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## **Editor's Foreword: Fifty Years of Psychological Contract Research – from the Touchy/Feely to the Concrete Personal Deal**

**Rupert Tipples, Lincoln University**

My research career has been coloured by psychological contracts since being introduced to them in my first post university job as a Research Officer for the British Agricultural Training Board in 1977. The concept had not been readily accepted with one Australian industrial relations academic telling me it was "...too touchy/feely..." after a seminar I had given about it at Griffith University in 1994, but now after nearly fifty years since first being described by Argyris (1960), one may suggest that it has 'arrived' with an exponential growth in research and publication, particularly since the publication of the first of Denise Rousseau's articles back in 1988, twenty years ago. The development of that research has been charted previously (Tipples and Verry, 2007) and at September 2009 Google Scholar listed 9,360 references on 'psychological contract'.

In the thirty years prior to Rousseau's first paper, little empirical research on the construct had been published. One notable piece published by John Kotter in 1973 was not even cited by Rousseau (Kotter, 1973). However, it had highlighted the need to achieve matches in expectations between the parties to a psychological contract as a way of improving job satisfaction, job longevity and work productivity. It is that research that profoundly influenced my personnel management teaching when I commenced at the then Lincoln College in early 1978. My aim was to teach students to achieve balanced expectations between prospective employers and employees when setting up new employment relationships to maximise productivity and job satisfaction, and minimise labour turnover. That policy was based on what later became called a policy of 'Realistic Recruitment' (Tipples, 1996). It seemed intuitively right to me with my limited management experience and I did not concern myself to find other supporting research for this position. That research was convincingly provided by Bauer *et al.* in a meta analysis in 2007, and subsequently reinforced by Wellin's management consultancy driven book of the same year *Managing the Psychological contract – Using the Personal Deal to Increase Business Performance* (2007). These both supported the 'Contracting' approach laid out on realistic recruitment lines previously (Tipples, 1996).

The research initiated by Rousseau and colleagues had a strong quantitative emphasis and has often been preoccupied with what might be described in general terms as contract violations and breaches, and their effects and implications. The research reported in the papers of this issue emanate from different streams. First, Krivokapic-Skoko, O'Neill and Dowell take the analysis of academics' psychological contracts from an Australian business school study (O'Neill *et al.*, 2007; Tipples *et al.*, 2007) to a deeper level with both factor and cluster analysis. They unpack the critical elements of the content of their academics psychological contracts, which suggest which dimensions academic managers should be concentrating on. The quantitative methods are used to improve our understanding of the critical components of such academics' psychological contracts.

In contrast, Gill's paper is more of a high level literature review, which draws together empirical research on psychological contracts, trust, unions and how they all impact on New Work Practices (NWP), with a view to developing a research agenda. Unlike the previous paper which focused on the individual views of academics and their expectations, this one considers how collective activity through trade unions impacts upon employees psychological contracts, trust and its effects on NWP. Because so much psychological contract research has an individualised view of the employment relationship, the role of trade unions in setting employee expectations has been a relatively minor stream of psychological contract research to this point.

The third paper by McComb breaks new ground again with a case study of coaching activities in a large Australasian company in the development of senior managers. There has been little empirical research into any form of coaching and McComb uses a psychological contract framework to help explain why coaching is often not as efficacious as might be expected. The research suggests some tactics managers need to consider in order to make an extensive coaching investment deliver better returns than has been the case hitherto.

The following paper by Watson, Spoonley and Fitzgerald, which does not use an explicit psychological contract framework, links back to the second paper by Gill in that it seeks to explore the growing need for diversity management in light of the increasing mobility and migration of the global workforce. The resultant diversity presents many challenges for managers, not least in the different work expectations of different ethnic groups and their different approaches to individual and collective activities. How their energies can be best used in high performance work practices becomes an issue too, which Gill has already opened to a psychological contract approach.

The fifth article is a piece of exploratory research by Sayers on the role of cafés in society and how people work in them, not just as employees but clients who use them as work spaces for different activities. This paper is not only one of the most stimulating and provocative exploratory pieces of research that this editor has read, but it also promises great insights into phenomena which most would never have considered, but which have growing importance in today's café culture.

These five papers are accompanied by three research notes. The first is a review of cross-cultural research into psychological contracts by Krivokapic-Skoko, O'Neill, Dowell and Kleinschafer. It leads to a "...call for expressions of interest from academics who would like to be involved in conducting psychological contract research at their university and become part of a large cross-national research project (Krivokapic-Skoko *et al.*, this issue, p. 92). The second suffers from what Lorsch (1979) has described as "...the academic Tower of Babel...", in which researchers investigate similar problems and yet describe their key constructs in widely different terms. Martin, Martin and Tootell's research note concerning the retention of New Zealand customs officers through a study of their '...employment value proposition attributes' suffers from this problem. While it could well have benefitted from being framed in psychological contract terms, it nonetheless concludes that some of the key factors in retention are similar to those

affecting the business academics described earlier. Both groups, academics and customs officers still retain a strong career orientation even if their managers do their best to frustrate it.

The final research note has no explicit psychological contract content, but it does raise important issues for future employment relations research in New Zealand. Millar shows how union organisation is still possible with the young who have no previous knowledge of trade unions if they are helped by inept management and favourable circumstances. This note provides much needed encouragement to union organizers. Many of their potential clients have no previous knowledge of trade unions and may have been born since the Employment Contracts Act 1991, which permitted employers to offer only the minimum statutory terms for pay and conditions.

August, 2009

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## **Assessing the Contents of the Psychological Contracts: A Cross - Sectional Survey of the Academics at an Australian University**

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### **Abstract**

This paper addresses the content of psychological contracts within academia and provides some empirical evidence from an Australian University. Using exploratory factor analysis of the data collected from the cross-sectional survey this research classified the academics' obligations to the University as meeting academic expectations, commitment; and 'above and beyond'. With regard to the University's obligations as perceived by the academics the research identified the following eight underlying factors: fair treatment in promotion; staff development and support; good management and leadership; academic life; fairness and equity; appropriate remuneration; rewarding performance; and, good workplace relations. The initial cluster analysis allowed for some unpacking of the effects of such characteristics as gender, age, position level, union membership, and length of employment upon the content of the psychological contract. What emerged from the analysis is that each of these dimensions is an important factor with regard to psychological contract content and effects. It is critical for the University and the academics to be sensitive to possible differences in expectations, since unrealised expectations may result in demotivation, decreased commitment, increased turnover, and loss of trust in the organisation. These contracts motivate employees to fulfil commitments made to employers when they are confident that employers will reciprocate and fulfil their side of the contracts.

### **Introduction**

Australian universities have become increasingly commercial as organisations, and are increasingly competitive with each other in their pursuit of funds and students. Australian academics now work within universities that have been characterised as increasingly managerialist (Marginson and Considine, 2000), universities where traditional academic freedoms and autonomy have declined, and performance expectations have sharply increased (Winter and Sarros, 2000). Ongoing change has become the norm, and we have seen the practice and language of business come to dominate the practice and language of university leaders and managers (Curtis and Matthewman, 2005). In many universities, staff/student ratios have reached new highs, and value conflict between principles and practices associated with managerialism and commercialisation and those traditionally associated with a commitment to teaching, learning and scholarship has become a widely recognised problem (Winter and Sarros, 2000; Marginson and Considine, 2000; Jarvis, 2001).

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Further complicating the landscape is the fact that the long-established Australian universities<sup>1</sup> with their stronger financial and research resources appear to be better positioned to operate and prosper in this context, while others, such as the university that was the site of our empirical research<sup>2</sup>, face more complex and challenging futures.

It is in this context of ongoing change in university practices, structures and processes that our research into the content of the psychological contracts of academics from an Australian university business faculty has been undertaken. We hold that the psychological contract is a relevant and powerful construct to explain, and even manage, contemporary academic workplace relations, especially in times of considerable workplace change. We argue that understanding the formation and content of academics' psychological contracts is crucial to understanding and managing the work performance of academics. Further, we argue that understanding and effectively managing the psychological contracts that academic employees develop can assist universities to meet their performance goals. The remainder of this paper is divided into two sections: the first briefly addresses some key features of the psychological contract, and discusses past empirical research conducted on psychological contracts within academia; and, the second presents the results of our empirical research.

## **Psychological Contracts within Academia**

Numerous researchers agree that the psychological contract plays an important role in understanding the contemporary employment relationship (see, for example: Wellin, 2007; de Vos, Buyens and Schalk, 2005). In essence, the concept of the psychological contract encapsulates aspects of the employment relationship which far exceed those addressed in formal contractual agreements<sup>3</sup>. There are, broadly speaking, two main conceptualisations of the psychological contract. The first is based on the idea that there are two parties in the employment relationship who have mutual obligations to each other: the organisation and the employee (Herriot, Manning and Kidd, 1997). These mutual obligations may have been explicitly communicated through formal contracts, or they may be implied through the explicit or implicit expectations of organisations and employees. The second conceptualisation focuses upon the psychological contract as it is formulated in the mind of the employee only. This approach gives emphasis to:

Individual beliefs, shaped by the organisation, regarding the terms of an exchange between individuals and their organisation. A key feature of the psychological contract is that the individual voluntarily assents to make and accept certain promises as he or she understands them (Rousseau, 1995: 9-10).

The psychological contract encompasses employee's subjective interpretations of their employment deal. For example, the employee may believe that the organisation has made certain commitments, such as providing job security, high pay, promotion, and training in exchange for the employee's hard work and loyalty (Rousseau, 1990).

Since the 1990s most researchers of psychological contracts have adopted the second conceptualisation, thereby emphasising the importance of the individual employee's

sense of obligations (Turnley and Feldman, 1999; Robinson, 1996; Morrison and Robinson, 1997; Robinson, Kraatz and Rousseau, 1994). Our study also aligns with this second conceptualisation, and more specifically Rousseau's individual-based definition that focuses on what each individual (in our case an academic) expects from the organisation and what they hold to be the organisation's expectations of them.

Beyond consideration of who is actually party to a psychological contract, the difficulties of accurately defining these contracts arise from the fact that they are a subjective and idiosyncratic phenomenon. To begin with, the perceptual and individual nature of psychological contracts makes them distinct from formal written contracts. Further, these contracts are subjective and grounded in the social and cultural contexts where employers and employees believe they have reciprocal obligations and presumably share a common understanding of the nature of these obligations. However, the understanding of the expectations and mutual obligations may not be consistent because the two parties have different and changing perceptions of the other and their expectations.

Employee perceptions, while diverse, are considered to be influenced by whether the employee desires a transactional or a relational employment exchange with their employer (Rousseau, 1990). Transactional contracts are based on the achievement of extrinsic benefits such as pay for performance, whereas relational contracts are based on the intrinsic rewards of employment such as developing relationships, fulfilment of personal goals and a higher degree of personal involvement (Rousseau, 1990). Adding to the diversity in perceptions are the outcomes each individual hopes to achieve as a result of employment. The perceptual and individual nature of psychological contracts is further illustrated by the quantity of elements psychological contracts incorporate. In general, these elements include the responsibilities the employee is prepared to accept and the responsibilities that the employee perceives that the employer is obligated to provide in return.

There is an increasing body of the research which shows how the psychological contract can impact on the behaviour and performance of employees (de Vos et al., 2003; Conway and Briner, 2005). The psychological contract has the potential to enhance organisation performance, to facilitate engagement of employees, and employee alignment with organisational decisions and planned organisational changes (Wellin, 2007). It has even been argued that perceived obligations within the psychological contract are frequently more important to job-related attitudes and behaviour than are the formal and explicit elements of contractual agreements (Thomson and Bunderson, 2003). Studies have indicated that violation of employee's elements of psychological contracts may influence work outcomes, including job satisfaction, participation in development activities, and intention to remain with the current employer (Cavanaugh and Noe, 1999; Freese and Schalk, 1996; Dabos and Rousseau, 2004).

As a result of the complex nature of psychological contracts, a diverse range of contract elements have been addressed and measured in the literature (Thomas and Anderson, 1998; Kickul and Lester, 2001; Guest and Conway, 2002; Thompson and Bunderson, 2003). A comprehensive review of the various elements listed in the literature (Krivokapic-Skoko, Ivers and O'Neill, 2006) sought to differentiate the

contractual elements into varied sub groups. Employee responsibilities can be categorised into four groups: (a) organisational citizenship behaviour; (b) basic obligations; (c) work environment; and (d) loyalty. These four categories specified the behaviours and responsibilities that employees were prepared to be accountable for in return for the employer upholding what their employees believe to be their obligations. Employers' responsibilities can be classified into six categories: (a) payment/ benefits; (b) management; (c) work environment; (d) fairness; (e) empowerment; and, (f) personal needs. These six categories covered the payments and benefits that employers were obligated to provide to their employees, the way in which the organisation was managed, and again the day-to-day work environment within the organisation. Further, employees considered that employers were obligated to ensure that that employees were empowered, treated fairly, and that their employee's personal needs were addressed.

While empirical research on psychological contracts has developed significantly during the past decade (Coyle-Shapiro and Conway, 2005; Freese and Schalk, 1996; Cavanaugh and Noe, 1999; Turnley and Feldman, 1999; DelCampo, 2007; Nadin and Cassell, 2007; O'Donohue, Donohue, and Grimmer, 2007a), empirical research on psychological contracts within academia has been very limited. It is represented by the studies of Dabos and Rousseau (2004), Newton (2002), Tipples and Krivokapic-Skoko (1996, 1997), Tipples and Jones (1998) and more recent Australian based focus group research discussed in O'Neill, Krivokapic-Skoko and Foundling (2007) and Tipples, Krivokapic-Skoko and O'Neill, (2007). Research on the psychological contracts established by scientists/knowledge workers (O'Donohue, Sheehan, Hecker and Holland, 2007b) can be also understood as addressing the subject area of academia.

Dabos and Rousseau's (2004) survey based research among academics employed by a research-focused School of bioscience in Latin America identified how mutuality and reciprocity between employees and employers can develop and result in very beneficial outcomes for both sides of the employment relationship. This mutual understanding of the obligations resulted in positive outcomes for both researchers (career advancement and promotion) and the employers (increased research productivity). Very interestingly, there was convergence in perceptions of employees and employers with regard to psychological contracts. Newton (2002) used the concept of psychological contracts to discuss collegiality, professional accountability, reciprocity and mutual trust at a UK college of higher education. Based on the in-depth empirical research, the author argued that a lack of reward and recognition for academic work, as perceived by the staff members, can be also explained by not taking into account the existence of the psychological contracts.

The empirical research undertaken at Lincoln University, New Zealand, by Tipples and Krivokapic-Skoko (1996; 1997), indicated that the academics' psychological contracts were in a very poor state. Apart from qualitative interviews and the use of documentary sources, the authors conducted a questionnaire survey of academic colleagues and used an alternative research method based on critical incidents to explore the staff members' beliefs and expectations about their relations with the University. The empirical research pointed at the Work Environment as the major component of the psychological contract established by the academics. Generally, the academics were not satisfied with the extent to which the University had met what



were perceived as its promised obligations. That dissatisfaction was consequently associated with a low level of job satisfaction. Apart from low Job Satisfaction, the academics identified Career Development, Payment, Long Term Job Security and Promotion as common areas for violation of the psychological contract. Support with personal problems was also an area where academics stated they felt they were owed by the university. More specifically, the University respondents noted matters relating to Promotions, Research Support, and Management Support, where issues of Confidentiality and Honesty were singled out. Many academics thought that the university was losing direction through poor management and communication, which was contributing to a loss of trust within the organisation. Administrative issues were the major concern, followed by the greater demands on academic staff with decreased resources and rewards. Another theme which was also apparent, as a result of violation, was the increase of auditing type arrangements, and the development of a 'them/us' antagonistic culture, which relates to an increased administrative workload and intensified relations with the bureaucracy at the University. The initial research undertaken at Lincoln University, New Zealand, by Tipples and Krivokapic-Skoko (1996; 1997) was based on Rousseau's conceptualisation of the psychological contract. The follow up research involving the same empirical site (Tipples and Jones, 1998) was based on critical incident approach as advocated by Herriot et al (1997). The results indicated that the academics' obligations to the University centred around the issues of Hours (to work the hours contracted), Work (to do a good job in terms of quality and quantity) and Loyalty (staying with the University, putting the interests of the University first). Obligations of the University centred around Fairness, Consult (consulting and communicating), Recognition, Environment (provision of safe and friendly environment) and Job Security.

The focus group research conducted with business school academics at an Australian university (O'Neill et al, 2007; Tipples et al, 2007) provided some insights into the formation, content and effects of Australian academics' psychological contracts. Like Tipples and Krivokapic-Skoko (1996; 1997), they identified the existence of considerable disappointment and dissatisfaction with perceived breach of promises, however, morale and job satisfaction did not appear to be as low as was the case at Lincoln University. O'Neill et al (2007) and Tipples et al (2007) argued that the academics' commitments to students, society, academic discipline, and the university (understood as an important institution within civil society fostering social good) had powerful effects on their psychological contracts. The academics very strongly indicated that they had a professional responsibility and spoke to a significant social role which effectively extended beyond the boundaries of the psychological contracts they established with the university. In the face of what most perceived to be an environment of work intensification that was marked by increasing demands for quality research outcomes and teaching excellence, shifting rules and expectations regarding promotion, and increasing administrative burden, these commitments were deemed to have strongly mediated psychological contract 'violations'.

Similarly, the findings by O' Donohue et al (2007b) indicated that scientists and knowledge workers were more concerned with ideological/societal concepts (scientific contributions and knowledge accumulation within the organisation) within their work than with the transactional or relational psychological contracts established with their organisation. The need for the knowledge workers to contribute to 'knowledge' was to the fore, and there was general agreement that the organisation

would reciprocate appropriately. Thus, continuous contribution to knowledge, public access to knowledge, and the furthering of Australia's knowledge base are vitally important to these professionals, thereby forming core elements of their psychological contracts.

While referring to the general literature on the psychological contracts Conway and Briner (2005) argued that there were relatively few studies specifically designed to assess the contents of the psychological contract. The research discussed below represents an attempt to address this 'knowledge gap' by exploring the contents of the psychological contracts established by academics. It is our objective to unpack the contents of the 'deal' between academics and their University by exploring the results of research completed using a set of multi-item measures and exploratory factor analysis. The discussion also extends the limited literature on psychological contracts in academia.

### **Research Design: Sample, Measurements and Methods**

In reviewing the conceptual development and empirical assessment of the concept of the psychological contract Conway and Briner (2005) indicated that most researchers assessing the content of the contract used self report questionnaires. For instance, 70% of the empirical studies reviewed by Conway and Briner (2005; 89) were based on the cross-sectional questionnaire survey, 20% were based on the longitudinal questionnaire surveys and only 10% were based on qualitative data from interviews. Empirical assessment of psychological contracts as done by Kickul and Liao-Troth (2003), Rousseau (1990), Freese and Schalk (1996), Cavanaugh and Noe (1999), Janssens, Sels and Van den Barnde (2003) was based on the survey questionnaires. Most commonly, a five or seven point Likert scale has been used extensively to indicate the degree to which employees agree with particular elements of psychological contracts, such as the degree to which their employers had fulfilled or failed to fulfil perceived promises. The 'list of promises and obligations' as outlined in the seminal work by Rousseau (1990) were mainly used as the psychological contract measures and completed from an employees' perspective.

#### *Sample*

Following this most common approach to empirical assessment of psychological contracts – the use of quantitative analyses and the cross-sectional survey - this research was based on the survey questionnaire distributed to the full time academics employed by a University business faculty. Using a variation of the Total Design Method (Dillman, 1978), a total of 117 questionnaires were mailed out (using postal mail), and of these 60 questionnaires were completed and returned (51% response rate). Initially, all respondents were contacted via email to make them aware of the research and to ask for their assistance. Next, a questionnaire and a cover letter were sent to each of the respondents, which yielded 41 responses. This was followed with a reminder letter (gaining another nine responses) and finally a second questionnaire and another letter, netting the final ten responses. Most of the surveys were completed in full, meaning few (2) were discarded due to respondent error.

*Item Selection*

The items used in the questionnaire came from two sources. Existing psychological contract literature provided some items and other measurement items were based on the focus group analysis of psychological contracts by O'Neill et al (2007). The existing items were adopted from Janssens et al (2003) and de Vos et al (2003), but were altered to reflect the university context of the research. The focus groups analysis of the academics' psychological contracts (O'Neill et al 2007) provided a number of insights, which were used to develop items included in the questionnaire for this research. In total, 31 items were included to measure perceived university obligations (summarised in Table 1), while 13 were included to measure the obligations of the individual academic to the university (summarised in Table 2). In accordance with previous research (Kickul and Liao-Troth, 2003; Janssens, et al, 2003; Rousseau, 1990) five point Likert scales were used. This allowed the respondents to agree or disagree to varying levels with statements about themselves or the university. The survey was designed to identify what academics bring to their work that is not explicitly stated in the employment contract, and what they believe the University has promised them in return. As with the approach taken by Westwood, Sparrow and Leung (2001) this study first assessed the promises and commitments employees (academics) perceived their organisation (the University) has made to them, followed by an assessment of the obligations which employees (academics) perceive they themselves have to the organisation. To examine academics obligations towards the university and the obligations that academics perceive they have to the university a factor analysis and cluster analysis has been used to develop understanding.

*Factor Analysis*

Once the data were collected, factor analysis was used to investigate the two key variables (1) academics' obligations to the University and (2) academics' perception of the University's obligations to them. Principle components analysis was utilised due to its ability to identify a parsimonious set of factors (Hair, Black, Babib, Anderson and Tatham, 2006, Malhotra, Hall, Shaw and Oppenheim, 2002) and its suitability for exploratory research (Malhotra et al, 2002). A Varimax rotation was used to ensure the factors were easy to interpret through the simplest structure (Hair et al, 2006, Aaker, Kumar, Day and Lawley, 2006). The first factor analysis revealed eight factors that related to the academics' perceptions of University's obligations to them and in the second factor analysis three factors were found relating to the academics' obligations to the University.

The findings from the factor analysis are included in Table 1 (University's obligations to the academics) and Table 2 (academics' obligations to the University). The number of factors was decided by including eigenvalues of above one. In the universities obligations to the academics eight eigenvalues were above one and in the academics obligations three eigenvalues were above one. The variance explained was also acceptable (74% and 58%) further indicating that the factor solutions are eight and three. As can be seen in the tables, there are some instances of cross loading, however, all factors are reliable. Each factor has a Cronbachs alpha of 0.60 or above (Appendix 1) which is acceptable for exploratory research of this nature (Hair et al, 2006). Further supporting the factor solutions, each factor had a KMO above 0.60 and

each factor had a significant Barlett's test of Sphericity, and there were correlations of above 0.3 for each item included, thus exceeding Hair et al's (2004) levels of acceptability.

The first factor analysis completed analysed academics perceived obligations of the university. The eight factors are: 'fair treatment in promotion'; 'staff development and support'; 'good management and leadership'; 'academic life'; 'fairness and equity'; 'appropriate remuneration'; 'rewarding performance'; and, 'good workplace relations'. The eight factors all present face validity and give an impression of what obligations are important to academics. The first factor, 'fair treatment in promotion', incorporates items that were associated with treatment by management in relation to promotion. In many respects an extension of this first factor is the second factor, 'staff development and support'. Here the key themes were support for staff in terms of promotion and career development as well as the creation of an environment conducive to employee development. The third factor, 'good management and leadership', is concerned with effective leadership and management, including the reduction of bureaucratic 'red tape'. The fourth factor, 'academic life', contains many of the elements synonymous with working in an academic environment. The items within 'fairness and equity' relate to the expectation that university management will act ethically and will be fair with regard to managing change. The sixth factor, 'appropriate remuneration', is about salary and expectations of some comparability between public and private sector remuneration. The seventh factor, 'rewarding performance', relates to recognition of performance in diverse ways, while the eighth factor, 'good workplace relations', includes items surrounding workplace flexibility and even union membership.

The second factor analysis contains the items relating to academics perceived obligations to the university. Three factors were identified: 'meets academic expectations'; 'commitment'; and, 'above and beyond'. The first factor, 'meet academic expectations', relates to academics meeting typical expectations with regard to teaching, research, and associated administration. The second factor, 'commitment', relates to the commitments academics make to the university, including, for example, a commitment to stay employed by the university for several years, commitment to travel for work, and commitment to collegial practice. The third factor, 'above and beyond', is not concerned with completing 'normal' assigned tasks, but completion of tasks beyond the typical job description, including commitment to quality teaching and student development in the face of competing demands on time.

Factor Items	Factor Loading							
	Factor 1: Fair treatment in promotion	Factor 2: Staff development and support	Factor 3: Good management and leadership	Factor 4: Academic life	Factor 5: Fairness and equity	Factor 6: Appropriate remuneration	Factor 7: Rewarding performance	Factor 8: Good workplace relations
Provide clear and consistent requirements for promotion	0.85							
Treat you fairly and equitably with regards to promotion	0.82							
Be fair and equitable in its treatment of academics	0.74							
Provide opportunities for career development		0.76						
Support ongoing professional development		0.73						
Provide opportunities promotion		0.69						
Provide remuneration that is comparable to other universities		0.61						
Provide a safe and comfortable work environment	0.52	0.60						
Ensure that staff act collegially		0.51						
Provide good management			0.76					
Provide good leadership			0.75					
Minimise the impact of red tape			0.72					
Provide security of ongoing employment				0.68				
Allow you autonomy to act as a professional academic				0.66				
Maintain academic freedom				0.62				
Respect the demands of family/personal relationships				0.62				
Communicate important information to you				0.56				

Acknowledge the long hours you devote to work										0.83
Act ethically										0.79
Manage the pace of change so that it does not adversely affect you										0.57
Provide remuneration that is similar to the private sector										0.84
<b>Factor Items</b>	<b>Factor Loading</b>									
	Factor 1:	Factor 2:	Factor 3:	Factor 4:	Factor 5:	Factor 6:	Factor 7:	Factor 8:		
	Fair treatment in promotion	Staff development and support	Good management and leadership	Academic life	Fairness and equity	Appropriate remuneration	Rewarding performance	Good workplace relations		
Provide remuneration that is similar to the public sector										0.81
Recognise your non-university experience										0.56
Reward excellence in teaching through the promotion system										0.79
Reward excellence in research through the promotion system										0.62
Reward excellence in admin/management through the promotion system										0.53
Be honest in its communications with you										0.56
Offer flexibility regarding working from home										0.86
Respect the role of academic unions in the workplace										0.62

**Table 1: University’s Obligations Factor Scores**

Factor Items	Factor Loading		
	Factor 1: Meets academic expectations	Factor 2: Commitment	Factor 3: Above and beyond
Comply with University rules and regulations	0.74		
Act ethically at work	0.65	0.40	
Advance your discipline	0.62	0.58	
Publish scholarly research	0.58		
Work effectively and efficiently	0.57	0.45	
Stay employed by the University for the next 2 years		0.77	
Travel for work		0.73	
Act collegially		0.61	
Work long hours to complete tasks		0.52	0.51
Complete tasks that are not strictly part of your job			0.78
Complete tasks that are asked of you			0.66
Provide teaching quality	0.52		0.61
Enhance student development	0.58		0.59

Note: Mean scores for academics' obligations factors are listed in Appendix 3.

**Table 2: Academics' Obligations Factor Scores**

### *Cluster Analysis*

While the factor analysis yielded interesting results, these are limited as the academics' characteristics (for example, sex, tenure and length of employment) were a major influence on their preferences, thereby limiting the results. Hence, to overcome this limitation, cluster analysis was used to further examine the factors and the individuals associated with them. Cluster analysis allows us to see which groups of respondents value certain factors which we identified in the factor analysis (Hair et al 2006). Cluster analysis is suited to descriptive research where understanding of the sample is sought (Hair et al 2006). In the case of this research, we will be able to see groups of people within the sample and their preferences for the factors identified earlier.

