Increasing Individualism in the Employment Relationship?
Theories and Models Meet Employment Relations Realities

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ABSTRACT

Changes to employment legislation in New Zealand during the last two decades highlight the trend of individualisation of the employment relationship. Much of the literature asserts that this trend is pervasive. This paper argues that individualism-collectivism (I-C) in employment relations is more complex than the prevailing literature suggests. This complexity surfaces in current theoretical and public policy discussions and in the growing importance of culture and individual preferences. Furthermore, it raises questions regarding current management approaches.

Drawing on employment relations and socio-cultural literature, and using New Zealand as a basis for discussion, this paper argues there are countervailing forces to the drivers for individualism. Where the balance of I-C in employment relations will sit is the product of a complex mixture of globalisation, government action, management action and trade union response and individual preference.

Keywords: individualism, collectivism, employment relations, culture, legislation, New Zealand

INTRODUCTION

During the last two decades, the employment relationship in New Zealand as well as other countries has undergone profound change (Rasmussen and Lamm, 2005: 479). One aspect of this change has been the shift from collectivism to individualism (Storey, 1995). It is argued that the workforce of the late 20th century has shifted from “class-conscious collectivism… to self-interested individualism” (Kelly, 1998: 1). There is a commonly held view of “collective labour and in consequence, collectivism per se, as having been broken by two decades of a market oriented… economic and political context” (Martinez Lucio and Stewart, 1997: 65, original emphasis). Much of the literature argues that the rise of individualism in the employment relationship is a pervasive and continuing trend. Nevertheless, recent developments in New Zealand raise questions about the prevailing models, drivers and outcomes of this trend. Through the current employment relations framework the Government is seeking to swim against the prevailing currents favouring individualism.

This paper examines the issue of increasing individualisation in the employment relationship. In order to do this, it first examines the challenges in defining individualism-collectivism (I-C) created by different views on the topic inherent in different fields of study. In particular, employment relations and socio-cultural perspectives will be overviewed. The paper then turns to a discussion of the rise of individualism before examining the New Zealand context. The paper concludes with a discussion of the countervailing forces of I-C and the implications of these for management practices.
CHALLENGES OF DEFINITION

It has been observed that “‘individualism’ and ‘collectivism’ are rich, suggestive terms but at the same time, they are elusive, abstract and ambiguous” (Storey and Bacon, 1993: 670). Typically, the concepts have been defined in terms of one another. It is assumed, implicitly or explicitly, that situations, circumstances or cultures that are highly individualistic are therefore, not collectivistic (Noordin, Williams & Zimmer, 2002). Nevertheless, coming to widely accepted definitions is problematic since separate bodies of literature use the terms in different ways (Storey and Bacon, 1993). Of particular interest in this paper are the employment relations and socio-cultural bodies of literature: employment relations because of its focus on employer and government views of the employment relationship and socio-cultural because of its focus on individuals and groups.

Employment Relations Perspective

Traditionally, within employment relations, individualism and collectivism have been linked to the unitarist and pluralist ‘frames of reference’ (Storey & Bacon, 1993), respectively. Unitarism maintains “the need for unified structure of authority, leadership, and loyalty, with full managerial prerogative legitimized by all members of the organization” (Fox, 1974: 249). Pluralism rejects the unitary structure of authority, leadership and loyalty, instead recognising the legitimacy of varied and, at times, divergent interests between employers and employees (Fox, 1974). “In effect, therefore, collectivism comes to equate with trade unionism and individualism with non-unionism” (Storey & Bacon, 1993: 670). This view has been reinforced by Gunnigle, Turner and Morley (1998) who argue that high levels of collectivism are fundamental to the traditional pluralist model of employment relations.

The linkage of the concept of I-C to unitarism-pluralism has been criticised as being too narrow in focus (Purcell, 1987). Consequently, some authors have preferred to discuss I-C in terms of management style. Individualism therefore “refers to the extent to which a firm gives credence to the feelings and sentiments of each employee and seeks to develop and encourage each employee’s capacity and role at work” (Purcell, 1987: 536). In contrast, collectivism “concerns the extent to which the organization recognizes the right of employees to have a say in those aspects of management decision-making which concern them” (Purcell, 1987: 538). A second criticism of earlier views of I-C,
is the presentation of the concepts as being mutually exclusive (Kessler & Purcell, 2003). A number of authors argue that individualism and collectivism can coexist within a single organisation (Storey & Bacon, 1993; Bacon & Storey, 1993; Purcell & Ahlstrand, 1994).

