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The development of ethical human resource management practices: Changes in Finland 1994–2014

This study discusses how ethical human resource management practices have developed over time. The study asks: How did ethical HRM practices change in industrial companies in Finnish society from 1994 to 2014? Did the changes in the economic situation in the society influence the changes in ethical HRM practices? To answer these research questions, we have conducted a survey in the years 1994, 1999, 2004, 2009 and 2014 in Finland. The study shows that ethical HRM practices have strengthened during the 20 year research period.

AVAINSANAT: human resource management; ethical HRM practices; survey research

Introduction

Ethical human resource management (HRM) practices can be viewed as important organisational practices in current dynamic working life where organisations are competing for specialised employees (Bučiūnienė & Kazlauskaitė, 2012). Prior research shows that

ethics in an organisation, and especially in its management, relates to elements such as well-being at work, organisational innovativeness and employee engagement, which are appreciated in contemporary knowledge organisations (Huhtala, Feldt, Lämsä, Mauno & Kinnunen, 2011; Kangas, 2016; Riivari, Lämsä, Kujala & Heiskanen, 2012; Riivari & Lämsä,

2014, 2019). Principles such as fairness, justice, equality, openness, participation and development are employees' expectations and thus essential to ethical HRM (Pučetaitė, Lämsä & Novelskaite, 2010). In this article, our starting point is that ethical HRM is important due to the fact that the ethical treatment of people in organisational life is an important value per se, but ethical HRM also has positive results on employee outcomes and ultimately to the organisation overall.

Current Western organisations, including those in Finland, which forms a model of a knowledge economy (Lilja, Laurila, Lovio & Jääskeläinen, 2009) are dependent on their employees' highly specialised competences. In this kind of context, HRM cannot be based solely on economic rewards and the monitoring of work as emphasised in traditional personnel management (PM) (Legge, 2005). Employees who are highly educated have high expectations of their employers and their workplaces, such as interesting and meaningful work tasks, professional development opportunities, good social relationships, well-being at work and work-life balance.

The purpose of this study is to discuss how ethical HRM practices develop over time. For this purpose, we empirically investigated the change in ethical HRM practices in Finland from 1994 to 2014. Our repeated cross-sectional data set offers an interesting setting to the historical analysis of the topic. The study asks: (1) How did ethical HRM practices change in industrial companies in the Finnish society from 1994 to 2014? (2) Did the changes in the economic situation in the society influence the changes in ethical HRM practices? To answer these research questions, we have conducted a survey in the years 1994, 1999, 2004, 2009 and 2014 in Finland. In the years studied, the economic situation of Finland varied, which makes it possible to compare periods of recession and economic upturn. The data was col-

lected by means of a postal survey sent to all managing directors of industrial companies with more than 100 employees in Finland.

In this study, we adopt the 'soft' HRM perspective, which views employees as more than an instrumental, economic and legal feature of an organisation, and regards 'soft' HRM as an appropriate idea for ethical HRM as opposed to the 'hard' model of HRM (Greenwood, 2002). While the 'hard' model emphasizes the instrumental point of view of the management of people, the 'soft' model pays attention to elements such as people's commitment, trust and self-regulated behaviour (Truss, Gratton, Hope-Hailey, McGovern & Stiles, 1997) as well as to the stakeholder approach (Legge, 2005; Winstanley & Woodall, 2002). From organisation's point of view, the 'soft' viewpoint to HRM practices refers to ethical norms such as that employees have the right to be treated as more than a means to some end and that they must have the opportunity to participate in the decision-making of the organisation that they are part of (Greenwood, 2002). Additionally, practices which advance the balance between work and family, employees' opportunity for training, equal treatment in the workplace and occupational well-being are considered as related to 'soft' HRM (Jamali, Dimali & Harwood, 2015; Nie, Lämsä & Pučetaitė, 2018; Pučetaitė, Lämsä & Novelskaite, 2010; Riivari & Lämsä 2019).

