

MICHAEL MULLER

## **Employee Representation and Pay in Austria, Germany, and Sweden**

Until the 1990s, scholarship in the field of international human resource management was mainly concerned with the problems of multinational companies operating outside their home country. Only recently has the alternative perspective of comparing human resource management (HRM) among countries become more popular (e.g., Begin, 1997; Boxall, 1995; Brewster et al., 1996; Clark et al., 1999). Such comparisons can identify the unique features of a nation's HRM system and in so doing help multinational corporations to adapt and fit their HR (human resource) policies and practices across countries (De Cieri and Dowling, 1999; Luthans, Marsnik, and Luthans, 1997; Milliman et al., 1998). For this purpose, two steps are necessary. First, one has to identify similarities and differences of HR practices between national systems. Second, the contextual factors that cause cross-national organizational variation or similarity have to be determined (Cheng, 1989; Child, 1981). This article does this through an examination and comparison of employee representation and pay in Austria, Germany, and Sweden. It is based on case studies of eight Austrian and eight Swedish firms in the banking and chemical sectors. These are contrasted with a study of twenty-five firms in the same sectors in Germany.

In contrast to Germany, which is one of the more frequently studied countries in the field of comparative and international HRM, there are few studies about Sweden and none about Austria (see Clark et al., this issue). Furthermore, according to Adler (1984) and Clark et al. (1999), the significant majority of existing research in this field is not truly comparative. In contrast, the methodological approach of the research in this article is that it is comparative in that its aim is to "develop a

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Michael Muller is Senior Research Fellow at Leicester Business School, De Montfort University, The Gateway, Leicester, England. He is also a Visiting Research Fellow at the University of Innsbruck, Austria. The research is financed by a TMR grant from the European Commission. The author acknowledges useful comments by the editors, the referees, Chris Brewster and Olga Tregaskis, as well as the participants of Subtheme 12 at the Fourteenth EGOS Colloquium in Maastricht.

universal construct that seeks a cross-cultural relevance along with locally defined ways of meaning" (Clark, Gospel, and Montgomery, 1999, p. 528). With respect to the present study, such an approach has two main advantages. First, it allows us to demonstrate that differences *and* similarities in HRM may coexist across countries. In short, it is an approach that demonstrates that cross-national studies may successfully combine *both* universal and cultural perspectives even though some commentators have presented them as distinct from, and opposite to, one another (see Sackmann et al., 1997). Second, such an approach forces us to consider the reasons for differences across nations, something that has been missing from the great majority of articles on international/comparative HRM to date (Clark et al., 1999, p. 536).

### Similarity and universalism

The universalist perspective focuses on similarities across nations. Universalists tend to assume that there is one best way and that existing national differences will gradually disappear. Hence, best practice, particularly of North American origin, has universal applications (Brewster, 1999). The universalist perspective is grounded in convergence thinking, which was a strong feature in social science theory in the 1950s and 1960s (Schreyögg, Oechsler, and Wächter, 1995). Arguably the most influential contribution to this discussion was Kerr et al.'s 1960 book *Industrialism and Industrial Man*, which identified technology as the driving force behind the development of similar economic, political, social, and organizational aspects in all industrialized societies. Convergence thinking assumes that a common set of the most effective management principles and practices will develop throughout the industrial world. Although the convergence thesis is not currently fashionable, it has resonance in such notions as "best practice" and "borrowing between societies" (Smith and Meiksins, 1995), as well as the notion of "globalization."

Those studies that have adopted a universalist perspective have found fewer differences in HR policies and practices among countries than within them (Locke, Kochan, and Piore, 1995; Smith, 1992). In Europe, Sparrow and Hiltrop (1997) have identified growing internal competition, rising unemployment, aging work forces, and a drive for higher flexibility, speed, and productivity as forces underpinning a growth in similarity. These factors, combined with forces of integration such as mergers and acquisitions, transnational coordination and new cadres of international managers, are believed to have produced new patterns of HRM convergence.