It appears that preferences of individual employees are of little consequence in employment relations literature. This is of particular note and concern since the employment relationship involves two or more parties: employee and employer at the very least, and, depending on the perspective, may also include unions, employers’ associations and government.

**Socio-cultural Perspective**

The issue of I-C has also been studied extensively by authors interested in the socio-cultural aspects of the construct. This literature is of interest because it is influential, cross-cultural, views I-C from a different perspective to employment relations and is biased toward individual and group behaviours. Hofstede (1983) observed that the fundamental issue involved in I-C is the connection between individuals within a society. In individualistic societies, ties between individuals are very loose, people are expected to look after their own self-interests and individual freedom is valued. In collectivistic societies, ties between individuals are very tight, people are expected to look after the interests of their ingroup and adherence with the opinions and beliefs of the ingroup is valued (Hofstede, 1983).

Within socio-cultural literature, I-C has been further refined with the addition of a horizontal-vertical component, thereby creating two types of individualism and two types of collectivism. Horizontal individualism (HI) assumes individuals have an autonomous self and are equal in status with other individuals. Vertical individualism (VI) assumes individuals have an autonomous self but are different in status with other individuals. Horizontal collectivism (HC) assumes individuals are merged with other members of the ingroup who are all similar to each other. Vertical collectivism (VC) assumes individuals are merged with other members of the ingroup, but different members have different status (Noordin, Williams & Zimmer, 2002). It is argued that HI is related to unique social behaviour, VI is related to an achievement orientation, HC is related to cooperative behaviour, and VC is related to dutiful behaviour (Shulruf, Hattie & Dixon, 2003). This is of particular interest as it indicates individualism and collectivism are not singular constructs; there is variance within them adding to the
complexity of managing individual and collective relationships.

**Measurements of Individualism-Collectivism**

Measurements of I-C have been developed within both fields of study. There are noteworthy differences in how the construct is measured. In employment relations, measures of I-C focus on structural aspects of employment. Measures of individualism include: sophistication of employment and socialisation systems; level, nature and sophistication of management-employee communications; incidence of performance-related pay (PRP) systems coupled with the utilisation of formal performance appraisals to aid PRP decisions; extent of employee involvement in decision-making; and extent of management promotion of employee autonomy. Measures of collectivism include: trade union presence; patterns of trade union organisation; role of trade unions and other employee representation bodies; and employer association membership and utilisation (Gunnigle, et al., 1998).

By contrast, in socio-cultural literature, I-C is typically measured using Likert-type scales focused on individual perceptions. There are seven major domains relating to individualism: valuing personal independence; personal achievement; self-knowledge; uniqueness; privacy; clear communication; and competition. Eight domains relate to collectivism: sense of duty to group; relatedness to others; seeking others’ advice; harmony; working with group; contextual self; and valuing hierarchy (Shulruf, et al., 2003). The contrasting approaches of measurement inherent in employment relations and socio-cultural literature underline the differences in the understanding of what I-C is.

**THE RISE OF INDIVIDUALISM**

The drivers of increasing individualisation of employment are varied and complex. “Forms of collective identity and regulation have been eroded by developments at all levels of society” (Martinez Lucio & Stewart, 1997: 57). The drivers can be grouped into a number of categories including globalisation, government action, management action, and individual preference. Each of these factors impact I-C in employment both directly and indirectly. This section briefly reviews these various factors and highlights the interrelatedness of them.

**Globalisation**

The nature of changes in the global economy is well documented. They include increasing
internationalisation of the economy, declining trade barriers between countries, privatisation of state-owned monopolies, increasing focus on accountability and efficiency in the public sector, and increasing diversity in the workforce due to changing demographics and labour force participation rates (Holman & Wood, 2003). “These changes have intensified competition. They have also meant that much competition has become based on cost and quality, innovation and customisation” (Holman & Wood, 2003: 5, original emphasis). These changes have led to calls for contractualist approaches to employment relations and more emphasis on individualism (Morgan & Zeffane, 2003). Supporters of individualist approaches to employment contracts argue they provide “more flexible and therefore more productive working relationships” (Waring, 1999: 294). The impact of globalisation affects broader society as well as the workplace, accelerating social trends towards individualism (Herriot & Scott-Jackson, 2003). It is suggested a new global culture is emerging which is compatible with idiocentrism, the individual-level equivalent of cultural individualism (Triandis, 2001).

