

**A COMPARATIVE STUDY OF INDIVIDUALIST AND COLLECTIVIST CULTURES' SOCIAL SECURITY EXPENSES IN THE CONTEXT OF HOFSTEDE'S CULTURAL DIMENSIONS THEORY**

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**ABSTRACT:** *The purpose of this study is to understand why social security expenses of states differ. In this study, the basis used to understand the difference in social security expenses between states is the cultural dimensions theory developed by Hofstede to put forth the difference in cultural values between societies. In this context, in this study conducted on secondary data, 31 European countries, whose data was obtainable, is classified as individualist or collectivist according to Hofstede's cultural dimensions theory based on their social security expenses in Euros compared to the population as taken from Eurostat and whether there is a difference or not is confirmed. According to the test results, the basic conclusion gathered from this study is that individualist states make more social security expenses than collectivist ones meaningfully.*

**KEYWORDS:** Individualist Cultures, Collectivist Cultures, Social Security Expenses, Hofstede's Cultural Dimensions Theory

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## **INTRODUCTION**

22<sup>nd</sup> article of the United Nations Universal Declaration of Human Rights emphasizes that everyone, as a member of the society, has the right to social security. Accordingly, by national efforts and international cooperation and based on each state's organization and resources, everyone has the right to realize economic, social, and cultural rights necessary for the development of his/her honor and personality. In that vein, 12<sup>th</sup> article of the European Social Charter concludes that all employees and the ones they are obliged to look after have the right to social security and that all the states which signed this charter to ensure the effective use of the social security right establish or maintain a social security system, preserve this system at a qualified level not below the required level for the approval of International Convention on Minimum Standards of Social Security (No. 102), and try to take the social security system to a higher level gradually. UN's International Covenant on Economic, Social, and Cultural Rights Article 9 regulates that all the contracting states entitles the right to social security that involves social insurance rights.

As seen, social security, in essence, is a right and, by its nature, it should be realized by the states. In this respect, there are international texts and national ones<sup>1</sup> as significant references regarding the state's responsibilities and realization of the social security right.

However, it is rather hard to say that these international convents are evaluated with the same level of sensitivity and requirements are met at the same level by all the states. At this point, it can be claimed that there is a huge difference between the countries when we look at the amount of their social security expenses. The key issue of this study is to understand why social security

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<sup>1</sup> For example, Article 60 of the 1982 Constitution of the Turkish Republic regulates that everyone has the right to social security and the state is required to necessary steps to provide this security and establish the system.

expenses differ from country to country. In this study, the basis used to understand the difference in social security expenses between countries is the cultural dimensions theory developed by Hofstede to put forth the difference in cultural values between societies. In other words, in this study, the cultural dimensions theory is the basic reference used to understand the difference between the countries regarding their social security expenses. According to this theory, there are four main value dimensions that distinguish cultures from each other; although, they enable us to make comparisons between countries, they do not have a meaning on personal level. These dimensions are a part of the culture that involves learned behaviors and value systems and that differs from society to society (Sigri and Topcu, 2012: 214). The dimensions are individualism versus collectivism, power distance, masculinity versus femininity, and uncertainty avoidance (Hofstede, 1980). In this study, it is tried to reveal how the expenses on social security made by the states differ based on the individualism versus collectivism dimension that distinguishes societies from each other.

In this context, first of all, the concept of social security is explained in this study. Second, Hofstede's cultural dimensions theory is introduced that is followed by the presentation of the method and findings. In the last section, evaluation of the findings and discussion are presented.

### **Concept of Social Security**

The concept of social security can be defined in two different ways as narrow and broad by taking into consideration its emergence and development phase. In the narrow sense, social security, before all else, can be defined as the precautions that compensate for the income cuts experienced because of various social risks or; in other words, because of losing one's capacity to work or physical or psychological health temporarily or for good and that guarantees the employee's future socioeconomically (Arici, 1999: 3; Ayhan, 2012: 43-44). At this point, social security, primarily, represents the goal of social politics that aims to affect the life quality levels of socially weak and low-income groups in a positive way. Moreover, social security refers to the goal of preserving and sustaining a person's achieved level of life. Therefore, social security is also affected by the minimum subsistence level and by the effort and understanding of preventing the income of the employee from getting below this level (Dilik, 1980: 77). From this point of view and in the narrow sense, social security refers more to the social security guarantee provided by the social insurance systems (Alper, 2015: 209).

The first social security system based on the compulsory insurance technique was founded in Germany in 1880s by Bismarck. The basic reason behind the foundation of the first social security system was to provide insurance for the labor class who were living in poverty and deprivation in cities in Germany undergoing industrialization and whose living conditions got worse with the serious economic crisis in 1877. Because traditional protection mechanisms for such risks or dangers<sup>2</sup> as sickness, work- and occupation-related illnesses, disability, old age, death, and unemployment were inadequate for the social structure which had been transforming with industrialization (Guzel, 2005: 63). In other words, first compulsory social insurances were established when seeking for insurance the traditional protection systems such as family support and charitable organizations were inadequate in cases of abovementioned risks and dangers (Gokbayrak, 2010: 142).