A comparison of employee representation and pay in Austria, Germany, and Sweden provides a particularly good test for the universalist thesis for two reasons. First, several analyses of European HRM since the 1980s have identified a common shift from collectivism to individualism and a concomitant demise of trade unions (Bamber and Lansbury, 1998; Ferner and Hyman, 1998; Locke et al., 1995). With regard to pay, these studies have also observed two connected devel-

opments. One is a decentralization of collective bargaining from the national or industry level to the company or individual levels (Ferner and Hyman, 1998; Katz, 1993; Locke et al., 1995). The other is a growth in performance-related pay (Capelli et al., 1997; Legge, 1995).

Second, Austria, Germany, and Sweden have been relatively receptive to "best practice" prescriptions. The United States in particular has had a strong influence on managerial thinking and practice in Europe (e.g., Engwall and Gunnarson, 1994; Guillen, 1994; Locke, 1994; Üsdiken, 1997); Austria, Germany, and Sweden have not been immune to this (Muller, 1999a; Mabon, 1995). In recent years, in these three countries employers have demanded, and governments have provided, some reduction in social-security provisions and a deregulation of the labor market, thereby paralleling trends in the United States. For example, over the last decade, a common theme of award-winning Swedish management books has been a shift from collectivism to individualism in the workplace (Berglund and Löwstedt, 1996). This development is in line with Holden's (1996, p. 71) observation of a move from a "soft consensus-oriented" management approach by Swedish management to one that has a "harder" orientation.

From a universalist perspective, it is therefore reasonable to formulate the following hypothesis:

*Hypothesis 1 Employee representation and pay practices in Austria, Germany, and Sweden are, or will become, similar.*

## Culture and diversity

Universalism has been criticized for being too deterministic and formalistic and for ignoring cultural factors (O'Reilly, 1994). Those who advocate a culturally based perspective argue that national cultures lead to significant differences in HR policies and practices among countries. One can distinguish three cultural approaches: ideational, institutional, and systemic.

The *ideational approach*, which is perhaps best illustrated by Hofstede's (1991) work, puts a strong emphasis on the beliefs and values of individuals. It suggests that international differences in personal beliefs and values directly result in different management styles and HR practices (Luthans et al., 1997; Milliman et al., 1998; Olie, 1995; Trompenaars, 1993). Although Hofstede's research has been widely criticized (see Sondogaard, 1994), more recent large-scale survey evidence confirms that international cultural diversity exists and that it has an impact on managerial behavior (Darlington, 1996; Smith, 1992).

In relation to the three countries studied here, classifications of work attitudes usually do not separate Austria and Germany into different clusters, while cultural differences between German and Scandinavian countries have frequently been found (Hofstede, 1991; Ronen, 1986; Trompenaars, 1993). For example, Trompenaars's findings suggest that Sweden's business culture is much closer to

that of the United States than those of Austria and Germany. Hofstede's (1991) data show that Sweden, Germany, and particularly Austria are much less individualized than the United States, which could hinder a shift from collectivist to individualist approaches in the employee relations.

Those adopting the *institutional approach* assert that beliefs and values have an impact on the nature and effectiveness of HRM practices, notably via the relationship between employee representatives and management (Lane, 1989). Consequently, international differences in management practices can be ascribed to different national institutional arrangements, which can be a powerful barrier to the development of global models of management. Among the best-known examples of an institutional approach are the "societal effect" (Maurice et al., 1986) and the "business systems" (Whitley, 1994) research programs.

A survey of research in the field of comparative and international HRM by Clark et al. (1999) shows that most comparative HRM studies concentrate on either ideational or institutional explanations for cross-national differences. Only a minority of researchers use a *systemic* (Clark et al., 1997) approach that combines the ideational and the institutional perspectives. Studies in this tradition (e.g., Ebster-Grosz and Pugh, 1996; Glunk et al., 1996; Tregaskis, 1998) demonstrate the need to take ideational and institutional factors into account when attempting to study cross-national HRM practices.

