

Contents Page: NZJER, 2017, 42(1)

Name	Title	Page Numbers
Felicity Lamm and Erling Rasmussen	Changing of the Guard...	1
P. Matthijs Bal	Why do Employees Negotiate Idiosyncratic Deals? An Exploration of the Process of I-Deal Negotiation	2-18
Geoff Plimmer, Jane Bryson, Noelle Donnelly, Jessie Wilson, Bill Ryan and Stephen Blumenfeld	The legacy of New Public Management (NPM) on workers, management capabilities, and organisations	19-34
Jarrood Haar	Work-family conflict and Employee Loyalty: Exploring the Moderating Effects of Positive Thinking Coping	35-51
Raymond Markey and Gay Simpkin	Effectiveness of Trade Union Workplace Organisation: A Case Study of the New Zealand Post Primary Teachers' Association	52-71
Nadia Dabee	A New Paradigm for Occupational Health and Safety: Is It Time to Abandon Experience-Rating Once and for All?	72-95

Changing of the Guard...

After almost 14 years of dedication, we wish to announce that Associate Professor Dr Rupert Tipples has retired from Lincoln University and is standing down as editor of the *New Zealand Journal of Employment Relations*. As editor of the *New Zealand Journal of Employment Relations*, Dr Tipples was instrumental in broadening the scope of the Journal. He has also been passionate about nurturing and supporting contributors to develop and refine their work and ease them through the sometimes daunting editorial process. We are very grateful to Dr Tipples for reviewing a number papers and for providing contributors with valuable and constructive feedback.

We would also like to take this opportunity to say that Dr Tipples has made an enormous contribution to the twin disciplines of Employment Relations and Human Resource Management. Moreover, his research has had a significant influence on scholars working outside Employment Relations and Human Resource Management, in disciplines such as Rural Economics and Sociology, Management Science, Entrepreneurship and small and medium enterprises. What makes Dr Tipples' research portfolio unique is his ability to undertake studies on a range of topics and to continually challenge orthodox theory and practice. In particular, his research on dairy industry topics has changed the way labour is conceptualised. He has also undertaken seminal work on psychological contracts as well as developing the Human Capabilities Framework which has influenced employment relations policies of a number of government departments. His research has shaped academic research, government policies and practitioners.

We would also like to welcome aboard Associate Professor Dr Bernard Walker, University of Canterbury, who will be taking Dr Tipples place on the editorial team of the *New Zealand Journal of Employment Relations*. Dr Walker has had many years of research experience in which he is known for his studies on dispute resolution and, subsequent to the Canterbury earthquakes, his analyses of organisational disasters and organisational resilience. Dr Walker shares our passion for the rigorous inquiry into all aspects of Employment Relations and Human Resource relevant to the New Zealand context.

Associate Professor Dr Felicity Lamm and Professor Erling Rasmussen

Why do Employees Negotiate Idiosyncratic Deals? An Exploration of the Process of I-deal Negotiation

P. MATTHIJS BAL*

Abstract

This study investigated why employees negotiate idiosyncratic deals (i-deals) with their organisations, and interviews with 31 employees who successfully negotiated i-deals showed that three main themes could be identified in the i-deal negotiation process: motives for negotiating (i.e., earned and problem solving), enablers (i.e., relationships and flexibility), and inhibitors (i.e., secrecy, and culture and structure). The study shows that people may have different motives for negotiating i-deals, and subsequently also experience different enabling and inhibiting factors in the process of obtaining i-deals.

Keywords

Idiosyncratic deals, i-deals, negotiation, motives, qualitative research.

Individualisation is a trend that has increasingly impacted workplaces across the world (Rousseau, 2005). On the one hand, valuable employees seek to negotiate individualised working conditions with their employers beyond the practices that are generally available to employees (Call, Nyberg, & Thatcher, 2015; Rousseau, Ho & Greenberg, 2006). On the other hand, societal trends of individualism (Oyserman, Coon, & Kemmelmeier, 2002), and the declining role of trade unions (Godard, 2014) have caused employees to become more self-reliant in negotiating their work arrangements. Much research has been conducted on the implications of these trends for employees and organisations, and in particular research on idiosyncratic deals has flourished over the last decade (Bal, Van Kleef, & Jansen, 2015; Liao, Wayne, & Rousseau, 2016; Rousseau et al., 2006).

