

LOCAL BARGAINING AT DIFFERENT INDUSTRIES IN THE FINNISH SME SECTOR

Jari Huovinen¹, Juhapekka Suutarinen, Pekka Tsupari
Confederation of Finnish Industries EK
P.O. Box 30
00131 Helsinki, Finland
Email: jari.huovinen@ek.fi, Tel. +358 9 4202 2810

ABSTRACT

Background of the paper

Operational environment of small and medium sized enterprises (SME) has faced essential changes over the last two decades. Globalization, technological development and ageing of population have raised the question on how to ensure companies' productivity and competitiveness in the changing circumstances. In Finland, different industries and companies have started to pay attention to local bargaining in order to improve their competitiveness compared to the international counterparts.

In this study local bargaining is defined widely as voluntary negotiations and agreements which are based on the labour legislation, the terms of the employment and the industrial co-operation procedure. According to previous studies the most common issues bargained at company level between employer and employees are flexible working hours, performance-related pay policies and major changes in the job descriptions of individual employees.

Aim of the paper

This study examines the incidence of local bargaining at different industries in the Finnish SME sector. It also draws a picture of the SMEs attitudes towards local bargaining and the abilities to negotiate the terms of employment locally. The aim of this study is two-fold. Firstly, the objective is to find out what the occurrence of local bargaining in the different industries and firms is, and in what kind of situations local bargaining has been used. Secondly, the interest is to identify some central factors that promote firms to or prevent them from making local agreements.

Main contributions of the paper

Previous studies concerning local bargaining have focused almost entirely on large-scale enterprises ignoring SMEs. However, the lack of studies concerning SMEs does not necessarily mean that local bargaining would not exist among SMEs nor that the willingness to make decisions, concerning the terms of employment, locally is weaker than among big consolidated companies. This study interferes with this defect and extends the prior research by focusing entirely on local bargaining at different industries in the SME sector. Moreover, the novelty of this study lies in the contingency approach which is unique in the field of industrial relations research.

Methodology

The sample of this study comprises of a total of 4500 SMEs in Finland. The data was gathered through a random sampling from the database maintained by Confederation of Finnish Industries EK. Limited companies employing less than 250 employees from food industry, retail trade, hotels and restaurants, construction, forest industry, technology industry, chemical industry, textile and clothing industry, and health and social services were selected for the sample. After three repeated questionnaires, 1259 SMEs participated in the research which is 28 per cent of all enterprises selected for the sample. Additionally, micro firms less than 5 employees were outlined from the study. This made the sampling more

¹ Corresponding and presenting author

presentable, and assured that the studied firms would be large enough to have real need for local bargaining. After this outlining the final sampling size was 1 226 SMEs.

The main methods in analysing the data were the logistic regression analysis (LRA), the principal component analysis (PCA), the analysis of variance (One-Way ANOVA) and the chi-square test. With the help of PCA a high number of variables were limited to the several groups of variables which made the interpretation of the results easier. The main method in testing the research hypotheses was the logistic regression analysis, which gives a more profound picture of the factors explaining the occurrence of local bargaining and the factors affecting on the phenomenon. In analysing the data, a weighting coefficient was used to ensure the generalization of the results in the total population of SMEs.

Key findings

The research revealed that the attitudes towards local bargaining are positive among Finnish SMEs. Almost 80 per cent of all respondents believe that with local bargaining better productivity and competitiveness would be achieved. However, some significant differences between industries and firms were detected. Attitudes were the most positive in the field of technology industry whereas construction companies had the most critical opinions of the gains achieved by local bargaining.

The research also proved that local agreements concerning working time were common despite the firm size, whereas performance-related pay policies were more typical in medium-sized firms than small or micro firms. Also the growth orientation of the entrepreneur seemed to increase the likelihood of using local bargaining. This is because firm growth requires skilful employees and performance-related pay policies are effective tools for attracting and motivating firm personnel in their work.

Overall, a feel of communality and trust between employer and employees, as well as righteous and supportive working environment, seemed to promote local bargaining. Instead, lack of know-how and resource disadvantages prevent firms from making local agreements. Resource disadvantages such as lack of time were emphasised especially among micro firms where entrepreneurs have to negotiate with every employee separately because personnel do not usually have a shop steward who negotiates for them. Small business owners may see wages especially as a difficult and time consuming issue to negotiate because small businesses are often more sensitive to the conflicts caused by unequal earnings.