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<sup>2</sup> In Social Security (Minimum Standards) Convention 1952 No. 102, ILO makes a classification of dangers and presents social security dangers under 9 headings. These are sickness (medical health insurance and income security), maternity care (medical care and income security), work-related accidents and occupation-related illnesses, disability, old age, unemployment, and inadequate family income.

The second important phase in the historical development of social security is the 1935 Social Security Act put into effect in the USA by President Roosevelt. This act is a reflection of embracing the understanding of the Welfare State after the unemployment level reached at an alarming level because of the instability and turmoil in the American economy caused by the 1929 world economic crisis. The third phase in the historical development of social security is the 1942 Beveridge Report written by Sir William Beveridge in England. In his report, Beveridge states that poverty problem of the society can be solved by a comprehensive social security system indicating that “poverty is a disgrace for the modern society” and determines the basic principles of the system (Guzel, 2005: 63). As seen, the historical development of social security shows us that social security systems were developed first in the industrialized countries and that its aim and priority are to preserve social tranquility and peace from negative conditions caused by industrialization and to prevent the employees from living in poverty and misery.

Besides, social security in the broad sense means fighting against poverty that stems from income cut caused by no matter what reason and also that stems from inadequate income (Alper, 2015: 209). In this context, social security in the broad sense involves issues such as “employment, placement, vocational and general education, assistance in choosing a profession, increasing productivity in economy, and health measures” in addition to protecting the person from economic consequences of social risks and guaranteeing insurance (Dilik, 1980: 77). In this sense, social security can be defined as “a system that provides subsistence and living needs of people whose income or earnings are cut for good or temporarily because of occupational, physiological and socio-economic risk” (Ayhan, 2012: 43-44). The new meaning of social security causes social security to be redefined in national constitutions and international conventions as a basic human right on the one hand and social security systems to be more comprehensive in scope as public organizations on the other. Moreover, the emphasis made in the broad sense of social security that social security systems should be supported by national health and employment politics proves that social security is accepted as a primary public service (Gokbayrak, 2010: 142).

At this point, it should be stated finally that as social security is used in its broad sense; that is, as the social security systems, as a whole, have been broadened to cover the fight against poverty, the concept of social protection, which has a more comprehensive meaning, has been used instead of social security especially after 1990s. Social protection does not consider social security as limited to income insurance provided by social insurances against certain risks but evaluates every reason that causes poverty within the scope of social security (Alper, 2015: 209).

In this context, social protection can be defined as the complete set of systems that protect the person from the social risks that can be faced in a life time and from the decrease in income or increase in expenses because of such risks. However, social protection has evolved into a system which, as in social security’s narrow sense, not only has the function of reducing the effects of an incident that harms the person but also involves interventions to prevent and reduce the risks in social security’s broadest sense. In fact, during the years when the social security protection systems started to emerge, protection nets that provided income compensations as a result of such risks as disability and old age constituted the social security. However, in time, social protection programs are widened by the measures that cover both prevention and protection. Therefore, social protection should not be taken as a system that

reduces the expenses or compensates for the income loss after a risk is faced (Garcia Bonilla and Gruat, 2003: 28-29).

### **Geert Hofstede's Cultural Dimensions Theory**

Culture plays a significant role in shaping one's behaviors. Culture as a meaning system that is shared and involves symbols presents categories and models people need to understand the world and guides people all along (Sigri and Topcu, 2012: 214).

Hofstede who studies national cultures defines culture as "the collective programming of the mind that distinguishes the members of one community or category from the members of another community or category" or "the collective programming of a thinking system specific to humans that is acquired during the course of life and that distinguishes one community from the other" (Hofstede, 1980: 25). According to Hofstede, culture is basically rooted deep in the human mind and; thus, culture is actually the software of the mind. Therefore, cultural values involves values, beliefs, and assumptions that are engraved in people's minds permanently and most of the time subconsciously from the first years of the childhood through the environment they live in and socialize (Hofstede, 1984: 82; Hofstede, 1991: 4). Hofstede considers and defines values as the essence of culture. For Hofstede, values are actually the tendency to prefer something over another. Hofstede considers values as emotional standings as good or bad, clean or dirty, beautiful or ugly, natural or artificial and claims that symbols, rituals, and heroes based on these values are reflections of the culture (Hofstede, 1991: 8-9).