**Government Action**

Government views regarding I-C in the employment relationship are changing. The direct management of employees is seen by many governments as a means to improve organisational performance, thereby achieving economic growth (Morgan & Zeffane, 2003). This view has focused on the decollectivisation of industrial relations through liberal individualist policies in employment relations. Legge (2005: 281, original emphasis) notes that “liberal individualism views individual conflicts on the economic terms of employment as inevitable, but considers that this can be resolved through well designed individual contracts of employment.” Guest (1995) argues that the most telling feature of government policy aimed at creating a market-driven economy is legislation designed to limit the role and rights of trade unions. Two employment-related implications are associated with individualistic approaches to employment relations. “The first is that the ‘normal’ default employment relationship is individual rather than collective” (Block, Berg & Belman, 2004: 100). The second implication is the “tension between the political principle of freedom of association and the economic principle of efficient labour markets” (Block, et al, 2004: 100).

**Management Action**

The increasing globalisation of business is generally argued to have led to increasing attention being
paid by business organisations to issues of flexibility. Timo (1997: 338) notes “the move towards
group individualizing the contract of employment is often justified on the basis of business decisions”. Similarly, Morgan & Zeffane (2003) argue the need for flexibility drives the adoption of human resource management (HRM) practices designed for the direct management of employees. However, the manner in which different HRM practices are combined promote and encourage individual or collective interests to different degrees and therefore promote and encourage competitive or cooperative behaviours to different degrees as well (Ramamoorthy & Carroll: 1998). While it is unclear whether companies deliberately adopt a policy of promoting individualism in employment relations (Timo, 1997), it is argued that increased individualism within business organisations presents a challenge to trade unions and collectivism. Machin and Wood (2005: 201) observe that in Britain, declines in trade unionism have coincided with increasing use of management practices and forms of work organisation which are “often subsumed under labels such as high-involvement, high-commitment, and high-performance management, or simply human resource management”.

**Individual Preference**

Individualism-collectivism is included as one of the dimensions of national culture. In his work, Hofstede defines individualism as “the degree to which people in a country prefer to act as individuals rather than as members of groups” (Black, 2001: 406). The concept of cultural I-C has been further refined by the introduction of the concepts of “idiocentrism and allocentrism to refer to individualism and collectivism, respectively, at the person level. Idiocentrism reflects personal individualism, and allocentrism reflects person-level collectivism” (Dutta-Bergman & Wells, 2002: 231). It is estimated that between 35 and 100 percent of people in individualist cultures are idiocentric and between 30 and 100 percent of people in collectivist cultures are allocentric (Triandis, 2004). As a consequence, a large number of individuals within an individualist society may actually prefer individualistic approaches to employment relations over collective approaches.

**THE NEW ZEALAND CONTEXT**

Changes in employment relations which have taken place during the last two decades in New Zealand have been characterised as frequent and radical (Rasmussen, 2004) as well as profound (Rasmussen & Lamm, 2005). The country has moved through three separate legislative approaches to employment
relations: the conciliation and arbitration approach embodied in the Industrial Conciliation and Arbitration Act 1894 and its successor pieces of legislation; the contractual approach embodied in the Employment Contracts Act 1991 (the ECA); and the relational approach embodied in the Employment Relations Act 2000 (the ERA) (Latornell, 2005a). The conciliation and arbitration approach included compulsory unionism thereby contributing to a high level of unionisation and the development of a collective approach to managing employment relationships. In response to the increasing pressures of globalisation, a highly individualistic and contractual approach was adopted in 1991. The radical deregulation of the labour market which occurred under the ECA was accompanied by the individualisation of the employment relationship (Wilson, M, 2004). The ECA favoured direct dealing between employer and individual employees. Unions were not mentioned in the legislation, except in terms of transitional provisions. These changes in legislation contributed to a dramatic decline in union coverage and density in New Zealand. Initially, there was a very sharp fall, followed by a slower, continuous decline. May and Walsh (2004) report that union density in the private sector has declined from 48% in 1990 (the year prior to the introduction of the ECA) to 21% in 1995 and 10% in 2004. In the public sector, union density has declined from 97% in 1990 to 59% in 1995, recovering slightly to 61% in 2004.