This study proves policy developers that local bargaining is beneficial to both firms and employees. The authorities should acknowledge that flow of information and training of local bargaining skills among SMEs is needed.

Keywords: local bargaining, terms of employment, small and medium sized enterprises

1 INTRODUCTION

There are differences between countries in the ways they influence the development of employment, wages, inflation and social security. In some countries, collective bargaining is used whereas other countries have more confidence in local bargaining procedures. In collective bargaining, confederations of employees demand wage increases and other enhancements for the terms of employment. Confederations of employers, instead, try to restrain the incidence of excessive wage competition, which may jeopardise the competitiveness of the firms. In local bargaining, the deciding power in the terms of employment is shifted from the confederations to their branch associations and member companies. The idea is to increase firms' flexibility, productivity and competitiveness. Local bargaining procedures are implemented in different extent for example in the United States, U.K. and Sweden. In Finland, the labour market system has been based on collective bargaining since the 1968 (Kauppinen 2005).

However, the situation in Finland is changing and the need to reshape the labour market system has been emerged. Finnish companies, as well as firms in other countries, operate in constantly changing, developing and internationalising environment. Globalization has reached the phase where, in addition to the traditional import and export activities, also the incidence of multinational companies, direct investments and acquisitions has been expanded (e.g. Hjerpe 2003).

The changes in the operational environment are due to technological innovations and developed electronic communication systems, which have made interaction easier and have brought the international customers and partner companies closer than ever. At the same time, managing operational environment and forecasting the future developments have become more challenging tasks.

The changes presented above, alongside with the ageing of the population, require some structural improvements in the Finnish labour market system. During the next few years a substantial number of employees with enormous experience and skills are going to retire. This threatens the growth of productivity and necessitates employers and employees to seek new innovative and flexible operational models. Industry and firm specific agreements concerning the terms of employment are going to be emphasised because the development of productivity in different industries is not homogenous. Fundamental step towards the new operational model has been taken in the spring 2008 when the Confederation of Finnish Industries EK decided to abandon collectively bargained agreements and focused on the development of local bargaining procedures.

In the past few years, the interest in local bargaining has increased among researchers, labour market advisers and policy-makers. Up to date, previous studies concerning local bargaining have focused almost entirely on large-scale enterprises (see e.g. Ihalainen *et al.* 2007) ignoring SMEs. This study interferes with this defect and extends the prior research by focusing entirely on local bargaining at different industries in the SME sector. SMEs are firms in which the number of employees is less than 250, the turnover is not more than 50 million euro and the total sum of balance sheet is not more than 43 million euro (e.g. European Commission 2005).

The remainder of this paper is organised into three sections: first, aims and the framework of the study are presented in more detail. The literature review and the research hypotheses are presented in the third section and the data and research methodology are reported in the fourth section. The fifth section reports the findings of the study and finally, conclusions are drawn about the similarities and differences between different industries and SMEs in the last section of the paper.

2 AIMS AND THE FRAMEWORK OF THE STUDY

Aims and definitions

The study examines the incidence of local bargaining at different industries in the Finnish SME sector. It also draws a picture of the attitudes of SMEs towards local bargaining and the abilities to negotiate the terms of employment locally. The aim of the study is two-fold:

- *Firstly, the objective is to find out what the occurrence of local bargaining in the different industries and firms is, and in what kind of situations local bargaining has been used.*
- *Secondly, the interest is to identify some central factors that promote firms to or prevent them from making local agreements.*

Up to date, there is no commonly accepted definition of local bargaining. According to Ilmonen *et al.* (2002), employers and employees do not necessarily know for what issues they have bargained nor have they even made local agreements? According to abridged definition, local bargaining is based on the collective labour agreements which give some possibilities of deciding terms of employment also at the firm level. In most studies more comprehensive definition has been used taking into consideration not only the labour agreements but also the labour legislation and the industrial co-operation procedures (see Kairinen and Uhmavaara 2007). In this study, local bargaining is defined widely as voluntary negotiations and agreements which are based on the labour legislation, the collective labour agreements and the industrial co-operation procedure (see e.g. Ihalainen *et al.* 2007).