Taking the cultural perspective, one can formulate the following hypothesis:

*Hypothesis 2: The differences in employee representation and pay practice between Austria, and Germany will be less than those between these countries and Sweden.*

## Methodology

In order to compare pay and employee representation in Austria, Sweden, and Germany, this article draws on the results of two related studies. The first consists of a matched-pairs study of four firms each in the banking and chemical sectors in Austria and Sweden conducted in 1998. The second consists of a study of twenty-five firms in Germany (twelve in the banking sector and thirteen in the chemical sector) completed in 1996 (Muller, 1997, 1998, 1999b, 1999c). The names of all companies have been disguised. The number of employees at each firm ranged in the Austrian sample from 500 to 4,500 employees, in the Swedish sample from 1,200 to 4,500, and in the German sample from 500 to 90,000 employees.

For the data collection, multiple sources of evidence were used. The primary source of data was visits to the sample firms and in-depth interviews. Interviews were conducted with at least one senior HR manager and employee representative at each organization. They lasted between one and three hours, were semistructured, and comprised of open questions. Questions focused on employee representation issues, employee representative and/or trade-union organization at the firm, the

day-to-day operation of codetermination, and changes in the relationship between employee representatives and management. In relation to pay, questions addressed the impact of collective-bargaining agreements, company-specific policies and practices, the role of employee representatives, the extent of individualized pay bargaining, and recent changes to pay systems. During the visits, respondents supplied internal publications such as company newsletters, works agreements, guiding principles of management, and annual reports. This data-gathering approach aimed to concentrate on the processual nature of managing the employment relationship in order to capture the variety of methods utilized (Negandhi, 1974, p. 62).

### **Employee representation**

This section discusses the nature of employee representation systems—here called codetermination—in Austria, Germany, and Sweden, and then, drawing on the case studies, analyzes how the systems work in practice.

#### *The nature of codetermination*

In the three nations studied, the decision-making autonomy of management is restricted. The law provides employee representatives with codetermination rights and thus gives them the opportunity to influence managerial decisions.

The Austrian and German codetermination systems are relatively similar (Auer, 1994). Codetermination at the establishment and company level is exercised by works councils elected by the whole work force. Although there has to be an initiative by employees to establish such a body, there are only a few medium-size or large firms that have no works council (Bertelsmann Foundation Hans-Böckler Foundation, 1998; Eckardstein and Müller, 1998, Muller, 1997). In comparison to Austria and Germany, codetermination rights in Sweden are exercised by shop stewards appointed or elected by their union. Furthermore, the Swedish codetermination legislation of 1976 is only a framework law, to be implemented through collective agreements at the central, sectoral, and company levels, and does not regulate in detail the election of employee representatives or their rights (Brolin, 1995; Muller-Jentsch, Sperling, and Weyrather, 1997). As a result, codetermination at the firm level in Sweden depends crucially on its strong local and national trade unions (Streeck, 1995).

Comparative research (e.g., IDE, 1993) has revealed that German and Swedish employee representatives have a significant impact on organizational decision making. In Germany, the law gives works councils codetermination rights about the introduction or change of most HR instruments (Jacobi, Keller, and Müller-Jentsch, 1998). Selection tests, appraisal forms, and suggestion schemes cannot be introduced without the prior consent of employee representatives. Employee representatives also play a key role in employee communications and pay (Muller,

1997). Since the Austrian and German codetermination laws are similar, this also applies for Austria (Traxler, 1998). In contrast, the Swedish codetermination law gives shop stewards only limited influence on organizational decision making (Brulin, 1995), and there are only a few areas, such as the use of psychological testing, where unions have a veto power (Mabon, 1995, p. 74). However, the importance of reaching consensus in Swedish society (Czarniawska-Joerges, 1993; Lawrence and Spytbey, 1986) could at least partly explain why, among the eight Western European countries covered by the IDE (1993) study, *de facto* participation of employee representatives was highest in Sweden.

Considering the strong influence of employee representatives in Austria, Germany, and Sweden on organizational decision making and the pressures it exerts toward collective regulation, convergence theory would suggest that, in line with worldwide trends, companies will try to avoid codetermination and/or pressure their governments to abolish it. Up to now, no major legal changes have been introduced in any of the countries that would significantly reduce the power of employee representatives (Jacobi, Keller, and Müller-Jentsch, 1998; Kjellberg, 1998; Muller, 1997; Traxler, 1998). In Sweden, the effectiveness of codetermination crucially depends on the percentage of employees in a company organized by a trade union. At present, more than 80 percent of Swedish employees are organized, although this figure is lower in the service sector (Visser, 1996, p. 182). The Cranet-E surveys show that 95 percent of Swedish organizations with 200 or more employees have levels of union density of over 50 percent (Morley et al., 1996, p. 648). This finding applies to all Swedish sample firms in this study.