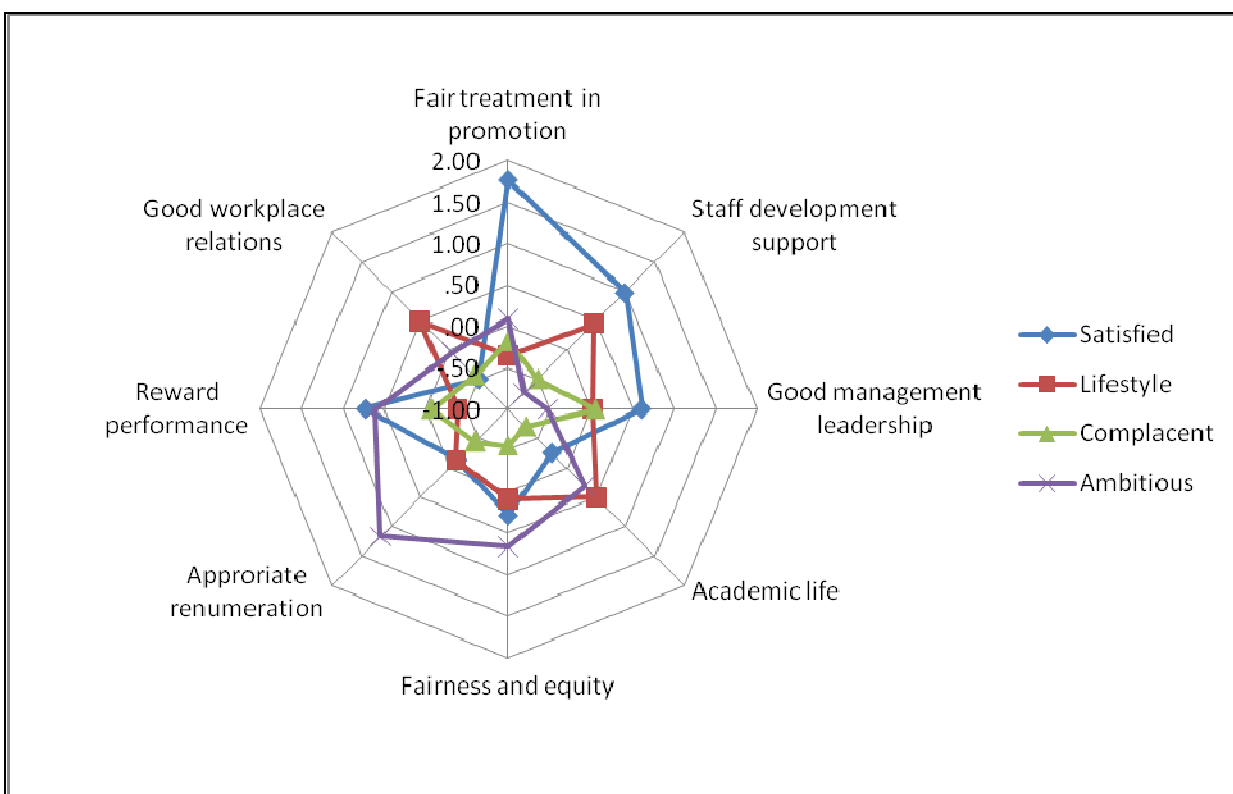
A hierarchical clustering method was used, as understanding of a few, rather than many, clusters is sought. That noted, the size and single industry nature of the sample mean that this would likely be the case anyway. Wards method was adopted as it is well suited to this type of exploratory analysis and also minimises the number of clusters identified (Hair et al 2006). Further, somewhat even clusters sizes are expected, which is another reason to use Wards method (Hair et al 2006). The Squared Euclidian Distance was used in the two cluster procedures that were run as it is normally used in conjunction with Wards method and because similarity was sought (Hair et al 2006). A number of techniques were used to establish validity. Multinomial logit models, ANOVA and further clustering methods were all used to establish that clusters were significantly different. In the case of ANOVA and multinomial logit modelling, the sample size inhibits any real insight from this analysis. These were still performed with some positive results. When ANOVA was used with the categorical variables utilised to profile the

cluster solutions, the findings indicated that some (not all) of the demographic variables were different across clusters in both procedures. The logit modelling was more successful, as it was found that several of the demographic variables were significantly different from cluster to cluster. K-means clustering was also used to confirm the hierarchical clustering results. Again, limited support was found indicating that a four cluster solution for both procedures is a reasonable conclusion. Finally, a two step cluster procedure was used to confirm the hierarchical findings, and this indicated a similar clustering solution thereby deeming that the findings were appropriate. None of the validity findings are certain; however, this is an exploratory study. That noted, the combination of methods used to examine validity provide enough evidence to suggest the findings are worth reporting.

Multiple cluster procedures were run, as there are two different perceptions being examined. The first cluster procedure was for the academics' perceptions of the University's obligations and the second was for the academics' obligations to the University. To identify the correct number of clusters in the University's obligations to the academics procedure three to seven solutions were examined, and for the academics' obligations to the university three to five cluster solutions were examined. In both cases, the agglomeration schedule, dendrogram and frequencies were used to determine the number of clusters to be examined. The agglomeration schedule indicated that between three and four clusters was appropriate for both cluster procedures. The dendrogram also indicated that four clusters was the most suitable solution, as did the frequencies. Using four cluster solutions, the factors, and the demographic information collected in the survey, the following insights into the clusters were developed (note: the clusters are profiled according to the factors and the demographic details collected).

The first cluster procedure was conducted on the factors related to academics' perceptions of the University's obligations to them, and Figure 1 outlines the four clusters with factors scores.

**Figure 1: University's Obligations Clusters with Factor Scores**





*Cluster 1: Satisfied*

The respondents in this cluster scored highest on fair treatment in promotion, staff development support, reward for performance, and workplace relations. This was, however, the smallest group representing only 10% of the sample. Strongly concerned with teaching and research, and ignoring administration and management, they reflect what many would see as traditional University employment preferences. They also have, on average, been employed at their current institution for longer (12.7 years) than any of the other clusters. Their average age was 47 and they had also spent on average 7.25 years at another university. The group was also predominantly male, to a much greater extent than any of the other clusters, and they were employed in more senior positions. Interestingly, members of this group were less frequently union members. In summary, this cohort exhibited a high level of faith in the University's systems and indicated belief that the University will fulfil its obligations.

*Cluster 2: Lifestyle*

The respondents in this cluster were most concerned with academic lifestyle, placing greater emphasis on this issue than any of the other groups. While the group did exhibit interest in fair remuneration, they displayed the lowest interest in reward for performance and performance based promotion. The largest cluster, with 38% of the sample, they also appear somewhat disinterested in the quality of management and leadership provided. In contrast, they highly valued, more than any of the other groups, collegial workplace relations. In terms of demographics, the group had the second longest length of service at their current institution (11.6 years), however, they had spent less time at other universities than any of the other group. They more often originated from the public sector, and more often migrated from another faculty within their current University, than those in the other clusters. Further, the group was less concerned with the traditional teaching and research role and more concerned with management, administration and professional development. They have been, on average, at their current academic staff level for around six years. They were also the oldest group, had the highest number of females, and the lowest level of completed doctorates.

*Cluster 3: Complacent*

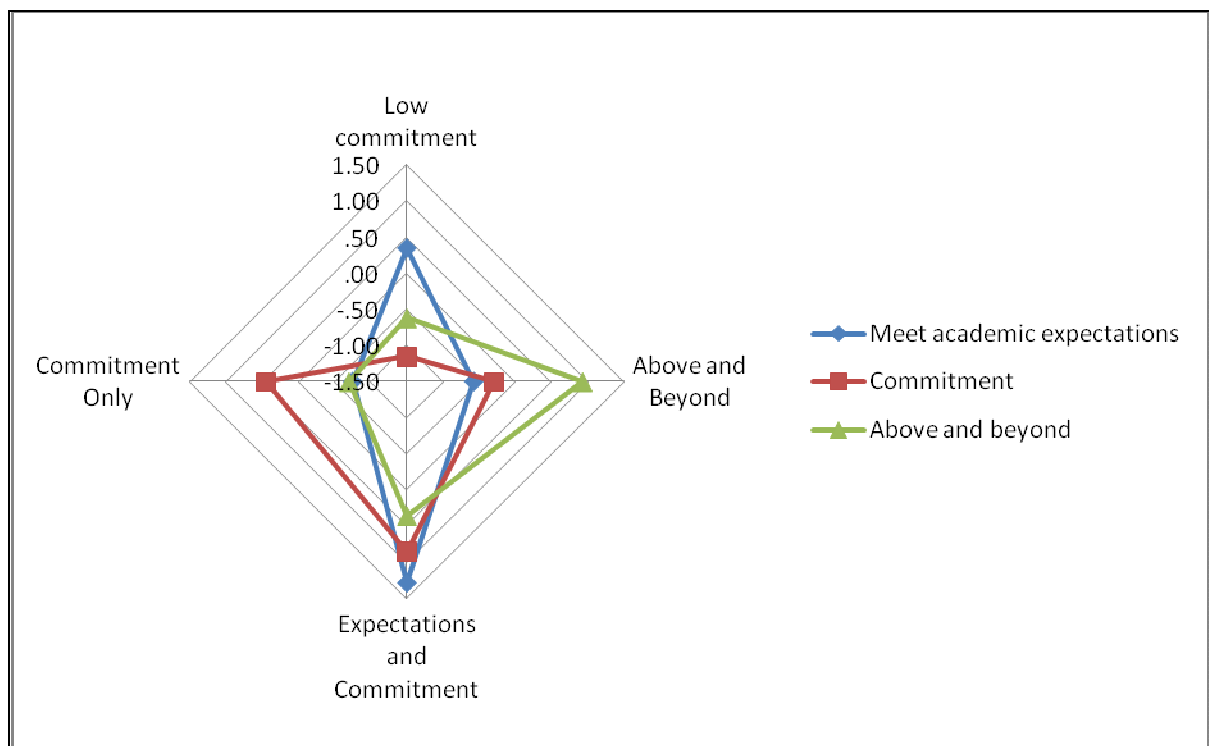
Those in the 'complacent' cluster had the lowest interest in all of the areas that the clusters were assessed on. Academics in this cluster were, on average, the second oldest and this was second largest group (32% of the sample). The group expressed the least interest in academic life, workplace equity and concern for appropriate remuneration. Limited interest was indicated in relation to reward for performance, good management/leadership, staff development, and fair treatment in promotion. This group is characterised by having the lowest academic level positions and they have spent the most amount of time at their current position level. Their primary role at the University more frequently includes administration or management than the other groups. On average, they have spent around 10 years at their current university and over six years at their previous university. While expressing very little interest in workplace conditions and promotions, this group had the largest number of union members. Finally, this was the most ethnically diverse group.

Cluster 4: *Ambitious*

The academics in this cluster are very eager to receive appropriate remuneration and rewards for their performance. They also expressed high concern for equitable treatment but placed relatively little importance on the quality leadership and management or good workplace relations. They place a moderate amount of value on academic life and fair treatment in promotion. The youngest of all four cohorts, members of this cluster have the shortest length of service with their current institution, as well as the shortest amount of time at their current position level. Interestingly, on average they have the longest service with previous universities and have the highest levels of education on average. Those in this cluster were also more likely to be students before they joined their current institution. In general, they are a younger more career minded cohort than any of the others. They also saw themselves as having greater career mobility.

The second cluster procedure was conducted using the factors relating to the academics' perceptions of their obligations to the University. This also generated four clusters as shown in Figure 2.

**Figure 2: Academics' Obligations Clusters with Factor Scores**



Cluster 1: *Low commitment*

As a cohort, this was the smallest group accounting for 20% of the sample. This group expressed the least interest in issues associated with commitment to their work and the University. While they have the second highest interest in meeting University

expectations, they expressed very little interest in going 'above and beyond' standard University expectations. In terms of demographics, the group had by far the largest union membership, were the oldest, had the highest proportion of males, had spent the most time at other universities, and had been at their current academic level for the longest period. This cluster expressed strong interest in teaching and research.

#### *Cluster 2: Above and Beyond*

This cluster was the second largest group, containing 25% of the sample. This group expressed the highest level of interest in working 'above and beyond' standard University expectations. This group was the youngest of the four clusters, had the lowest level of union membership, and the least number of years of service with their current University and other universities. Given their limited employment duration, it is not surprising that they have the shortest period at their current level. As the youngest cluster, generational differences associated with lower concern regarding security of tenure, relative comfort with career movement and mobility, and lower commitment to employers seem to be in play.

#### *Cluster 3: Expectations and Commitment*

Cluster three accounted for 22% of the overall sample. This group had the highest level of interest in meeting 'academic expectations' and expressed the highest level of 'commitment'. They also indicated a strong interest in going 'above and beyond' basic expectations. On average, this group held the highest academic positions and had been employed by the University for one year more than the other groups. They also possessed the highest education levels and lowest number of incomplete postgraduate degrees.

#### *Cluster 4: Commitment Only*

The final cluster in this procedure is the largest, with 27% the sample. The only factor that had a positive weighting for this cluster was 'commitment'. The group had the lowest level of interest in working 'above and beyond' and in meeting 'academic expectations'. The demographics of this group differed to each of the other clusters, having the highest percentage of females and the highest level of incomplete postgraduate degrees. On average, they were second highest cluster in terms of academic positions, had been employed by the University second longest, and had the second longest period of employment with their previous institution.

### **Implications for Management**

Having completed two cluster analysis procedures, we now move to briefly address some management issues and implications that emerge from consideration of our cluster analysis findings. For while Wellin (2007) has noted that research and discussion of effective management of psychological contracts has been very limited, as noted earlier, extensive empirical research has pointed to the powerful effects of psychological contracts on employee engagement, commitment, motivation, and responses to change (see, for example: Conway and Briner, 2005; Dabos and Rousseau, 2004; Thomson and Bunderson, 2003; and Wellin, 2007). It is widely accepted that the maintenance of positive psychological contract can help facilitate the achievement of positive morale, a

favourable organisational culture, and employee support for planned organisational change.

Research into the negative impact of breaches of the psychological contract has made the implications of dishonesty, and failure to deliver on perceived commitments, abundantly clear (see, for example: Conway and Briner, 2005; and, Wellin, 2007). Disappointment, dissatisfaction, and disaffection are just some of the negative consequences of poor management of the psychological contract, and such feelings will negatively impact academic commitment and performance. Performance appraisal meetings, and discussions around work and career planning, are good examples of sites of opportunity for managers where they can carefully address expectations, and even reciprocity, with staff. There are, of course, risks where managers seek to make the implicit explicit and then fail to deliver on perceived obligations and promises. Indeed, failure to deliver on explicit promises may create a more intense negative response from academics than failure to deliver on an implicit 'perceived' promise. That noted, as leadership research has shown (see: Avolio, Walumbwa and Weber, 2009), managers must take care not to reduce their approach to 'managing' staff, and their psychological contracts, to the 'transactional' performance management practices but seek to inspire staff to pursue goals that align with their beliefs, commitments and sense of obligation.

Focusing specifically on the university context, there are opportunities for university managers to influence the development of academics' psychological contracts. However, given that so much of the psychological contract is implicit, understanding the content is not a simple matter of managers reflecting upon what academics expect and are willing to do. Further, as our research has shown, there is very considerable variation in the content of the psychological contracts of business school academics. As such, careful research into the content of academics' psychological contracts is warranted. Such research can be of very considerable benefit to university management as it can provide powerful insights in to factors affecting employment relations and university performance. Managers can then act in a more informed manner to help develop and maintain organisationally favourable psychological contracts. They can have some influence on the development of psychological contract content so that academics' expectations of the university might better align with what the university can deliver to them. The obligations that academics perceive that they have to the university might also be influenced by managers.

In seeking to influence academics' psychological contracts honesty and openness around expectations, working conditions, and career development opportunities are crucially important, and this honesty and openness should be evident from the recruitment phase (Lester and Kickul, 2001). Negotiation and consultation are critically important if change is to be realised in the content of psychological contracts. Imposition of change will encounter resistance, and often result in problematic workplace relations and behaviour, where academics perceive that the psychological contract has been breached. The work of Turnley and Feldman (1998) provides insight into how university managers might mitigate against the reactions to psychological contract violations by carefully and honestly explaining the reasons for change. Indeed, it can be expected that academics will react less negatively to changes in psychological contracts when they attribute the change to "legitimate, external events' outside management's control" (Turnley and Feldman, 1998: 81). As Turnley and Feldman (1998) also noted building cohesive relationships among employees and supervisors is important in order to buffer the negative consequences of psychological contract violations. Rousseau (1995) and Morrison and

Robinson (1997) pointed to the benefits of 'open-book' management where sharing information allows employees to understand the reasons for change and also recognise their contribution and significance to the work of the organisation.

Our cluster analysis signposted the complexities associated with managing and leading academics. It also highlighted the need for university managers to recognise the variability in the content of the psychological contracts that are formed by academics. The research pointed to the existence of quite divergent expectations, interests, motivations and levels of commitment to the university. Sensitivity to such variations, and tailoring of management initiatives and messages, is therefore important if the university is to achieve its goals. The academics in our sample will, for example, respond variably to teaching, research and administrative goals and performance objectives. They will also respond variably to different leadership and management styles, and to the pace and extent of workplace change they encounter. Managing ongoing change in the university requires careful re-negotiation of the content of psychological contracts, especially when expectations of academics change and/or when what the university is providing to staff changes. Managers must also be sensitive to the cumulative effects that interactions with, and between, staff have upon the state of psychological contracts. They impact academics' commitment and performance.

Clearly, the psychological contract can be leveraged to enhance university performance. Knowing what different academic staff perceive to be their obligations to the university, and the university's obligations to them, means that managers can carefully select and motivate academics most likely to support and champion particular initiatives around research, teaching, or administration. Understanding academics' differences will prove valuable. For example, the 'satisfied' cluster might quickly become dissatisfied if they perceive poor management and leadership, and/or few professional development opportunities and poor treatment in relation to promotion. Similarly, academics within the 'complacent' cluster might lose their complacency, becoming more motivated and focused through effective management and leadership, or even angry and oppositional if they find their efforts in management and administration are somehow thwarted. Those in the cluster who value the traditional academic 'lifestyle', placing a premium upon autonomy, academic freedom, collegiality, and workplace flexibility, will respond negatively to many of the changes commonly associated with the creeping managerialism that is evident across the university sector. Clearly, this poses a real management challenge, as academics in this 'lifestyle' cluster place limited value on transactional performance rewards. Obviously, management can quickly alienate those in the 'ambitious' cluster by blocking career opportunities or not recognising and rewarding their efforts.

The second cluster procedure, which analysed the obligations that academics felt towards the university, provided insight into different management challenges. Key insights relate to how university managers can best harness the obligations and commitments that the academics feel to assist them in facilitating the realisation of faculty and university goals and objectives. Those in the 'low commitment' pose a considerable challenge to managers wanting to achieve more or realise considerable change. Being the most the most highly unionised academics, and those in their current positions for the longest period, they demand carefully tailored management if they are to move beyond meeting standard workplace expectations. The 'above and beyond cluster' are willing to do more in the workplace and might be usefully be mobilised by managers as champions for

particular goals, initiatives and change. Given the relative strength of their commitment to the university and meeting performance targets, the academics in third cluster, 'expectations and commitment', can be called upon to do more with the least risk resistance, loss of motivation and commitment. Understanding their perceived obligations allows managers the opportunity to harness their commitment and efforts, even in the face of considerable change. These academics, and their values, attitudes and beliefs, could serve as exemplars, and they could be mobilised to support the realisation of desired change in workplace culture. The 'commitment only' cluster are an especially challenging group to manage as their expressed commitment to the university seems outweighed by low levels of interest in working 'above and beyond' or even meeting 'academic expectations'. This cluster demands further analysis as they constitute the largest group of academics and seem to treat their work as 'just a job'. Motivating academics around such a 'limited commitment' is an especially challenging management exercise.

## Concluding Comments

Building upon the empirical evidence gathered from the cross-sectional survey, this paper has revealed the content and key elements of the psychological contracts formed by academics within an Australian university business faculty. The exploratory factor analysis identified eight factors in relation to the University's obligations to its employees and three underlying factors which explain individual academic's obligations to the University. In terms of expectations of the university, the following were identified as the key issues: 'fair treatment in promotion'; 'staff development and support'; 'good management and leadership'; 'academic life'; 'fairness and equity'; 'appropriate remuneration'; 'rewarding performance'; and, 'good workplace relations'. This partially reinforces the findings of some earlier empirical research on psychological contracts within academia (Tipples and Krivokapic-Skoko, 1997; Tipples and Jones, 1998) that identified the importance of leadership and management, fairness and equity (particularly when it comes to promotion), and provision of opportunities for career development. The three underlying factors explaining academics' obligations to the University that were identified were: meets 'academic expectations'; 'commitment'; and, going 'above and beyond'.

In addition to re-enforcing the importance of quite 'generalised' expectations already identified in the literature on psychological contracts, including the provision of good management, an appropriate work environment, and opportunities for career development (see, for example: Rousseau, 1990), our survey findings pointed to the perceived importance of maintaining academic freedom and allowing academics to act as professionals. Many of the academics we surveyed expected the University to reward excellence in teaching through the promotion system, offer flexibility through working from home, and provide support for research. Many strongly indicated that they have obligations beyond meeting basic academic expectations. The survey pointed to the academics' strong personal commitments to quality teaching and enhancing student development, both of which are seen as being part of their obligation to the University. These latter insights demonstrate that it would be limiting to attempt to understand the content of the psychological contract in narrow work performance terms.

This was the first empirical study to use cluster analysis to further examine the factors scores of perceived employer and employee obligations within a university context, and it

proved useful as a means of deepening understanding of academics' psychological contracts, variation among them, and their possible workplace effects. The analysis identified four clusters in relation to what academics perceive that the university is obliged to provide to them. These were: the 'satisfied' academics; the academics most concerned with maintenance of the academic 'lifestyle'; the 'complacent' academics; and, the 'ambitious' academics. The cluster analysis also produced four clusters in relation to what the academics perceived obligations to the university. These were labelled 'low commitment', 'above and beyond', 'expectations and commitment', and 'commitment only'.

We noted that prior research and the finding from this study indicate that university managers can and should act to maintain positive academic psychological contracts. We argued that universities will benefit where managers are able to deliver on academics varied expectations. Further, we believe that the insights that analysis of psychological contracts provide can allow managers to better manage and harness staff motivation, commitments, and personal interests to deliver on desired university outcomes. By knowing the content of psychological contracts, knowing academics' perceived expectations and obligations, university managers can better understand, predict and manage how academics will respond to various work pressures, demands, incentives and change.

Clearly, the weaknesses of the questionnaire survey do impact the validity and generalisability of the findings. The survey was based on respondents from a single organisation and used self-reporting questionnaires to assess variables which were framed in terms of promises and obligations. As the data was collected at a single point in time the research was not able to provide insights into the development of the contracts over time. Further, the sample consisted of academics only, and the sample size is small. Sample size limited some of the analysis as, for example, logit regression and ANOVA require larger samples to be fully effective. Therefore, caution must be used in generalizing the results of this study and comparing across different empirical settings.

Other limitations of this study result from the conceptual framework used to evaluate the psychological contract. As Cullinane and Dundon (2006: 116) pointed out, under Rousseau's approach "organisations are deemed to be something of an anthropomorphic identity for employees, with employers holding no psychological contract of their own". Since this research followed Rousseau's conceptualisation of the psychological contracts it included only academics' subjective interpretations and evaluation of their 'employment deal' with the university. Further research could usefully include the perspective of the employer, the university, in order to provide further insight into mutual and reciprocal obligations. However, bringing the employer's perspective into the psychological contract would be challenging, not least because of the difficulty of identifying and articulating the university perspective.

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**Appendix 1: Factor Reliability Scores**

Factor	Cronbach alpha score
<b>University Obligations</b>	
Fair treatment in promotion	0.89
Staff development and support	0.83
Good management and leadership	0.74
Academic life	0.66
Fairness and equity	0.80
Appropriate remuneration	0.72
Rewarding performance	0.75
Good workplace relations	0.68
<b>Individual Obligations</b>	
Meet academic expectations	0.74
Commitment	0.60
Above and beyond	0.69

**Appendix 2: Mean Scores for University's Obligations Factors**

	Satisfied	Lifestyle	Complacent	Ambitious
Fair treatment in promotion	1.77	-.35	-.18	.09
Staff development and support	.99	.46	-.49	-.73
Good management and leadership	.62	.02	.06	-.52
Academic life	-.25	.51	-.70	.31
Fairness and equity	.29	.10	-.55	.66
Appropriate remuneration	-.13	-.12	-.44	1.17
Rewarding performance	.73	-.39	-.07	.61
Good workplace relations	-.49	.50	-.43	-.05

**Appendix 3: Mean Scores for Academics' Obligations Factors**

	Low commitment	Above and beyond	Expectations and Commitment	Commitment Only
Meet academic expectations	.34	-.58	1.28	-.75
Commitment	-1.15	-.29	.85	.44
Above and beyond	-.62	.93	.36	-.70

**Notes**

<sup>1</sup> Notably the universities known as the Group of Eight: Australian National University; University of Adelaide; University of Melbourne; Monash University; University of Sydney; University of New South Wales; University of Queensland; and University of Western Australia.

<sup>2</sup> Academics employed within the business faculty of a multi-campus Australian university were the subjects of the study. Just two decades old, the university was created through amalgamation of a number of pre-existing 'colleges of advanced education' where the key focus was on 'teaching' and academic research was accorded relatively little importance or emphasis. The university, however, accords ever-increasing importance to the generation of quality research outcomes. The university has strong internal, distance and international operations and student enrolments exceed 30,000.

<sup>3</sup> This paper does not provide a detailed history of psychological contract research, nor does it engage in discussion of the origin of the construct. For such information, the reader is advised to consult abbreviated histories of the construct such as those completed by Tipples and Verry (2006) and Tipples, Krivokapic-Skoko and O'Neill (2007). The

origins and early development of the psychological contract construct are also effectively outlined in Roehling (1997), while a more detailed review of contemporary psychological contract research can be found in Conway and Briner (2005) or in Taylor and Teklab (2004).

## **How Unions Impact on the State of the Psychological Contract to Facilitate the adoption of New Work Practices (NWP)**

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### **Abstract**

This article draws together empirical research in the psychological contract, trust, unions and NWP literatures to draw conclusions on the way in which unions impact on NWP. It finds that strong unions that have a co-operative relationship with management prevent and heal breaches in the psychological contract and facilitate a virtuous trust cycle that is important to the implementation of NWP. This has significant implications for theory and practice, particularly in anti-union institutional contexts that are focused on union avoidance, suppression and substitution.

Key Words: Psychological Contract, Unions, Trust, High Performance Work Practices

### **Introduction**

Traditional work practices (TWP), sometimes referred to as Taylorism and Fordism (the application of Taylorism to mass production manufacturing), achieve cost reduction through mechanistic work design that reduces individual jobs to a set of simple tasks managed through supervisory control. New work practices (NWP) practices, sometimes referred to as High Performance, Involvement and Commitment Work Practices, achieve quality, innovation and flexibility through committed employees who are considered assets, paid high wages and given voice, or the opportunity to have their say and exert some influence (Boxall and Purcell, 2008). NWP have been defined as the synergistic application of practices that enhance employee skills and increase their involvement (Gephart and Van Buren, 1996; Wright and Snell, 1998).

Whilst a link between NWP and organisation performance has been established there is little research on why the association exists (Guest, 1998; Luthans and Sommer, 2005). Guest (1998; 2004; 2007) proposes that the construct of the psychological contract, defined as “the perception of both parties to the employment relationship, organisation and individual, of the reciprocal promises and obligations implied in that relationship” (Guest and Conway, 2002: 22), may a useful contemporary framework for examining this ‘black box’. It is hypothesised that NWP are linked to organisation performance through intermediate employee outcomes such as knowledge, skills, abilities, motivation and engagement, or the intellectual and emotional attachment that an employee has to his or

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her work and the organisation (Heger, 2007) that are difficult to achieve because they require employee trust (Appelbaum and Batt, 1995).

It has been proposed that a union presence, when coupled with co-operative industrial relations that allow management to be responsive to union voice, can facilitate the effective adoption of NWP. In particular, there is evidence that unions can encourage management to relinquish self interest and short-term financial outcomes in favour of a long-term, organisation-wide perspective; prevent lay-offs and quitting, which provide a stable workforce suited to reciprocal investment by management and employees; and obtain employee trust, commitment and co-operation (Gill, 2009).

In the absence of any theory on how unions impact on NWP that would form a foundation for empirical research, this paper reviews the disparate literature and extant research on unions, psychological contract, trust and NWP to explore the relationship between them and draw conclusions that will inform future research and practice. To do this I will firstly consider how NWP change the contract between management and employees before demonstrating how this new contract requires employee trust. Secondly, I will consider how NWP breach the new contract and how trust can mitigate contract breaches. Thirdly, I will demonstrate how unions impact on contract breaches. Finally, I will consider the implications of this review for research and practice.

The scope of this paper has been limited to countries with low context cultures because industrial relations varies based on the institutional context (Jackson and Schuler, 1995). Low context cultures have a transactional 'win lose' approach that puts business before relationships which is in contrast to high context cultures that place great importance on trust, relationships and long term commitment and engage in relational business transactions (McCarter, Fawcett, and Magnan, 2005; Ueltschy, Ueltschy and Fachninelli, 2007). I draw on literature and research conducted in what has been termed the 'Anglo' countries of Australia, New Zealand, UK and the USA (House et al., 2004).

## **Review**

### *NWP change the contract with employees*

NWP break down hierarchical relationships between management and employees through: the removal of status distinctions; sharing information; profit sharing; empowerment and team work. Practices such as self-managed teams, decentralisation and information sharing, force greater reliance on a commitment based psychological contract (Guest, 2004). This new contract is 'relational' with an intrinsic and socio-emotional focus, which reduces social distance and requires organisational citizenship behaviour. This contract exceeds transactional and economic based agreements between the employer and employee based on specified job content (Rousseau, 1990; Tipples, 1996). In this 'new deal' contract, employees identify more closely with the organisation's goals; feel closer to management; and exhibit an individualistic rather than collectivist orientation to work (D'Art and Turner, 2006). These contracts are also more

likely to be open ended, subjective and intuitive (Rousseau, 1990; Rousseau and Parks, 1992) with Tipples (1996) proposing that because the psychological contract is so dynamic it can only be examined as a snap shot.

*NWP require employee trust*

TWP are based on the premise of low trust of employees and high trust of managers. This leads to a high control model of work where managers do the thinking and directing and employees obey instructions (Fox, 1974). Whilst TWP inhibit the development of trust they are also able to mitigate the consequences of a low trust environment through control mechanisms (Strickland, 1958). In NWP, trust takes the place of supervisory control because direct observation of employees is impractical (Mayer, Davis and Schoorman, 1995). Trust is defined as the “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995: 712), which is based on the assumption that the other party has the ability, benevolence and integrity to deliver on the action.

Management will be more likely to implement NWP if they trust employees with information and power that was once their managerial prerogative and employees will be more likely to use their discretionary effort to benefit the organisation if they trust management to fulfill their obligations, including the provision of job security even when NWP introduce efficiencies that may make some positions redundant. It is proposed that NWP challenge the job security specified in traditional contracts when they use ‘employability’, acquired through extensive training and development, as a substitute (Herriot, Manning and Kidd, 1997).