Situational factors affecting local bargaining

This study focuses on the attitudes towards local bargaining and the abilities to negotiate the terms of employment locally. The study examines these issues with the help of the contingency theory, which was coined by Lawrence and Lorsch in 1967. The contingency theory has been used mainly in organizational and management studies (e.g. Birkinshaw *et al.* 2002; Burns and Stalker 1961; Drazin and Van de Ven 1985; Weill and Olson 1989) but also in some entrepreneurial studies (e.g. Huovinen and Littunen 2007). According to the contingency theory there is no best way to organize and lead a firm or make decisions because they may be effective in some situations but not in others. Thus the optimal organization, leadership or decision-making style depends upon the current situation, i.e. various internal and external factors (Lawrence and Lorsch 1967; Kast and Rosenzweig 1985; Donaldson 2001).

Traditionally, labour market systems have been examined through the lenses of the system theory approach. In system theory approach the labour market is seen as a result of the interaction between economic and political systems and industrial relations. Some researchers have criticised system theory for focusing only in the structures of the systems and having a weak explaining power in changing situations (e.g. Kauppinen 2005). With the help of the contingency theory, certain situational factors affecting whether positively or negatively in local bargaining in different situations can be recognised.

In this study, the situational factors are divided into the following groups: situational factors affecting attitudes and behaviour of individual and situational factors describing the firm's operational and local environment. The former includes for example personal goals, earlier experience concerning local bargaining and educational background of the entrepreneur and/or the employee. The latter instead includes factors that describe the general economical situation and features of the operational and local environment (e.g. field of industry and size of the firm etc.). Figure 1 presents the framework of the study.

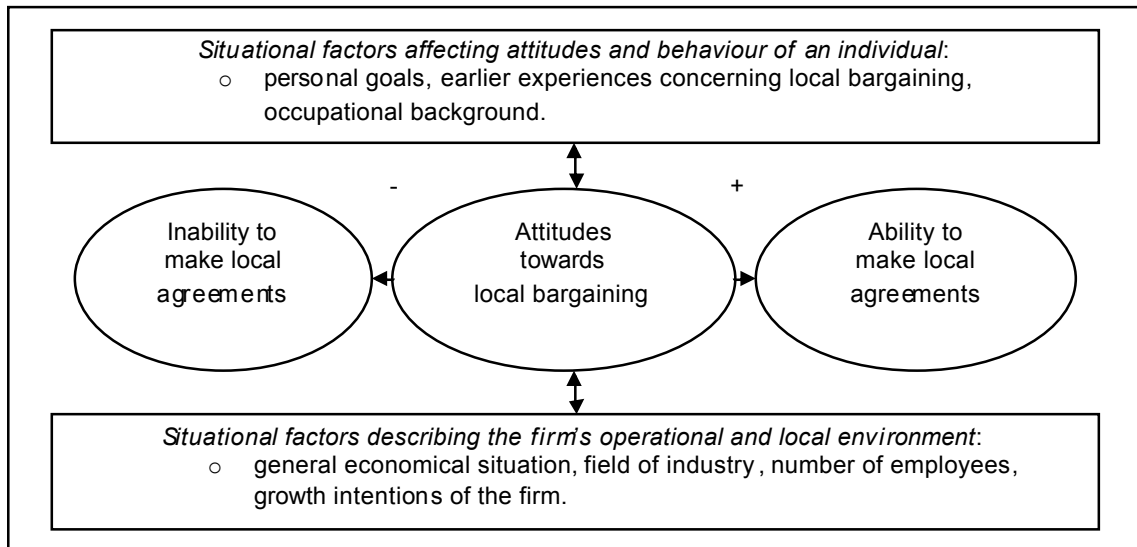


Figure 1. The framework of the study

3 LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Attitudes towards local bargaining

Attitudes towards local bargaining are usually very positive among employers (e.g. Ilmonen *et al.* 2002; Kairinen and Uhmavaara 2007). Also employees are nowadays more willing to make local agreements because of increased awareness of cause and effect between firms' success and stability of work places (Timonen 1998). According to Ilmonen *et al.* (2000) attitudes are more positive in firms which have made local agreements than in other firms. Thus, the field of businesses such as technology and forest industries having long traditions of local bargaining in Finland, presented more affirmative opinions compared for example to hotels and restaurants, where collective labour agreements are more restricted.

Based on the research by Timonen (1998) local bargaining seems to be different also in small firms and large companies. In small firms, agreements are often informal and unwritten whereas in large companies agreements are usually formal and well-documented. According to previous studies also the incidence of local bargaining increases when the firm size grows (e.g. Heikkilä and Piekkola 2004; Seretin 2000). Following the logic presented in the previous section, the attitudes towards local bargaining are probably the most positive among medium-sized firms in the SME sector. From these theoretical starting points the first research hypothesis is formulated as follows:

H1a attitudes towards local bargaining are more positive among manufacturing firms than among service firms

H1b attitudes towards local bargaining are more positive among medium-sized firms than among small firms.