Research context

In the historical analysis of HRM, Lilja (1987) showed that HRM in the form of personnel management started to become legitimated as an organisational function in Finland in the 1970s. It was in the 1990s that HRM as an idea started to creep into the minds of company management, although, for example, awareness of the link between HRM and company performance was very limited at that time

(Vanhala, 1995). In Finland, labour legislation and various agreements between employers' and employees' organisations define the basic level of working conditions through legislation on employment contracts, working hours, annual holidays, non-discrimination, right to privacy and other issues (Ministry of Economic Affairs and Employment of Finland, 2017).

During the research period of this study, not only did the Finnish business system change, but the Finnish economy also varied. When the survey was first carried out in the Finnish context in 1994, the society had recently suffered a deep depression – actually the severest economic depression in the history of the country (Ilmakunnas, Kröger & Romppanen, 2008). In 1998, the income rate had regained its pre-recession level, and by 1999, domestic demand had fully recovered and the economy was booming (Confederation of Finnish Industries, 2004; Kiander, 2001). At the end of 1999, when the survey was carried out for the second time, the Finnish manufacturing confidence indicator was +20 compared with the long-term average of +4 (Confederation of Finnish Industries, 2004). The economy continued its growth until the time of the third survey in 2004 (Statistics Finland, 2005). In 2004, the Finnish gross domestic product was increasing by 3.7 % (Statistics Finland, 2009), and, due to continued economic growth, unemployment had fallen to 8.8 %. In the spring of 2009, the economic situation was gloomy, and practically all industrial sectors were suffering from recession (Confederation of Finnish Industries, 2009; Statistics Finland, 2009, 2011). Finally, in 2014, when the latest survey was carried out, the economic situation was rather bad and expectations of recovery low, even though some improvements had taken place compared to 2009 (Confederation of Finnish Industries, 2014; Statistics Finland, 2014a, 2014b, 2014c).

Methods

Ethical HRM practices were measured based on 10 practices: (1) competency development (3 items), (2) equality in recruitment, (3) equality/fairness in dismissals, (4) employee relations, (5) collective bargaining, (6) competitive salary, (7) safety at workplace, (8) work–life integration: stability, (9) work–life integration 2: developing possibilities, and (10) honesty.

The data was collected by means of a postal survey sent to all managing directors of industrial companies with more than 100 employees in Finland in 1994, 1999, 2004, 2009 and 2014. The study population and response rates were 1075/357 (33.2 %) in 1994, 1047/325 (31.0 %) in 1999, 928/198 (21.3 %) in 2004, 888/193 (21.9 %) in 2009 and 85/535 (15.9 %) in 2014 (see Kujala, 2001, 2010; Kujala, Lämsä & Penttilä, 2011). Response rates of 20–30 % are quite typical for a mail survey to a large sample of firms (Baruch, 1999). Several statistical analysis methods were used to analyse the data.

Summary and discussion

Our survey offers an opportunity to detect historically the patterns of change in the studied ethical HRM practices, which represent the 'soft' model of HRM (Beer, Spector, Lawrence, Mills & Walton, 1984; Legge, 2005; Winstanley & Woodall, 2002). The results show that the ethical HRM practices studied changed mainly positively in the study context of Finland during the period from 1994 to 2014. The major change happened in the end of 1990s when the idea of HRM in general started gaining interest in Finnish organisations (cf. Vanhala, 1995). So, this decade can be considered a turning point towards the establishment of explicit ethical HRM in Finland. The role of people's knowledge and competence as a key success factor of organisations increased in the 1990s (Oinas, 2005),

which obviously aroused interest in HRM issues in general.

Although most of the detected changes in ethical HRM practices in this study were positive by nature, some negative changes also occurred. Depending on the study year, such issues as equality in dismissals, opportunity for successful work–life integration, workplace security and employee development possibilities faced some negative tendencies. However, during the investigated 20 year period, two topics strengthened throughout the whole research period, namely equality in recruitment and competitive salary.

In sum, the study shows that ethical HRM practices tended to strengthen during the 20 year research period although also some negative tendencies occurred. In general, we suggest that the ideas of ethical HRM have been institutionalised step by step in the Finnish business system from 1994 to 2014. Since we studied only ethical HRM practices, we cannot say whether some institutionalisation occurred at the strategic level of the companies. However, our target group in this study was top managers in large Finnish industrial companies that are in a leading role in the business system. So, it may be possible that ethical aspects to HRM are of increasing interest in companies.