Without trust in management, employees may respond to NWP with restrictive work practices and exit behaviour. Resistance from surviving employees is exaggerated because organisations implementing NWP rely more on employees because of their critical importance to business processes and relationships and the lack of available ‘slack’ in resources (Ramirez, Guy and Beale, 2007). Ironically, workforce stability also makes management more likely to implement NWP because their investment in workforce skills and information sharing will not be wasted by this key resource walking out the door and being made available to competitors. In addition to this, team work is a key component of NWP and continuity of employment is required to provide stable team membership (Clarke and Payne, 1997; Osterman, 2000). Secondly, it has been argued that the ‘new deal’ contract may disadvantage employees who are required to take on management responsibility. This results in work intensification, poor work/life balance, stress and the elimination of hierarchical career paths which undermines employee trust. In response, employees may retaliate by reducing work quality; increasing absenteeism; declining to go an extra mile; and increasing resignations (Boxall and Purcell, 2008).



*NWP can violate the new psychological contract*

Major psychological contract violations or minor ones, termed breaches, can undermine the effective adoption of NWP because they destroy trust between managers and employees. Adams' (1965) equity theory predicts that employees will adjust their work inputs or effort to match lowered outputs or rewards as a consequence of a contract breach (Boxall and Purcell, 2008). Empirical evidence supports this proposition, finding that violation of the psychological contract leads to reduction in discretionary behaviour, including lower levels of: perceived obligations to the employer, citizenship behaviour, civic virtue, engagement in prescribed job roles, commitment, satisfaction, intention to join and remain in the organisation and unspecified spontaneous behaviours that facilitate organisational effectiveness (Robinson, Kraatz and Rousseau, 1994; Robinson and Rousseau, 1994; Robinson and Morrison, 1995; Robinson, 1996; Tipples and Jones, 1999). In addition to this, employees may undermine or delay the adoption of NWP or return to their traditional behaviours. This latter option is most likely because it is easier for employees to adjust their perceived obligations in response to a contract breach than leave the organisation (Robinson et al, 1994). For example, Boxall and Purcell (2008) cite the case of Renco in UK consumer electronics sector. This Japanese-owned company introduced shop floor participation and cooperative industrial relations to a Greenfield site. After 18 months, these practices failed and attitude survey data, collected before and after the change, demonstrated that employees revised their effort in a quid pro quo.

There is evidence that the transition to NWP may increase the likelihood of misunderstanding between employers and employees, resulting in a real or perceived contract violation that may have a negative impact on employee performance and future trust which underpins the psychological contract. Management may violate the psychological contract and destroy employee trust in management if practices such as self-managed teams improve organisational efficiency and result in the elimination of jobs. Downsizing has been shown to reduce commitment in surviving employees, with research indicating that it can leave them unmotivated, uncommitted, risk adverse and resistant to change (Ryan and Macky, 1998; Littler, Dunford, Bramble and Hede, 1998). Research has found that although employees may initially decide to cooperate in the adoption of NWP, they may respond with resistance or apathy if management violates the psychological contract through lay-offs (Godard, 2004).

NWP also replace the organisational hierarchy with self-managed teams, status reductions and information sharing, resulting in the loss of promotion opportunities. NWP replace a traditional psychological contract, based on the exchange of pay linked to job analysis (or seniority) and long-term job security in return for hard work and loyalty, with a new contract based on pay for performance and flexibility in return for employability based on the acquisition of skills (Rousseau, 1990; Sims, 1994; Robinson, 1996; Herriot et al., 1997).

Contract breaches may also occur because of poor alignment of behaviours between the Human Resource Management function and line management, and within line management ranks, who in a decentralised organisation, negotiate psychological contracts directly with employees on an individual and idiosyncratic basis (Guest, 2004). NWP decentralise decision making and consequently line managers and the HR function may send different messages regarding expectations and obligations (Herriot et al., 1997). For example, the HR department may set policy on work and family leave which is implemented in practice by line managers based on available local resources, producing inconsistent application of the policy throughout the organisation and a gap between rhetoric and reality.

If the psychological contract is violated, trust plays a significant role in the management of the breach. Robinson (1996) proposes that prior trust has an impact on the recognition and interpretation of, and reaction to, perceived breaches with trust being an antecedent, consequent and mitigating factor in contract breaches. Because the psychological contract is subjective and tacit, rather than explicit, employee perceptions define a breach and play an important role in interpreting contract breaches. Robinson's research indicates that employees and employers with high initial trust may use selective attention to overlook or forget actual breaches. Specifically, employees with low trust were more likely to blame their employers for a perceived breach. Consequently, employers who earn the trust of employees early in their relationship are more likely to retain employee trust despite psychological contract breaches. Boxall and Purcell (2008) propose that employees may accept explanations from credible or trustworthy management for a breach. Guest (2007) argues that management plays a significant role in eliciting or destroying trust and destroy trust when a gap between what management promises and delivers emerges.

#### *Unions prevent and mitigate contract breaches*

It has been argued that a union presence may facilitate the introduction of productive work practices (Freeman and Medoff, 1984). It is proposed that unions make a unique contribution through independent collective employee voice (Addison, 2005; Ramirez, et al., 2007). Union voice is qualitatively different to employee voice provided by NWP because management sponsored voice is direct and incorporated into the management chain and consequently prohibits individual employees from challenging managerial authority (Freeman and Medoff, 1984). It is independent and allows employees to provide genuine input without fear of reprisals (McLoughlin and Gourlay, 1992). Union voice also provides management with important information from the front line that may otherwise have been hidden by employees for fear that management may 'shoot the messenger'. Empirical research evidence indicates that management sponsored voice is not a substitute for independent union voice and that a union presence is associated with more voice mechanisms including management sponsored voice (Benson, 2000; Haynes, Boxall and Macky, 2005; Kessler and Purcell, 1995; Lloyd, 2001; Machin and Wood, 2005; Millward, Stevens, Smart and Hawes, 1992; Ramirez et al., 2007; Sisson, 1997). Research has also shown that all voice mechanisms are more effective in union

organisations (Kessler and Purcell, 1995; Sisson, 1997; Frohlich and Pekruhl, 1996; Lloyd, 2001).

Union voice makes a valuable contribution because union leaders, unlike appointed managers, are independent because they are elected to represent the interests of employees and their career paths are not tied to the organisation. This independence allows them to challenge the logic of management proposals based on a long-term and organisation-wide perspective. This improves organisation decision making processes through different perspectives that result in better quality decisions that are more likely to be accepted by employees and subsequently improve the speed of implementation (Voos, 1987; Freeman and Rogers, 1999; Rubinstein, 2001; Addison, 2005). Union leaders can challenge decisions that are not in the best interest of their membership and can ensure that employees share in the economic success of their organisations (Rubinstein, 2001) which also maintains the integrity of the psychological contract. In particular, unions can use sanctions and/or the threat of sanctions, such as strikes, go slows and stop works, to ensure that management keeps its promises, closing the gap between management rhetoric and reality and preventing psychological contract violations. In particular, union voice promotes workforce stability with empirical research finding that the collective voice of unionism leads to lower probabilities of quitting, longer job tenure and a lower lay-off rate, which reduces the costs of training and recruitment and increases productivity (Freeman and Medoff, 1984; Miller and Mulvey, 1993; Delery, Gupta, Shaw, Jenkins and Ganster, 2000; Osterman, 2000; Addison, 2005; Ramirez et al., 2007). Employees believe unions will protect their employment security and are more prepared to participate in employee involvement programmes when they feel the union will protect their jobs (Levine and Tyson, 1990 as cited in Godard and Delaney, 2001; Black and Lynch, 2001).

There is substantial empirical support for the positive impact that unions have on the implementation of NWP. Whilst some research has found that NWP, such as participation programs and merit pay, are less likely in unionised plants (Lincoln and Kalleberg, 1990; Wood, 1996), the majority of research points to the positive relationship between unions and NWP. In particular, collective bargaining did not decrease labour productivity (Moreton, 1999), a union presence did not affect the positive impact of NWP on productivity gains (Black and Lynch, 2001; Wood and Fenton-O'Creevy, 2005). Specifically, research has found that many NWP are more likely in unionised organisations including employee share schemes (Gregg and Machin, 1988), share ownership and wider arrangements for employee participation (Marginson, 1992), direct forms of participation (Pil and MacDuffie, 1996), Quality Circles (Armstrong, Marginson, Edwards and Purcell, 1998), participation schemes (Freeman and Rogers, 1999), staff attitude surveys, job rotation, quality circles and organisation consultative committees (Black and Lynch, 2001), and employee involvement (Wood and Fenton-O'Creevy, 2005).

Gill (2009) concludes from a review of empirical research that the strength of unions and the quality of the relationship between unions and management affects the ability of unions to create employee trust in management. Specifically, Bryson (2001) found that

strong and effective unions that were supported by management had higher or similar levels of trust in management to non union organisations. He also found that when unions were weak, ineffective or faced management opposition, employees were less trusting of management than when no union was present. However, Bryson, Charlwood, and Forth (2006) found that managers were more likely to respond to direct voice than collective voice, particularly when unions were weak; leading to the paradox that management is more likely to support weak unions even though they are less effective than strong unions.

## Conclusion

In conclusion, the transition to NWP changes the nature of the psychological contract. TWP depend on transactional contracts characterised by supervisory control whilst NWP have relational contracts that depend on employee commitment to use their discretionary behaviour in service of the organisation. In the latter case, violation of the psychological contract can have a significant impact if employees reduce their positive discretionary behaviour on which NWP depend. Paradoxically, violation of the psychological contract in organisations that have adopted NWP is more likely, both during the transition to NWP and after their implementation. This is because, despite unitary promises of 'win win' outcomes, NWP can disadvantage employees through work intensification and downsizing due to new efficiencies. This can result in restrictive work practices and/or exit behaviour which have a negative impact on the effective adoption of NWP.

Trust is at the heart of the 'new' psychological contract and is required for the effective adoption of NWP. Employers who trust employees will be more likely to devolve the power required to implement practices such as decentralisation, self-managed teams and information sharing. Employees who trust management will be less threatened by, and more committed to, NWP. When there is trust, employees are more willing to enter into a 'new' relational contract. Trust is also important to the management of the psychological contract which, because of its fluid and idiosyncratic nature, may result in contract breaches. In addition to this, employee perceptions define contract breaches and high initial trust results in selective attention that may lead employees to overlook actual breaches. Managers are important to creating and destroying trust and can work against their organisation's best interests by pursuing short-term outcomes which violate the psychological contract and destroy trust.

Strong unions that have a co-operative, rather than adversarial relationship with management can facilitate the successful adoption of NWP by preventing and mitigating contract breaches. A strong union collective voice, when coupled with a co-operative relationship between unions and management, maintains the integrity of the psychological contract by closing the gap between management rhetoric and reality which facilitates employee trust in management. Through the development of trust, unions also mitigate the contract breaches that NWP create. In particular, higher levels of trust 'soften the blow' of contract breaches by managing employee perceptions. Employees who trust management will be less likely to perceive a breach and are more

likely to forgive and forget breaches they perceive, with implications for future behaviour and trust.

Unions also increase employment security which means employees will be more likely to support the adoption of NWP knowing that they can improve work processes without losing their jobs and management will be more likely to devolve power to a stable workforce. This facilitates a virtuous cycle that increases trust and commitment between management and employees which is required for the ongoing success of NWP. This trust and commitment ensures that employees do not engage in 'quit' behaviours, including psychological and actual absence from their work. They also are less likely to resign from the organisation and take their newly acquired human capital with them, leaving a significant hole in an organisation that has become dependent on them.

### **Implications for Research and Practice**

This article brings together empirical research in the psychological contract, trust, union and NWP literatures to draw conclusions on the way in which unions impact on NWP with significant implications for research and practice.

From a theoretical perspective, this article contributes to the body of knowledge in several ways. It adds insight into how unions impact on NWP and how NWP impact on organisational performance which is acknowledged as a substantial gap in the literature. It opens up several avenues for future empirical research to test the relationships between unions, NWP, trust and the psychological contract. The relationship between NWP and trust could be explored by testing whether high levels of trust between management and employees facilitate the effective adoption of NWP and examining the relationship between trust and the psychological contract in organisations with NWP. The relationship between unions and NWP could be tested by examining whether organisations with a strong union presence coupled with co-operative industrial relations are more likely to effectively adopt NWP than no union organisations or organisations with a union presence that is weak and/or coupled with adversarial industrial relations. In addition to this, how unions facilitate the adoption of NWP could be examined. In particular, given evidence of the relationship between unions and workforce stability and between workforce stability and NWP, it would be valuable to examine whether organisations with a strong union presence coupled with a cooperative relationship between unions and management have fewer perceived psychological contract breaches and higher levels of trust between management and employees. The Workforce Employee Relations Survey (WERS) provides longitudinal and multi source data collected in the United Kingdom and presents an opportunity to find answers to these questions. However, union research is heavily impacted by the institutional context, and there is a dearth of workplace data in Australia and New Zealand. This paper presents a rationale for investment in data collection in Australasia that could be used for research which could make a contribution to improved workplace productivity.

This article also has many implications for government, management and union policy and practice. Evidence of union decline is substantive in the United Kingdom, Australia and New Zealand since the 1970s (OECD, 2009). There is also recent evidence from Britain to indicate that the quality of the relationship between unions and management is poor, with low trust between management and union representatives (Kersley et al., 2006). Whilst Kochan, Katz and McKersie (1986) have cited demographic causes of union decline an anti-union attitude has also been observed. It has been proposed that, despite contrary evidence, management and government have considered unions a threat to workplace flexibility, timely response and productivity and have responded with union avoidance, suppression and substitution (Chen, 2007; Kochan et al., 1986). There is also a notion that unions are obsolete with some commentators noting that the increasing popularity of NWP is coupled with union decline and proposing that NWP are a substitute for unions (Kochan, 1980; Verma and Kochan, 1985; Kochan et al., 1986; Keenoy, 1991; Turnbull, 1992; Jacoby, 1997; Kaufman, 1997).

Contrary to recent evidence of the Australasian belief that unions are a threat to productivity there is anecdotal evidence that the suppression of unions may be ideologically driven. In 2006, the Australian government introduced anti-union 'WorkChoices' legislation proposing that this would create jobs and improve productivity despite evidence from New Zealand indicating that similar laws introduced in the Employment Contract Act from 1991-1999 were coupled with a substantial drop in OECD productivity rankings (Ogden, 2007). This supports Guest's (2004) proposition that NWP have been accompanied by growth in American-influenced individualism rather than collective representation.

Given the arguments presented in this paper evidence of union decline, substitution and suppression should be cause for concern given the effective role that unions can play in the adoption of productive work practices. It also makes a strong case for the dissemination of research in practitioner forums. However, much remains to be done to explore the relationship between unions and productivity and inform unions, government and management so that they can implement evidence based policy and practice.

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## **How Does Psychological Contract Explain the Efficacy of Coaching?**

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### **Abstract**

There is little in workplace coaching literature to explain its efficacy. Psychological contract is a construct which could explain it, but it is yet to be introduced to the body of knowledge. This paper examines the data collected from an exploratory case study to explain the perceived lack of results reported by participants of a workplace coaching program. Using psychological contract theory as a frame of reference, it explains the lack of results as a function of expectation mismatches identified in the case. It is inferred that certain conditions might need to exist for coaching to be effective as a workplace intervention.

### **Introduction**

The workplace coaching body of knowledge contains little qualitatively oriented research to describe and explain coaching. The case study research described in this case was an attempt to correct some of these deficiencies. Although one of the conclusions of the Xyz case study was that coaching was effective as an organisational development tool, the findings of the Xyz case study report suggest that there were conflicting reports made by participants concerning coaching's efficacy. Most notably, Xyz management do not consider coaching as a strategic lever for the organisation despite evidence that it resulted in a number of positive strategic outcomes including: increased retention; expedited development of individual leaders; successful transition of coachee's into more challenging roles; and in some cases dramatically improved role performance of leaders. Psychological contract theory is used as a frame for explaining the differences in perceived and/or actual results reported by these participants. It is hypothesised that these differences can be explained by the 'unworkability' of psychological contract expectations held by various coaching participants. Specific instances of the case are described to illustrate this. The paper begins with a review of the relevant literatures to contextualise this study i.e. coaching and psychological contract, and then the case is described. There is a brief outline of the methodology, before the research question is explored. Using an inferential approach, the paper concludes by conceptualising the 'conditions of a workable coaching psychological contract as a base for further research.

### **Workplace Coaching**

Coaching is defined as a tailored form of one-to-one learning, which is focused on solutions and outcomes, and is suitable for non-clinical populations in that it is focused on optimising human functioning rather than remedial issues (Sussman and Finnegan, 1998; Grant, 2001b; Ellinger and Keller, 2003; Linely and Harrington, 2005; Plamer and Whybrow, 2005). This is not to say that coaching does not involve remedial work, but that the remediation is specific to the workplace, and to those without significant psychological dysfunction.

As an academic discipline, workplace coaching is an undeveloped area lacking in empirical research (Ellinger and Keller, 2003; Grant and Cavanagh, 2004). A recent literature review reveals that there is little research about coaching in a management context, i.e. little to explain or validate the claimed efficacy of coaching, frameworks for evaluating coaching outcomes, or understanding of the mediating factors that determine its efficacy. Specifically, the notion of psychological contract and how it applies to the workplace is one which has yet to be introduced or explored in coaching research.

## **Psychological Contract**

Psychological contract has been understood as an approach to organisational effectiveness (Schein, 1980) resulting in increased job satisfaction, productivity, reduced staff turnover (Kotter 1973; Sturges, Conway, Guest and Liefoghe, 2005). It also may explain the nature of the employment relationship (Shore and Tetrick 1994), worker commitment (Janssens, Sels and Van Den Brande. 2003), organisational citizenship behaviour (Hui, Lee and Rousseau, 2004), employee performance (Tekleab and Taylor, 2003) and absenteeism (Deery, Iverson and Walsh, 2006). Specifically, the term psychological contract is used to describe a set of individual beliefs or set of assumptions about promises voluntarily given and accepted in the context of a voluntary exchange relationship between two or more parties, for example between an employee and an employer (Rousseau, 1995). Associated with the promises each party makes to another are mutual obligations and expectations, and depending on each party's beliefs about these promises, a psychological contract is subject to variations in expectations about that contract i.e. matches and mismatches (Kotter, 1973), which may affect the potential for each party's expectations being met. When parties are clear about the beliefs and assumptions underlying each other's promises, then it is more likely the expectations will be met. Where one party has failed to fulfill its promises or obligations, a psychological contract breach is said to have occurred (Robinson and Rousseau 1994).

## **Methodology**

The case study described in this research was developed as part an exploratory research project investigating the purposes of workplace coaching. For the purposes of this paper, the data from the case are examined in relation to psychological contract theory. To ensure triangulation of data, it was collected from multiple sources primarily consisting of in-depth interviews with various coaching participants, i.e. the coach, coachees, coachees' supervisors and the general manager of human resources. Documents included personal notes made by the participants, policy documents supplied by the organisation and assessment tools supplied by the coach to facilitate behavioural analysis and 360 degree feedback. The primary unit of analysis consisted of three closely knit units consisting of the coach, a coachee, the coachee's supervisor. In total, there were three of these units which participated in the research.

This paper examines the data from the case in order to answer the question: can psychological contract explain the efficacy of coaching? Using psychological contract theory

as a frame of reference and adopting an inductive approach, the data was scanned for evidence of situations which might infer that psychological contract expectations were operating. From an analysis of this evidence, conclusions are made regarding the inherent 'workability' of these expectations. On the basis of these conclusions, the 'conditions of workability' are conceptualised as parameters for guiding the formation of 'workable' coaching psychological contracts.

## Case Overview

The organisation explored in this case study research was a large publicly listed manufacturing organisation with over 200 operational sites in Australia and New Zealand, more than 30,000 customers, and 7,400 employees. It manufactures a wide range of products, the majority of which are used in the construction, manufacturing, housing, mining and agricultural industries. The organisation values people, and recognises that they are a distinguishing feature of successful business. It is committed to attracting, maintaining and building a skilled and motivated workforce. The primary developmental tools that it uses are based on approaches that are more traditional. Xyz utilises graduate schemes, cadetships, apprenticeships, and traineeships throughout its businesses, across a variety of disciplines, including Finance, Marketing, Engineering and Office Administration. The use of workplace coaching though has been reserved for the development of its senior managers, who hold positions at regional, state, and national levels. There are a number of protocols that it uses to structure the coaching, which may provide some insight into its expectations regarding coaching. The protocols are quoted directly from documents obtained from the organisation:

1. Coaching will be used... as part of a development plan to achieve a clearly defined behavioural change, and/or to further develop effective leadership behaviours. Coaching will also be used to support the effective orientation of individuals into new roles with clearly defined behaviours to be developed as part of this orientation.
2. Coaching will be used with participants who are 'solid' or high performers with the potential to be even more valuable to Xyz. Coaching will not be used for those with significant performance issues.
3. Xyz recognises that coaching is most likely to be successful in achieving the desired behavioural change or development when the following conditions are met:
  - There is a clear business benefit from the desired behaviour change so that the coaching is closely linked with business goals
  - The participant wants to participate in coaching and there is alignment between the desired coaching outcome and the participant's personal and professional goals
  - There is strong sponsorship by the manager and a preparedness to actively support behavioural change

- The participant is placed in a 'stretch' position so that coaching becomes more meaningful and focused. A 'stretch' position may be a new role, a particular business challenge or recent feedback which has created a readiness for change.

### Can psychological contract explain coaching's efficacy?

In the earlier review of psychological contract, it was suggested that psychological contract is a potential antecedent of organisational effectiveness, where measures of organisational effectiveness included job satisfaction, productivity, and reduced staff turnover. The coaching literature also suggests that coaching shares some of these same measures of organisational effectiveness (in addition to others) as a measure of its efficacy. For instance, coaching's success can be measured at an individual behavioural level, whereby the leader being coached makes tangible changes in behaviour.

#### *Behavioural Measures of Coaching's Effectiveness*

Behavioural measures may include:

- **Relationship behaviour** (Wasylyshyn, Gronsky and Haas, 2006; McKelley and Rochlen, 2007) which incorporates elements such as improvements in communication, trust between organisational members, and attitudes.
- **Self-regulatory behaviour** (Grant and Palmer, 2002; Gyllensten and Palmer, 2005); Blattner, 2005) which has been linked with increased tolerance to stress, and a reduction in self-limiting and critical behaviour. Self-regulated coachees set specific rather than vague goals, solicit ideas for improvement from supervisors (Smither, London, Flautt, Vargas and Kucine, 2003), engage in help-seeking behaviour (McKelley and Rochlen 2007), and are more flexible (Jones and Spooner, 2006; Jones, Rafferty and Griffin, 2006).
- **Change Behaviour** (Tobias, 1996; Kilburg, 1997; Smither et al. 2003) which describes those pro-change behaviours adopted by leaders receiving coaching. They may include, humility, acting on feedback, accountability, creativity and flexibility, and ownership.

Changes in behaviour were definitely expected by the organisation as evidenced by the coaching protocols outlined in the case description. In particular, it was focused on changing 'de-railed' behaviour, as it was believed that changes in this behaviour would yield big changes in leader effectiveness. The coaching also focused on developing leader 'relationship behaviours' such as communication and social engagement skills. However, changes in the behavioural measures of effectiveness were considered antecedents to the resultant measures described next.



*'Resultant' Measures of Coaching's Efficacy*

As well as behavioural measures of coaching's success, there are also a number of measures which may be used to evaluate coaching's success at a 'resultant' level. These are probably more relevant to the case. At an individual level, resultant measures include:

- **Individual Performance** (Witherspoon and White, 1996; Maurer, Solamon and Troxtel, 1998; Bartlett, 2007) which could incorporate sales performance (Rich, 1998), generic non-role specific behaviours (Orenstein, 2002), enhancement of specific leadership behaviours (Peterson, 1993; Diedrich, 1996), improvements in 'interview performance' (Maurer et al. 1998), and goal attainment (Bowles and Picano, 2006). Individual performance discrepancies are identified using 360 degree feedback. Coachees then attempt to eliminate feedback rating discrepancies, i.e. the difference between self-ratings and those of feedback raters (Wohlers and London, 1989; Luthans and Peterson, 2003).
- **Individual Relationships** which refers to improvement in the quality of relationships between coachees and their colleagues (Kilburg, 1997), customer relationships (Doyle and Roth, 1992) and personal relationships (Blattner, 2005). The 'honest' nature of the contact that occurs between coachees and their colleagues, and the increased support that coachees often receive (Blattner, 2005; Ket De Vries, 2005) could explain this improvement
- **Individual Well-Being** which includes increases in mental health status (Grant and Palmer, 2002; Butterworth, Linden, McClay and Leo, 2006), decreased anxiety and stress (Foster and Lendl, 1996; Bowles and Picano 2006), physical health status (Butterworth et al. 2006), life satisfaction and quality of life (Bowles, Cunningham, De La Rosa and Picano, 2006), work satisfaction (Nocks, 2007), and hope (Green, Oades and Grant, 2006).

In addition, at a group level, resultant measures of organisational effectiveness include: team self-management, quality of member relationships, member satisfaction, task performance (Wageman, 2001), team player behaviour (Sue-Chan and Latham, 2004) and team performance (Hackman and Wageman, 2005). At an organisational or strategic level, measures include sales revenue (Ellinger and Keller, 2003), unit-level production quality and productivity (Olivero, Bane and Kopelman, 1997; Bowles and Picano 2006), customer satisfaction, work satisfaction and morale (Nocks 2007), organisational commitment and retention (Luthans and Peterson, 2003; Nocks 2007), and a reduction in operating costs (Witherspoon and White, 1996).

In the case, we see some of these same measures being utilised – in particular, individual performance, quality of individual relationships and strategic measures such as retention. However, there was little evidence that group or other organisational level measures were being utilised.

As suggested in the earlier review of psychological contract, it is an antecedent of organisational effectiveness. The review of coaching literature also suggests that coaching is an antecedent of organisational effectiveness. Hence, it is proposed that psychological contract could explain coaching's efficacy, because coaching and psychological contract share organisational effectiveness as a dependent variable. This next section delineates this proposition through an examination of the case data.

### **How does psychological contract explain coaching's efficacy?**

As suggested in the initial review of psychological contract, each party in a psychological contract makes a promise to one another, which form the terms of the contract. It is the beliefs about these promises (or variations in them) held by the parties which explain expectation matches and mismatches (Kotter, 1973) and ultimately affect the potential for each party's expectations being met. When parties are clear about the beliefs and assumptions underlying each other's promises, then it is more likely the expectations will be met. The following analysis of the case describes instances in the case where psychological contract expectation mismatches were evident and the negative implications of these for coaching's success. In general terms, it is suggested that the formation of a psychological contract based on mismatched expectations results in 'unworkable' coaching psychological contracts. This may explain the apparent lack or the perceived variation of results reported and observed in the case. Unworkable psychological contracts were evident in the following instances of the case, where:

1. Expectations held by one party were unable to be fulfilled by another;
2. Expectations held by one party were perceived as unlikely to be fulfilled by the other;
3. Expectations held by one party resulted in a perception of adverse consequences for the other party;
4. Expectations held by one party were not clear to the other party;
5. Expectations of one party were in conflict with the expectations of the other party;
6. Expectations of parties were based on different conceptualisations of an outcome.

#### *Expectations held by one party which are unable to be fulfilled by another*

This first instance of the case suggests that expectations held by one party may not be able to be fulfilled by the other. This occurred because initial expectations of the organisation were significantly exceeded and resulted in a substantial adjustment in expectations, such that the amended contract became unrealisable. Because the expectations were unable to be fulfilled, there was then an increased probability of a breach of contract and a subsequent withdraw from the contract.

One of the first interviews conducted in the case study was with the General Manager of Human Resources (GM). The GM explained the factors that led to Xyz implementing coaching as a strategic program for organisational effectiveness. The organisation had heard positive claims about coaching and decided to 'experiment' by engaging a coach to facilitate the development of one leader. According to both the GM and the coach, the outcome of this

intervention was the leader's 'transformation'. The coach in particular cited this as evidence of the effectiveness of his interventions, suggesting that not only did he prevent the leader from resigning, but that the leader went on to "make the organisation a lot of money". So, on this basis and with high expectations, a companywide program was implemented as a strategic approach to improving organisational effectiveness. However, after three years or so, the organisation concluded that the subsequent results of the coaching (42 leaders) were not commensurate with expectations, and the program was withdrawn as a strategic lever. The GM says "there is still a little bit going on, but it is not a strategic lever that we are intentionally using at this stage".

The initial results of the coaching significantly exceeded expectations, and these results formed the basis of revised expectations held by the organisation. The problem was that these revised expectations were based on unrealistic benchmarks, which were unlikely to be typical or achievable for coaching on an ongoing basis. Because the adjusted expectations were unachievable, a perceived breach of contract was inevitable. Further, any evidence of expectations being partially fulfilled was discounted by the organisation despite 'hard-evidence' that strategic results had been obtained (as suggested in the case overview). It is more desirable that more modest expectations be developed based on multiple sources of evidence rather than one off experiences. In addition, more modest expectations should be set in cases where generalisable evidence is not available to justify higher expectations.

*Expectations held by one party are perceived as unlikely to be fulfilled.*

The case also suggests that at any time during the coaching process, a party may deem an expectation unrealisable because that party perceives that a breach of contract is probable at a future point in time. This may result in the withdrawal of contract.

A number of coachees at Xyz communicated an expectation that the coaching process be 'credible'. In particular, this was illustrated in the experience of one coachee who received 'adverse' results from a 360 degree feedback program. The feedback identified some personal weaknesses that were affecting his leadership performance. Although he knew that the objective of the coaching was to benefit him and that he needed to self-reflect, it was difficult for him to acknowledge and accept the 360-degree feedback. But, rather than resisting the feedback, he said that he did eventually accept it because of the 'credibility' of the process due to a number of factors i.e. the coach was external to the organisation, was a skilled facilitator, and maintained coachee confidentiality. The coach confirms this, citing confidentiality as a factor in developing coachee motivation to change. He says that some coachees are generally very cautious about announcing the sorts of changes they are going through, and that some are reluctant to let others know that they are being coached. The coach indicated that he was supportive of the coachee's desire for confidentiality because he was conscious that it was a key to gaining coachee motivation to change.