According to Hofstede (1980), there are four dimensions of national cultures. These are "power distance", "uncertainty avoidance", "individualism versus collectivism", and "femininity versus masculinity". The dimension of Individualism versus Collectivism refers to the degree of collective or individualist mindset of the society while the dimension of Uncertainty Avoidance is the expression of the tolerance allowed for uncertainty in the society. Moreover, the dimension of Power Distance refers to the degree of inequality among the members of the society or to the distribution of power while the dimension of Femininity versus Masculinity represents the adaptation of the traditional masculine role model in the society and shows the degree of gender discrimination.

The dimension of Individualism versus Collectivism needs to be discussed in more detail at this point as this study is basically based on the analyses, among cultural dimensions, grounded by the dimension of Individualism versus Collectivism.

Individualism emphasizes social situations where people engage only with their first degree relatives and where established relations are kept loose. Collectivism, on the other hand, emphasizes social situations where social and human relations are experienced denser and deeper. Moreover, in collectivism, people tend to discriminate their own group from other groups (Hofstede, 1980). In other words, "individualism" emphasizes the looseness of the relations among people in a society while collectivism emphasizes the denseness and harmony of the relations among people in a society and group (Hofstede, 1991).

Another significant point of the Individualism versus Collectivism dimension manifests itself in the choice people make whether to prioritize their own needs or the needs of the society or group they belong to. Without doubt, individuals in societies where tendency towards individualism is high consider themselves more important than others in the society or group they belong to and care for themselves more. Individuals in more collectivist societies or in societies where the ratio of individualism is low care more for the interests and needs of the

society or group they belong to before themselves and try to protect those. In short, while the needs, expectations, and interests of individuals are more important than of the group in societies where the tendency towards individualism is high, the interests of the group and harmonizing with the group are more important and of top priority than individual's own interests, needs, and expectations (Hofstede, 2000: 29) as, in collectivist cultures, the individual considers him/herself not as an independent individual but as a part of the group. Therefore, individuals in collectivist societies are concerned about keeping their own goals and behaviors in harmony with the principles and expectations of the society or group they belong to. In individualist cultures, on the other hand, individual's goals, expectations, and interests may not be in line with the group's s/he belongs to and, moreover, in cases of controversy, individual's goals, expectations, and interests are more important and of top priority. This points to the fact that individuals in individualistic societies show individualistic behaviors while individuals in collectivist societies show collectivist behaviors (Hofstede, 1984: 394; Hofstede and McCrae, 2004: 71). Therefore, there is a more personal perception of "self" in the individualist cultures while there is a more socially oriented perception of "self" in the collectivist cultures (Williams, 2003: 371).

## METHODOLOGY

In this study, conducted on secondary data, 31 European countries, whose data was obtainable, is classified as individualist or collectivist according to Hofstede's cultural dimensions theory based on their social security expenses in Euros compared to the population as taken from Eurostat and whether there is a difference or not is confirmed. In the study that includes the years between 2004 and 2013 when reliable and precise information was gathered, Mann-Whitney U and Wilcoxon Rank tests that are used for small scale and/or non-normally distributed data were administered to reveal whether there is any difference between the country groups.

European countries that are classified as individualist or collectivist according to Hofstede's classification and included in the sample are given in Table 1.

**Table 1. Classification of the European Countries in the sample according to Hofstede**

Individualist Cultures		Collectivist Cultures
Belgium	Hungary	Bulgaria
Czech Republic	Malta	Greece
Denmark	Holland	Spain
Germany	Austria	Croatia
Estonia	Poland	Portugal
Ireland	Finland	Romania
France	United Kingdom	Slovenia
Italy	İceland	Serbia
Latvia	Norway	Turkey
Lithuania	Switzerland	
Luxemburg	Sweden	

According to the classification in Table 1, there are 22 individualist European countries while there are 9 collectivist countries including Turkey.

## FINDINGS

Distribution of social security expenses of country groups through years is given in Table 2.

**Table 2. Distribution of social security expenses countries in the sample (Euro per inhabitant)**

	Descriptive statistics	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Individualist countries	Min.	650,5	739,3	914,6	1077,4	1335,3	1462,4	1534,7	1478,2	1530,1	1633,73
	Max.	13358,4	14122,3	14671,5	15081,1	16339,1	17358	17870,5	18136	19347,7	19764,4
	Mean	6527,2	6839,9	7077,1	7422,4	7625,2	7950,8	8395,2	8725,7	9139,2	9302,7
	Std. Dev.	4056,4	4196,6	4262,2	4379,5	4448,6	4717,7	5060	5349,3	5673,5	5982,9
	N	22	22	22	22	22	22	22	22	22	22
Collective countries	Min.	364,9	458,4	495	576,9	732,3	807,7	880,9	928,1	952,2	1017,1
	Max.	3994,1	4366,2	4685,4	5001,3	5524,3	5832,3	5813,8	5810,1	5691,5	5675,2
	Mean	2570,1	2448,2	2608,4	2785,2	2906,7	3106,2	2931,1	2930,2	2894,3	2847,9
	Std. Dev.	1684,9	1834,7	1934,5	1990,7	1990,9	2149,4	2116	2098,5	2021,7	1953,4
	N	6	7	7	7	8	8	9	9	9	9
Total	Min.	364,9	458,4	495	576,9	732,3	807,7	880,9	928,1	952,24	1017,1
	Max.	13358,4	14122,3	14671,5	15081,1	16339,1	17358	17870,5	1813	19347,7	9302,7
	Mean	5679,3	5779,9	5998,4	6303,1	6366,9	6658,9	6808,8	7043,1	7326,2	7495,3
	Std. Dev.	4007,23	4193,80	4267,78	4394,67	4448,83	4688,31	5047,07	5325,07	5650,23	5921
	N	28,00	29,00	29,00	29,00	30,00	30,00	31,00	31,00	31,00	31,00