Idiosyncratic deals (i.e., i-deals), are individually negotiated working conditions between the employee and the organisation (Rousseau, 2005; Rousseau et al., 2006). Ample research on i-deals has shown that they may benefit employees, as they are related to lower work-family conflict (Hornung, Rousseau, & Glaser, 2008), more proactive work behaviors (Liu, Lee, Hui, Kwan & Wu, 2013), and higher work motivation (Bal, De Jong, Jansen, & Bakker, 2012). However, a meta-analytic review by Liao et al. (2016) has shown that the relationships of i-deals with employee outcomes tend to be inconsistent, and that there are many unanswered questions regarding the concept of i-deals (*cf.* Bal & Rousseau, 2015). While the majority of studies have focused on the effects of i-deals on outcomes (Liao et al., 2016; Liu et al., 2013), little is known about the context of the negotiation process that leads employees to successfully obtain i-deals. Hence, research has only focused on what happens *after* workers have successfully negotiated an i-deal, without taking into account why employees start negotiating. This is important, as negotiation processes may determine the outcomes (Mislin, Campagna, & Bottom, 2011), and may explain inconsistencies in the impact of i-deals on work outcomes.

* Professor of Responsible Management, Lincoln Business School, University of Lincoln, United Kingdom

Two central questions guide the paper: first, the study focusses on *why* employees start negotiating, and second, the paper focusses on what employees experience during the negotiation process. What types of barriers and facilitators do they perceive? As these questions pertain to as yet unexplored facets of i-deals, the study takes a qualitative approach. Through interviews with employees across a range of industries who have negotiated i-deals, the research questions are answered providing new and important understandings of i-deal dynamics in the workplace.

The study contributes to i-deals research and the broader literature on individualisation at work (Jiang, Lepak, Hu, & Baer, 2012) as well as the negotiation literature (Druckman & Wagner, 2016; Reif & Brodbeck, 2014; Thompson, Wang, & Gunia, 2010). The study provides a better understanding of why i-deals are negotiated in the workplace, and thus how both managers and employees can manage their increasingly individualised relationships. The study will also shed insights into the factors around i-deals negotiation. Not every i-deal will elicit higher motivation and performance, and this study shows the underlying causes. Moreover, the study also adds to the negotiation literature, by showing why people start negotiating individual arrangements at work. While there has been some conceptual research on the initiation of negotiation at work (Reif & Brodbeck, 2014), this study shows the more specific motives that people have and which may affect the negotiation process.

Literature Review

Due to changes in employment relationships, exchanges between employees and their organisations are increasingly based on individualised negotiation and agreements (Bal et al., 2015). While collective representation seems to be in decline (Godard, 2014), employees are forced nowadays to individually negotiate their work arrangements. In effect, some employees are increasingly focused on negotiation of i-deals. I-deals have been defined by Rousseau (2005; Rousseau et al., 2006: 978), as “voluntary, personalized agreements of a nonstandard nature negotiated between individual employees and their employers regarding terms that benefit each party”. I-deals are individually negotiated, and can be initiated by both employee and organisation (Rousseau, 2005). I-deals are also heterogeneous (Rousseau et al., 2006), such that arrangements are negotiated that differ from the work conditions that other employees have.

Furthermore, i-deals should be beneficial for both employee and organisation. For employees, i-deals fulfill the need for customised work arrangements that may facilitate motivation, productivity or well-being; while, at the same time, i-deals benefit employers because they may attract, retain or motivate valuable employees (Bal & Rousseau, 2015). Finally, i-deals vary in scope, such that some employees may negotiate a single idiosyncratic deal, such as the possibility to vary working times during the workweek, while others may have fully idiosyncratically negotiated positions (Rousseau et al., 2006). I-deals have different dimensions (Rosen, Slater, Chang, & Johnson, 2013; Rousseau, Hornung, & Kim, 2009), and can be negotiated *ex-ante* or *ex-post* (Rousseau et al., 2009). *Ex-ante* i-deals are negotiated prior to when one starts the job, and are normally negotiated during the hiring process. *Ex-post* i-deals are negotiated after entering a job during an ongoing relationship (ibid).

The majority of the studies on i-deals have focused on the effects of i-deals on employee outcomes (Hornung et al., 2008; Liao et al., 2016), such as commitment, motivation, organisational citizenship behavior (OCB), and voice (Conway & Coyle-Shapiro, 2015; Liao et al., 2016; see also Anand, Vidyarthi, Liden, & Rousseau, 2010; Bal et al., 2012; Hornung et

al. 2008; Ng & Lucianetti, 2016). However, meta-analytic evidence shows that the correlations between i-deals and outcomes are inconsistent and tend to be small (Liao et al., 2016). Research on the predictors of i-deals is scarce (Hornung et al., 2008). The study by Rosen et al. (2013) showed that LMX Leader-Member Exchange) and political skills were related to some but not all types of i-deals. Moreover, Ng and Lucianetti (2016) showed that people high on achievement and status striving were more successful in obtaining i-deals. These studies show *who* are better in obtaining i-deals, but there is yet little known on *why* workers start negotiating and how they experience the i-deals negotiation process.