The coachees had a high expectation for credible coaching practice and these formed the basis of their psychological contract. The fulfilment of these expectations was a condition for their on-going co-operation with the coach. Given the coachees high sensitivity to these

expectations, any perception that a breach of contract was likely to occur (even if it hadn't actually occurred yet) might also have resulted in that leader withdrawing from the contract. This suggests the need for the coach to ensure that he/she is seen to be fulfilling the contract as well as actually fulfilling it. A coach should actively manage participant perceptions throughout the coaching process.

*Expectations held by one party result in a perception of adverse consequences for the other party.*

Analysis of the case suggests that expectations held by one party (i.e. the organisation) which result in a perception of adverse consequences for the other party (i.e. the coachee) will lead to a contract withdrawal. In the case specifically, it resulted in a failure to solicit the co-operation of a leader targeted for coaching.

Some of the leaders (who were selected to participate in coaching) believed that they had been selected as a 'punishment' for poor performance. However, this was not the intent of the GM who tried to frame coaching as a reward i.e. "*Coaching will be used with participants who are 'solid' or high performers with the potential to be even more valuable to Xyz. Coaching will not be used for those with significant performance issues*". The GM did expect that the coaching would focus on overcoming the leader inadequacies, and that each targeted leader would have to accept that there was a need for them to improve. She also acknowledged that this may be difficult for them to accept, and thought that a difficulty with acceptance may explain the lack of results. There is evidence to suggest that these perceptions were corrected only after the goals of coaching and its processes were explained.

The coaching literature suggests a number of reasons that coaching may be viewed as a punishment by coachees. For instance, the literature explains that a coachee may view coaching as a punishment if an organisation uses it as a non-strategic reactive tool, rather than as a strategic pro-active strategy (Allenbaugh, 1983; Krazmien and Berger, 1997). However, it is unlikely that this applies to the Xzy case, as they appeared to initially be using coaching pro-actively. A second explanation in the literature is that a coachee may perceive coaching as a punishment because of the assumption that if they need training, then they mustn't be adequate for the task of performing their job (Krazmien and Berger, 1997). This is a perception that they do not want others in the organisation to form about them. In the context of senior leadership this makes sense, as they are used to actively managing perceptions of peers, superiors and sub-ordinates as a means of creating an impression of competence. So, it is likely that coaching was viewed as a threat to their ability to control the impression management process; a threat to their reputation as a competent leader; and ultimately would diminish their influence. However, once the leaders met with the coach, their perception that the consequences of coaching would be adverse were moderated, and on this basis they agreed to participate in the coaching process.

In regards to psychological contract, this suggests that when expectations held by one party result in a perception of adverse consequences for the other party, it may lead to a contract withdrawal or a failure to solicit the co-operation of a leader targeted for coaching. This has

the potential to de-rail the coaching process even before it has begun, and in a broader context explains coaching's effectiveness. Organisations can overcome these perceptions through a program of impression management which might include adopting a pro-active strategic use of coaching rather than using it reactively; and by implementing an education program about the coaching construct and its intention. This strategy would increase the likelihood that participant expectations are aligned with 'reality'.

*Expectations held by one party are not clear to the other party*

The case data suggests that when expectations held by one party are not clear or are ambiguous, then the potential for a perceived breach to occur is increased. This is illustrated in the case of one coachee (who was not interviewed during the research, but whose story was conveyed by the GM).

The GM told the story of one coachee who was receiving coaching but not making tangible gains in leadership effectiveness. The GM indicated that the coaching did build on his existing strengths e.g cognitive abilities such as conceptualisation and analytical skills. However, whilst this was considered a 'welcome improvement', the GM suggested that this made him better at what he was already good at, but did not satisfy her expectation that his weaknesses would also be overcome. She felt that a more substantial improvement could be made if the leader's weakness was remediated, i.e. his ability to structure his own work, design it for others and delegate it to sub-ordinates. As evidence, the GM recalls that whenever she would have conversations with the leader about his coaching experience, he would indicate how much he enjoyed the coaching, but did not show any awareness that he needed to change or obvious intention that he was going to change. The GM indicated that more "tension" around the coaching experience was needed for him.

There seems to be a lack of understanding between the two parties as to the expectations which form the basis of their psychological contracts. For the coachee, the case suggests that he was not clear about the organisation's expectation that he make tangible changes in behaviour, i.e. overcome his weaknesses. Another possibility is that there was not enough "tension" around the coaching experience for him. Being made more aware of the expectations would possibly create this tension and might stimulate change motivation. However, it was difficult for the GM to intervene directly and at the same time be seen to be fulfilling the expectations of other parties that the coaching be a self-directed process. She did not want to be seen to interfere. If it is as the GM says, that there is more tension needed, and it is also because the expectations have not been made clear, then the latter could explain the efficacy of the coaching intervention. In addition, greater tension could be created simply by making the expectations clearer in the first place - if not directly, then indirectly through the coach. In the first instance, a more collaborative approach to the formation of psychological contract, whereby parties are able to share their expectations, explain their reasons, and agree to shared meanings would be appropriate.

*Expectations of one party were in conflict with the expectations of the other party*

Similarly, when expectations of one party are in conflict with another, the nature of the joint expectations may be unclear. Hence, it is difficult for a third party to fulfil them. This may explain the behaviour of a coachee who is not 'seemingly' fulfilling their obligations as per the contract.

The coach and the organisation had an understanding that the coachees must take the coaching seriously and be seen to do so, but the coachees did not always fulfil this expectation in the first instance. The coach explains that one coachee in particular was not taking the coaching seriously as evidenced by the fact that she was not investing an appropriate amount of effort into the intervention and change process. This prompted the coach to withdraw, he says

*if someone [a coachee] is...disregarding the investment that Xyz is putting into them, I will be the first to pick it up and I will pull back. I have done that with a couple of people, I have just withdrawn.*

Having said this, the coach was adamant that the coachee be allowed to self-determine the choice and pace of changes that they made, rather than impose an agenda:

*You can't impose that [the organisational agenda]. That is why it is a totally ridiculous notion, and I see that some coaches say, 'well where are you up to?' and I say, well, where the candidate wants to be up to.*

This is also consistent with the assertion of the GM that there needs to be coachee awareness of the need to change, but for them to also feel they are valued and appreciated by the organisation. She indicates that this is a delicate balance.

Employee development is complicated by the fact that it is a voluntary engagement for the coachee i.e. you can't force someone to change, as it is considered a largely self-directed process (Grant, 2001a; Clegg, Rhodes, Kornberger and Stilin, 2005; Schnell, 2005; McComb, Lewer and Burgess, 2007). This was the coaches' philosophy also, and was evidenced in his insistence that coachee direct this change. However, the coaches' approach directly conflicted by the expectation of the organisation that he expedite the change process. This conflict could explain the coachee's behaviour and lack of effort toward the change process. Although the organisation wanted the change, the coachee had the right to determine the pace of the change and was behaving consistent with this expectation. It could be argued that the terms of a psychological contract between the organisation, the coachee, and the coach must reflect the understanding that change is required by the organisation, and whilst the coachee needs to self-direct the process, it must result in tangible change in a timely fashion as per the organisation's agenda. The expectation could be expressed as, 'you are valued as an employee and we appreciate that you are voluntarily entering into this coaching process. We respect that this is a somewhat self-directed process. However, before you agree to be coached, we want you to understand our agenda and the fact that we are expecting a return on investment. Our agenda is that you acknowledge the need and potential for personal

change, and therefore make changes to improve your leadership effectiveness in an expedited fashion'. If the coach had understood this expectation, he may have modified his own, which would have in turn helped the coachee to moderate hers. There would then be an alignment of expectations.

*Expectations are based on different conceptualisations of an outcome*

A final example from the case suggests that expectations must be based on similar conceptualisations of an outcome, which is reflected in the measures each party uses to assess whether terms of contract are being fulfilled. Different conceptualisations may result in one party 'detecting' the fulfilment of expectations, whereas another may not, resulting in a perceived breach.

The organisation clearly expected changes in behaviour as a pre-requisite for performance improvement. This was conceptualised in terms of overcoming weaknesses in behaviour as reflected in their measures of role performance, i.e. leadership behavioural profile. This profile was used as the basis for a 360-degree feedback questionnaire which acted as a tool to assess symptomatic behavioural deficiencies. The coach implemented this 360 degree feedback tool. The coach also used another needs based behavioural tool (a causal assessment tool), which identified a different set of 'causal' set of weaknesses which might explain the performance based measures. The theory was that if these weaknesses were overcome, it might improve role performance. Discussions with the coach about his coaching approach did not focus as much on the measures of role performance, but on those of underlying behavioural issues.

The case suggests that the coach and organisation were unintentionally using different measures to determine contract fulfilment based on their conceptualisation of the outcomes they were expecting. Whilst both the coach and organisation were expecting increases in role performance as a baseline measure for assessing the fulfilment of expectations, the measures being used emphasised different aspects of role performance. For example, the coach was using increases in discretionary effort and motivation as an indicator of increased performance; whereas, the organisation was primarily using changes in leader weaknesses as a measure. The problem is that increases in motivation and discretionary effort tended to improve role performance incrementally in their positive effect on coachee strengths; but behavioural change i.e. overcoming leader weakness was thought to result in more significant increases in leader performance. Whilst the organisation was interested in increases in discretionary effort, they were more interested in signs that weaknesses had been overcome.

In addition, there may have been different understandings of what constituted weakness. The organisation's understanding of weakness was based on the competency-based measure of role performance, whereas the coaches' seemed to be based on needs-based behavioural survey, which he used to tailor the coaching approach for each coachee. The approach seemed more focused on addressing stress reactions which might manifest in undesirable leader behaviour, rather than focusing on developing strategies to address role performance behaviour directly. The success of his approach relied on the stress reactions being a

predictor of poor role performance. Based on the reports of the organisation, it appears that the link between stress reactions and role performance may not have been significant.

Discrepancies existed between the organisation and coach in terms of the measures they were using to determine whether contract expectations were fulfilled. This resulted in the organisation concluding that no significant change in performance had occurred for coachees. As far as they were concerned, a breach of contract had occurred. The coaching program was therefore withdrawn as a strategic lever. This suggests that conceptualisations of expected outcomes must be aligned, such that the benchmarks/measures used to assess the extent of contract fulfilment are agreed upon.

### Conditions for ‘Workability’

From this discussion, we see that coaching psychological contract expectations can explain the apparent lack of results evidenced in the case. It is the mismatch of participant expectations which formed the basis of their psychological contracts that explains this phenomenon. An examination of the case suggests that mismatched expectations are evidenced as:

1. Expectations held by one party were unable to be fulfilled by another;
2. Expectations held by one party were perceived as unlikely to be fulfilled by the other;
3. Expectations held by one party resulted in a perception of adverse consequences for the other party;
4. Expectations held by one party were not clear to the other party;
5. Expectations of one party were in conflict with the expectations of the other party;
6. Expectations of parties were based on different conceptualisations of an outcome.

The formation of a coaching psychological contract based on these kinds of expectations can result in perceived breaches of contract and this can explain coaching’s efficacy in the case and perhaps beyond. From this, it could be inferred that certain conditions must be met in order for coaching psychological contract expectations to be workable and therefore able to be successfully fulfilled. These conditions include:

- **Realisability** – expectations held by one party must be able to be fulfilled by the other and/or must be perceived as likely to be fulfilled by the other party. *Implication:* expectations to be developed based on multiple sources of evidence (not one off experiences), or modest expectations to be set in cases where evidence is not available to justify higher expectations. In regards to highly esteemed expectations held by other parties to the psychological contract, there is a need for the coach in particular to engage in impression management, so that he/she is seen to be fulfilling the contract as well as actually fulfilling it.
- **Mutual Benefit** – expectations held by one party must not result in a perception of adverse consequences for the other party. *Implication:* organisation should adopt a pro-active strategic use of a coaching program rather than using it reactively. They



should also engage in impression management through education about the coaching construct and its intention to ensure participant expectations are aligned with the reality

- **Alignment** – psychological contract must be based on aligned expectations such that expectations held by one party must be clear to the other party; must not conflict directly with the expectations of the other party; and must be based on shared conceptualisations of an expected outcome. *Implication:* expectations underlying a coaching psychological contract must be collaboratively developed and where possible articulated.

### The Caveat of Flexibility

The Xyz case suggests that achieving a match in expectations is difficult in the early stages of the coaching process, and may only be achieved iteratively. It is therefore appropriate that coaching psychological contracts be viewed as a ‘work in progress’ rather than as static. This means that expectations may need to be evaluated, adjusted and refined as mismatches are discovered. Hence, the process of forming coaching psychological contracts must be flexible, in that the opportunity to make these changes must be given to participants to improve the likelihood of coaching’s success in the workplace. We see this in the case, where the organisation could have adjusted its initial expectations to align with what was realisable rather than an ideal. We also see this with one of the coachees mentioned earlier who was not ‘taking the coaching seriously’. In this instance, after the coach ‘withdrew’, she was given an opportunity by the coach to adjust both her expectations and behaviour to align with the coach and organisation’s expectation that she ‘take it seriously’, and make the changes needed to perform her role effectively. Consequently, her coaching was a success because in the end she made a successful transition into a very challenging role i.e. from a technical role to one of senior leadership, and decided to remain with the organisation despite previously having considered resigning. But without flexibility, it would not have been successful. This is not to say that the expectations themselves should be flexible, but rather an acknowledgement that psychological contracts are not an exact science and may develop as situational constraints require. Without flexibility, a successful coaching program would require contracts that are ‘perfect’ from inception. But as the case suggests, this is not realistic. So, a final condition for workability that might be inferred is **flexibility**.

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## Managing Diversity: A Twenty-First Century Agenda

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### Abstract

Workplace and workforce diversity has become an important issue, partly because of a management literature which has become more aware of such concerns, and partly because of the contemporary international and domestic mobility of the labour force. This article explores the contribution of equal opportunity, diversity management and high-performance work systems approaches to diversity and identifies their strengths and limitations.

### Introduction

The second half of the twenty-first century has dramatically increased the flow of labour internationally, with implications for domestic labour supply and management. In a country such as New Zealand, this has resulted in one in five New Zealand residents being overseas-born, putting the country ahead of Canada and just behind Australia. In the city of Auckland, immigrants comprised between 37% and 41% of the population by 2006, qualifying the city for the epithet of a “super-diverse” city (more than 25% of its residents are immigrants). Added to this has been the urban migration of Māori and their growing demographic and economic presence, along with that of the New Zealand-born descendents of immigrants. The indigenous, ethnic and immigrant diversity of the workforce is particularly important for the workplace, given the demographic profile of non-Pakeha ethnic groups and their proportion of the working age population. The significance of this domestic cultural diversity in the labour force, underscored by global influences and requirements, has recently prompted us to focus on the question of how well New Zealand firms and managers have responded to diversity, cultural as well as other forms of diversity. What follows is an exploration of this question.

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## Diversity Management

“Diversity management” is a broad strand of organisational management literature that was developed as a means of helping organisations respond to the growing diversity apparent in contemporary labour markets. From the 1980s, discussions of diversity management focused on managing heterogeneity in the workforce in relation to demands for “affirmative action” and “equal employment opportunities” which were intended to increase numbers of workers from “minority” groups.<sup>1</sup> Diversity was seen “in terms of factors such as race and ethnic origin, gender, age, sexual orientation and political and religious belief” (Tatli, Özbilgin, Worman and Mulholland, 2005: 2). Diversity management was defined as: “voluntary organisational actions ... designed to create greater inclusion of employees from various backgrounds into formal and informal organisational structures through deliberate policies and programs” (Mor Barak, 2005: 208). However, with the rapid globalisation of labour markets, this strand of literature has evolved to incorporate management of a much wider range of diversity issues. As Kreitz (2008: 106) points out: “Twenty-first century organisations are living with and being challenged by diversity of three levels – an increasingly diverse workforce, a multicultural customer base, and a growing challenge for market share from international competitors”.

As well as cost-effective inclusion and the management of diverse workforces at the local level, globalisation means companies must manage workforce diversity across national boundaries. Moreover, cosmopolitan city and global markets mean there is now a greater diversity of client and customer groups. The importance for businesses to manage such diversities in order to achieve improved profit margins and competitive edge hardly needs to be stated. At the same time, in the interests of justice and equity, inherent in any diversity management approach, must be a concern for the employment outcomes of groups who, historically, have been systematically excluded and oppressed (Prasad, Pringle and Konrad, 2006).

The second strand of literature relevant to labour market issues and diversity is that which examines the impact of changes in workplace organisation from Taylorist principles and practices of low-discretion production systems, typically found in twentieth century factory settings, to high-performance work systems (HPWS) in which workers are expected to have a more significant involvement in work decisions. This approach looks at issues of skills training, power-sharing, work place innovation that continually develops high quality goods and services, and the need to develop good quality jobs that value and use the skills of all workers (e.g., see Appelbaum, Bailey, Berg and Kalleberg, 2000; Capelli and Neumark, 2001; Godard, 2001, 2004; Cornelissen, Haslam and Balmer, 2007; and Macky and Boxall, 2007, 2008).

What follows is a discussion of the development of diversity management approaches by organisations, followed by an examination of the literature concerning high involvement work systems. This includes some of the more recent suggestions for implementing nation-wide systems to train workers and employers in flexible skills. These are programmes that encourage ongoing skills training to meet changing market needs, and that value and use the skills of workers by providing good quality jobs.

## Equal Employment Opportunities

Laws demanding that employers provide “equal employment opportunities” (EEO) through “affirmative action” (AA) or “positive discrimination” to members of minority or previously disadvantaged groups were established in the United States (US) in the 1960s. To avoid litigation for non-compliance of the anti-discrimination laws, firms employed managers with specialist knowledge of the EEO/AA<sup>2</sup> regulations to create compliance programmes (Kelly and Dobbin, 1998). Following the US, New Zealand established similarly regulatory acts (e.g. the Equal Pay Act 1972, the short-lived Equal Employment and Pay Equity Act 1990, the Human Rights Acts 1993 and 2000). Australia and the United Kingdom (UK) were among other nations to follow the US example. The aim was to provide a “level playing field” for all in the labour market. The concepts of EEO/AA, designed to enforce the employment of more members of minority and disadvantaged groups, contributed to the employment of a more widely diverse labour force (Thomas, 1990).

However, by the late 1990s, EEO/AA laws were under attack as being too regulatory and prescriptive. According to Sinclair (2006), the shift from EEO/AA to diversity management was, in part, the result of businesses lobbying for a reduction in bureaucratic surveillance and compliance costs. Kelly and Dobbin (1998) believe that as governments withdrew support for enforcing EEO/AA measures, the desire of EEO managers to safeguard their positions contributed to the emergence of the concept of diversity management. Many have continued to argue the necessity of measures that created employment opportunities for previously excluded groups and for drawing attention to employment inequities (Thomas, 1990; Karsten, 2006; Litvin, 2006). For example, Thomas (1990, 2006), the founding father of diversity management (Karsten, 2006), argues that affirmative action is still necessary for minority groups to gain access to employment but that it does not provide systems for managing their future labour market progress and potential for their employers. In Thomas’ view, establishing a system of “diversity management capability” ensures that everyone has the opportunity to perform to their potential at all levels (2006: 61). This, in turn, offers greater potential to businesses. In the words of Thomas (1990: 109), “We have to learn to manage diversity, to move beyond affirmative action, not repudiate it”.

Proponents of diversity management claim that there are several important differences between EEO/AA and diversity management (Digh, 1998; Prasad et al, 2006; Thomas, 1990, 2006). One is that EEO/AA seeks to assimilate workers into the workforce, expecting those of diverse social groups to slot seamlessly into existing social and cultural workplace systems. Diversity management, on the other hand, claims to integrate a wider range of groups by creating systems that allow their various social and cultural contributions to be valued (Digh, 1998). Another difference lies in diversity management’s focus on achieving systematic retention of employees from diverse social groups (Prasad et al, 2006), rather than simply on their recruitment. However, the major difference is that while EEO/AA is typically a state imposed, legally driven initiative, diversity management is a voluntary, corporate initiative “with no legal force behind it” (Prasad et al, 2006: 2).



The reality is that in the twenty-first century global economy, with its extended and mobile market and labour systems, examinations of EEO/AA and even the original concept of diversity management must move beyond how they might be co-opted to most profitably manage the employment of those from a range of social and ethnic groups. Diversity itself has evolved to reflect not only a locally diverse workforce but also an internationally diverse workforce, a diverse multicultural customer base, both nationally and internationally, and diverse international competitors. Moreover, new ways of organising and continually upskilling the labour force are needed to satisfy the growing demands for rapidly changing, higher “quality, innovation and internationalisation” systems (Janssens and Steyaert, 2003: 4). Businesses, and employer and worker organisations, need to manage and work collaboratively within the multi-layered nature of contemporary diversity to solve complex problems and to create a competitive edge in the lucrative international marketplace where diversity itself is an accepted dimension. At the same time, globalisation notwithstanding, it is important for theories of diversity management to consider the culturally, socially and geographically contingent nature of diversity (Prasad et al, 2006).

## **Diversity Dividends**

Persuading businesses to adopt a more responsive approach to diversity has been largely through promoting diversity management as a business imperative for maximising economic bottom-line, or “competitive advantage” (Mor Barak, 2005: 210). The business case for diversity management “converts diversity into an economic good” (Sinclair, 2006: 512). It has led to a considerable literature on the “Business Case for Diversity Management” by business management and human resource management professionals: a Google search produced 383,000 results in 0.24 seconds. Karsten (2006) cites a study that shows links between a diversity programme and improved sales and productivity. However, critics such as O’Leary and Weathington (2006: 290) point out that the business case approach for diversity management is “severely limited”. They suggest the literature tends to show that the stated benefits do not always occur, are not quantifiable and that rather than empowering members of disadvantaged minority groups, their employment as tokenism may lead to further marginalisation. They question what happens to “ideas of justice, equity, and basic employee responsibilities and rights ... if the business case does not support the need for diversity” (O’Leary and Weathington, 2006: 290). And, indeed, several examples of empirical research present the complexity of diversity consequences. For example, there is the possibility of firms finding that, while diversity may lead to greater innovation, it may coincide with higher staff turnover among upper management (Kochan et al, 2003). Furthermore, there is a possibility of resistance, backlash and conflict (Karsten, 2006), plus the loss of group cohesiveness and increased staff turnover, while those employed “to help gain access to a particular market or market segment may come to feel devalued and exploited” (Slater, Weigand and Zwirlein, 2008: 204).

Nevertheless, some proponents of the economic benefits of this approach, particularly in Australia, seek to build their case through promoting the concept of “diversity

dividends” to describe the returns for businesses of implementing a diversity management approach. For example, O’Flynn et al (2001: 37) declare: “It is time for CEOs to wake up: investing in diversity management today can produce diversity dividends tomorrow”. The diversity dividend is defined in business terms as “a product of effective diversity management” (Lau et al, 2001a: 45) or “productive diversity ... the business advantages that emerge from the employment of many different people” (Lau et al, 2001b: 6). Collins (2002: 3) states: “One of the four pillars of Australian multiculturalism is that of *productive diversity*” (original emphasis). In Collins’ view, use of “innovative ways that the cultural diversity of the workforce can be tapped to business competitive advantage” (2002: 3) is demonstrated in an “economic gain, or a *diversity dividend*” (2002: 3, original emphasis) for Australian firms.

Unlike Collins, O’Flynn et al (2001) refrain from naming economic profit when they list the dividends to be gained from effective diversity management:

Firms that effectively manage diversity harness the diversity of their workforce and reap the ‘diversity dividend’. They attract and retain the best staff, and benefit from the multiple perspectives that a diverse workforce brings to every facet of operations: from product development and marketing to managing international operations (O’Flynn et al, 2001: 35).

Lau et al (2001a) also omit economic gain in their list of eight diversity dividends, citing: enhanced creativity and innovation; advanced communication; reduced workplace conflict; lower absenteeism and turnover; expanded global opportunities; superior teamwork skills; improved business-to-business relations; and quality customer service (Lau et al, 2001a: 45).<sup>3</sup> To this list of dividends, Karsten (2006: 101) adds: “boosting profits ... [and] improved employee morale, satisfaction and commitment to the organisation’s goals”.

In Britain, Adams (2006) demands a further diversity dividend. Adams calls for firms to be judged and rewarded on their provision of fair EEO/AA opportunities. She claims that firms incurring increased costs in training and commitment through providing equal opportunities employment may be disadvantaged when tendering for work in public services. Therefore, in Adams’ view, when tenders for public works are under consideration, AA should be provided to firms who provide AA to employees. Arguing for a diversity dividend in the form of recognition of such a commitment to equity, Adams states:

[We] would like to be able to say that a commitment to diversity ... is good for business. It’s hard to claim that under the current situation where good employers can feasibly lose business to those without any real commitment to fair treatment of their people. Competitors can sometimes be cheaper as a direct result of them not providing decent terms and conditions and not driving the equality agenda (Adams, 2006).

Conversely, Nicholas and Sammartino (n.d, 2001) warn Australian businesses of the negative consequences of failing to provide effective diversity management. They state

that while “managing diversity makes good business sense” (Nicholas and Sammartino, 2001: 2), diversity dividends come only through “actively” managing diversity. Failure to do so leads to the loss of diversity dividends through human resource costs “when low job satisfaction causes high absenteeism and turnover and poor productivity” (Nicholas and Sammartino, 2001: 2). As an example of diversity dividends lost through the failure by firms to implement active diversity management programmes, Nicholas and Sammartino (n.d.: 8) estimate a \$7 billion cost for Australians through absenteeism in 1995. Similarly, in the US, Hubbard (2004: 15) claims that employee dissatisfaction from ineffective diversity management leads to “disastrous” bottom-line losses incurred from high staff turnover. He includes a cost of one and a half times the salary of the employee merely to hire a new worker, plus further costs of “at least 90 percent of the departing employee” (Hubbard, 2004: 15) through lost productivity, including periods of absenteeism, during the period the employee works out notice, formal and informal training of new staff, “learning curve costs” (Hubbard, 2004: 15) and the possible loss of customers who follow the previous employee and new customer network building.

In UK research from the Chartered Institute of Personnel and Development (CIPD), members do not tend to use the concept “diversity dividends”, although Worman (CIPD Podcast, 2007) admits that even while advocating good diversity management, they understand that firms investing in diversity need to “add a dividend” from it. But CIPD members do suggest how diversity may be actively managed (see e.g. CIPD, 2003; Tatli et al, 2005; Worman, Bland and Chase, 2005; CIPD, 2007; CIPD Podcast, 2007). Worman, for example, adds that it is important to move from an attitude that diversity is “a problem, we have to comply, we have to have a compensation model for those who aren’t normal” (CIPD Podcast, 2007) to thinking of how “difference is good for us ... how we can leverage from that” (CIPD Podcast, 2007). According to the CIPD (2007), the way to both manage and gain from diversity is by demonstrating that diversity is valued within workplaces. This, they argue, is an important step towards developing “an engaged workforce”. They define employee engagement as:

... a combination of commitment to the organisation and its values plus a willingness to help out colleagues (organisational citizenship). It goes beyond job satisfaction and is not simply motivation. Engagement is something the employee has to offer: it cannot be ‘required’ as part of the employment contract (CIPD, 2007: 1).

Firms with an engaged workforce were found by CIPD to have 40% lower recruitment expenditure than organisations that do not. Moreover, they had reduced costs from labour turnover, absenteeism and discrimination lawsuits (CIPD, 2007). Diversity management that provides conditions under which employees desire to work more effectively provides a series of diversity dividends.

## **High-Performance Work Systems**

Closely linked to the CIPD ideas, literature from industrial relations and strategic human resource management studies also analyses the impacts of more fully engaging

workers. However, the focus shifts from diversity management and employee engagement to the establishment of high-involvement, high-performance work systems (HPWS) (e.g., see Appelbaum et al, 2000; Capelli and Neumark, 2001; Godard, 2001, 2004; Cornelissen et al, 2007; and Macky and Boxall, 2007, 2008). Discussions of HPWS include a variety of definitions. Macky and Boxall describe the dominant definition as:

... changes in work organisation towards greater employee involvement, seen as necessary to compete more effectively on quality, creativity and flexibility, lead[ing] logically to improvements in skill formation ... and an appropriate mix of incentives ... at the heart [of which] is a process of building higher levels of employee involvement in decision-making, on the job and/or off it (2008: 39).

While not using the term “diversity dividends”, proponents write of the benefits they believe an HPWS approach brings to employers. However, among HPWS writers are those who also examine the approach’s potential for improving outcomes for employees beyond basic “feel good” sentiments, a concern that tends to be absent from some of the diversity management literature, especially in the business case sector. Macky and Boxall point out that writers, including Appelbaum et al (2000), claim that the intensification of work involved in HPWS leads to benefits for both workers and employers: improved worker satisfaction and commitment bring subsequent bottom-line benefits for employers. Others are more sceptical of the benefits. Capelli and Neumark (2001), for example, believe that employer benefits may be impacted negatively by HPWS. In their view, there is “little effect of high-performance work practices on overall labor efficiency” (Capelli and Neumark, 2001: 373) because HPWS involves the transference of power to employees, leading to demands for higher “employee compensation”. Godard (2001, 2004) is among others who suggest that it is workers who may be affected negatively by HPWS. Greater responsibility for decision-making by employees and increased performance goals may lead to more stress. As Godard states:

[A]lthough team-based work and information sharing had positive effects, team autonomy and responsibility for a good or service – both associated with the high-performance model – had negative effects for employees (2001: 776).