It has been observed that the ERA was introduced because a newly-elected Labour-led government believed the structural adjustments facilitated by the ECA had contributed to, among other things, an increasing replacement of collective contracts with individual contracts (Latornell, 2005b). One policy objective of the ERA is to reverse the trend of individualisation in employment through a “return to collective bargaining and recognition of the right of unions to bargain collectively on behalf of their members” (Wilson, M, 2004: 15). Despite this policy objective, union coverage and density have failed to change in any noticeable way during the past five years in (May & Walsh, 2004). In the year ending June 2003, collective bargaining levels declined to their lowest level in twenty-five years (Thickett, Walsh & Harbridge, 2004). The failure to recover despite the enactment of collective-friendly legislation highlights the complexity surrounding I-C in the employment relationship.

The failure of the ERA to reverse the individualisation of employment relations in New Zealand has
been fuelled by the rise of the protection of individual rights in legislation during the 1990s (Rasmussen & Lamm, 2004). The ECA allowed “all employees, whether on individual or collective contracts, whether union members or not” (Deeks & Rasmussen, 2002: 90) to initiate a personal grievance. Prior to the ECA, personal grievances were the preserve of trade unions. These individual rights regarding personal grievances have continued unchanged under the ERA. The enhancement of individual rights provided by the ECA was further bolstered through the enactment of the Human Rights Act 1993 (HRA) which consolidated anti-discrimination provisions. The HRA also placed the onus on the individual to seek redress for breaches of the legislation. Finally, the Privacy Act 1993 highlighted the importance placed on the use of personal information (Rasmussen & Lamm, 2004).

DISCUSSION AND CONCLUSION

Previous sections of this paper highlight the complexities of I-C in the employment relationship. Increasing individualisation of the employment relationship is seen to be the product of a number of separate but interconnected forces: globalisation, government action, management action and individual preference. However, this paper argues that individualisation of the employment relationship is not as clear-cut as the prevailing literature would suggest. For each of the drivers of individualisation, there are countervailing forces at work. This section discusses these countervailing forces in government action, management action, trade union strategy, and individual preferences as well as the implications of these for management approaches and practices.

Government Action

In order to enhance New Zealand’s competitive position within the global economy and to return the country to the top half of the OECD in terms of per capita income (Government of New Zealand, 2002), it appears the Government is attempting to set in place a series of policies designed to capture the benefits of both individualism and collectivism. The Government wants to encourage individual innovation and creativity. This aim is supported in part through legislation which protects freedom of choice as well as individual rights. On the other hand, the Government also wants to encourage a strong sense of community and build the social capital of the country. This aim is reflected in part through employment relations legislation which encourages collective representation of the workforce (see Haworth, 2004 for a discussion of the ERA and social equity). Additionally, workplace reform is
being reintroduced as part of a new partnership ethos. In sum, government policy is potentially conflicting in its parallel aims of encouraging innovation through individual performance and competition, but national cohesiveness through collective cooperation.

**Management Action**

It has already been noted that in attempting to operate in a highly competitive global economy, many organisations have adopted new management practices focused on direct management of employees. It is argued that the direct management of employees is contributing to the individualisation of employment relations. Nevertheless, Martinez Lucio & Stewart (1997) argue that these new management practices are contradictory in the way they combine individualism and collectivism. On the one hand, while these practices appear to be individualistic (e.g. individual performance appraisal, rewards for performance and merit-based promotions), the intent of their utilisation is to promote a ‘collective identification’ with the organisation and/or work group. Legge (2005: 224) observes that a large portion of organisational literature assumes “that ‘strong’ cultures, possessing particular values, contribute to exceptional levels of organisational performance”. Strong culture is believed to be a kind of “‘moral glue’ binding together a (possibly) differentiated organisation” (Legge, 2005: 236). So within management action, we see potentially dichotomous issues which are difficult to resolve: the preference for direct, individual dealing between employer and individual employees, but a desire to build strong organisational cultures with all employees acting in a collective manner.