H1c attitudes towards local bargaining are more positive among growth-intensive firms than among other firms

Local bargaining affairs

According to previous studies, the most common issues bargained at company level between employer and employees are flexible working hours, performance-related pay policies and major changes in the job descriptions of individual employees (e.g. Kairinen and Uhmavaara 2007). Issues emphasised in local bargaining are influenced by the size of the firm as well as industry sector. For example Seretin (2000) noticed in her review in previous studies that in small firms and firms operated in the service sector agreements concerned primarily flexible working hours. In manufacturing firms, instead, locally bargained wage increases and performance-related pay policies were also common.

According to Heikkilä and Piekkola (2004) employers in large companies (rather than in the small firms) emphasised the need to include bigger locally bargained wage increases in the collective agreements. They supposed that small business owners may see especially wages as a difficult and time consuming issue to negotiate because small businesses are often more sensitive to conflicts caused by unequal earnings. The second research hypothesis follows from the above discussion:

H2a local agreements concerning flexible working hours are more common among small and service firms than local agreements concerning wage increases or incentives

H2b locally bargained wage increases as well as performance-related pay policies are more common among medium-sized firms than among small firms.

Factors promoting or preventing local bargaining

Working environment based on trust constructed by transparency and open discussions are prerequisites for successful local bargaining (e.g. Ihalainen *et al.* 2007; Ilmonen *et al.* 2002). The trust between employer and employees is seen in negotiations as mutual respect, honesty and real possibilities to express opinions (see e.g. Ihalainen *et al.* 2007). Ilmonen *et al.* (2002), for example, noticed that high level of trust achieved by firm management in the eyes of the personnel increased the willingness to agree on the terms of employment locally. At the same time, the groups of personnel feeling lower level of trust towards management had strong aspiration to collective bargaining. The results were not dependent on the matters bargained.

Mutual trust between an employer and an employee is likely to emerge if the employer is satisfied with the work effort of an employee and if an employee enjoys his/her work in the firm. The role of the superior nearest to the employee is emphasised because the familiarity between people assists to building trust (Ilmonen *et al.* 2002). Naturally, this sets certain challenges to medium-sized firms where top management and blue-collar workers do not interact daily. On the other hand, in small businesses close interaction between the firm's owner-manager and employees may form a better ground to build mutual trust and local bargaining procedures.

However, the resources to make local agreements usually differ in small and medium-sized firms. Often in small firms, shop steward to negotiate with is not nominated, which may debilitate the readiness of local bargaining (e.g. Timonen 1998). More notably, small firms' owner-managers may have limited time resources compared with managers in medium-sized firms to get acquainted with local bargaining. This implies the third research hypothesis:

H3a employers emphasize mutual trust, transparency and open discussions as prerequisites for successful local bargaining

H3b resource-related situational factors prevent local bargaining more in small firms than in medium-sized firms.

4 METHODOLOGY

The sample of this study comprises of a total of 4 500 SMEs in Finland. The data was gathered through a random sampling from the database maintained by Confederation of Finnish Industries EK. Limited companies employing less than 250 employees from food industry, retail and wholesale trade, hotels and restaurants, construction, forest industry, technology industry, chemical industry, textile and clothing industry, and health and social services were selected for the sample. After three repeated questionnaires, 1 259 SMEs participated in the research which is 28 per cent of all enterprises selected for the sample. Additionally, micro firms with less than 5 employees were outlined from the study. This made the sampling more presentable, and assured that the studied firms would be large enough to

have real need for local bargaining. After this outlining the final sampling size was 1226 SMEs.

Of all respondents three quarters have less than 50 employees. One fourth of the respondents were firms from health and social industry and one fifth from technology industry. From the textile and clothing industry as well as from forest industry the number of respondents was modest.

The methods used in analysing the data were the logistic regression analysis (LRA), the principal component analysis (PCA), the analysis of variance (One-Way ANOVA) and the chi-square test. With the help of PCA the high number of variables was limited to several groups of variables which clarified the interpretation of the results. The main method in testing the research hypotheses was the logistic regression analysis, which gives a more profound picture of the factors explaining the occurrence of local bargaining and the factors affecting the phenomenon. In analysing the data, a weighting coefficient was used to ensure the generalization of the results in the total population of SMEs². Appendix 1 presents the distribution of the unweighted and weighted data.