Blackwood (2008) also suggests that higher involvement and greater commitment by employees through improved opportunities for employee decision-making may lead to increased employee stress, possible job-burnout and increased employee sensitivity to treatment by management and to outsider views of the group.

As in the diversity management approach described above, Macky and Boxall (2008) find that the key to success in HPWS is largely dependent on the managerial approach adopted. The authors argue that the approach adopted is directly linked to whether HPWS impacts positively or negatively on employees. Negative outcomes for employees are more likely where managers are seen to combine work intensification with organisational gains. In such circumstances, employees may feel pressured to work longer hours or take work home, for example, leading to employee alienation from work through work-life imbalance (de Bruin and Dupuis, 2004). Cornelissen et al (2007: 7)

note that poor management leads to a chain of poor outcomes: “employee disengagement, customer dissatisfaction and general organizational atrophy”. Positive outcomes, though, are more likely where managers of HPWS “foster and reward employee involvement” (Macky and Boxall, 2008: 52). The dividend here is employee engagement, created through developing a sense of well-being. As Macky and Boxall (2008: 52) state: “Workplace reform which enables employees to work smarter through greater empowerment, but without undue pressure to work harder, is likely to enhance employee well-being.”

Further, Macky and Boxall (2008) point to a shift in focus apparent in more recent research: the link between engaging/involving employees and the dividend of improved productivity. This is also a key element in the diversity management approach and has led to a demand for better skills training for both employees and management. As Mayhew and Neely (2006) claim, the impact of employee training is closely intertwined with management skills. There is recognition that higher productivity needs a flexible workforce where employees are more highly trained in a wide range of transferable skills. Flexible, skilled employees are more likely to become engaged or involved in their work if their skills, including tacit skills, are recognised, valued and utilised in good quality jobs. Flexible, skilled managers are more likely to provide good quality jobs and more fully recognise, value and utilise their employees’ skills. Flexibly skilled workers plus flexibly skilled managers are together more likely to lead to multiple dividends in long-term development, innovation and cost-effectiveness for businesses, while simultaneously improving the country’s economy.

HPWS and diversity management share a number of concerns in common: management responsiveness and innovation, worker upskilling and engagement, and productivity gains. But there are also important differences. Diversity management positions management and worker diversity inside the firm, and supplier/consumer diversity externally, as the key issue. HPWS, as its name suggests, is concerned more generally with any factor that improves performance. Diversity is only one issue and, in the case of some contributors, barely gets named much less directly addressed. We would argue that both approaches have something to offer the challenges presented by diversity and the task is to combine the two approaches in order to better address societal and organisational diversity.

## **Limitations**

Reflecting doubts expressed by some diversity management theorists (e.g. see O’Leary and Weathington, 2006; Prasad et al, 2006; Sinclair, 2006), and still focused on the need for higher quality jobs, Mayhew and Neely (2006) are concerned by a tendency for policy makers and businesses to focus on improved productivity that does not look beyond immediate bottom-line gains for businesses. They argue that “good productivity performance is a means to an end ... a route towards achieving a more internationally competitive economy” (Mayhew and Neely, 2006: 455). But, in their view, there is a need to ensure that what is sought is long-term productivity from increased production

*quality* rather than merely short-term productivity from increased production *efficiency*. Otherwise, they suggest, “significant proportions of ... workers will be confined to low-rewarding jobs and possibly to jobs of high work intensity and low discretion” (Mayhew and Neely, 2006: 455). Such jobs, according to diversity management advocates (e.g. Lau et al, 2001a; Nicholas and Sammartino, 2001; Worman et al, 2005; CIPD, 2007), do not reap diversity dividends as they are not conducive to the development of either an engaged workforce or the ongoing innovation of goods and services. Moreover, the low job satisfaction leads to increased absenteeism and high employee turnover (Sammartino, O’Flynn and Nicholas, 2003).

In a similar vein, Bryson and O’Neil (2008) argue for a shift from the current instrumental view of human capability that prioritises economic over social goals. In their view, by becoming “capability enhancing institutions ... through the provision of good quality jobs and work environments” (Bryson and O’Neil, 2008: 44), businesses will be more effective in achieving the instrumental outcome of enhancing their productivity and competitiveness.

Production goals of flexible production of goods or services of high quality and competitive cost are achieved through the organisation of work which mobilises the tacit knowledge of direct workers [as opposed to outsourcing work to cut costs].... The optimal competitive route ... which optimises the development of human capability ... is through actively organising work and employment relations which produce good quality jobs (Bryson and O’Neil, 2008: 43).

Instead, what the authors found is that while employers/managers rely on workers’ tacit skills, and accept the dividends they provide, there is little formal recognition of those skills. This was evident in the few opportunities for workers to use their discretion at work – where it was sought, it was likely to be used to justify or reinforce management decision-making rather than being the means of providing a greater employee role in decision-making. Critics of diversity management theory, Jones, Pringle and Shepherd (2000), express similar concerns over the co-opting of Māori cultural values, skills and resources by employers to provide a competitive edge rather than to improve employment quality for Māori. Buchanan (2008) suggests that to address these challenges there needs to be analysis of “*workplace data*, not just training data; a focus on *workforce development*, not just training; [and an emphasis on the] importance of *partnership arrangements*, not just training provision” (original emphasis).

A final problem related to diversity management, employee engagement, HPWS and diversity dividends generally, is that of unrealistic employer expectations. Keep (2008) raises the issue in relation to expectations by employers that employees should arrive on the job fully trained. This is an expectation that particularly disadvantages members of minority groups as employers from the dominant group are more likely to relate to and understand the skills brought by members of their own group (Sinclair, 2006). Keep points out that while skills training needs to move towards developing more flexible workers with transferable skills, in a labour market that values innovation, employees will always need ongoing training to meet new skills requirements. As the *New Zealand Skills Strategy 2008 Discussion Paper* states,

Many skills are informally acquired in work through experience and learning from others and many of the benefits of formal skills can only be fully realised if they are able to be applied at work (New Zealand Government et al, 2008: 12).

One answer, according to Keep (2008), is to create a “three-legged” policy which aims at creating more highly trained workers who move into a labour market that offers higher quality jobs which attempt to improve the usage of the workers’ skills. This is more likely to happen, Keep (2008) suggests, when governments support employers to improve their workplaces as learning environments and to create an environment which encourages the development of improved workplace innovation, work organisation and job design.

## Conclusion

Workforce and workplace diversity constitutes one of the major management challenges of these decades. We have identified some of the possibilities and limitations of the diversity management and HWPS approaches. We want to end by indicating some of our remaining concerns as a contribution to an evolving diversity management agenda.

The first is the focus on gaining market advantage and maximum productivity from diversity. An example is discussed by Jones et al, (2000). They point out that diversity theory, because it emanates from the US, tends to have an individualised concept of identity, leaving no room for particular collective identities or claims. This means that in New Zealand, for instance, there are times when “Māori cultural values matter only to the extent that they add value to the organisation” (Jones et al, 2000: 369). For this reason, a diversity management approach by managers may lead to a situation where employers treat Māori culture as a commodity “rather than as a cultural resource that Māori people themselves as Tangata Whenua have a right to create in their workplaces” (Jones et al, 2000: 369).

Further, theories that view diversity as “a set of attributes that reside in some people and not in others ... leav[ing] dominant groups fundamentally unchanged and relations of domination intact” (Ely, 1995: 162) are unhelpful. As Ely notes, all too often diversity has meant anyone who is not a white, heterosexual male: “Only people of color have a race; only women have a gender; only gay, lesbian, and bisexual people have a sexual identity” (Ely, 1995: 162). The growing complexity of diversity throughout the labour market requires an even more complex view of organisational diversity than visible differences such as ethnicity, gender and age among employees. For businesses to maximise the potential of their workforce, it is necessary to understand and respond to the background, skills, understanding and motivations of workers at all levels. As Brazzel (2003: 76) points out, “difference is not only about culture and perception, but also about resource distribution and claims to privilege”. Therefore, an examination of diversity in organisations should consider not only employee groups but also managers and employers. Thomas underlines this point when he writes:

White males ... hold most of the decision-making posts in our economy ... and I certainly don't mean to suggest that white males somehow stand outside diversity. White males are as odd and as normal as anyone else (Thomas, 1990: 109).

There are also factors external to the organisation, which play a critical role. An obvious and central consideration in the New Zealand context arises from the much more central economic role that Māori now play in New Zealand's institutions, including the labour market. A Māori cultural renaissance since the 1970s has been accompanied by new economic development ambitions, leading to Māori taking a much more important position in the New Zealand economy (see NZIER, 2007). A key dimension in these new expectations revolves around notions of ownership, perhaps best represented in the context of the present discussion as stakeholder considerations. In introducing notions of ownership and stakeholder-ship, we want to argue that diversity management should address issues of worker pride and loyalty for a product, service or organisation that result from an increased sense of ownership. While this applies to many workplaces, we suggest that it is particularly critical for a Māori workforce in contemporary New Zealand. A product, service or other output which is to be consumed by a population that has specific (iwi, hapu) or broad connections (as Māori) to those who produce it, draws on ethnic-specific stakeholder connections. In the knowledge that their work efforts will be of interest to, or benefit those with whom they have an ethnic affiliation, connection or relationship, these Māori workers, if managed appropriately, will be more productive. Diversity management provides an opportunity to consider and capture such connections.

Our concern is to widen the concept of diversity in the workforce and what it means to manage diversity. There needs to be a shift from a focus on some employees and groups of employees as problems, as some sort of anthropological "others", in isolation from the wider culture of the firm. It also requires an examination of the previously unquestioned tasks and "privileged" experiences of managers "whose own racial or gender markers [have been] invisible" (Sinclair, 2006: 527) alongside those of highly visible minorities whose experiences have been systematically ignored or "routinely silenced" (Sinclair, 2006: 527). Establishing patterns of reflexive analysis among employees and management enables issues of power to be aired and resolved, although such an approach presents some considerable challenges. As Slater et al, (2008) note, diversity will only be successful where it is embraced at all levels within a firm, not just as an ideal imposed by HR. They argue that to achieve the benefits of diversity, senior management need to ensure that a "commitment to diversity is a deeply engrained value in the organization's culture, one which produces the appropriate norms for constructive and productive behaviour by all employees" (Slater et al, 2008: 7).

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## Notes

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<sup>1</sup> OECD (2008, Chapter 3) discusses labour market discrimination on the grounds of “gender and ethnicity” (Prasad et al, 2006: 2) note that there is a wider range of groups whose employment options have been marginalised. They include “non-whites, women, religious and ethnic minorities, individuals with physical disabilities, older employees, gays, lesbians and transgendered people”. Those with mental and intellectual disabilities should also be included. Contextually, some of these groups may not always form a minority. Moreover, Pringle and Scowcroft (1996: 32), whose research of diversity management in New Zealand includes gender and ethnicity only, suggest that it is considered neither appropriate nor polite to use the term “minority group” to refer to ethnic groups in New Zealand. Nevertheless, “minority groups” is used here as referring to all groups historically and systematically marginalised and discriminated against in the labour market.

<sup>2</sup> For a discussion of the subtle legal differences in meanings and workforce implications of the concepts EEO and AA in the US, UK, Canada, New Zealand and Australia, see Prasad et al, (2006: 5). Here, the terms are used interchangeably to represent the regulatory, as opposed to the more voluntary, environment of diversity management.

<sup>3</sup> Interestingly, Lau et al (2001b: 6) present the same list of diversity dividends, but in a different order. “Expanded global opportunities” takes precedence while “lower absenteeism and turnover” is moved to the bottom of the list.

## Flat Whites: How and why people work in cafés

JANET SAYERS\*

### Introduction

This research note reports on recent research examining people working in cafés in Auckland, with a view to exploring how and why people use cafés to facilitate work and their productivity. Cafés are recognised as an important component of retail districts and cities more generally (Florida, 2004; Hospers & van Dalm, 2005; Jacobs, 1969), but they are rarely taken seriously as workplaces in literature about work. The role of cafés to innovative cities is referred to in this literature with Hospers, for example commenting in relation to Vienna that:

The most important background to Vienna's creativity around and after 1900 was the 'café factor': the countless Kaffeehäuser open from early in the morning to late at night, served as the meeting place of the local creative minds. In this inspiring environment a number of 'new combinations' emerged while drinking a cup of Weiner mélangé, or the local beer" (2003: 151).

In the United Kingdom, ethnographic work on cafés and cities stresses the importance of cafés in facilitating everyday communicative practice (Laurier, Whyte, & Buckner, 2001). There has also been relevant work on 'café culture' in the location of the present study, Auckland, New Zealand (Austin & Whitehead, 1998; Latham, 2000, 2003; Liberty, 1998).

There have also been a number of studies about employees working in cafés, and several of these studies are classics in the employment relations literature (Crang, 1994; Goffman, 1959; Whyte, 1949). But on the subject of customers working in cafés, there is very little research, although there is a developing literature about the 'mobile' worker, using technology to facilitate work in cars, planes, hotels, trains, cybercafés and so on (e.g. Wakeford, 1999). The most directly relevant study to ours has been conducted in the United Kingdom by Felstead, Jewson and Walters (2005a, 2005b) who examined professional and managerial workers working 'on the move' from mobile workplaces like trains, working at home, and working in 'collective' offices in the United Kingdom. Somewhat surprisingly, their research found cafés to be rather insignificant as places of work (Felstead et al., 2005a), finding that in cafés "it may be difficult [for workers] to make expansive and long-term claims for space" (p. 151). On the other hand, geographers in the UK have shown that cafés are central to the lives of city dwellers and to the conduct of commerce (Laurier, 2008; Laurier & Philo, 2006a). Cafés, in their view, are key places in the development of modernity and to commerce conducted in productive cities, and their approach underscores the value in understanding micro-everyday practices of work in order to capture the

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resilience and inventiveness with which mobile workers create places in which to work, as well as the nuances of organisations' continuous influence over subjectively incorporated self-control strategies and tactics that come into play when people are working away from the formal workplace.

An examination of the literature shows that the present study needs to be cognisant of theoretical developments in social geography, geographical writing about the historical development of cities (and towns), as well as the growing literature on the mobile worker. Our reflections on the disparate literature, our observations and interviews, led us to Pred (1984) as providing a useful framework within which to understand our findings. Pred wrote a very influential article advancing a theoretical foundation for "a different type of place-centred or regional geography" which "rests upon an integration of time-geography and the emerging theory of structuration" (p. 279). Pred's paper is directly concerned with understanding places that emerge where "time-space activities and power relations ceaselessly become one another" in the land-, or city-scape.

The overall purpose of this research is to answer the exploratory research question, how and why do people work in cafés? This research is exploratory as no research currently exists that can frame a large study and so the present project aims to contribute to the framing of a more focused research project to be conducted in 2010.

## **Method**

We first conducted eight preliminary interviews with academic colleagues, all of whom use cafés on a regular basis. Our interviews confirmed to us that academics use cafés to facilitate certain types of work, but that individuals have a range of preferences and reasons for using cafés. For example, one respondent, Fredrick wove cafés into his daily routine primarily in order to read, to write and to facilitate his creativity. For another respondent, Rose, cafés were somewhere she could meet other researchers involved in the large external research grants she managed. She saw cafés as providing environments where networking and team building could take place, and she could provide hospitality. A third respondent, Graeme, mainly used cafés to meet with post-graduate students. Mainly, Graeme chose cafés because of their locality, and he enjoyed the informality that cafés enabled in his relationships with students. He felt students were more confident and articulate when meeting on the 'neutral' ground of the café. Another common academic use of cafés was as a place to conduct interviews and collect research information. Cafés provide the neutral and hospitable territory conducive to interviewing, as long as noise and privacy issues could be managed appropriately.

After collecting these initial interviews, we broadened our sample by interviewing a range of people who we found working in cafés. We incorporated four separate interviews with café owners to provide context for their views on customers who worked in their businesses, and gained their permission to approach people working in cafés and request an interview. Interviews were based on a semi-structured interview schedule, derived from literature, observation and preliminary interviews, and was aimed at eliciting peoples' perceptions of how and why they use cafés.

Overall, we interviewed twenty four people, seven of these in two focus groups (the groups being work groups who regularly met together in cafés). The respondents were all from the wider Auckland region, mainly on the North Shore and in the Rodney District. Several of the interviewees had more than one occupation and they came from a variety of professional and managerial occupations. All interviews were conducted in a café environment, over a cup of coffee, which the interviewer purchased for the interviewee.

The semi-structured interview consisted of a series of mainly open-ended questions aimed at finding out how and why interviewees use cafés for work. From these interviews we then constructed scenarios explaining how and why each subject worked in cafés. We then read and reread each scenario and identified key concepts and themes. We then generated a list of ten reasons how and why people use cafés, based on our analysis of the scenarios, and the literature.

### **How and why people work in cafés**

Our thematic analysis derived ten major themes. From this list of themes we generated an acronym FLAT WHITES to explain why people use cafés for work. These letters stand for F(Formality/Informality), L(Leisure), A(Aesthetic), T(Time), W(Work-station), H(Hospitality), I(Innovate), T(Transaction), E(Escape), S(Social). Other synonyms for meanings ascribed under these ten headings are given below in brackets:

1. Formality/informality (power, hierarchy, control)
2. Leisure (treat, reward, pleasure, non-work time, respite)
3. Aesthetic (marketing, branding, self-identity, status)
4. Transactions (relationship, networking, affiliation, horizontal communication)
5. Work stations (place of work, convenience, temporary work place, technology, table size, table distance, chair comfort)
6. Hospitality (food and drink, inside/outside boundaries, welcome, belonging, rituals around food)
7. Innovate (creativity, idea work, entrepreneurialism, inspiration, synthesis)
8. Time (flexibility, time compression, work intensification, personal time management)
9. Escape (from surveillance, from interruptions, sanctuary, reflection, aloneness)
10. Social (togetherness, sociality, buzz; social opportunity; serendipitous encounters,)

Each theme is now briefly discussed.

#### *Formality/Informality*

Cafés are characterised by ‘democratised space’, where customers tend to be treated the same no matter their social status. Consequently, in cafés there appears to be a relaxation of the normal formal rules of hierarchy, control and power in organisations. However, hierarchy is by no means abandoned, and theorising how cafés are used for work purposes needs to appreciate the ongoing influence of management and



organisation in these settings. As several seminal work studies have shown, self-surveillance is the new norm, and subjectivities need to be understood in relation to power (Du Gay, 1996; Knights & Willmott, 1989; Sewell & Wilkinson, 1992). Cafés are used instrumentally in a variety of ways to enable certain tasks to be conducted more fluidly and efficiently (e.g. interviews) with subordinates and clients more 'comfortable and relaxed'. Cafés also enable the relaxation of hierarchy necessary for team-building and other 'culture building' activities. In this sense then, cafés are used to mobilise forms of management discourse. However, cafés do provide a place in which rules are relaxed, and a different kind of relationship can be forged in the more ambiguous private/ public/ work space. The informality enabled by a café can also be mobilised in 'projects of the self' (Du Gay, 1996) enabling the building of personal social capital.

### *Leisure*

Along with other researchers that have noted the complex ways that people are managing the interface between work and leisure, or work and non-work, our study shows that cafés are a place where workers combine work and non-work activities for a number of purposes. These primarily involve integrating pleasurable social activities with the less-pleasurable activities of work, or at least with accentuating work's pleasant social aspects. Café meetings can occur to enable time-efficiencies (meet for a coffee to catch up and talk work with colleagues that are also friends), for pleasure (a 'treat'), or as a reward for task completion. Cafés are also simply used as a place of respite for mobile workers who need somewhere to grab something to eat, freshen up, and use the bathroom facilities (see Laurier, 2002 for further examples of this).

### *Aesthetic*

Throughout the social sciences, there has been an ongoing interest in the ways that people manage their self and professional identities through managing aesthetic factors, from Goffman (1959) to the 'aesthetic labour' conducted by hospitality workers (Nickson, Warhurst, & Dutton, 2005; Nickson, Warhurst, & Watt, 2000), through to the self-branding and marketing strategies of workers (Lair, Sullivan, & Cheney, 2005). Workers use cafés to symbolically represent and communicate aspects of themselves that they wish to project to others. Choice of café was conducted very carefully to selectively show aspects of personas, and respondents were articulate about why they chose cafés based on a host of aesthetic factors including style, age profile of the area or café, type of service and so on. Café aesthetic factors were selected to match self-concepts such as status, design preferences, creativity, tolerance for service, and so on. These practices of aestheticisation in relation to place are still poorly understood, although Adkins and Lury (1999) have demonstrated that practices of aestheticisation need to be understood within the contexts of the regimes in which they are articulated.

### *Transactions*

The term transactions relates to workers using cafés as places to meet others in order to conduct business transactions, involving relationship building, networking, and organisational building (an organisation being two or more people engaged in purposeful activity (as defined in Cheney, 1991)). In general, we see these

transactional activities as being characterised by horizontal communication aimed at increasing opportunity, and primarily designed to accrue social capital and opportunities to the individual and their economic interests. These activities are common because in contemporary life, organisations have become less loyal to workers, individuals are expected to be self-sufficient and self-directed, and work has become more casualised (Pink, 2001). Consequently, workers are increasingly acting as entrepreneurs-of-the self (Kirchoff, 1994). Following Gartner (1989), and agreeing that an entrepreneur is anyone who creates an organisation, cafés are important sites for organisations to ‘happen’ and entrepreneurial activity to take place.

#### *Work-stations*

Cafés are often referred to, along with other places between home and work, as ‘third places’ (Liberty, 1998; Oldenburg, 1989). Certainly, people use cafés as work-stations for convenience reasons (close to work, a place to use the facilities) and they choose cafés according to the type of task they wish to carry out, and convenience factors around where that work is located. Although Felstead et al (2005a) found that mobile workers in the United Kingdom did not use cafés a great deal (because workers could not claim the functional space), we found that individuals do create and maintain a functional space to conduct work. As Laurier has shown, even something as mundane as table arrangement has certain rules around them that enable functional use (Laurier et al., 2001). Although the use of mobile technology was not strong in our study (cafés were primarily sites of embodied communication), café work-stations were also used for digital communication. Cell phone use is ubiquitous in cafés, and laptops are regularly used for such tasks as sales presentations, finding information, and even keeping children amused with a DVD so parent/s can work.

#### *Hospitality*

Hospitality is crucial to why people use cafés for work purposes. Food and drink have a significant but under-understood role to play in organisational life. Food and drink are central to all aspects of culture, and in organisational hospitality rituals of welcoming and belonging. Our study shows organisational agents performing hospitality work for organisations in their appropriation and use of cafés. In various ways, strangers and ‘others’ are welcomed into the inside of the organisation through the sharing of food and drink, even though these rituals often do not take place anywhere near the physical premises of a business. Our research suggests that these boundaries of outside and inside are marked thoughtfully and carefully by organisational agents. By engaging in this important ritual outside the organisation, in cafés, the good-will such practices accumulate possibly resides more in the individual agent, as does the relationships enabled through the hospitality rituals. Regarding the cost of hospitality, many of our informants were paying for their use of cafés for work purposes. For the self-employed, this could be claimed as a business expense, and it was sometimes claimable as legitimate business expenses by professional and managerial workers. Overall, however, it appeared that the cost of organisational hospitality was being shouldered by individual workers. We could find no research specifically on the cost of organisational hospitality to workers.

*Innovate*

The ways that cafés enable innovation and creativity are one of the most intriguing themes to emerge from our study. Although not all respondents specifically identified creativity as a factor for why they frequented cafés, several did, and our observations and reading confirm that cafés provide an environment where innovation ‘happens’. Why this should be the case is a question for further investigation, but various explanations suggested include the soothing quality of the babble of voices in a café that ‘quiet’ the mind, to the historical-social contexts of cafés’ nexus as arenas for political and social discourse (as discussed in Haine, 1996; Laurier & Philo, 2006a). Cafés seem to be an important site for ‘idea work’ to be done. This ‘idea work’ is a situated practice; the café as a place seems to be essential in the production of synthesis and presumably this is because of the social interactions which are a primary condition for creative process (Hospers, 2003). The ‘napkin note’ as a record of ideas, epitomises the how and where of creative conversations and ideas.

*Time*

People use cafés to manage their time more effectively, and more pleasantly. Workers often feel that they can “get more done” in a café away from the distractions of work. Cafés offer an alternative workplace where, although social aspects are clearly evident, people seem to be able to focus, or at least feel that they achieve more in the time available. As managed timing has been a key aspect of control in the workplace, self-management of time is related to a sense of escape from the workplace also. The ways that employees manage their individual time and place orientations are crucial to the way people use cafés. This theme is probably the most central aspect of our investigation, and prompts the need to explore this aspect of the use of cafés, and underline the need for power relations to be integrated into any tendency to overstate the appropriation of space for personal reasons when action is circumscribed by economic and material conditions. So consequently Pred’s (1984) paper is useful because it may enable an incorporation of structuration into conceptualisation of fluid work-places that may be appropriated and ‘consumed’ by workers.

*Escape*

In a related theme to ‘time’ we propose that cafés are also places of ‘escape’. This escape generally is from traditional workplaces (or home) to the café as a haven of some sort. People escape from constant interruptions from others and the demands of the computer, especially emails and the attendant administrative demands that emanate from it. But it is important not just to see the café as a place of escape in a negative sense of being from these demands to a non-work sphere. The café was seen as place to ‘remove oneself too’, more of a secluded space, almost like a ‘sacred’ space for thoughtful reflection, to re-energise, to re-find one’s equilibrium. The other escape is from organisational surveillance, although as with the group of teachers in scenario three above, self-surveillance practices remain strong even when the agent/s are not visible.

*Social*

A social experience in a café is highly variable, but there are at least three types of social interaction we wish to briefly mention here. First, there is the experience of working alone in a café, which is still social. This experience has been articulated by Shapira and Navon (1991) who discuss how a café is both a public and private space and how this enables the experience of being alone, but together with others. Second, there is the experience of working in groups. Creating and maintaining friendship networks that extend beyond one's production-derived relationship, is an important aspect of meeting in cafés. Finally, there is the often unrecognised issue of serendipity, the chance encounter, and the opportunity of the café for the expression of tolerance, which along with diversity is identified by Jacobs as a precondition of creative economies. Frequenting a café, like other 'third place' activities, provides opportunity. Outside of the 'safe' and cocooned haven of the home, work, or even the car, is the opportunity for encountering 'others' in a variety of ways. Conversations with strangers (as discussed in Laurier & Philo, 2006b) can start up, and friendships, acquaintances and connections can be made outside of one's usual work networks. Serendipitous encounters are central to social and organisational functioning, and yet very little research is written about them (one exception that is close to what we mean here is Dixon's (1997) account of hallway conversations, although these are still within organisational walls).

**Discussion and Conclusions**

From our research, a picture of the Auckland café scene is emerging which echoes the significance accorded cafés in other parts of the world such as Scotland (Scott, 2006), Israel (Shapira & Navon, 1991), and the United States (Rosenbaum, Ward, Walker, & Ostrom, 2007). Cafés have become a vital part of public city life in Auckland, and no doubt in other cities and towns in New Zealand, although the growth of cafés has been regionally specific, showing patterns of exclusion and inclusion depending on local socio-economic and other circumstances. As well as a place to meet friends, family and colleagues, cafés provide a 'third place' (Liberty, 1998) between work and home that are marked by their ambiguity (being neither private nor public space), and providing opportunities for encounters with people who are neither family and friends nor colleagues from work. Café location is important to the ways that many people navigate cities, and clearly cafés have a crucial role for workers who are both mobile and more office or home based, as places for resting and working.

In our discussion of themes we have drawn on previous literature and provided an overview of our research on how and why people work in cafés. What this discussion shows is that 'third places' such as cafés, coffee-houses and other similar hospitality establishments have a role to play in organisational and entrepreneurial activity that is not well-recognised. In order to understand the use of cafés, we need to better understand how and why people create a situated work 'place', and how the everyday practices conducted there-in contribute to economic life and organisational functioning. We have now presented this research at several conferences and gained valuable peer review. We will pursue this research by focusing on one particular profession, academics, a 'creative class' (Jacobs, 1969), in order to come to a better understanding of the relationships between place, time and work in one specific

occupation. We will also develop a stronger focus on the use of technology to discuss the integration of 'virtual' experiences into work (Cascio, 2000), although we remain centrally interested in embodied social experience and material practices.

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## **Research Note: Undertaking Cross-Cultural Research into Psychological Contracts**

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### **Introduction**

This research note provides a brief overview of recent literature on cross-cultural research into psychological contracts and identifies several opportunities for future research in this area. The discussion initially focuses upon empirical research that explores how culture may influence psychological contracts, and then moves to address some key methodological issues that need to be considered when undertaking cross-cultural research.

### **A Brief Overview of the Literature on Cross-Cultural Research & Psychological Contracts**

Rousseau and Schalk (2000) noted the importance of examining both the similarities and differences in psychological contracts across cultures. They argued that in order to properly understand psychological contracts, in a globalised context, “multinational research teams were needed to uncover both generalisable and society specific-phenomena” (p.283). Numerous cross-cultural studies of psychological contracts have subsequently been completed, and these have addressed various aspects of psychological contracts developed in different geographic locations.