**Trade Union Strategy**

As a consequence of shifts in management strategy and action, Rasmussen and Andersen (2005: n.p.) note “it seems safe to maintain that unionism and collective bargaining have been under severe pressure over the last two to three decades and this has prompted adjustments in collective bargaining”. One of the primary forms of adjustment is the partnership approach to unionism. “Advocates of partnership recognise that unions are secondary or intermediary organisations and propose, in essence, that they should cultivate the resources of employers in order to bolster their institutional security and obtain fresh opportunities to recruit and represent members” (Heery, 2002: 20). This approach to union strategy has been adopted by New Zealand unions, most notably the Public Service Association (PSA), in their ‘Partnership for Quality’ programme. This is the PSA’s “strategy for achieving
industrial, political, economic and social progress” (PSA, 2005, n.p.). While partnership approaches appear to have produced only modest successes, they appear to be well-suited to enhance the workplace presence of trade unions (Rasmussen & Andersen, 2005), thereby countering the forces of individualism (see Wilson, R, 2004 for a further discussion of union partnership in New Zealand).

**Individual Preference**

In his studies of the national culture of 50 countries, Hofstede (1983) noted that New Zealand’s national culture was the sixth most individualistic of the 50 countries studied. Only the United States of America, Australia, Britain, Netherlands and Canada had higher levels of individualism. With the exception of the Netherlands, these are all Anglo-American nations. Given that individualistic cultures tend to have a high proportion of idiocentric individuals (Triandis, 2004), it can be expected that perhaps a very large portion of New Zealand’s population prefer to act in an individualistic manner. Furthermore, since individualistic cultures tend to favour organisational practices which include individually focused job design, emphasis on individual achievements, individual incentive schemes, formal appraisal processes with feedback about performance and merit-based hiring and promotion (Ramamoorthy & Carroll, 1998), this suggests that New Zealand’s national culture is accounting, at least in part, for the decline in trade union membership and the rising acceptance of individualistic HRM practices within business organisations. However, New Zealand’s culture is heterogeneous. While Pakeha (or NZ European) currently comprise the largest portion of the country’s population, an increasing proportion of the population will be composed of people of Māori, Pacific Island and Asian origins (Statistics New Zealand, 2005). Using Māori as an example, it has been observed that traditionally, “Maori society was governed by a concern for the whanau (extended family group) and a high regard for the wider community. …Maori embraced the principle of whanaungatanga, a commitment to the collective” (Harrington & Liu, 2002: 40-41). Similar concepts exist in many Polynesian and Asian cultures as well. It is unclear how these different have influenced each other. “The typical view of Westerners as independent and non-Westerners as interdependent may not accord with the realities of Aotearoa/New Zealand, where both groups have had input into the construction of societal norms” (Harrington & Liu, 2002: 41). Given that collectivist cultures favour group focused job design, emphasis on group achievements, group incentive schemes, informal appraisals, and hiring
and promoting employees on the basis of loyalty and seniority (Ramamoorthy & Carroll, 1998), it is probable that forces favouring collectivist approaches to employment relations are at work in New Zealand as well.

**Conclusion**

The foregoing discussion raises questions regarding what the countervailing forces of I-C mean for management approaches and practices. It is apparent that New Zealand managers are faced with more complexity, more regulation and more pressure for collectivism and enhanced employee participation and influence mechanisms. It is not clear whether these factors in New Zealand are notably different from those experienced by employers and managers in other OECD countries. However, it is possible that these forces are leading to a fundamental rethinking of the Anglo-American preference for individualistic and contractual solutions in the management of employment relationships. This possible rethinking is seen through the increasing importance placed by management on the notion and roles of teams and teamwork as a contributing factor to organisational success. It is also seen through the current public policy approaches which are a direct challenge to these types of approaches. In the end, it is unclear where the balance between individualism and collectivism lies for employer-employee interactions. It is also ambiguous what the outcomes of individualism and collectivism will be for organisations and employees.
REFERENCES