Conclusions

In line with the argument of Greenwood and Freeman (2011) and the ‘soft’ version of HRM (Beer et al., 1984; Legge, 2005; Winstanley & Woodall, 2002), which stress the importance the external factors of the organisation to HRM, this research focussed on the role of the societal effect, particularly the society’s economic situation, on ethical HRM practices at the organisation level. The results show that even if the overall change was positive throughout the research period, there were

negative changes in many of the practices in between 2004 and 2009 when the economic situation in Finland became unstable. To some extent, ethical HRM practices, namely competence development, collective bargaining, work–life integration: stability and honesty were evaluated as more positive in 1999 than in 2009, the years that illustrate the best and worst economic situations, respectively, in the studied context. This indicates that the economic environment seemed to have only some effect on ethical HRM practices in Finland. To conclude, our study suggests that the economic situation in the society was not a single significant factor in the institutionalisation process of ethical HRM in this study.

Rather than the economic situation, it may be that the normative foundation of the institutionalisation process such as general values in the society and managerial fashions such as CSR may play a more important role in the relationship between a company and its employees. Thus, it might be that HRM practices are considered as issues of principle that should be emphasised regardless of the economic situation.

This study brings several contributions to research on ethical HRM. First, we offered an historical examination on the development of ethical HRM practices over time, as our exceptional data covers the topic over a 20 year period. Despite some exceptions (e.g. Kujala, 2010; Kujala, Lämsä & Riivari, 2017; Lämsä, Vehkaperä, Puttonen & Pesonen, 2008), the majority of empirical survey-based studies in the field of responsibility and ethics in organisational life are cross-sectional in nature; historical perspectives on the topic are rarely encountered. The long time period provides the possibility to discuss the historical change of ethical HRM practices, specifically in the studied Finnish context. In general, since empirical studies of ethical HRM are still rather limited in number, we contribute by making an empirical study of

the topic to show how ethical HRM practices develop over time.

Secondly, we discussed the role of the societal effect on HRM practices at the organisational level. Institutional theory suggests that HRM practices are not shaped solely by an organisation's own actions but that they are affected by the institutional environment (Boon, Paauwe, Boselie & Den Hartog, 2009; Meyer & Rowan, 1977). There are several elements in the environment which have an effect on HRM practices, such as economic, cultural and legal factors as well as managerial fads and trends (Boon et al., 2009; Campbell, 2007; Deephouse, 1999). Due to the increased role and importance of the economy and economic discourse in many societies, including Finland, the economic situation of the society is the focus in this study. Consequently, we contribute to studies on ethical HRM practices by including the macro-level economic element to our analysis. In this way, we respond to a call of Greenwood and Freeman (2011) who argue that the exclusion of macro-level issues is typical in the ethical analysis of HRM.

The study of Campbell (2007) proposes that firms are less likely to act in socially responsible ways in a poor economic environment. When the economic situation is good, organisations can afford ethical HRM practices, but when the economic situation is worse, investments in ethical HRM practices may decrease (cf. Kujala, 2010; Kujala et al., 2011). On the other hand, the normative foundation of ethics signals that ethics should be universal and permanent (Crane & Matten, 2010). Thus, it might also be the case that ethical HRM practices are considered as such principled issues that they are emphasised regardless of the economic situation.

Finally, our focus is on ethical HRM practices that previous research has studied individually to some extent, such as selection and training

(Shane, Nicolaou, Cherkas & Spector, 2010), firing (Valentine, Fleischman, Sprague & Godkin, 2010), employee ethical character development (Offstein & Dufresne 2007) and job satisfaction (Kaya, Koc & Topcu, 2010). However, a comprehensive, multidimensional perspective on ethical HRM practices, which is offered here, is absent in previous research. Seen from this viewpoint, this research contributes particularly to the measurement of ethical HRM practices from a comprehensive viewpoint, as the previous attempts to measure ethics in HRM have mainly focussed solely on specific practices (e.g. Shane et al., 2010; Valentine et al., 2010). ■

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