In none of the Austrian, German, or Swedish firms, or in their respective industries, was there any trend toward a lower influence of employee representatives on HRM decisions at the company level. Unionization avoidance is generally only a viable option for small firms. No major differences between banks and chemical firms were observed.

### ***The relationship between employee representatives and management***

Despite the formal differences in institutional arrangements noted above in the rights and organization of employee-representative bodies in all three countries, the results of the study highlight the salience of interaction between management and worker representatives. Previously, the institutional approach has tended to ignore the importance of micro-level, day-to-day interaction between these two parties (Lane, 1989). These results show that the nature of this relationship, where it breaks down, can result in restricted flexibility, with change taking a long time or not being achieved at all, and a large amount of management time being consumed by negotiations. All this can severely disrupt the smooth running of an enterprise.

From the interviews with HR managers and employee representatives in all Swedish, in three of the Austrian firms, and just over two-thirds of the German firms, it emerged that there is a collaborative relationship between the two sides.

The case studies indicate that this is caused by several factors: (1) a close relationship between the most senior employee representative and the most senior HR manager; (2) highly competent senior employee representatives; (3) involvement of employee representatives who are consulted at an early stage about key management decisions; and (4) frequent formal and informal meetings between employee representatives and the senior HR manager. Two examples from the study illustrate this point.

In 1998, the chair of Austrian Bank's company works council and its HR director had been in their positions for several years. They had collaborated together even before they joined the bank, when the former was working for the Austrian employers' association and the latter for an employee-linked body. Several times a week they came together in formal or informal meetings. Recently an innovative working-hours model was developed by a project group consisting of these two individuals plus two further representatives from each side. After the final agreement was reached, employees were encouraged to ask questions about its operation. A joint committee developed answers that were published and became binding. According to the HR director, "A company cannot operate if the works council insists on the letter of the law. The company depends on the tolerance of the works council and the works council on the good will of the company." In the interview, he repeatedly used the expressions "We have initiated," "We have thought," and "We have decided." By "we" he meant himself and the works council chairman. Along similar lines, the works council chairman mentioned that "[t]he aim is to achieve fifty percent of what one wants; this involves the need for compromise and means that sometimes little can be achieved." Recently this bank took over another Austrian bank. In collaboration with the board of directors, the works council was closely involved in the major HR issues affected by the merger. The works council chairman described the role of employee representatives as "comanagers." According to Eckardstein, Janes, Prammer, and Wildner (1997), such "comanagement" is more common in Austria. It is worth noting that, in 1998, the works council chairman became a board member of a recently acquired insurance company.

The trade-union chairman of the white-collar union at Swedish Pharmaceutical, the second example, was an electronic engineer who had been in this position for ten years. In contrast to Austria and Germany, where it is common for full-time works councilors to stay in this position for decades, Swedish unions encourage their local representatives not to stay in such positions too long because this could hinder reintegration back into their old job. The trade-union representative interviewed chairs a committee of trade-union representatives that meets before each board meeting with the president and other top executives of the company. In Sweden, trade unions are also involved in the selection and recruitment processes for senior management. According to the HR director, "Management has to see trade unions as partners and resources and has to take a proactive role. It is not good just to perceive trade unions as an obstacle which have to be passed through. You have the union you deserve." Similarly, the trade-union chair stated: "Man-

agement and the union go different ways but have the same goal. Only when it comes to salaries, the ways are the same, but the goals differ. Usually one finds agreement, if not at the local or sectional, then at the group level. Over the last 15 years, only one problem had to be passed on to the central level." Not surprising, both sides claimed that the unions are involved early in change processes such as the reorganization of departments. While Swedish private-sector codetermination shares many of the characteristics discussed above, it also obliges *line management* to involve and consult worker representatives to a greater degree than is common in either Germany or Austria (Brulin and Nilsson, 1991). In the Swedish banking sector, for example, trade-union representatives were found to participate in committees as well as project or steering groups where the employer representatives were line rather than senior managers.