5 FINDINGS

The logistic regression models

The research hypotheses 1 and 2 were tested with the logistic regression analysis. The goal was to create models where the matters and factors asked for the employers could be observed as extensively as possible. At the same time special attention was paid not to choose independent variables unessential for the phenomenon nor to extend the number of the variables too much with respect to the number of the observations (see e.g. Metsämuuronen 2001, 79). Table 1 presents the three logistic regression models describing the manufacturing vs. service firms (model 1), small vs. medium-sized firms (model 2) and growth-intensive vs. other firms (model 3). Of all three models the χ^2 -test quantity indicating the reliability of the analysis was good and the logistic regression models explained the location of the observations in the examined groups rather well. Of all observations, 61-78 percent were classified correctly by the logistic regression models. Also the reliability of the sum variables formed in the study was tested with the help of Cronbach's alfa coefficient (see appendix 2). The independent variables in the logistic regression models are explained in the appendix 3.

Table 1. The logistic regression models

Variables	Model 1: 0=manufacturing vs. 1=services		Model 2: 0=small vs. 1=medium-sized firms		Model 3: 0=growth-intensive vs. 1=other firms	
	B	S.E	B	S.E	B	S.E
<i>Local agreements</i>						
Flexible working hours	0,955	0,149**	0,090	0,287	-0,633	0,149**
Performance related pay-policies	0,533	0,158**	-1,200	0,245**	1,267	0,175**
<i>Attitudes towards local bargaining</i>						
Positive	0,346	0,090**	0,059	0,166	-0,153	0,089*
Cautious	0,306	0,082**	0,028	0,143	-0,035	0,079
Constant	-3,004	0,487**	-2,068	0,849*	0,022	0,469
Model χ^2	0,001		0,001		0,001	
df=4, n=1079						
Total classification rates (%)	62,4		60,8		78,1	

** p<0,05

* p<0,10

Results of the logistic regression analysis and interpretation

The research revealed that attitudes towards local bargaining are positive among Finnish SMEs. Almost 80 per cent of all respondents believe that with local bargaining better productivity and competitiveness would be achieved. However, some significant differences between industries and firms were detected.

² The data provided by Statistics Finland was used in calculating the weight coefficients (www.statfin.stat.fi)

This study suggests that attitudes towards local bargaining are more positive among service firms than in the manufacturing firms (table 1: model 1). As the results of more detailed analysis show, the attitudes were the most positive in the field of technology industry whereas construction companies had the most critical opinions of the gains achieved by local bargaining (ANOVA, $F=6,806$, $p=0,001$). Interestingly, the incidence of cautious attitudes seems to be more common also in the service firms (table 1: model 1). Based on the results it can be argued that employers in the small service firms are more heterogeneous in their attitudes than employers in the manufacturing firms. In any case, contrary to expectations, hypothesis 1a cannot be supported.

The study found no significant statistical differences in the attitudes of the small business employers compared to the attitudes of the medium-sized venture employers (table 1: model 2). Hence, also the hypothesis 1b is rejected. However, the results indicate that the growth objectives can be achieved more efficiently with the help of local bargaining than through collectively bargained agreements. At least the attitudes towards local bargaining were significantly more positive among employers in the growth-intensive firms than employers in other firms (table 1: model 3). Thus, hypothesis 1c is supported.

The logistic regression analysis also revealed that among small and service firms local agreements concerning flexible working hours were more common than local agreements concerning wage increases or incentives. Moreover, the prevalence of different material incentives seems to increase when the firm size grows (table 1: model 1 and 2) and when the firm has strong growth intentions (table 1: model 3). Intuitively, this is natural because firm growth requires skilful employees, and performance-related pay policies are effective tools for attracting and motivating firm personnel in their work. The results were also confirmed with the help of chi-square tests. Hence, as predicted, hypotheses 2a and 2b are supported.

Results of the principal component analysis and interpretation

The research hypotheses 3 were tested with the principal component analysis (see appendix 2) and the analysis of variance. Overall, feel of communality and trust between employer and employees, as well as righteous and supportive working environment, seemed to promote local bargaining. Instead, lack of know-how and resource disadvantages prevent firms from making local agreements. As a result, hypothesis 3a is supported.