Among the individualist countries, the highest social security expense between the years 2004 and 2013 belongs to Luxemburg while the lowest belongs to Lithuania. On the other hand, among the collectivist cultures, the highest social security expense between the years 2004 and 2013 belongs to Greece while the lowest belongs to Romania in 2004 and to Bulgaria between 2005 and 2013.

Test results obtained are as follows:

**Table 3. Test on the difference in social security expenses of individualist and collectivist countries**

Years	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
2004	28,00	49,00	-2,128	0,033	,033 <sup>a</sup>
2005	28,00	56,00	-2,497	0,013	,011 <sup>a</sup>
2006	28,00	56,00	-2,497	0,013	,011 <sup>a</sup>
2007	28,00	56,00	-2,497	0,013	,011 <sup>a</sup>

2008	32,00	68,00	-2,626	0,009	,007 <sup>a</sup>
2009	33,00	69,00	-2,579	0,01	,008 <sup>a</sup>
2010	32,00	77,00	-2,916	0,004	,003 <sup>a</sup>
2011	32,00	77,00	-2,916	0,004	,003 <sup>a</sup>
2012	33,00	78,00	-2,872	0,004	,003 <sup>a</sup>
2013	22,00	50,00	-2,481	0,013	,012 <sup>a</sup>
	a. Not corrected for ties.				
	b. Grouping Variable: Individualist/Collectivist				

According to the Mann Whitney U and Wilcoxon W test results, there is a statistically meaningful difference (with 5% margin of error) between the individualist and collectivist countries according to their social security expenses between the years 2004 and 2013. Therefore, it can be claimed that individualist countries make more social security expenses than collectivist countries.

## CONCLUSION

The basic result obtained according to the data gathered and tests administered is that individualist countries make more social security expenses than collectivist countries meaningfully.

Basic reason behind it might be that individuals in individualistic cultures tend to define themselves as individuals, as citizens, and develop an attitude about individual and citizenship rights as they accept their own needs, expectations, and interests more important than the group's. Therefore, it can also be argued that the emphasis on the individual or citizenship rights in individualistic cultures is a significant reference point and that, by securing individuals' basic rights that they have as individuals and citizens, institutional regulations regarding realization of these rights are of great importance and top priority. Hence, it can be said that the essence of all social institutions in individualistic cultures aim to contribute to the facilitation of securing individual's rights and of maintaining these rights as accessible in daily life. In this context, when the fact that social security is also a right is considered, it can be claimed that, in individualistic cultures, required precautions are taken to realize the social security right and required expenses are made to realize the social security right. Therefore, it should not be forgotten that, in individualistic cultures, individualism does not only emphasize being an individual but also asserts that all social institutions and structures are organized according to the features that comprises the essence of individualistic cultures and that are discussed in detail in the related section.

One of the main reasons why the social security expenses in collectivist countries are low in contrast to individualist countries is that not the individual but the group s/he belongs to is more important and of top priority and that relations between the individuals in the group are quite dense and harmonious. Therefore, it can be claimed that this denseness and harmony seen in the relations between the individuals of the group causes the group itself to take the mission of prevention and recovery to fight against the possible damages in case the individual faces a

social risk. Thus, s/he does not look for a compensation of his/her loss in the context of social security right, expect to compensate with in-group cooperation and help, and act accordingly. The reason behind this is that collective behavior may create a climate where individual rights are not used occasionally (Sargut, 2001: 187). Therefore, all the social institutions, regulations, and mechanism in a culturally collective country are based on the in-group cooperation and help approach and social expenses made regarding the issue remain lower than those in the individualistic cultures.

Consequently, the basic result obtained from this study is that the social security expenses in the individualistic cultures where social security is accepted as a right and all social institutions, regulations, and mechanism are based upon this perception are higher than the social security expenses in the collectivist cultures where the groups take over the role of undertaking and compensating when the individual faces a social risk.

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