Although the data are limited, the findings show that codetermination laws have an impact and lead to differences among the countries involved. Supporting the cultural hypothesis are smaller differences between Austria and Germany than between these countries and Sweden. Nevertheless, these results show the importance of a highly cooperative working relationship between the social partners. In this respect, employee representation practices among the three countries are similar and therefore the universalist hypothesis is supported. On the other hand, since this relationship can help optimize socioeconomic goals (Adams, 1995), it would explain why, in all three countries, there is no development toward greater individualization of employment relations and therefore little support for the universalist hypothesis.

### *Pay*

In many countries a decentralization of collective-bargaining negotiations from the national or industry level to the company or even individual level has been observed (Bamber and Lansbury, 1998; Locke et al., 1995). The aim of this section is to analyze the extent to which this has also happened in Austria, Germany, and Sweden and to examine differences and similarities among these countries.

### *Sweden*

Of the three countries examined here, the strongest development toward more individual pay has been observed in Sweden. Whereas collective bargaining in Sweden has traditionally involved a three-stage process with negotiations at the central, industry, and company levels, in the early 1990s the Swedish employers' federation SAF withdrew entirely from central agreements on pay and conditions. Furthermore, research suggests that, during the 1980s and early 1990s, many employers used the decentralization of collective bargaining to introduce performance-related wage systems and profit-sharing schemes for blue-collar workers (Kjellberg, 1998).

In the first half of the 1990s, the Swedish banking and chemical employers reached agreements with their managerial unions, which decentralized pay to the



company level. Although industry-level agreements remain, they currently only contain guidelines and principles with no precise figures for annual salary rises. Furthermore, in the mid-1990s, an agreement between the chemical employers and the industry's white-collar union leaves it entirely to the local parties to determine salary increases. This only allows for a centrally set level of pay (based on the industry average) to be imposed where local parties fail to agree.

Already and for some time, salary increases for white-collar staff in the chemical industry have been paid on an individual basis. The cases of Swedish Chemical and Swedish Pharmaceutical illustrate how this works. After industry negotiations are completed, the white-collar union and the HR department discuss how much additional expenditure the company should commit and then identify special target groups such as young people, women, and those with a high market value. On the basis of these negotiations, managers are informed about the current salaries of their employees, their budget for salary increases, and the guidelines on which the latter should be distributed. They are then required to make a proposal for each of their subordinates. The trade union produces a similar list for its members, which represent about 70 percent of white-collar staff. After the lists are exchanged, HR managers and trade-union representatives sit together and discuss each individual.

Whereas in the past the differentials were quite small (e.g., between 3.4 and 3.6 percent), increases have become much more differentiated. At Swedish Pharmaceutical it is not uncommon for 80 percent of the individual increases to range between 2 percent and 7 percent. According to the trade-union chair at Swedish Chemical, "Trade-unions have to accept a wider gap, because union members want this." Although white collar staff do not generally know what their colleagues earn, in this firm and two of the banks, HR managers reported that some managers only grant small differences, since they are interested in avoiding disputes with their subordinates.

In Swedish banking, the system of salary increases is slightly different. Here, the collective-bargaining agreements usually prescribe that every employee receives either a certain percentage increase or a certain amount of money. In 1994, for the first time, banks got the opportunity to distribute the whole increase individually. The trade union and management negotiate at the enterprise level about the amount of money available and how it should be distributed. For example, at Scandinavia Bank in 1996, it was decided to spend the extra money according to performance, with a special emphasis on managers. On the basis of these agreed guidelines, the regional full-time trade-union representative and the regional HR manager then discuss each individual sometimes with or sometimes without local line managers.