In keeping with the need for research into psychological contracts in different cultures that was espoused by Rousseau and Schalk (2000), a number of studies have examined psychological contracts in non-western countries including Taiwan (Silverthorne, 2004), China / Hong Kong (Westwood, 2001; Lo and Ayree, 2003; India (Shah, 2000), Singapore (Ang, Tan and Ng, 2000), Japan (Morishima, 2000), Vietnam (Truong and Quang, 2007), and the Philippines (Restubog, 2006). Some of these studies conclude that cultural characteristics influence the development, content and effects of psychological contracts. For example, in their discussion of psychological contracts of managers in Hong Kong, Westwood et al. (2001) reported that “the structure of the contract and some key elements of the reciprocal exchange are indeed shaped by the cultural context” (p.649). Similarly, in a study of Vietnamese employees and their HR managers, Truong and Quang (2007) found evidence of commonalities and differences in psychological contracts based on cultural comparisons. The need to understand these differences is at the heart of cross-cultural psychological contract research.

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In discussions of psychological contracts across cultures, a variety of cultural dimensions have been mentioned, and sometimes examined, however, the cultural issue most frequently addressed has been the difference between collectivist (non western) and individualist (western) cultures (Restubog and Bordia, 2006; Restubog, Bordia and Tang, 2007; Gelade, 2008). Using this broad cultural difference as a foundation, studies have explored variations in psychological contracts in terms of their formation, breach, and the way that employees respond to breach. For example, in contrast to more individualistic western societies, Westwood et al. (2001) found that there was significant uniformity in the content of contracts among Hong Kong employee's, most notably in terms of perceived obligations towards their employers. Further, Restubog and Bordia (2006) found that employees in the Phillipines were more likely to perceive breach in contract when relational obligations in the contract were not met as opposed to transactional obligations. As such, there is clearly some empirical evidence that supports the idea that culture influences the psychological contract and its effects.

However, despite the argument put forth by Rousseau and Schalk (2000) and the evidence provided by researchers such as Westwood et al. (2001), some have questioned the influence of, and need to examine, culture in relation to psychological contracts. In exploring psychological contracts cross-nationally, Lo and Ayree (2003) collected data from Hong Kong Chinese employees and compared them to existing findings based on US samples. They reported similarities in the breach process across the two cultures, and therefore argued in favour of the generalisability of the extant understanding of the psychological contract breach process. When Chiang and Birtch (2007) looked at the transferrability of management practices across cultures, they found that "although culture may impinge on reward preferences,... its influence may be diminishing or giving way to a range of other contextual forces" (p.1293). Further, Thomas et al (2003) argued that "individual sources of variation, such as idiosyncratic experiences and personality will also affect individual's value orientations, creating variation within socio-cultural groups" (p.455).

While there may be some contestation regarding culture's influence on psychological contracts, it may be that this is largely due to the comparisons between the people within the samples taken across the cultures. Indeed, it seems that without direct comparison between countries within studies, it is difficult to accurately assess the similarities and differences between the aspects of psychological contracts. Indeed, as Rousseau and Schalk (2001) suggested, "by focusing on a country-by-country basis, it is possible to exaggerate apparent differences between societies and miss their similarities (p. 299). Implicit in Rousseau and Schalk's (2001) statement is the notion that researchers need to directly compare employees across cultures to determine that there are significant differences in their psychological contracts. In particular, there is a need for a systematic examination of psychological contracts across cultures in terms of their formation, maintenance, breach and response to breach (Thomas et al., 2003). Ideally, this would be an examination of matched pairs of employees and employers in the same organisations across a variety of countries, i.e. "people who are as similar as possible in all aspects of their lives except for their nationality" (Hofstede and Bond, 1988, p.9).

Given the recognised differences in western and non-western cultures (Hofstede and Bond, 1988; Rousseau and Schalk, 2000) and the implicit and perceptual nature of psychological contract contracts, the management of psychological contracts become all the more complex and difficult across cultures. For this reason there is a need for research about psychological contracts across cultures which can inform managers transitioning into organisations, or management roles, especially in non-western cultures. Although the need was recognised at

the turn of the century (Rousseau and Schalk, 2000), research that directly compares psychological contracts in western and non-western cultures (using the same instrument, in the same time frame) is relatively limited (Thomas et al., 2003; Restubog and Bordia, 2006; Street, 2009). Clearly, this is problematic as “generic and western-based assumptions about the operation of psychological contracts can be misleading” (Westwood et al., 2001 p.645). Hence, the continuing need for cross cultural psychological contract research.

There has been limited empirical comparison of psychological contracts across cultures. Lee et al. (2000) used groups of university students in Hong Kong and the USA to simulate work groups and examined the difference in the formation of psychological contracts in those groups, in terms of expectations. Though the study was limited in its applicability, they found support for the proposition that the transactional/relational dimensions of the psychological contract do differ across the two cultures. Kickul et al. (2004) also compared employees in Hong Kong and the USA in terms of the importance of obligations, the frequency of breach, and attitudes and behaviour following a perceived breach in the contract. They found overall that the Hong Kong Chinese employee’s perceived the violation of psychological contracts more often than their American counterparts (Kickul et al., 2004, p.249). This is one of the few studies that has empirically assessed the differences between samples of employees from each culture within the same study.

Additionally, a number of authors have produced conceptual papers hypothesising some of the anticipated differences/similarities across cultures based on the individualist /collectivist dimension of culture. For example, Thomas et al. (2003) put forward a series of propositions about cultural profiles (i.e. collectivist versus individualist) and their influence on psychological contract formation, violation and response to violation. They proposed that collectivist cultures will commonly produce relational contracts and individualist cultures will commonly produce transactional contracts. It is also proposed that these aspects of culture influence the perception of violation and the reaction to violation. Using the same individualist/collectivist dimension of culture, Street (2009) addressed the examination of the effects of different cultures on commitment, through the mediating variable of the psychological contract. In short, Street (2009) suggested that the characteristics of culture are antecedents of psychological contracts. Based on a comparison of the extant literature about psychological contracts in US and Japanese firms, Street (2009) proposed that employees from collectivist societies will form psychological contracts that are relational in nature, while individualist cultures will form psychological contracts that are transactional in nature. Further, he suggested that the nature of these psychological contracts will influence the affective, normative and continuance commitment of employees in the firm, and, therefore, the firm’s ability to manage their employees/human capital/human assets.

Essentially, these studies used alternate theoretical bases (eg cognition and motivation) (Thomas et al., 2003) or commitment (Street, 2009), and combined them in their discussion of psychological contracts. Kickul et al. (2004), discussed above, also combined their examination of psychological contracts with an examination of commitment. Such studies (Thomas et al., 2003; Kickul et al., 2004; Street, 2009) point to the usefulness of exploring the role of psychological contracts in relation to other established aspects of the employment relationship such as trust, satisfaction and commitment. For example, Street (2009) suggested that the management of psychological contracts is one way that firms can enhance employee commitment, and culture has been found to influence both commitment (Gelade, Dobson and Auer, 2008) and psychological contracts (Westwood, 2001). Further, Chiang and Birtch (2007) found that “sources of commitment were culturally conditioned and that their effects are predictable from Hofstede’s value dimensions” (p.599). Hence, an understanding of the

relationship between culture and commitment, and the relationship between commitment and psychological contracts, may facilitate improved understanding of the impact culture on psychological contracts. However, as Street (2009) points out “the impact of ...changes in employee perceptions of the psychological contract, and consequently employee commitment, has not been examined empirically” (p.444). Thus, among other things, research is needed to establish the link between these three concepts: psychological contracts, culture and commitment.

In summary, the weight of evidence and argument in the literature suggests an ongoing need for empirical investigation into cultural differences and similarities and their effects upon psychological contracts. However, there are few available cross cultural comparisons of the formation, maintenance and breach of psychological contracts (Rousseau and Schalk, 2000; Street, 2009). Nor is there a clear understanding of the interplay between culture, psychological contracts and other recognised aspects of employment relationships such as commitment (Chiang and Birtch, 2007; Gelade, Dobson and Auer, 2008; Street, 2009). Further, the focus of much of the research that has been done in this area has concentrated on the employee’s perspective of the psychological contract, research has rarely examined the employer’s perspective nor the congruence between employee / employer reports of the same relationship (with the exception of Tipples and Krivokapic-Skoko, 1997; Truong and Quang, 2007). Finally, research has primarily focused on the most commonly examined differentiator in culture - individualism/collectivism (Shavitt et al., 2006).

## **Methodological Issues**

Having established the need to examine psychological contracts cross-culturally, it is important to recognise the methodological implications of conducting such research and the possibilities for making a methodological contribution while conducting this research. As Maheswaran and Shavitt (2000, p.59) comment, “the lack of frameworks that are robust across cultures has severely limited the development of theory-based empirical work”. Two of the issues that these authors argue are limiting the development of cross cultural research are: the choice to conduct etic or emic research; and, the need for equivalent measures that can be used to accurately compare cultures. As Hofstede and Bond (1988) illustrated, studies developed from a western perspective can fail to capture factors that are important in non-western cultures. Hence, it is important to carefully consider the forms of measurement that are employed, as comparisons may be hindered by methodological weakness.

Past researchers in psychology have recognised two broad ways of investigating different cultures: etic and emic approaches (Berry, 1989). The difference between these two forms of research is the perspective the researcher takes. When using an etic approach, the researcher is observing the culture from an outside perspective, whereas when using an emic approach, the researcher observes the system from within (Berry, 1989). More specifically, an emic approach favours within culture investigation as it is held that each culture is different and largely inductive culture-specific research should be the focus (Maheswaran and Shavitt, 2000). In other words, the system is to be discovered rather than imposed (Berry, 1989). In contrast, the etic approach favours generalisations focussing on issues which are common across cultures (Maheswaran and Shavitt, 2000). Within the etic approach common constructs can be examined across cultures, giving insight into differences.

These two forms of research do not form a dichotomy, nor should one be considered superior to the other (Berry, 1989). The choice of perspective should be governed by the problem being examined (Maheswaran and Shavitt, 2000), for instance the desire to measure the generalisability of existing knowledge suggests an etic approach. However, it is often argued that researchers should include both emic and etic components in their research, as a synthesis of etic and emic approaches helps to alleviate the shortcomings of both approaches (Helfrich, 1999; Malhotra et al., 1996). Further, by combining approaches behaviour can be seen as a product of the individual, the task and the culture, thereby giving a broader view than a more singular etic or emic approaches (Helfrich, 1999).

An examination of the existing research into psychological contracts reveals that researchers have commonly taken an etic approach. This is in keeping with the sentiment that research can only begin by being etic, and is evident in the following quote “it will be useful to ascertain the generalizability of findings in the extant literature [western] to an Eastern cultural context” (Lo and Aryee 2003, p.1006). It is also evident in the espoused need to consider psychological contracts in a “globalised economy” (Rousseau and Schalk, 2000), and in the fact that studies exploring psychological contracts in non-western cultures begin by using western culture as the basis for their examination (eg Westwood, 2001; Lo and Aryee, 2003; and Kickul, et al 2004). Nonetheless, some studies have, to some extent, combined an etic and emic approach. This is evident when researchers from different cultural contexts collaborate, as is the case in the studies by Truong and Quang (2007), and in the use of qualitative research in such studies. Further evidence of an emic perspective is provided in the studies by Restubog and Bordia (2006) who demonstrate a detailed knowledge of the non-western culture they are examining and one particular characteristic of that culture, familism in organisations. However, even here the emic aspect of these studies is often limited.

As Rousseau and Schalk (2000) suggested, research is needed to unravel the similarities and differences in psychological contracts across cultures. Arguably, in order to achieve this aim a combination of both etic and emic approaches are required. The emic approach is needed to develop a sufficient understanding of the nature of psychological contracts in the countries of interest. Given the implicit and perceptual nature of the psychological contract construct, an inside knowledge of the respective cultures will be necessary to accurately characterise the factors of importance in each culture. However, in order to gain an overall view of psychological contracts, across western and non-western cultures, an etic perspective will also be necessary. Therefore, as noted by Berry (1989) and Helfrich (1999), in order to achieve a more accurate, and comprehensive, understanding of psychological contracts across cultures, future studies should include both emic and etic components in their research.

In addition to the approach of the research, it is also important to ensure that the measures being used in the research are equivalent across cultures and can therefore be compared (Malhotra et al 1996; Maheswaran and Shavitt, 2000). This is one of the problems inherent with comparing existing studies of psychological contracts. Clearly, there are advantages to comparing two cultures based on the same research instrument. As Kumar (2000) suggests, if equivalence is ignored in cross-cultural research, indicators of reliability and validity may be influenced by the cross-cultural nature of the sample. As alluded to above, the development of instruments is where the emic approach to research will be important and where measures of equivalence need to be carefully considered.

The notion of equivalence should be considered by all researchers conducting a cross-cultural study (Malhotra et al 1996; Maheswaran and Shavitt, 2000). There are numerous forms of equivalence discussed throughout cross-cultural research literature. Equivalence broadly deals

with the nature of the constructs being measured and if they mean the same thing to different cultures (Malhotra et al 1996). Equivalence for concepts, constructs, items and scales are all argued to be imperative for cross-cultural research (Maheswaran and Shavitt, 2000). Without attention from researchers to these areas of equivalence, findings may be influenced in a detrimental manner (Malhotra et al 1996). Further, if equivalence is ignored in cross-cultural research indicators of reliability and validity may be influenced by the cross-cultural nature of the sample (Kumar, 2000). It is perhaps these issues which have resulted to some confusion in cross-cultural studies in the past.

## **Concluding Comments and Future Research**

There are theoretical, applied and even methodological reasons for conducting cross cultural research into psychological contracts. Theoretical research is needed to establish the differences and similarities in psychological contracts between western and non-western cultures. This includes identifying the generalisability of current theories and, where appropriate, the development of new theories that incorporate additional understanding of the influence of culture and subsequent differences in psychological contracts that may be uncovered. From an applied perspective, enhanced understanding of the psychological contract will be of considerable benefit for employers and managers who need to successfully manage employment relationships in non-western contexts. The fact that favourable psychological contracts have been linked to highly desirable outcomes, such as employee commitment and trust in an organisation, highlights the potential benefit of cross-cultural psychological contract research. Finally, a rigorous examination of psychological contracts across cultures, utilising etic and emic research approaches, would contribute to an understanding of how to successfully conduct cross-cultural research and may result in measures that could be employed in subsequent studies.

In response to some of the research needs identified in this research note, the authors have set out to develop a cross-cultural empirical comparison of the psychological contracts established by academics. To that end, they would like to take this opportunity to put out a call for expressions of interest from academics who would like to be involved in conducting psychological contract research at their University and become part of a large cross-national research project. As currently conceived, the proposed study will build on earlier research examining psychological contracts among 'business school' academic staff in Australia, (see Krivokapic-Skoko, O'Neill and Dowell published in this issue). It will see the administration of an online survey based on a modified version of the questionnaire used in the previous research. The modifications will be culture specific (Malhotra et al 1996) and will be influenced by considerations such as language, equivalence of measures and meaning, and sampling specifications. Similar to the original research, the desired sampling frame is academic staff from similar university faculties in each of the chosen nations/'cultures'. To ensure that both emic and equivalence issues are addressed in the research, focus groups will be arranged in each nation.

Once the qualitative findings are integrated, and the quantitative data collection is complete, a number of forms of analysis are considered suitable for the cross-cultural context. Factor analysis, scalar equivalence testing and differences in estimates of covariance are three ways of usefully examining different cultures (Maheswaran and Shavitt, 2000; Malhotra et al 1996). For example, factor analysis can be performed for each culture and the findings can be

compared by analysing different factor structures. By using scalar variance for exploratory factor analysis and multi-group analysis for the confirmatory factor analysis it is possible to establish if each of the cultural groups are different. Once the differences are established based on key variables, those variables can be used to conduct a cluster analysis. The cluster analysis can differentiate the groups by degree based on their responses to the key variables. The resultant cluster solution can provide a profile of each of the groups and give an indication of the similarities and differences evident across each.

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## Research Note: Retention Factors for New Zealand Graduate Customs Officers

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### Abstract

This case study explored what employment value proposition attributes could contribute to the retention of Customs officers who graduated from the New Zealand Customs Service Trainee Induction Programme between July 2005 and July 2008. The findings suggest six attributes of remuneration, nature of work, career development, leadership quality, people and organisation as employment value proposition attributes could contribute to the retention of this employee group. In an organisation that has to make considerable investment in recruitment and induction an understanding of the core employment value proposition attributes that could contribute to the retention of Customs officers is a business imperative.

[Key words: Retention factors, employment value proposition]

### Introduction

One of the major people challenges, for many organisations, is employee retention. This is especially so for organisations such as Customs, Police and Fire Services where because of the specialist nature of the work carried out by frontline employees, significant investment in recruitment and specialised training has to be made before these employees can be deployed into the frontline workforce. To achieve a return on this investment, employee retention is critical. Within this context an understanding of the specific employment related attributes that could motivate and encourage employee commitment and retention becomes a business imperative. The concept of employment or employee value proposition has emerged from different aspects of the attributes of employee motivation and satisfaction theories (Herzberg, Mausner & Snyderman, 1959; Herzberg, 1966; Maslow; 1943), which Heger (2007) described as “the value or benefit an employee perceives by serving as a member of the organisation” (p. 121).

### Context

The New Zealand Customs Service offers a career structure that commences with frontline Customs officer roles and moves through the ranks of Senior Customs officer, Assistant Chief Customs’ officer to Chief Customs’ officer. Specialist roles in areas such Intelligence and Risk and Response are recruited almost exclusively from the ranks of frontline Customs officers. In July 2005, to address the issue of inconsistent recruitment practices, high turnover generally and variable training of new recruits Customs significantly changed the way in which they recruit and train new Customs officers. The new methodology centralised all aspects of Customs officer recruitment, introduced an assessment based selection process

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which is run three to four times a year, and established a rigorous residential based induction training programme. To July 2008 a total of 232 new Customs officers have been recruited and inducted through this process. Each recruitment round brings in between 20 to 25 new recruits.

Analysis of turnover generally for frontline officers show that turnover is highest in the 2-5 year service band (57%) and in the up to 40 years of age band (49%). The majority of officers recruited through the new process fall into these categories in terms of age group and just over or approaching two years of service. Turnover for new officers was initially very low however in the past year it has increased to 16.8% and continues to increase. Anecdotal evidence from exit interview forms identified that the two main reasons given for leaving were the low level of remuneration and the lack of career progression opportunities. The issue of dissatisfaction, relating to the low level of remuneration for frontline staff, also emerged in the 2007 and the 2008 staff engagement surveys. The New Zealand Customs Service has a predominantly ageing workforce with 52% of staff in the 40 years and above age band and an increasing number of long serving officers retiring or reducing to part-time hours. For Customs to continue to build operational capability retention of frontline officers, especially those in the younger age bands, is critical.

In organisations such as border protection and Police agencies, where there is a significant lead time and in-house initial and ongoing investment required to ensure that officers are fully competent to carry out the legislative requirements of their role, minimising unplanned attrition is critical. Rosenberg (2007) reported that the United States Customs Agency is “plagued with retention and morale problems” (p. 1) and that the Agency told a Senate hearing that the common drivers of attrition for Customs officers were:

- High pressure to conduct inspections quickly
- Inadequate compensation
- Insufficient resources to carry out job responsibilities
- Lack of career advancement
- Lack of recognition for the work that they do.

A similar finding was made by Yearwood (2003) in his study of uniformed Police officers that identified that the low level of remuneration, lack of career advancement and lack of recognition for the nature of the work that they do, were the main contributors to attrition of frontline officers. An Australian Community and Public Sector Union publication (see Workers on line, 2004) claimed that inadequate pay was one of the top drivers of attrition amongst Customs officers in Australia.

Ticehurst and Veal (2000) outline many of the personal attribute and environmental risk and protective factors that are likely to contribute to employee turnover. They identify self-esteem, gender, age, housing tenure, education, social status, life satisfaction and marital status as significant personal characteristics influencing employee turnover. They also identify salary, social interactions, organisational size, job uncertainty, type of industry, job level and involvement in decisions as significant work characteristics influencing employee turnover. The literature regarding job turnover is significant in both its scope and size. A key finding worth noting for this current research is that job dissatisfaction is an antecedent to forming the intention to quit. Incongruence between perceived and actual job prospects, it is hypothesized, may lead to job dissatisfaction, and therefore increased turnover (Harter, Schmidt, & Hayes 2002). A comprehensive study into labour turnover in New Zealand

(Boxall, Macky, Rasmussen 2003), suggested that while motivation of job change is multidimensional, employees hold strong expectations regarding promotion pay and security that effect their retention decisions.

Robbins, Millet, Cacioppe, and Waters-Marsh (1998) state that job satisfaction can be identified as an individual's general attitude towards their job. This definition is developed by Ivancevich, Olekalns, and Matteson (2000) who state that job satisfaction results from an individual's perception of their job and the degree to which there is a good fit between the individual and the organisation. An employee's assessment of how satisfied or dissatisfied they are with their job is a complex summation of a number of discrete job elements. As suggested by Firth, Mellor and Moore (2003) these elements may have both extrinsic and intrinsic sources. For example, these might include external attributes or aspects such as pay, promotion opportunities, and relationships with supervisors and co-workers. It also includes further factors of the work environment such as the supervisor's style; employment policies and procedures; work group affiliation; working conditions; and fringe benefits. As well, an individual's sense of self-worth and ability to cope with change are often cited as intrinsic or personal factors influencing job satisfaction (Firth et al., 2003). A customs employee who has started out as an ambitious, happy motivated employee excited about their new job, who is driven to succeed and do their best, if they believe that there may not be the job prospects or promising career path that they had hoped would come to fruition, this may lead to the fact that they become disillusioned about their future with the company, or even let down and bored by their position, and soon feel that it is time to move on. As Nicholson (2003, p. 26) notes, the effect of these 'broken promises' at work is to transform a person's positive energy into negative.

The aim of this current study was to examine what core employment value proposition attributes could contribute to retention of Customs officers recruited through the Trainee Induction Programme over the past three years. The definition of employment value proposition attributes adopted for this current research study is described by Heger (2007), as "the value or benefit an employee perceives by serving as a member of the organisation" (p. 121). The Corporate Leadership Council (2006) description of employment value proposition is given "as a set of attributes that the labour market and employees perceive as the value they gain through employment in an organization" (p. 30). For the purposes of this current study 'attribute' is defined as an aspect of the employment relationship that an employee values.

## **Method**

This case study utilised focus groups and semi-structured interviews as the qualitative data collection method. The case study is an example of a methodology which focuses on understanding the dynamics present within a single setting (Hussey & Hussey, 1997). The rationale for the selection of a case study methodology using qualitative methods (Yin, 2003), for this current research project, was the nature of the insights, the knowledge sought and the research objective (Ghauri, Gronhaug & Kristianslund, 1995). Archer (1988) argues that by using qualitative methods one can pay detailed attention to micro-level aspects that are barely accessible to quantitative methods. Further he contends that qualitative methods permit access to the 'real stuff' of human interaction. Given that the research question, posed for this current study, focused especially on the interaction with the variables within the Customs

environment, adoption of qualitative methods was considered as more likely to generate the required rich data.

#### *Data Collection*

The total target population available for sample selection was the 193 officers recruited and graduated between July 2005 and July 2008 and who were currently employed by the New Zealand Customs Service. The majority (95%) were based in the main centres of Auckland, Wellington and Christchurch and worked in two operational groups of either Airports or Trade and Marine. The distribution of graduate officers was Auckland 83%, Wellington 7%, Christchurch 5%. The remaining 5% of graduate officers were spread across the ports of Tauranga, Napier, Nelson and Dunedin. Based on the small numbers and spread of locations the remaining 5% were not included in the sample selection process.

In this current research project a random sample size of thirty-five officers were selected on the criteria of intake group (which also identified length of service), then by location, work group and finally rostered for duty on the day and times that focus groups would be held. Table 1 provides an overview of the demographics of the sample selected. Table 2 shows the location and numbers involved in the six focus group semi structured interviews. The questions were:

1. In your work environment what attributes are most important for you to have?
2. What is beneficial for you (if anything) about being employed by Customs?
3. What is not so beneficial (if anything) for you about being employed by Customs?
4. What needs to be happening (if anything) for you to consider Customs as a long-term career?

**Table 1 Focus Group Participant Demographics**

	NUMBER OF PARTICIPANTS
<b>GENDER</b>	
Males	21
Females	14
<b>AGE BAND</b>	
Under 25 years	11
25 - 30 years	11
30 – 35 years	9
35 – 40 years	4
<b>YEARS OF SERVICE BAND</b>	
< 1 year	2
1 – 2 years	24
2 – 5 years	9

**Table 2 Focus Groups by Location and Participant Numbers**

LOCATION	NUMBER OF GROUPS	TOTAL NO. OF PARTICIPANTS
Auckland International Airport	2	10
Auckland Trade and Marine	2	11
Wellington Combined	1	8
Christchurch Combined	1	6
<b>TOTALS</b>	<b>6</b>	<b>35</b>

### *Data Analysis*

Data collected from each focus group session was analysed and coded immediately on conclusion of each session. This was done through identifying and collating, from the data captured, any patterns of repetitive words, phrases or comments in the responses to each question and entering a code for a specific attribute against each (Yin, 2003). The codes used were identified from the type of repetitive data that was emerging and reference was also made to the attribute names used in the Corporate Leadership Council (2006) and the Heger (2007) studies.

It is recognized that the extent of generalization from the research is limited, but this is concordant with the nature of qualitative and case study research, which seeks to form a unique interpretation of events that is transferable to other contexts rather than produces generalizations. The credibility and dependability of the research was enhanced by triangulating the data involving relevant Customs documentation and literature (Maylor & Blackmon, 2005; Stake, 2008; Yin, 2003). The reporting of the descriptive responses in the case study report attempts to convey the holistic understanding and meaning of the phenomena under study (Merriam, 1998). Ethical issues considered were, confidentiality of participants contributions and identities, (e.g., audio tapes and interview transcripts), data storage, use of data, minimization of harm, and informed consent.

## **Results and Discussion**

There was a high degree of consistency amongst participants and between the groups studied. Six employment value proposition attribute themes emerged from the data, remuneration, the nature of work, career development, leadership quality, people, and organisation.

### *Remuneration*

From the literature reviewed remuneration for Customs officers is an issue not only for Customs officers in New Zealand but also in the Australian Customs Service (Workers on line, 2004) and in the United States (Rosenberg, 2007). The finding in this current study of remuneration as an employment value proposition attribute was not unexpected. This was also the case for the level of pay and pay parity with other border agencies. For a variety of historical reasons pay rates for frontline Customs officers, at the time that the first five focus groups were held, was well below the public sector medium. In each of the first four focus groups the first response to the first question on what attributes are important for them was pay parity, this would come up again in response to what is not so beneficial about being employed by Customs and yet again in identifying what needs to be happening for them to consider Customs as a long term career. From the high level of emotion and importance expressed on the pay parity issue it was clearly evident that remuneration in terms of Herzberg, Mausner and Snyderman's (1959) theory is a "hygiene" factor and in terms of Maslow's (1943) theory clearly linked to not meeting esteem and self actualisation needs:

- We should be paid what we're worth.
- We do important work for New Zealand.

When the fourth focus group was held this was less evident as at that time ratification of a new Collective Employment Agreement and remuneration framework had commenced. As a result a number of participants commented that they were waiting to see "*what I get out of it.*"

However, just over a week later when the sixth and last focus group was held, in comparison to the other five groups, no emotion was expressed on the level of pay. The comment “*pay’s okay now*” describes the view of the group. What did emerge in a different form was the pay parity with another sector. “*For the important work we do we should be paid in line with commercial sector organisations.*”

In terms of Equity theory (Adams, 1965), this finding suggests that expectations of being fairly rewarded, compared to their perception of the level and value of their contribution, is not being fulfilled. The risk indicated in terms of Equity theory is that unless pay level and pay parity is rectified employee commitment could be affected with a consequential impact on intention to stay in Customs. The construct of Expectancy theory (Porter & Lawler, 1968), is also indicated in the current study’s findings through the theme of not feeling valued because of the pay parity issue and also in wanting recognition for “*when we have vacancies we cover for them it’s a lot of extra work we don’t get recognition for.*” This suggests that from the participants’ viewpoint, effort and performance is present but the expectancy that this will lead to an outcome of value for them, is not being delivered. The potential combined implication of all of the above propositions is that whilst a new remuneration framework has since been implemented the indications are that remuneration is a core employment value proposition attribute that could contribute to the retention of this group of employees. As such considerable attention needs to be focussed on this attribute. However, in doing so note should be taken of Herzberg’s (1966), contention, that based on the results of his studies eliminating the cause of dissatisfaction would not result in a state of satisfaction, but would instead, result in a neutral state. The findings in Melbourne’s (2007) study indicated that the majority of employees leave organisations for reasons other than money should also be noted.

#### *Nature of Work*

Melbourne (2007) proposes that once an individual is employed by an organisation, the single most important factor in achieving satisfaction and value from their role is the nature of the work that the individual performs. In this current study the nature and variety of the work performed was seen as one of the attractions and benefits of working for Customs. A high level of pride was evidenced in the work that they do, that is: “*What we do is important and protects New Zealand*”.

However, of concern is the level of dissatisfaction expressed where participants had experienced long periods on repetitive type of work, for example, “*I spent six month doing passports in a booth – boring and repetitive - almost put me off working here.*” Also, of concern is where officers have been required to rotate to another type of work either before they considered they were ready or at short notice:

- Don’t make people shift if they don’t want to, give them an option.
- I got three days notice I was rotating, I wasn’t ready to move yet.