Resource disadvantages, such as lack of time, were emphasised especially among micro firms where entrepreneurs have to negotiate separately with every employee. This is because personnel do not usually have a shop steward who could negotiate for them. However, the differences in the variance analysis were not statistically significant. Still, the resource disadvantages in small firms could be seen for example from the small proportion of small business employers among employers participating on seminars concerning local bargaining. Of all small firm employers, only 7 percent has taken part of some educational seminar whereas among medium-sized firms the proportion was 24 per cent (contingency coefficient, $df=2$, $p=0,001$). Based on the results, hypothesis 3b is only tentatively supported.

6 CONCLUSIONS

This study extends the prior research by focusing on local bargaining at different industries in the SME sector. Moreover, the novelty of this study lies in the contingency approach which is unique in the field of industrial relations research.

When interpreting the findings through the lenses of contingency theory, there seem to be some tentative contingency factors that may explain the incidence of local bargaining in the SMEs. Firstly, in small firms and firms operating in the service sector local agreements concerning flexible working hours are more common than local agreements concerning wage issues. Secondly, the likelihood of using various performance-related pay policies is going to increase when the firm size increases. Thirdly, the growth intentions of the employer/firm

seemed to increase the likelihood of using various methods of local bargaining. Finally, the results support the conception according to which mutual trust, transparency and open discussions are prerequisites for successful local bargaining. Hypotheses tested in this study are summarized in Table 2.

Table 2. Summary of the research hypotheses

Hypotheses	Results
1a attitudes towards local bargaining are more positive among manufacturing firms than among service firms	not supported
1b attitudes towards local bargaining are more positive among medium-sized firms than among small firms	not supported
1c attitudes towards local bargaining are more positive among growth-intensive firms than among other firms	supported
2a local agreements concerning flexible working hours are more common among small and service firms than local agreements concerning wage increases or incentives	supported
2b locally bargained wage increases and performance-related pay policies are more common among medium-sized firms than among small firms	supported
3a employers emphasize mutual trust, transparency and open discussions as prerequisites for successful local bargaining	supported
3b resource-related situational factors prevent local bargaining more in small firms than in the medium-size firms	tentatively supported

When interpreting the findings of this study, some limitations should be observed. We acknowledged that since the study was restricted to employers of the SMEs, caution must be exercised in generalising the results. However, this study as well as some other previous studies indicates that local bargaining is beneficial to both employers and employees. In any case, future studies, conducted with samples from a wide-range of personnel groups, would yield more conclusive findings.

REFERENCES

- Birkinshaw J, Nobel R and Ridderstråle J (2002). Knowledge as a contingency variable: do the characteristics of knowledge predict organization structure? *Organization Science* 13 (3), 274-289.
- Burns T and Stalker GM (1961). *The management of innovation*. London: Tavistock.
- Donaldson L (2001). *The Contingency Theory of Organizations*. Sage Publications, Thousand Oaks, CA
- Drazin R and Van de Ven AH (1985). Alternative forms of fit in contingency theory. *Administrative Science Quarterly* 30, 514-539.
- European Commission (2005). The new SME definition. User guide and model declaration. Enterprise and industry publications. European Commission.
- Heikkilä A and Piekkola H (2004). Explaining the desire for local bargaining: evidence from a Finnish survey of employers and employees. Helsinki: ETLA, The Research Institute of the Finnish Economy, Discussion papers No. 910.
- Hjerpe R (toim.) (2003). *Julkinen talous globalisoituvassa maailmantaloudessa*. VATT-julkaisu 36, Valtion taloudellinen tutkimuskeskus. Helsinki.
- Huovinen J and Littunen H (2007). The influence of personal background and local environment on the phenomenon of habitual entrepreneurship [cd-rom]. In: ICSB 2007 Conference Proceedings. 52nd World Conference, Turku, Finland, 13-15 June 2007
- Ihalainen E, Kivelä M, Uhmavaara H & Kairinen M (2007). Sovittaisiinko paikallisesti? Työpoliittinen tutkimus 335, Työministeriö.
- Ilmonen K, Jokivuori P & Kevätsalo K (2002). Luottamus, luottavaisuus ja paikallinen sopiminen. *Kansantaloudellinen aikakauskirja* 98, 1/2002.
- Ilmonen K, Jokivuori P, Liikanen H, Kevätsalo K & Juuti P (2000). *Luottamus ja paikallinen sopiminen*. Jyväskylä: Jyväskylän yliopiston sosiologian julkaisuja 60.
- Kairinen M & Uhmavaara H (2007). Paikallinen sopiminen on työelämän arkipäivää. Katsauksia ja keskusteluja. *Työpoliittinen aikakauskirja* 4/2007.
- Kast FE and Rosenzweig JE (1985). *Organization and Management. A Systems and Contingency Approach*. McGraw-Hill Book Company, New York.
- Kauppinen T (2005). *Suomen työmarkkinamalli*. Helsinki: Werner Söderström Osakeyhtiö.
- Lawrence PR and Lorsch JW (1967). *Organisation and environment*. Harvard University Press, Cambridge, MA.
- Metsämuuronen J (2001). *Monimuuttujamenetelmien perusteet SPSS-ympäristössä*. Helsinki: International Methelp.
- Seretin L (toim.) (2000). Paikallinen sopiminen - tutkittuja käytäntöjä. AKAVA, KT, PT, SAK, STTK, TT, Työsuojelurahasto.
- Timonen S (1998). Paikallinen sopiminen pienissä ja suurissa yrityksissä. Esitutkimusraportti. Työhallinnon julkaisu 207, Työministeriö.
- Weill P and Olson MH (1989). An assessment of the contingency theory of management information systems. *Journal of Management Information Systems* 6 (1), 59-85.