In all Swedish sample firms, those employees who are not members of a trade union, and those who are members but have chosen to do so, negotiate their salaries individually. The interviewed HR managers stressed, even if not explicitly asked, that nonunion and union members are not treated better or worse in this

process. Individual one-time incentives or bonuses are, in all Swedish sample firms, only paid to executives or certain categories of employees such as traders. In contrast, profit-sharing schemes which, depending on the results of the company, offer a certain amount of money or shares to employees, operate in such a way that everybody gets the same. With respect to the issue of equal pay, Swedish Chemical's salary guidelines encourage managers to give special attention to the salaries of female staff. Indeed, Scandinavia Bank in 1997 decided to devote its entire extra pay to this group. Swedish Bank has introduced a special fund that provides extra money for women who are comparatively underpaid.

In sum, it appears that in the Swedish system there is a strong development toward decentralization and individualization of pay, despite the fact that one-time bonuses are usually not paid in Sweden. Pestoff (1995, p. 275) has suggested that this has occurred because "Swedish employers appear to be inspired by their American counterparts." Similarly, Czarniawska-Joerges (1993) and Engwall (1998) have observed a tendency in Sweden to adopt management practices originating in the United States. The present study found little evidence in support of this argument. Rather, respondents referred to other factors including business pressures, changing organizational structures, and new customer demands. This is illustrated by the following quote from a brochure of the Swedish employers' association, which tries to explain why pay is becoming more decentralized and individual: "There are two strong motivation forces. . . . The first is the failure of the old model to deliver positive benefits to companies, employees and society as a whole. The other is that companies are run in a completely different way today" (Andersson et al., 1993, p. 13).

### *Austria*

In contrast to Sweden, every Austrian employee has the right to receive at least the percentage increase determined by collective bargaining. Austrian collective bargaining is also more detailed in its scope. For example, the agreement for the savings-bank sector prescribes the contents, entry qualifications, and examination procedures for further training courses. Another unique feature is that Austrian collective bargaining regulates the annual increase not only of minimum pay rates but also current wage rates. This provision limits the scope for employers to offset industry-wide mandatory increases against their own higher in-house rates (Incomes Data Services, 1996, p. 16). Also, with the exception of top executives, all employees, whether trade-union members or not, are covered. A further feature is the strong impact of seniority on white-collar pay. Salaries are automatically increased to reward length of service (Auer, Baumgartner, and Salzgeber, 1997).

In recent years, employers have obtained some flexibility concessions. In 1996, a new remuneration system for white-collar workers was agreed upon, which extends the number of wage categories, raises starting salaries for beginners, and places less emphasis on seniority-based rewards. One year later, the collective-

bargaining parties agreed that companies should be offered the choice to increase current wage rates by 0.2 percent less than the rate negotiated and instead distribute 0.5 percent to this group of workers on an individual basis. In comparison to Sweden, there has so far been little decentralization of collective bargaining to the company level. Also, although the recent changes affect most white-collar employees in Austria, bank employees are not covered.

Turning to the company level, the case study data demonstrate that there has been little individualization of pay in the banking sector. In this sector there has traditionally been a system of fixed bonuses, which are partly prescribed by collective-bargaining agreements. The extent and value of these bonuses increase with the hierarchical level. For example, the management bonus in Austrian State Bank depends on the qualifications of a manager's subordinates. The bonuses are not designed as an incentive but rather as a means to fill the gap between minimum pay rates and market requirements.

There has been greater individualization of pay in the chemical firms. The HR manager of Austrian Chemical suggested that, in the past, good performance was rewarded with increases in basic pay. The system of contractual pay and seniority increases has meant that older employees receive pay that is much higher than the market rate. Therefore, this company is currently trying to move toward a system that rewards performance with one-time incentives. This has met with opposition from the works council, which is not interested in any form of performance appraisal. In 1996, an incentive system was introduced for a four-year trial period. It is linked to company performance, although every year only 50 percent of the work force will receive the bonus. While the aim of management is that supervisors will distribute it according to performance, the works councilman who was interviewed predicted that it will be distributed equally, so that every employee will get it twice over the four years. Austrian Pharmaceutical is an exception, not only among the sample but also in Austrian industry. In the past, it had limited contractual pay by, for example, classifying its employees in the lowest wage group possible. Since 1997, an incentive system has been introduced which, since 1999, covers the whole work force. The incentives are based on individual goal achievement and the performance of the business unit. They are relatively high and can, for a junior manager, be up to 50 percent of base salary.