Herzberg (1966) noted the importance of the nature of work in contributing to employee satisfying experiences and for an employee to be truly motivated he contends that they need to have the opportunity for achievement, recognition, stimulation, responsibility and advancement. Matching these contentions against the finding of this current study it is obvious that this is an area of importance and value to participants and as a consequence could influence their commitment to stay or leave the organisation. To positively influence commitment and retention insights from employee engagement studies and consideration of

intergenerational workplace factors assist. Stairs (2005) asserts that job design is a factor in gaining rational commitment and meaningful work and leadership culture in gaining emotional commitment and that both forms of commitment need to be present to enhance employee retention. Taking into account the importance of job design and meaningful work the other important and relevant factor for Customs to consider is the age band within which the majority of graduate Customs officer fall and the predominantly older age band of people in roles that can influence the way in which work is carried out. This is often referred to as the generation X and Y factor (Flynn, 1996; Su, 2007; Zemke, Raines & Filipczak, 2000). Su (2007) contends that workers in the younger generation learn from practical experience, take responsibility for their learning, and like to be engaged in energetic activities. Customs needs to ensure that the nature of work for this group of employees enables them to have variety, action and offers learning opportunities:

- ... at the airport every day is different with new things to learn - I like that.

#### *Career Development and Leadership Quality*

Career development and leadership quality were found to be closely linked for many with a clear theme that access to career development opportunities such as training and secondments are dependant on either the relationship with their manager and/or the level of interest that their manager has in enabling them to access these types of opportunities:

- If you don't have a good CCO then you're stuffed.
- My new boss is great I have a plan now and I know what I need to do to progress.

Opportunities for career development was seen by the majority of participants as an important attribute for them, it was also frequently mentioned as one of the main attraction factors to joining Customs and considered by most to be a definite benefit of working in the Customs Service. The comment of "*Customs is a career not just a job*" was frequently articulated by participants. Alongside these comments was the consistently recurring theme that they viewed their managers as "*gate keepers of getting on training courses and being able to go on other opportunities, such as secondments.*"

The ability and the role of the leader to determine and influence access to training and development opportunities is obviously an important aspect that the organisation needs to address, particularly as exit interviews, from Customs officers who were recruited through the Trainee Induction Programme and have since resigned, cited lack of career progression opportunities as one of the reasons for leaving:

- I couldn't see any opportunities for me here.
- I felt blocked to progress to a specialist role.

Furlong (2008), argues that one of the reasons that employees leave an organisation is the lack of career progression available to them but all too often this can be prevented with strong leadership providing a sense of support and direction over internal career management. The indication for Customs is that there needs to be a stronger focus on increasing leadership behaviour that provides a more consistent approach to ensuring equitable access to training and development opportunities. This would align with the findings of this current study and the leadership expectations articulated by participants that they want:

- More mentoring, more access to training opportunities and more career advice.

Gupta-Sunderji (2004) lends support to the need to have a more consistent leadership approach to supporting access to training and development opportunities with her contention that leaders have the ability to impact positively or negatively on an employee's access to opportunities and on their sense of achievement. Mason (2008) takes this further in that she proposes that leaders have a crucial role to play in both formal and informal learning and in encouraging the generation of new ideas and that this is particularly important for younger employees.

Leadership quality was indicated as important with significantly no groups indicating that this was a benefit and four groups indicating that positive and supportive leadership needs to be happening for them. The majority of participants were very articulate in describing what they wanted and what they expected from people in leadership roles:

- Good management is supportive managers who are role models, inspiring, positive, innovative, caring – leading by example.
- My Chief leads by example he is positive and helpful, no favouritism and gives me constructive feedback.

In describing the behaviours that they experienced and did not want there was a high level of emotion:

- ... need managers that stick to what they say they will do.
- We get treated like children.
- Old school mentality, never gives recognition for good work so never know if done okay or not.

Sheahan (2006) warns that all workers, but especially the younger generation are demanding a new kind of opportunity and a new kind of leadership style. Implementing strategies to ensure people in leadership positions respond proactively and positively to the challenge of providing quality leadership and career development opportunities that deliver on the employment value position attributes, is imperative in contributing to retention of graduate Customs officers.

#### *People and Organisation*

The attributes of people and organisation were both identified as important, beneficial and valued aspects of employment at Customs. Whilst the overall results for both these attributes did not indicate that anything needs to happen, Bentley (2007) and Stairs (2005) both argue that when it comes to retention positive relationships with colleagues and with the organisation are even more critical than direct manager relationships. Given that the research findings indicate more needs to be done in terms of leadership quality then ensuring that a clear focus is kept on continuing to develop and gain leverage from the attributes of people and organisation is vital.

All groups were strongly supportive of the Trainee Induction Programme as a way of new Customs officers joining the Service, but there were mixed views on whether the programme was *“too long, could do study while on the job,”* or conversely *“cohort programme great way to join the Service – people met on the course still friends.”*

Contrary to this was a recurring theme from a number of participants that there needs to be a more realistic picture of the role given at recruitment. The issues relating to this theme are captured by the comment that the *“reality is more routine than glamorous.”* It would be beneficial for Customs to further investigate this theme especially as it has implications for the psychological contract (Bellou, 2007; Wilson, 2006) and for the expectations of the role that are likely to be formed during the recruitment and early stages of employment with Customs. This is supported by Melbourne (2008) who contends that the retention intentions of employees is formed at recruitment and validated, or not, in the early stages of the employment relationship.

Participants considered that feeling valued by the organisation was important to them. They identified the Safe, Fit and Well Programme run by Customs and the Comptroller’s approach of *“being aware of his people at the lower level”* as an indication to them that they were valued by the organisation.

The attribute findings from this current study are consistent and two other employment value proposition studies (Corporate Leadership Council, 2006; Heger, 2007) (see Figure 1).

**Figure 1 Employment Value Proposition – Comparison of Attribute Findings between Three Studies**

<b>EMPLOYMENT VALUE PROPOSITION ATTRIBUTE</b>	<b>CURRENT STUDY (2008)</b>	<b>CORPORATE LEADERSHIP COUNCIL STUDY (2006)</b>	<b>HEGER STUDY (2007)</b>
<b>REMUNERATION</b>	Retention Attribute	Attraction Attribute	Retention Attribute
<b>NATURE OF WORK</b>	Attraction & Retention Attribute	Retention Attribute	Retention Attribute
<b>CAREER DEVELOPMENT</b>	Attraction & Retention Attribute	Attraction & Retention Attribute	Retention Attribute
<b>LEADERSHIP QUALITY</b>	Retention Attribute	Retention Attribute	
<b>PEOPLE</b>	Retention Attribute	Retention Attribute	

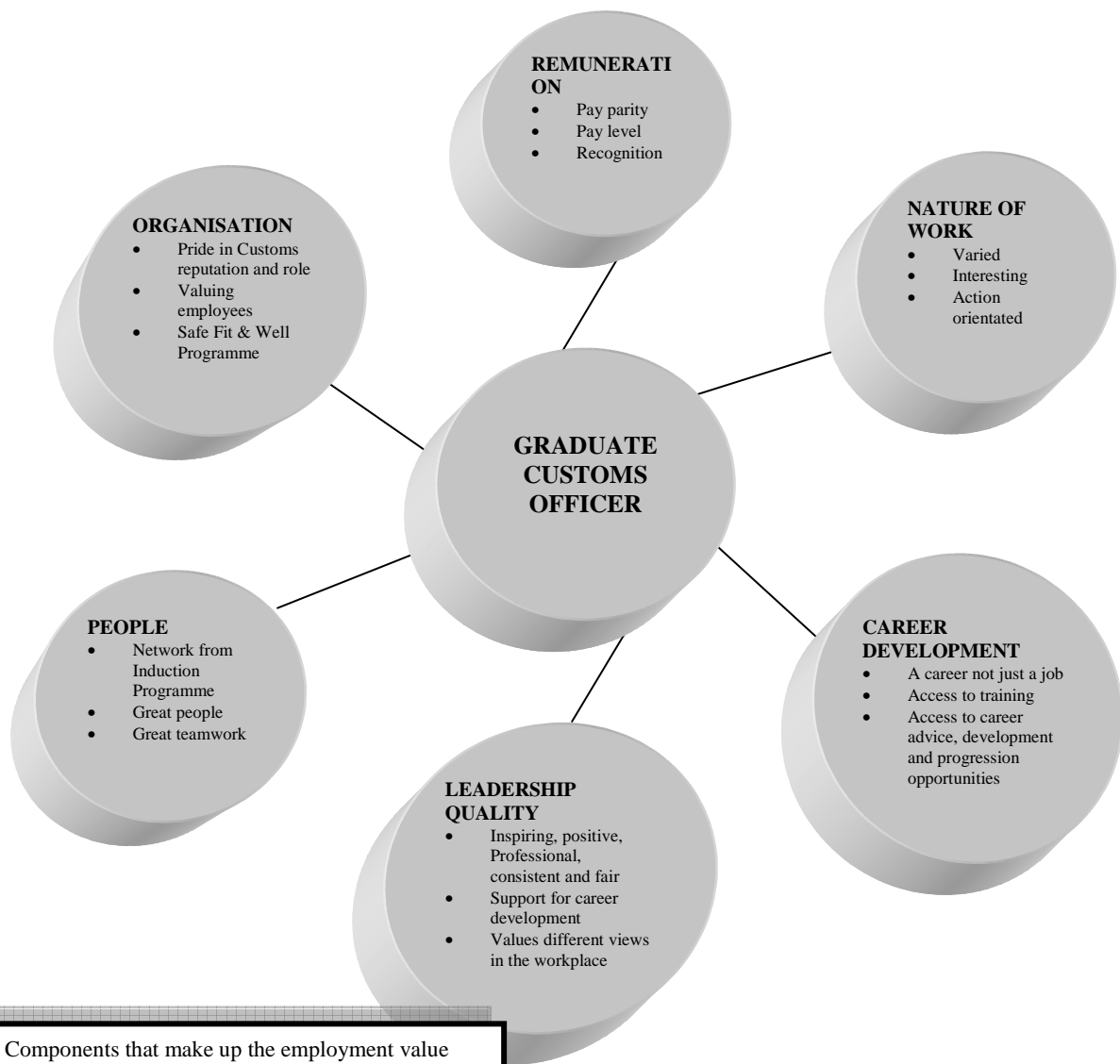
## Conclusions

The findings of this current study suggest six themes relating to employment value proposition attributes of remuneration, nature of work, career development, leadership quality, people, and organisation. These attributes were indicated as important and of most benefit and value to Customs officers recruited through the Trainee Induction Programme. Significant concentration needs to be given to improving the first four attributes at the same time as ensuring that attention is kept on the last two attributes of people and organisation. A visual model of the components identified from the research that underpins the six employment value proposition attributes identified for this group of officers is presented in Figure 2.



The findings of this current research study may be transferable to other groups of Customs officers as employment value proposition attributes and may also form the basis for further investigation of training and retention initiatives particularly in other uniformed law enforcement service organisations. Consideration be given as to how Customs can ensure that prospective and new recruits have a clear picture and understanding of the overall nature of Customs work so that they fully understand that such work can be routine as well as interesting and action orientated.

**Figure 2 New Zealand Customs Service – Employment Value Proposition Graduate Customs Officers**



Regardless of the dramatic downturn in the global economy and the likely flow on effect to the New Zealand employment market, for organisations such as Customs and other uniformed law enforcement agencies, where considerable investment has to be made before employees can be operational, the need to retain competent employees will remain. The model developed through this current research study may be a useful base to investigate employment value proposition attributes for officers within other uniformed law enforcement services.

With an ageing workforce the challenge ahead for the New Zealand Customs Service is how to lead, develop and retain a generation of people that it may not understand but can ill afford to ignore (Sheahan, 2006). Creating and delivering a compelling employment value proposition for each of its key employee groups is critical if the organisation is to retain new officers, gain a return on investment and build technical capability for the future.

Retention and leadership will be fundamental components in meeting this challenge. For Customs with the majority of current leaders in an older generation, and the majority of newer Customs officers in a younger generation, the contention of Sirias, Karp and Brotherton (2007) that effective leadership of intergenerational teams lies in adopting a salad bowl approach, where each generation is valued for the strengths they bring rather than a melting pot approach, where all are expected to meld together, needs to be further explored.

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## **Research Note: Popcorn, Pickets, and Brass-bands: Young Workers' Organising in the Cinema Industry 2003-2006**

GRACE MILLAR\*

### **Abstract**

Since the Employment Contracts Act in 1991, the New Zealand union movement has become significantly smaller and less powerful. The service and retail sectors, where many workers get their first jobs, often have no union tradition. How to organise young workers and how to rebuild unionism in the service industries are two of the most important questions facing the New Zealand union movement.

Movie theatres were one of the many service-based workplaces that were de-unionised in the period after 1991. In April 2002, Reading Cinemas opened a new movie theatre in Wellington. In November 2003, workers were paid at the New Zealand minimum wage rates of \$8.50 for over 18 year olds and \$6.80 for under 18 year olds, and there were no union members at Reading cinemas. Over the next few months, 95% of Reading workers joined the union, and a year later, these workers took industrial action, voted 100% for a strike, and won a collective agreement.

This article will undertake a qualitative analysis of the unionisation at Reading and the dispute that followed and to explore what this workplace can add to our understanding of young workers in unions.

### **Introduction**

On Friday 17 September 2004, 50 people, including a brass band, gathered outside Reading Cinemas, while the workers gave away free popcorn. A year earlier, there had been no union members at Reading Cinemas and three months later, workers had won their collective agreement. This article will examine the history of Unite Union at Reading Cinemas, and what can be learned from a qualitative analysis of that experience.

This article will discuss three particular aspects of unionisation at Reading cinemas. Firstly, it will look at union membership. At Reading 95% of workers joined the union; this interest will be examined in the context of data that says that young workers are less likely to be members of a union than older workers.

Secondly, it will explore what can be learned about the service sector from the unionising experience at Reading Cinemas. The retail and service sectors have under five percent union density in New Zealand and is generally seen as hard to organise

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(Blackwood, Feinberg-Danieli & Lafferty, 2006). The service sector is discussed as a whole, despite the many different patterns of work within this sector. This article will argue that, if disaggregated, the service sector has advantages for organising, as well as challenges.

Thirdly, it will examine the role that traditional union tools can play in raising union consciousness among workers who have joined a union for the first time. Traditional union forms of organising such as meetings, newsletters, pickets and strikes were vital to unionising Reading Cinemas. The union needed to use every tool available to it; often these were part of the traditional union tool-kit, but to be effective they needed to be applied in a way that took into account the specifics of the workers and the workplace.

## **Industrial Environment**

The 1991 Employment Contracts Act changed the New Zealand industrial environment, from one of the most regulated in the Western world to one of the least (Harbridge 1993). Prior to 1991, awards had set out minimum wages and conditions for each industry, but under the Employment Contracts there was no longer any protection for overtime, breaks, and other basic conditions. Many service workplaces were completely de-unionised in the 1990s. Union density in New Zealand decreased from 43% in 1991 and to 21.4 % in 2003. In 2003, density in the service industry union was just 5.1% (May, Walsh and Otto, 2004).

Employers in movie theatres, like most service employers, took advantage of the deregulated labour laws to drive down wages and conditions. The 1989 front-of-house award covered cinemas and set out a higher rate for cashiers, an allowance for serving food and drinks, and a different rate for cleaning. Under individual bargaining, these conditions soon ended and a 'cinema attendant' became a minimum-wage job that did all these tasks. The change in terms and conditions of employment was even more marked for projectionists as under the award, projectionist had been a trade with an apprenticeship system. The 1990 projectionist award includes specific provisions such as a wash basin in the projectionist box and the provision of a warm coat for projectionists as well as a shift payment, service allowance, overtime, weekend rates, call-back rates, and late working rates. Changes in technology led to a de-skilling of the projectionist trade, which combined with the changes to employment legislation enabled employers to drastically reduce conditions over less than a decade. By 2003, some cinemas were paying projectionists as little as \$1 an hour above the minimum wage (Organising Notes, Hoyts Cinema File, Unite Union)

Reading Cinemas Courtenay Central opened in 2002, so Reading workers had never been covered by an award. The young workers who were employed at Reading would have still been at primary school (or younger) when the Employment Contracts Act came in, so they had no experience of unions or memories of awards. When Unite began organising at Reading in late 2003, the pay rates (and minimum wage rates) were \$8.50 for over 18 year-olds, and \$6.80 for under 18 year-olds.<sup>1</sup>

## Union Membership

Unite first approached workers at Reading Cinemas in December 2003 after learning that Reading management had removed workers' paid ten-minute breaks. Unite took advantage of the rights of access provided under the Employment Relations Act to introduce the union to workers one-on-one in work time. During the first weekend, Unite was recruiting at Reading, 59 workers joined the union (about 80% of those talked to).<sup>2</sup> In late 2003, there were about 90 workers at Reading and within a month 95% of them had joined Unite. The staff-turnover at Reading was very high, but union density remained at 95% as new workers continued to join the union.

This extremely high union density among workers at Reading cinemas is interesting in the context of on-going debates about union density among young workers. Only one or two of the workers at Reading had belonged to a union before. The workforce was very young; almost all workers were under 22.<sup>3</sup> Despite having minimal experience of unions, most Reading workers joined the union the first time they were offered the opportunity.

It is impossible to generalise from one work-place about 'young-workers' or 'service workers'. However, in-depth analysis of individual sites provides qualitative material that can add useful depth to analysis based on quantitative data. This article will discuss the enthusiasm for union organising among workers at Reading in the context of the Haynes, Vowells, and Boxall (2005), which compares the attitudes of older and younger workers towards unions.

A key idea discussed by Haynes et al (2005) is the representation gap among young workers. While union density is lower among young workers than older workers, more young workers say that they would join a union if asked than older workers. This section of the workforce, who are not currently members of the union, is called the 'representation gap'. This gap is larger among young workers than older workers. 50.3% of workers aged 29 or under in workplaces without a union say that they would join a union, as opposed to 25.3% of workers over 30 (Haynes et al, 2005: 102). The interest among young workers joining the union clearly demonstrates that there was a 'representation gap' at Reading. One worker, when asked if she had any questions said: "What took you so long?" The experience at Reading demonstrates that this representation gap is real and at least some of the workers who express that they would join a union given the opportunity do join.

In-depth examination of the unionisation at Reading cinemas can do more than just confirm that such a gap exists; it can also add texture to our understanding of existing models. Many Reading workers would not necessarily have answered the survey of Haynes et al, 2005, by saying that they would join a union. Some Reading workers did not even know what a union was when the Unite organiser first visited.<sup>4</sup> However, even the workers with almost no knowledge of unions joined at the end of a ten minute conversation with an organiser. This shows that, in order to understand why people join unions, we should not just examine unions and attitudes towards unions, but we must also look at employers and attitudes towards employers. At Reading, management had just taken the ten minute breaks away from workers, and workers wanted those breaks back. Under these circumstances, even workers who might have been hostile to unions in general were ready to join a union to solve this

particular problem. While the representation gap is an important tool to analyse the workplace, workers' pre-existing attitudes towards unions is a limited way of looking at whether, and why, a worker might join a union. This is particularly true among young workers who have less experience of work, or of unions, than older workers.

Although some researchers argue that individualistic attitudes are one reason for the low-level of unionisation amongst young workers, there is still little empirical evidence for this assertion.<sup>5</sup> (Haynes et al, 2005). For example, Haynes et al, 2005 did not find support for this in their research of young workers' attitudes towards work and unions. Moreover, as Reading is a workplace where the entire non-management workplace is under 30, it cannot be used to compare the attitudes of young workers with older workers. However, the pattern of unionisation at Reading does not support the argument that late modernity and neo-liberal economic policy have destroyed young people's capacity to, and interest in, working collectively. That some of the mechanisms for working collectively, like unions, have been considerably weakened does not mean the advantages of working collectively have been eliminated.

A generational-based analysis puts too much emphasis on ideology and ignores the material reality of young workers in their first jobs. Reading did not pursue individual bargaining but paid the minimum wage to all cinema workers, and would not consider any individual increases. Before joining the union, some workers had tried to get pay increases at Reading. In one case, the local manager supported the claim for an individual worker under the age of 18 to be paid the adult rate, because of his level of work, but the company would not allow this increase. The company's attitude towards wages was underscored when management visited during negotiations and told workers that it was Reading's policy never to pay more than the legal minimum wage to its cinema workers in any of the countries in which it operated. Even if young workers at Reading had believed in an individualistic ideology, and individual bargaining, the reality of working in a low-paid job in the service industry would challenge those ideas. Individual bargaining had got Reading workers nothing above the legal minimums, and management had made it clear that it never would. In these circumstances, the only options open to workers were to leave or to work collectively. While Reading did have very high turn-over, workers were prepared to try working collectively before they left. Whatever effect neo-liberal individualism has had on young workers, it has not stopped them recognising the reality of their working situation. Young workers are as capable as any other workers of understanding that they have no individual bargaining power.

## **Service Workers**

Research in New Zealand, and elsewhere, has consistently pointed out lower levels of organisation among service workers than other industries (Blackwood et al, 2006). There are many different explanations for this lower level of union density, including the history of the industry and the high level of turn-over, but one important explanation has always been the organisation of work. Service industries tend to be made up of workplaces with smaller numbers of workers per site, where work is part time and rosters are controlled by management, all of which presents challenges for union organisation, particularly when it comes to communication. However, it is important to disaggregate the service industries. While Reading, like most cinemas,



shares some of the patterns of work with other service sector workplaces, cinemas have several structural opportunities that unions can take advantage of. At Reading, the advantages included specific shifts where large numbers of workers were rostered on, the pattern of work within shifts, freedom of movement during shifts and the social nature of the workplace.

Although most of the workers at Reading are part-time and management controls the roster, the problems this creates for unions is mitigated by the specific busy periods at a cinema, particularly weekends and school holidays. Almost all cinema workers will be required to work over a weekend, and on a Friday or Saturday night there might be as much as forty percent of the workforce rostered on. This means that it is easier to communicate with the majority of workers at one time than it would be in an industry where the pattern of work was more evenly spread through the week.

Unite was able to take advantage of the periods within a weekend where large numbers of workers were rostered on because cinema work has quiet periods each evening. Other service workplaces, like fast-food outlets, are more likely to be consistently busy for a three or four hour period on their busy nights. This constant demand makes it hard to organise as it is difficult to talk to workers. While unions have rights of access, if a workplace is very busy, or under-staffed, when one worker stops work to talk to a union organiser this puts stress on all the other workers, which makes it extremely difficult to talk to workers about the union. Movie theatres tend to schedule 'sessions' of movies. These periods will be very busy, with most of the cinemas having a movie going out and another movie going in, but in between these times, at around five o'clock or around seven o'clock in the evening, the cinema is much quieter. These quieter periods, which are usually used to restock the candy bar, and for workers to take their meal breaks, make it easy for union organisers to talk to members one-on-one without putting stress on other workers. This means that in cinemas, unions are able to fully take advantage of their rights of access and have a full opportunity to use the one to one recruitment technique.

As well as having breaks between busy periods, which are well suited to union organising, cinemas workers tend to have some freedom of movement around the cinema complex during work hours. There are different work areas within a cinema complex, and while some are others allow freedom of movement. This freedom of movement means that workers do not feel like they are under the eye of management when they talk to a union organiser. In addition, senior management at Reading tended to work a standard Monday to Friday work week, and so would not be at work during the busier parts of the work week, when the union organiser was most likely to approach the site. The person running an individual area of the workplace, such as the candy bar, usually did not have a management role. As well as removing the feeling that management may be watching them talk to the union, this made it easy for workers to talk to each other about unions. At Reading, one worker came from the candy bar to talk to the union organiser, after being told to "go join the union" by the person running the candy bar that night.

The final opportunity cinemas offer for union organisation is the nature of the business. Cinemas are social workplaces; workers in cinemas tend to socialise together, and build networks between themselves. At Reading, when the negotiations broke down, the union was able to utilise these friendship networks to ensure that

every member knew what was happening with the negotiations. Delegates created a 'relationship map' of different relationships within the cinema and used friendship groups to communicate with members.<sup>6</sup> Strong friendship networks provide a base for solidarity, which is particularly important in a greenfield organising site.

The experience of organising at Reading cinemas shows that not all service workplaces are the same. Some service workplaces, like cinemas, have real advantages in the way the work is done, which unions can take use when organising, as well as challenges that the union will have to work around. In greenfield workplaces, unions match their organising techniques to the specific nature of work at a particular workplace. When studying the service industry, it is important to disaggregate the many the workplaces where service work is done, and see that while they have many differences, they also have many similarities.

## **Traditions**

Reading cinemas had structural advantages when it came to building a union, but these structural advantages did not create a union in the workplace; neither did the 59 workers who had signed union membership forms in the first weekend. When looking at young workers and unions, it is not enough to look at why young people join a union, but we must also examine how young workers become unionists, that is, how workers come to act collectively. This section will examine the role of union traditions in building a culture of collectivity at Reading. Unions can sometimes be seen as too tradition-bound (Fryer, 1985: 75). Union traditions, however far they have ossified, must have a practical purpose. At some time in their history, before traditions were traditions, they were just ways of organising. By examining the path of workers at Reading, from joining the union to taking industrial action, we can see the usefulness of union traditions, particularly if they are viewed as tools, not set in stone.

Union meetings were one of the most important ways of building a union culture. Union meetings involve acting collectively because workers attended the meeting together and talked together. The first union meetings at Reading were held over Valentine's Day weekend 2004 at an off-site meeting room. The act of walking out of the workplace on a busy Saturday night and, seeing managers take their positions, helped build union consciousness among the workers. For workers with little union experience, traditional union practices that might seem obvious and routine under other circumstances are the first piece of collective action they take. Over the course of the negotiations, there were more union meetings at Reading and each helped build the union culture.

Thus, the example of greenfield workplaces illustrates that trade union traditions can be applied to newly formed work sites. At Reading, the company refused to do payroll deductions of union fees and as this was before the Employment Relations Amendment Act of 2004 came into place, there was no obligation for employers to deduct money for union fees. Therefore, the organiser and delegates collected union fees month-by-month in cash from the majority of workers. New Zealand's union access provisions require union organisers to tell the employer the reason they are entering the workplace. When planning collective action, at Reading the union

organiser could enter the workplace to collect the union fees, and then also discuss action with the members. However, because so many workers had no union experience, the advantages of collecting union fees in cash were not limited to just flying under the boss' radar. Collecting union fees in person helped make the union real to members, something they were definitely part of, not just a line of deduction on their pay-slip.

Negotiations for a collective agreement began on 4 May 2004. Union members rejected two offers from management, and on 24 August 2004, Reading indicated that they believed bargaining was at an end.<sup>7</sup> From the union's point of view, the two outstanding issues were service-pay and youth rates. The break-down of bargaining meant that the unionisation of the workplace had to take another step, and workers had to take collective action. At 8pm on a Friday night, shortly after the offer was rejected, every worker put on a sticker that said 'I'm Union'. This was a simple step, but escalating action is an important tool for unions, and is particularly important in workplaces that do not have a history of industrial action. The organising committee then had to decide the next step. The union's aim was to do as much economic damage to the company with as little to cost to workers as possible, but the union faced considerable challenges. At Reading, the number of hours management rostered depended on the number of people attending movies, so any action that decreased attendance at the cinema would lead to a decrease in hours for union members and reduce their income even if they were not on strike. The organising committee decided to target the candy bar, not the ticket box. The profit in a cinema comes from the candy bar, and other sales of food (Hubbard, 2005).

On 17 September 2004, Unite held a picket outside Reading cinema whereby members asked cinema goers to boycott the candy-bar in solidarity. Union members gave away free popcorn to people who stopped at the stall and signed the petition or wore a sticker. The initial picket was well attended by workers, other unionists, and even the Brass Razoo Solidarity Band. This picket attracted considerable media attention and Patricia Hetherington, one of the delegates, was interviewed live on Holmes. These pickets continued for the duration of the school holidays, which was the following two weeks and collected almost 2,000 signatures. During this time, half of Reading members attended one or more picket; this would not be considered high for sites with a history of unionisation, but showed how far workers were prepared to go, having joined the union less than a year before. The picket is a traditional form of union action. The success of the popcorn pickets rested in a traditional form of action, but in a way that fitted the specific needs of the union at that time.

The popcorn pickets put pressure on management who then agreed to return to bargaining. Union members decided to continue escalating their industrial action and voted unanimously for strike action. Due to the pattern of business within cinemas, a three-hour strike on a Friday or Saturday night would do considerable economic damage to the company at a relatively small cost to workers. This continued the pattern of using traditional union tools, escalating action, and being flexible in order to do most damage to the company at the least cost to workers. The strike vote put the union in a strong position to resume negotiations with the company.

Negotiations finally recommenced on Friday 29 October 2004 with both the Australian manager and the local manager present. This was the first time that the

parties had discussed wage rates across the table. Reading management made it clear that they were aware of the strike plans, and wanted to avoid that possibility. After negotiations, a settlement was reached that met the union bottom line. The pay scale for over-18 year olds would start at \$9.20 and increase in steps up to \$9.90 after 15 months. The Collective Employment Agreement between Unite Union and Reading Cinemas Limited was signed on 12 November 2004 with the conditions that the under-18 year olds would be paid at 'training rates' for the first 260 hours they worked, but after that they would be go onto the adult scale. This agreement lasted for 18 months and any minimum wage increases within that time were passed on to the Reading rates (by the time the agreement expired, minimum wage increases had pushed the top rate up to \$11.15). This offer was ratified by a clear majority of Reading workers, and just under a year after the first Reading worker had joined Unite, Reading workers gained a collective agreement.

## Conclusion

Why people join a union, and how workers start thinking and acting collectively, are the two most important questions for greenfield organising. A case study of one workplace cannot give general answers to these questions, but what it can do is show possibilities.

At Reading, the nature of the workplace and the employer were as important as anything Unite did in forming union members' decision to join the union. The physical nature of the workplace, the pattern of work, and the pre-existing social networks all gave distinct advantages to union organising that may not have been available in other workplaces. In addition, management practices and pay policy meant that workers had no illusions about the effectiveness of individual bargaining, and wanted to change their workplace bargaining. However, there is more to making a union workplace than just joining on. What happened at Reading also shows that building a union, building collectivity takes many steps, but it can be done. Workplace meetings, escalating action, pickets, strike votes, even collecting union fees in person are all traditional union practices that helped build collectivity in this young workforce who had only just joined the union. Gaining a collective agreement was a great victory for Reading cinemas workers. In less than a year, they went from never having joined a union, to voting unanimously for strike action.