Appendix 1. The distribution of the unweighted and weighted data

Unweighted data						
Firm size/industry	Service	Retail trade	Construction	Technology industry	Other manufacturing	Total
5-9 employees	28,3	24,8	17,0	8,0	8,6	19,5
10-49 employees	57,0	60,4	61,4	49,3	55,2	55,9
50-249 employees	14,7	14,8	21,6	44,7	36,2	24,6
Total	100,0	100,0	100,0	100,0	100,0	100,0

Weighted data						
Firm size/industry	Service	Retail trade	Construction	Technology industry	Other manufacturing	Total
5-9 employees	54,0	52,7	56,3	39,2	38,1	50,8
10-49 employees	39,8	43,8	40,5	47,8	46,8	42,1
50-249 employees	6,2	3,5	3,2	13,0	15,1	7,1
Total	100,0	100,0	100,0	100,0	100,0	100,0

Appendix 2. Sumvariables used in the analysis

Sum variable	Items of sumvariables	Cronbachs alfa
<i>Attitudes towards local bargaining:</i> Positive attitudes	<ol style="list-style-type: none"> 1) I think that local bargaining promotes firms' productivity and competitiveness 2) Local agreements help firm to find shared vision with employees 3) I am open for new operational models such as local bargaining 	0,80
Cautious attitudes	<ol style="list-style-type: none"> 1) I feel that employees are against local bargaining 2) Readiness of a shop steward is not sufficient 3) My own readiness is not sufficient 4) I feel cautious about the consequences of local bargaining 5) I feel that we do not need local bargaining in our business 	0,82
<i>Situational factors promoting local bargaining:</i> Feel of communality and mutual trust	<ol style="list-style-type: none"> 1) Functional co-operation between an employer and employees 2) An active and inventive shop steward who are willing to solve problems 3) Employees' readiness for local bargaining 4) Working environment based on mutual trust 5) Employer and employees shared vision of firms strategy in current situation 	0,79
Need for fairness and supportiveness	<ol style="list-style-type: none"> 1) Need to divide wage increases for those who really earn them 2) Need for supportive pay-policies 	0,76
<i>Situational factors preventing local bargaining:</i> Lack of knowledge	<ol style="list-style-type: none"> 1) Employer does not have sufficient negotiation skills 2) There is a lack of mutual trust between an employer and employees 3) Shop steward (or an other representative) does not have sufficient negotiation skills 4) The labour legislation does not allow to make local agreements 	0,76
Insufficient prerequisites for local bargaining	<ol style="list-style-type: none"> 1) The personnel has not nominated a shop steward 2) Co-operation between negotiators do not work in our company 3) The shop steward (or an other representative) does not have sufficient negotiation power 	0,68

Appendix 3. Independent variables chosen for the logistic regression models

Variables	Values of variable
<i>Local agreements</i>	
Flexible working hours	1=Yes/0=No
Performance related pay-policies	1=No/0= Yes
<i>Attitudes towards local bargaining</i>	
Positive	5-step scale: 1=Totallydisagree, 5=Totally agree
Cautious	5-step scale: 1=Totallydisagree, 5=Totally agree