The evidence presented about Austria suggests that, although there are some moves toward a decentralized and individual-pay system at the industry and company levels, this has been much less pronounced than in Sweden. Furthermore, these developments are more apparent in the chemical sector.

### *Germany*

The German system leaves more scope for individual pay than the Austrian one. First, a significant and growing proportion of employees are exempt from collective bargaining because they earn more than the minimum rate of pay for the

highest salary grade of the collective-bargaining agreement. In 1994 the figures for the chemical and banking sectors were 13.3 percent and 19.1 percent, respectively, and these employees negotiated their salaries individually (Muller, 1997). Second, like the Austrian and Swedish firms, German firms usually pay those employees subject to minimum pay more than legally required. Whereas in the past this was mainly done in the form of company-wide fixed bonuses, works councils have now conceded that this element of pay should become more related to individual performance and therefore more flexible (Muller, 1999b). Third, in contrast to Austria, firms are not legally required to be a member of an employers' association and are thus not automatically covered by collective bargaining. Because trade-union membership is much lower than in Sweden, there is some scope for avoiding collective bargaining. This situation is exploited by subsidiaries of foreign multinationals not used to operating under such constraints (Muller, 1998). Fourth, German trade unions have recently made significant flexibility concessions not only in regard to working hours, but also with respect to pay, with the chemical industry being at the forefront of this development. Since 1994, chemical firms have had the opportunity to recruit certain types of employees such as the long-term unemployed below the statutory rate of minimum pay, while firms facing economic problems have been allowed to lower pay below this rate for their whole work force (Muller, 1997).

Altogether, the data indicate that, although there is interfirm and intersectoral variation, the way in which pay is determined differs among the three countries, and in particular when Austria and Germany are compared with Sweden. For example, equal pay for women is important in Sweden but, in Austria and Germany, it is not an issue at the central or company levels. In Germany, most employees, with the exceptions of managerial staff and highly paid specialists, are automatically covered by collective bargaining, whereas in Sweden noncoverage applies to all those who are not organized by a trade union. In Sweden the usual way to effect pay differentiation is via annual salary increases, whereas in Austria and Germany variable pay or bonuses are more widely used for this purpose. Given these differences, there is some support for the cultural hypothesis.

However, the last example also provides some support for the universalist hypothesis that pay practices in all three countries are or will become similar. Although the extent and processes used to achieve this differ from country to country, there is nevertheless evidence of a trend toward more decentralized, flexible, individualized, and performance-related pay in Austrian, German, and Swedish firms. Hence, the universalist hypothesis that pay practices among Austria, Germany, and Sweden are or will become similar is also supported.

## Conclusion

The comparative research of employee representation and pay in Austria, Germany, and Sweden presented in this article partly supports the cultural as well as

the universalist position. On the one hand, practices in all three countries are influenced by factors such as the law, the collective-bargaining system, and relationships that lead to cross-national differences, as predicted by the cultural hypothesis. As expected, these are less pronounced between Austria and Germany than when either of these two countries is compared with Sweden.

On the other hand, there is also some support for the universalist hypothesis. In all three countries a decentralization of pay from the industry or central level to the company level can be observed. Pay has also become more individual and performance-related. Hence developments in Austria, Germany, and Sweden not only are similar, but also mirror those observed in Europe. The data, therefore, provide empirical support for those writers (e.g., Smith and Meiksins, 1995) who suggest that management practices are influenced not only by nationally specific factors such as managerial values and institutions, but also by international best practice.

These results and conclusions point to the advantage of adopting a comparative approach to research. This establishes a broader conceptual lens in that both differences *and* similarities may be examined, rather than one or the other. This leads to more nuanced understanding when comparing phenomena across different countries. Furthermore, a comparative approach encourages us to move beyond descriptions of the extent to which the management of human resources varies between nations and toward examining the reasons for noted similarities and differences. Although this approach may be more time-consuming and resource-intensive, it nevertheless moves us away from the parochialism that currently permeates the international/comparative HRM literature.

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