such differences, mainly the presence of country-specific situational variables.

Discussion

In 1999 there had been little work addressing why there were differences in employment practices throughout the world. Ryan et al. (1999) were the first to clearly address this topic, and in 2005, there is still little literature addressing this topic. The

focus of this paper has been to compile various explanations that have been used in the literature to explain why employment practices differ between countries. The non-fluid nature of this paper mimics the research in this area. There have been occasional forays into the topic, but more often explanations presented here are simply the by-product of studies that focus on the actual differences in practices rather than the reason they differ.

As one would expect, culture is the most frequently cited reason for the practice differences that exist. Researchers have consistently shown that the differences can be tied to varying levels of uncertainty avoidance, power distance, and individualism (Newman & Nollen, 1996; Raghuram, 2001; Ryan et al, 1999). These traditional explanations are not the only ones available however. Other explanations include the political climate of a country, status of human resources departments, the capability of the human resources employees, the local customs/expectations, and situational variables (Bowen et al., 2002; Drost et al., 2002; Hannon et al., 1995; Mellahi & Wood, 2003; Rosenzweig & Nohria, 1994).

Future research should focus on trying to identify more of these non-traditional explanations of differences. It is easy to see that culture plays a role in the differences, but it appears to be only one factor among many that are important. It is these more obscure explanations will help to make the picture whole, and when the picture is whole, only then can we attempt to draw conclusions as to why there are differences in employment practices.

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