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## Notes

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<sup>1</sup> These rates, like much of the material for this article was obtained from the Reading File at Unite Union.

<sup>2</sup> 59 of the membership forms from Reading are dated from that first weekend, the organising notes demonstrate that most workers who talked to an organiser and did not join immediately joined over the next few weeks.

<sup>3</sup> These are based on estimates; Unite union did not complete any formal surveys

<sup>4</sup> There was a large range of reactions, including misconceptions about unions. These were documented in the Organising Notes, Reading Cinema File, Unite Union.

<sup>5</sup> Haynes et al (2005) discuss these debates in more detail, (pp. 94-95)

<sup>6</sup> The relationship map made by the delegates is still in the Reading Cinema File, Unite Union

<sup>7</sup> The details of bargaining are complex, and incidental to the subject of this article

## Chronicle: February 2009 – May 2009

### February 2009

It was reported in the *Dominion Post* that changes to the Employment Relations Act and in particular the Employment Relations (Probationary Periods) Amendment Act would come into force 1 March 2009. The Department of Labour's Deputy Secretary, Workplace, Craig Armitage also promoted the employment agreement builder tool on its website in which he stated that: "... the employment agreement builder is designed to take out the hassle, and make it an easy and straightforward job that will take minutes not hours of time...".

The *NZ Herald* reported the announcement of a Job/Employment Summit to take place in late February. Chaired by NZX chief executive Mark Weldon, the purpose of the summit was to come up with a clear and practical plan to minimise job losses during the recession. In a general discussion on the current economic climate and its impact, the article noted that it was unlikely that companies would give generous wage increases with some large employers announcing that their senior executives would not be receiving any increases. The Government adopted the same stance with the Prime Minister calling for a zero increase in MP salaries and urging unions to moderate their pay claims. The article argued that while the role of the summit was to keep as many people as possible employed, the real challenge was to improve productivity to enable companies and their employees to weather the downturn and position them to take advantage when conditions improve. It concluded that a bigger step would be the creation of a common vision for New Zealand by the Government, employers and unions.

However, Job/Employment Summit was not without its cynics as reported in the *Waikato Times* in which one observer noted that the summit would be all talk and no action. While it was agreed that it was good that the Government was taking action, the observer was not sure what would come out of it, particularly as business leaders in the Waikato had not been invited. Notwithstanding, Port of Tauranga chief executive Mark Cairns saw the summit as an opportunity for collaboration and to reduce the negative impact of the global recession. Also a number of Waikato business leaders had suggestions for the Government to ensure the success of the summit.

Some of the more sensational employment cases before the Employment Relations Authority were also highlighted in the February media. In particular, the case of *Davis v Toolking Plus Limited* was reported in the *Press* illustrating that the act of telling one's employer to "stick the job" in the heat of the moment may not necessarily mean that the employee actually wanted to resign. The dispute was between Mr and Mrs Davis, who managed the Hamilton shop for Toolking Plus and lived on the premises, and Mr Edge, who was one of the directors of the company. Mr Edge, who had looked after the shop while Mr and Mrs Davis were away, was not happy with the state in which he found the shop. When Mr and Mrs Davis returned from their annual leave Mr Edge raised his concerns with them and an argument ensued in which Mr Davis told Mr Edge to "stick his job". The next day Mr Edge told Mr and Mrs Davis for the keys to the shop and told them to vacate the flat above the shop. The ERA ruled that while an employer was entitled to rely on a clear resignation, care was

needed when words were spoken as "...part of an emotional outburst in the heat of the moment". A fair and reasonable employer would have realised the Davis's had not intended to resign immediately or to vacate their flat above the shop straight away and would have approached them the next day to clarify their intentions. Mr Davis was awarded \$8,450 for lost earnings and \$6,000 compensation for distress, but this was reduced by 30 per cent because of his remark and his failure to talk about the exchange.

The *Waikato Times* reported that in spite of the fact that a Tairua restaurant proprietor dismissed her waiter after he sent her flying into a door, she was ordered by the Employment Relations Authority to pay her assailant \$500. The former waiter and barman was successful with his claim of unjustified dismissal against his employer despite being found guilty of serious misconduct with his "unprovoked, and unnecessary" actions in pushing past his employer. The employer immediately dismissed the youth and complained to police, but did not proceed with assault charges. However the ERA ruled there was a complete absence of procedural fairness in the dismissal. The youth was dismissed by a text message and a letter confirming the dismissal was then delivered to him that evening. The ERA ruled that the youth had been unjustifiably dismissed and the employer should have written to him, giving notice of a meeting, and setting out the allegations and potential consequences if serious misconduct was proven.

The *Dominion Post* reported on a drawn out 13 year old 'legal stoush'. One of the Court of Appeal judges labelled the delays in the case as scandalous and added that it rivalled "a tale in a Charles Dickens classic". The case involved the former probation officer who sued the Department of Corrections for work induced stress. After a Court of Appeal hearing Justice Bruce Robertson said it was "scandalous" there was still no resolution to the case. He added that "*Gilbert v Attorney-General* must at least be entering the race to compete with *Jarndyce v Jarndyce*," referring to the Dickens novel Bleak House. Mr Gilbert resigned from the Probation Service at the age of 51, on medical grounds saying the job had cost him his mental and physical health. He sued the department for breaching his employment contract and forcing him to retire after a 21-year career. He claimed that he had suffered stress-related chest pains and depression after being overloaded with difficult cases involving sex offenders and violent criminals, and that Corrections' management was grossly deficient. In 2000, the Employment Court awarded him \$750,000 for lost salary, humiliation and distress, loss of career and exemplary damages. The Court of Appeal later reduced the payout by \$100,000. Since then the case has clogged both courts with appeals and cross-appeals. Mr Gilbert said his legal fees were already more than \$650,000 but he was not going to give up.

In another high profile personal grievance case reported in the *Dominion Post*, it was revealed that the Director General of Conservation secretly taped a phone conversation with a lawyer who he later dismissed. In issuing an apology Mr Al Morrison said he understood how "alarming and disconcerting" it could have been for lawyer Sue Grey to learn he taped their conversation without her knowledge. The revelation came out during an investigation by the ERA into a claim of unfair dismissal when Ms Grey was dismissed for an alleged conflict of interest. Ms Grey also alleged that the Solicitor General, Dr Collins had attempted to pervert the course of justice by informing her employer, the Director General of Conservation of her

involvement in a legal case – the Saxmere Case v Wool Board – in which she and Dr Collins were representing opposing parties. In response to Dr Collin’s alleged telephone call to the Director General of Conservation, Ms Grey’s partner laid a complaint with the police against Dr Collins. In a later article in the *Nelson Mail* Ms Grey was told by ERA Paul Montgomery that she faced a high threshold to prove her case. In an unexpected twist the Attorney General made an offer that if Ms Grey withdrew her allegations he would not pursue her for legal costs. This offer was accepted but she still sought compensation and her job back with the Department of Conservation.

In a sign of tough economic times the *Nelson Mail* reported that between 900 and 1000 applications were received for two permanent truck driver positions that Nelson transport company Brian Stanaway Roding advertised on Trade Me Jobs. The company offered “competitive pay” for two experienced drivers. According to Mr Stanaway, the applications came from all around, including one from Iraq but added that he was not surprised by the response.

Also in the Tasman Nelson region concerns were again raised in the Marlborough Express about the hazardous exposure of methyl bromide used to fumigate exported wood products. Methyl bromide is an odourless, colourless gas and is used to kill insects in imported and exported goods. It is also extremely toxic to humans and has been linked to motor neuron disease. Health issues associated with methyl bromide gas in New Zealand first came to the public attention in Nelson, the first port town to use the chemical, as a result of the concerns raised by the widows of six port workers who died from motor neuron disease and who had a rate 25 per cent higher than international averages. The Marlborough Express reported the announcement by the Port Marlborough that methyl bromide emissions at Shakespeare Bay will have to be 80 per cent less than legally allowed if plans to fumigate export logs go ahead. The log exporter Zindia was scheduled to fumigate the hold of a Hong Kong-registered ship Kang Shen two days after the Port Marlborough’s announcement. Port chairman Ed Johnson said the directors’ decision was based on careful consideration of environmental, community and commercial aspects.

### **March 2009**

At the conclusion of the February Job Summit a number of reports discussed the main features of the summit and its success or otherwise. The *Independent Financial Review* reported the view of Roger Kerr, executive directive of the Business Roundtable that “...preserving jobs in a recession is all about removing barriers to hiring”. Kerr and several other participants were dismayed to be told labour market regulation was “off the agenda as a sop to the unions”. Kerr warned that outcomes from the summit would be “limited” unless or until the Government implements labour-market reform. The article claimed that this was the price the Government had to pay to get union leaders to attend the summit table. There was to be no discussion of the two labour-market issues many employers regarded as vital. These were the review of the Holidays Act and repealing or amending the Employment Relations Act. Kerr added that business confidence is important when it comes to taking on new staff and governments should make the decision to hire somebody as easy as possible.



He claimed that the 90-day probationary period for new employees was a godsend to jobseekers.

As a postscript to the jobs summit The *Dominion Post* reported that the Government was close to reaching a deal with unions and employers over a nine-day fortnight for some employees. One of the main recommendations from the job summit to prevent redundancies was to ask workers to take one day off a fortnight. The proposal appeared to stall after the Government resisted helping to fund the 10th day, instead offering to pay for training or education. Prime Minister John Key said that while the Government would not fund the 10<sup>th</sup> day, it would be possible for the Crown to consider some allowance for workers. Business New Zealand spokesperson on employment relations policy, Paul Mackay, said employers were flexible about how a deal was reached, but the bottom line had to be reduced costs for the employer.

The *Southland Times* and the *Dominion Post* reported that provincial airports might be forced to shut down for 30 minutes a day to allow air traffic controllers a meal break under new workplace laws. The Airways Corporation said Invercargill, Gisborne and New Plymouth airports, which all operate single-staff control towers, might have to close between scheduled passenger flights as a last resort to meet changes made under the Employment Relations (Breaks and Infant Feeding) Amendment Act, passed in September 2008. Workplaces must provide two 10-minute rests and one half-hour meal break during each eight-hour shift. Workers and their employers must agree on times for breaks or if unable to agree the breaks must be taken at specific times. Corporation air navigation services group manager David Rollo said the state-owned enterprise, responsible for air traffic control, was working with the Airline Pilots Association, which represents controllers, to agree how the law should be implemented. Although the controllers already had regular breaks, these were not formalised in one-person towers and there was concern about the impact of the meal provisions. Through her spokesman, Labour Minister Kate Wilkinson commented that there was flexibility in the Act, and the Government would monitor its application to ensure common sense was applied.

Elsewhere the *Nelson Mail* reported on a planned rally being organised by the Service and Food Workers Union to be held in Nelson to show support for workers who are facing the prospect of losing their job, and to warn employers not to use the economic crisis as an excuse to cut wages, conditions and jobs. The planned rally was in the wake of news that Nelson employers Sealord and Nelson Pine Industries were planning to shed 240 jobs.

The announcement of a review of the Holidays Act generated additional media coverage. The *Manawatu Standard* reported that the Government plan to allow workers to trade their fourth week of annual leave for cash had trade unions and the Labour Party “in a lather”. Prime Minister John Key said any decision would have to be made in agreement with employers and would not be feasible for every organisation but Opposition leader Phil Goff and union leaders claimed that workers will be pressured into making the swap by their employer or for financial reasons. It was also claimed that the proposed law change would undermine people's work/life balance, emphasising the importance for working parents to have quality time with their children.

Fresh concerns were raised when it was revealed that the review would consider extending provisions allowing employers and employees to agree to transfer any or all of the 11 statutory holidays to normal working days. Current provisions are limited to workers on overnight shifts which cross from a normal working day to a public holiday. Minister of Labour Kate Wilkinson said she wanted the review to explore whether the provision should be extended to other workers, such as those who wanted to observe religious festivals other than Christmas and Easter. Council of Trade Unions president Helen Kelly said the fact that the matter would be reviewed indicated that changing the law was on the Government's agenda. She added that there were concerns that widening the scope for transfers would lead to employers who wanted staff to work on public holidays pressuring them to transfer the statutory requirements to another day when they did not want them to work.

The *Sunday Star Times* reported that a “stoush” had broken out on the popular TV drama *Outrageous Fortune* following attempts by the actors' union to get a better deal for cast members. The chief executive of South Pacific Pictures the television production company that made the show accused Actor's Equity of trying to muscle in on negotiations. The union attempted to meet the show's producers, to negotiate standard, unionised contracts for the cast. The company refused to meet the union, because it had no status in negotiations and all cast members had signed contracts appointing agents to represent them. The article claimed that the actors were running so scared that they “gagged” the union from speaking to the media about the issue.

The *NZ Herald* reported that Air New Zealand had begun recruiting flight attendants in bid to keep flights operating when it's Trans Tasman and Pacific Islands cabin crews go on strike. Large advertisements in weekend newspapers sought flight attendants on the routes where 250 existing staff had given notice of a four-day strike over the Easter break. The Engineering, Printing and Manufacturing Union, representing the striking workers threatened to seek a court injunction if it did not get assurances that the new staff would not be used as strike breakers. Union secretary Andrew Little said the action appeared to be illegal under section 97 of the Employment Relations Act 2000, which bans recruitment of strike-breakers except for health or safety reasons.

The *Dominion Post* reported that a claim of age discrimination by Air New Zealand against a senior pilot because he turned 60 was heard in the Supreme Court. The 747 pilot with an added role of flight instructor was demoted to first officer because being aged under 60 was a requirement of his job. The pilot was appealing against a Court of Appeal decision that said age discrimination was not the reason he lost rank and was shifted to a lower paying job. His lawyer told the Supreme Court that there should be no exception for Air New Zealand under age discrimination law and that the pilot was discriminated against through his demotion and subjected to detriment. The pilot had wanted to reach an agreement with Air New Zealand in which he could do other jobs in line with being a flight instructor, but that had not happened. The court reserved its decision.

The theme of recession and cutbacks continued with an article in the *Dominion Post* warning that employers looking to cut staff pay and benefits in order to improve their bottom line would come out of the recession worse off. However, employers who continued to invest in and value key employees would continue to be rewarded for

their investment and be positioned to make the most of the inevitable recovery. The article said that short term employers would use the times to take advantage of staff, by increasing demands and / or reducing benefits. This would leave them without their desired staff when times became good as these people would have long memories about the way they were treated and would probably leave.

Another article in the *Dominion Post* warned that redundancies may be bad for employees, but they can also be terrible for the organisation. The article quoted Kevin Wheeler, founder of The Future of Talent Institute saying that getting rid of staff is the 'atomic bomb' of choices available to an organisation during a downturn. Wheeler claimed that redundancies can result in a loss of institutional knowledge, shredded staff morale and affect corporate productivity, both in the short and long term. He also suggests corporate HR practitioners should apply the environmental mantra of "re-train, re-use, recycle and refresh" to the workforce. The advantage for an organisation in retaining most of its staff is that over a period of time the organisation ends up with a more agile workforce. He quoted examples of his favourite firms such as IBM who try to maintain their workforce during difficult times. IBM had a core workforce that they maintain pretty rigorously and they tend to lay off or let go only those contractors they use to fill those peak demand times. He said that Toyota had also done a very good job of right-sizing the workforce, and they had a policy of when you're not making cars, you're being trained. The article concluded that one of the biggest challenges is smoothing out the peaks and troughs in the job market, and in the supply of the talent that is available.

#### **April 2009**

The *NZ Herald* reported that migrant workers, advocates and union representatives were due to meet to discuss a response to the Government's plan to cut the number of migrant work permits. Meeting organiser Dennis Maga was quoted as saying that migrant workers on temporary permits were "worried sick" about their futures, and wanted to know if the unions would act to protect their rights during the recession. He claimed that politicians' calls for migrant workers to be laid off first, revocation of temporary visas by Immigration NZ not only contravened the Employment Relations Act, but also the Human Rights Act. The meeting came at a time when the economic downturn raised the issue of migrant workers on temporary permits. Immigration NZ investigated a case where 28 New Plymouth workers were made redundant in October 2008, while Filipino welders kept their jobs and had their temporary permits renewed. Immigration Minister Jonathan Coleman said that he expected the Department of Labour to ensure that fewer migrants entered New Zealand on temporary permits during the recession. Mr Coleman said there would not be new temporary migrants coming in as no new permits would be issued, and temporary permit holders would not have their permits renewed. A record 188,000 temporary work applications were approved in the 2007-2008 year, an increase of 13 per cent from the year before.

The *Press* reported that four Air New Zealand crew members refused to take off novelty wigs which led to the grounding of a Christchurch-Sydney flight and stranding about 60 passengers overnight. The airline last night suspended the four in what the Engineering, Printing and Manufacturing Union (EPMU) said was a move to 'up the ante' in their industrial dispute. The passengers had cleared Customs and

were waiting in the departure lounge when they were told of a delay. Ten minutes later they were told their flight was cancelled because some cabin crew were inappropriately dressed. EPMU national secretary Andrew Little said the staff involved refused to remove their wigs, and that was what caused them to be suspended. Little said he was mystified why Air New Zealand had suddenly suspended the crew as the non compliance protest had been running for several days. The union withdrew a notice that members intended to strike over Easter, but two non-compliance notices which included not to work on standby and not to wear company uniform remained in place.

The *Southland Times* reported that employees of Clifton Wool Scourers were threatening to picket the plant after it closed until they receive what they saw was a fair redundancy package. The plant, which has about 40 employees, was to close on 16 April. Meat Workers Union regional secretary Gary Davis said the plant's 30 union members would get two weeks' pay for the first year's service plus a week's pay for every five years' service thereafter. The deal was what the union negotiated with in 2006 but was signed on the understanding there would be no redundancies at the plant in coming years. An employee said that some of the Clifton workers had other jobs to go to in Southland when the plant closed but most did not.

The *NZ Herald* reported that lecturers at the Manukau Institute of Technology (MIT) were planning 'short sharp lightning strikes' in protest at their workloads. The lecturers claimed their workloads had been increased, and they gave notice of industrial action. Tertiary Education Union organiser Chan Dixon said no decision had been made on what days and times the strikes would happen, but they were likely to last about a fortnight. She said MIT had among the highest workloads of any polytechnics. The level had become unrealistic after administrative staff were made redundant last year an increase in student numbers because of the economic climate.

The *Dominion Post* reported that Wellington property tycoons the Chow brothers were ordered to pay a former hotel manager more than \$100,000 after a long-running employment dispute. The Employment Court found that James Jesudhass was unfairly dismissed while in mediation over his job at the Just Hotel four years previously. In a written decision, the court found John Chow had asked Mr Jesudhass to train his sister to be the assistant general manager, despite her having no hotel experience. Mr Jesudhass became concerned at Ms Chow's management style, which he said was causing stress. The Chows hired migrant workers who could not speak English, and students without work permits, the decision said. In April 2005, Mr Jesudhass was told that Sarah Dickens, Mr Chow's personal assistant, was sitting in reception and seemed to be monitoring staff. He told her she should have spoken to him first. Soon after, Mr Jesudhass and the Chows went into mediation and he was suspended by John Chow on May 5, 2005 and told to leave the hotel immediately. He was dismissed two weeks later, with Mr Chow citing unsatisfactory performance, failing to follow requests and refusal to attend meetings. Judge Barrie Travis found the defendant, Just Hotel Ltd, had failed to show it had been a fair and reasonable employer. Judge Travis stated that "...the defendant's actions were both procedurally unfair and substantively unjustified". He awarded Mr Jesudhass \$119,237, including \$68,000 in lost wages, \$20,000 for loss of a car and \$10,000 for distress.

Another employment dispute which gained high profile concerned the well known climate scientist Dr Jim Salinger who was dismissed by the National Institute of Water and Atmospheric Research (NIWA) for 'serious misconduct' for talking to the news media without permission. In a *Dominion Post* article Dr Salinger said he intended to take legal action for what he called unjustified dismissal saying that he was not being "...dismissed for my science – that can't be faulted – I've been essentially sacked for not following protocol". The *Press* reported later in the month that Dr Salinger had taken a second personal grievance against NIWA over the way he was dealt with when he was still an employee. The issue became politicised with Labour and Green politicians claiming that the dismissal had unnerved scientists who were thinking twice about whether they could talk about their research. Research, Science and Technology Minister Wayne Mapp was reported as saying that the existing practices of Crown Research Institutes allowing scientists to speak out would continue.

The *Dominion Post* reported a senior lecturer claiming of a "culture of bullying" by some members of management at Victoria University's faculty of education. Dr Joanna Kidman said some staff had sought medical treatment as a result. Colleagues also spoke of students being bullied, and feared they could end up using similar tactics in school classrooms after completing the course. The University acknowledged the faculty had been through a difficult period since it announced in December 2008 that 18 jobs would be disestablished but Human Resources Director, Annemarie de Castro rejected the bullying allegations.

A study by health insurer Southern Cross reported in the *Dominion Post* found that sick workers are costing employers more than \$2 billion a year. The study found that the biggest cost associated with workers taking sick leave was not the time off work, but the lost productivity of staff who turned up to work while sick. The average time off work from illness was 4.2 days a year, while the average number of days on which staff were at work and too sick to be productive was 11.1 days. The study reasoned that if a sick employee was half as productive as they normally would be, the cost to employers for a staff member on the average wage would be around \$900. That compared with an annual sick days cost of about \$700 per employee. For most businesses, staff illness was an invisible cost compared with the expense of offering preventive health benefits, such as flu vaccinations or health insurance.

A Wellington supermarket's English-only policy was labelled a disgrace by a leading employment lawyer, but the store's owner claimed that the matter was blown out of proportion. It was revealed that the Thorndon New World told employees they could receive warnings for speaking foreign languages on the job. Signs, which were taken down after media uncovered the policy, warned that talking in other languages could make customers and other staff 'feel uncomfortable'. Owner Brian Drake said the signs had been put up by a junior manager and he would have worded them differently. Language itself is not a prohibited ground, but employment law expert Peter Cullen said it could create indirect discrimination against people of different national origins. Mr Cullen said he would be surprised if any employers adopted such a policy, particularly in multicultural Wellington stating that: "We're not dealing with the Taihape general store in 1932".

This event was soon followed by a *Dominion Post* report of bus drivers working for Wellington Bus Company Mana Coach Services were forbidden in their company handbook from speaking languages other than English, even while in the staffroom. Tramways union secretary Kevin O'Sullivan contacted the company in February 2009 about the perceived breach of human rights law, and was told "when in Rome, one does as the Romans do". Mana chief executive officer Geoff Norman wrote to the union saying "...the use of a language in front of others who do not understand what is being said, we consider to be the height of bad manners". However, the Maori Party co-leader Tariana Turia disagreed stating that the company's actions were outrageous and that it needed to realise that "...language is the cornerstone of any culture and not giving their staff the right to express themselves to another staff member in a language they both understand is depriving them of their identity".

The *Dominion Post* also reported on a study that found that companies that tolerate a reasonable amount of personal internet use have happier workers. PhD student Andrea Polzer-Debruyne from Massey University, the author of the study which surveyed more than 300 people about work internet habits said that "...[u]sing the internet reduces stress for employees, giving them mini-breaks that can make them more productive".

### May 2009

The *Nelson Mail* reported on Labour MP Darien Fenton's private members' Bill providing minimum notice and redundancy compensation for people who lose their jobs. Ms Fenton stated that the Employment Relations (Statutory Minimum Redundancy Entitlements) Amendment Bill was based on the recommendations of a report by the Public Advisory Group on Restructuring and Redundancy. She said that there were "tens of thousands" of people who had no redundancy entitlement in collective agreements.

The *Dominion Post* reported that an employee had laid a complaint with the Employment Relations Authority claiming his employer and contractor, Garry Maxwell-Smith, had underpaid him and other grape pickers in Wairarapa and had also failed to provide a safe workplace. The Labour Department was investigating Garry Maxwell-Smith after Work and Income revealed 20 of its clients had been underpaid or received no wages. Mr Maxwell-Smith, however, disagreed with the allegations, saying those workers who complained are people who "can't make it". He continued that only a couple of pickers were underpaid and some had refused to provide tax details. He was quoted as saying that: "...they were "cunning little monkeys...They know that it's going to take roughly three months for Winz, the court system . . . and child support to catch up with them". He argued that the workers had either misunderstood the contract rates he switched them to or failed to show up for work.

The *Press* reported on concerns from members of the Corrections Association that prison inmates were being locked in their cells earlier and for longer under new cost-cutting measures. President Bevan Hanlon said the longer lockdown period had resulted in escalating tensions, with a mini-riot breaking out at Ngawha prison in the North Island. The association planned to file an injunction through the Employment Relations Authority on the basis that the Department failed to consult them and had

ignored their concerns over the roster change. He said the safety of prison officers was a major concern, with angry prisoners now locked down for about five hours longer under the new system.

All of the major daily papers reported on the strike by employees employed by the Air New Zealand subsidiary airline Zeal. The *NZ Herald* reported that the union representing cabin crew launched an 'aggressive campaign' against Air New Zealand as the four-day strike got under way. Full-page advertisements appeared in each of the country's major daily newspapers expressing the Engineering, Printing and Manufacturing Union's view that: "Air New Zealand is ripping us off". The advertisements claimed a 'corporate trick' by Air New Zealand has meant a pay disparity of "...thousands of dollars a year less than other cabin crew performing the same duties". The advertisements stated that staff had been "...threatened, intimidated, isolated even suspended", for standing up to the injustice. The *Press* reported on a demonstration in central Christchurch where approximately 70 people gathered waving placards, chanting and cheering for passing motorists who tooted in support. One employee was quoted as saying that: "...[w]e wear Air New Zealand uniform, we work on Air New Zealand aircraft and provide service for Air New Zealand, but we are paid lots less. It is unethical. It is the same job". Air New Zealand responded to the strike by locking out Zeal staff and bringing in management to cover for Zeal staff.

The *Press* and the *Nelson Mail* reported that the fate of 400 workers at Sealord's Nelson seafood processing plant was about to be decided. Sealord Group and the Service and Food Workers' Union were heading into mediation over plans to reduce plant costs by \$1.8 million. The chief operating officer of Sealord's NZ Fish business, Jon Safey, stated that the company would commit to the factory for three years if it could make the savings in labour costs. Proposed cost cuts, rejected by union members, included a 12-month wage freeze, improved productivity and lower rates for new staff. Mr Safey said that land-based processing cost Sealord \$3.5m more a year than processing at sea. The bargaining was a continuation of company plans to improve the viability of its Nelson plants. One processing plant lost 180 jobs in March when 7000 tonnes of processing was moved to a leased trawler. Nelson's Labour list MP Maryan Street asked the company to show restraint during the economic downturn saying that "slashing pay and conditions adds insult to injury for the workers."

The case of dismissed NIWA scientist Dr Jim Salinger continued to receive media attention. The *Dominion Post* and the *Press* reported that the parties were heading for mediation and that his dismissal had 'sparked an outpouring of public sympathy for him and a chorus of criticism of Niwa'. Dr Salinger gave details of his hopes for a resolution and a wish to return to his job. However mediation failed and the matter was now heading for the Employment Relations Authority.

The *Bay of Plenty Times* reported on a Mount Maunganui trucking company that was fined \$14,500 for telling an employee he was too big to do the job and suggesting he undergo a stomach stapling operation. The ERA awarded the money to Hastings man Bruce Douglas following his dismissal a week into his new job for Godfrey Haulage. Mr Douglas was given a medical examination prior to being interviewed for a position during September 2007. The nurse found he was fit to work, but noted that he

needed to lose weight. Mr Douglas also suffered pain from a leg injury and leg ulcer. After training for one week, Mr Douglas was in the “smoko” room when his manager phoned him to ask how the job was going. He responded that it was different to long haul, but he was enjoying it and all was well. His manager replied that he had a problem and that Mr Douglas should finish up. When Mr Douglas asked why, he was told he should consider joining a gym and hiring a personal trainer to help him lose weight. Godfrey Haulage was ordered to pay \$10,500 in lost wages and \$4,000 compensation for hurt and humiliation.

The *Dominion Post* reported that after more than a year after Sophie Melrose was wrongfully fired for being pregnant, she had ‘not seen a single cent of the \$36,000 in compensation a court ordered her employer to pay’. Ms Melrose was demoted and then fired from her job as general manager at Auckland's Vulcan Bar in January 2008, after telling her manager that she was pregnant. In November 2008, the Employment Relations Authority ordered Weka Group Limited, to pay Ms Melrose \$35,775 in lost wages and emotional reparation. When contacted the director of Weka Group confirmed that he had not paid Ms Melrose compensation and said he was appealing against the decision to the Employment Court. The Employment Court had no record of an appeal being lodged and Ms Melrose said she had not heard about an appeal.

In a sign of the times the *Sunday Star Times* reported that a number of employers faced with making redundancies were messing up the process, exposing themselves to the risk of being sued by laid-off workers. The number of grievance cases taken against employers was rising steeply. The article gave several examples including the freight forwarding company manager who emailed staff asking them to voluntarily take a day's leave each month without pay and adding that those who complied would be treated favourably when layoffs were considered. Kensington Swan lawyers confirmed that grievance cases taken on by lawyers had more than doubled in two years - with most of the increase coming since mid-2008, when the recession started. Adding to this was an ‘emerging problem’ where New Zealand companies were increasingly being ordered by their global head offices to cut staff and in doing so forcing them to break the New Zealand employment law.

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