It is, therefore, important to assess employees' motivations for negotiation of i-deals (Rousseau, 2005). Previous research has argued that workers start negotiating when they perceive a discrepancy between a current and a desired state (Reif & Brodbeck, 2014). In the context of i-deals, there is actually very little known about these perceived discrepancies which may lead workers to initiate a negotiation. Moreover, it is important to assess what the enabling and hindering factors are that people experience when they requesting i-deals. As these questions tap into undiscovered areas of i-deals research, the research questions are addressed using a qualitative design focused on employees who successfully negotiated an i-deal. In sum, the study aims to investigate two main research questions:

1. What are the motives for employees to start negotiating i-deals?
2. What are the enabling and hindering factors employees perceive when negotiating i-deals?

Methods

Research Design and Sample

In this study, the aim was to advance understanding of the process of negotiating i-deals. Because of its exploratory design, a grounded theory approach (Glaser & Strauss, 1967) was used to understand the relatively unexplored phenomenon of i-deal negotiation in organisations. A broad range of employees working for organisations in the Netherlands were contacted and invited for an interview. Moreover, snowballing techniques were also applied to find as many employees who had successfully negotiated an i-deal with their employer, and still worked for the same employer. This was the case for all participants, except for Interviewee #28, who was made redundant from her job just prior to the interview.

A short description was given of what was meant by having successfully negotiated an i-deal (see Rousseau et al., 2006), and provided they had negotiated such an arrangement, they could be interviewed. In total, 31 employees were interviewed. On average, participants were 34 years old (ranging from 22-65 years), 45 per cent were female, 26 per cent had finished vocational training, and 74 per cent had higher vocational training or a university degree. On average, employees had 13 years of work experience (ranging from 1-49 years), and 42 per cent worked in healthcare, 29 per cent in the service sector, and 29 per cent in other sectors, such as education or hospitality. Thirty-five per cent worked in small firms (less than 50 employees), 23 per cent in medium-sized firms (50-250 employees), and 42 per cent in large firms (more than 250 employees). Table 1 presents an overview of all the participants.

Table 1: Informant Information

Interviewee no.	Age	Gender	Sector	Size of Organization	I-deal	I-deal Type	Agent	Time of I-deal
1	37	Male	Service	Middle	• Pay Increase	Financial	Supervisor	Ex-post
2	25	Male	Service	Large	• Course for supermarket management	Development	Supervisor and branch manager	Ex-post
3	22	Female	Service	Large	• Flexible working times • Additional pay • Larger projects within job	Flexibility Financial Task	Supervisor	Ex-post
4	22	Female	Health Care and Service	Small	• Additional bonus and public transport reimbursement • Teleworking • Mystery visits as part of job	Financial Flexibility Task	Supervisor	Ex-ante (teleworking) Ex-post (bonus and mystery visits)
5	22	Female	Law	Small	• Flexibility in starting times • Variety in work tasks	Flexibility Task	Branch manager	Ex-ante
6	23	Male	Health Care	Middle	• Specific group of patients allocated to him • Teleworking	Task Flexibility	Supervisor	Ex-post
7	22	Female	Health Care	Large	• Expansion of tasks	Task	Supervisor	Ex-post
8	48	Female	Health Care	Middle	• Expansion of tasks • Paid college degree	Task Development	Supervisor and management team	Ex-post
9	22	Male	Catering	Small	• Teleworking	Flexibility	Supervisor and mentor	Ex-post
10	22	Female	Education	Large	• Flexibility in teaching schedule • Expansion of tasks	Flexibility Tasks	Supervisor and director	Ex-post
11	49	Female	Health Care	Large	• Flexibility in working hours	Flexibility	Supervisor and HR department	Ex-ante
12	65	Male	Education	Large	• Course on leadership	Development	Management	Ex-post
13	39	Male	Education	Middle	• Time to work on PhD	Development	Supervisor and director	Ex-post
14	56	Male	Education	Middle	• Expansion of tasks	Task	Director	Ex-post
15	28	Male	Education	Large	• Teachers scholarship	Development	Supervisor and director	Ex-post
16	28	Male	Service	Large	• Teleworking	Flexibility	Supervisor	Ex-post
17	27	Female	Health Care	Small	• Flexibility in working hours	Flexibility Task	Director	Ex-post

18	23	Male	Health Care	Large	<ul style="list-style-type: none"> • Expansion of tasks • Teleworking 	Flexibility	Supervisor	Ex-post
19	51	Female	Health Care	Large	<ul style="list-style-type: none"> • Flexibility in work schedule 	Flexibility	Supervisor	Ex-post
20	37	Female	Health Care	Small	<ul style="list-style-type: none"> • Flexibility in work schedule 	Flexibility	Supervisor	Ex-post
21	28	Female	Health Care	Small	<ul style="list-style-type: none"> • Adapted working hours for breast feeding • Individualized pay arrangement 	Flexibility Financial	Supervisor	Ex-post
22	27	Male	Health Care	Middle	<ul style="list-style-type: none"> • Adapted working conditions due to injury 	Flexibility	Supervisor and colleagues	Ex-post
23	34	Male	Service	Small	<ul style="list-style-type: none"> • Reduced working hours 	Flexibility	Supervisor	Ex-post
24	51	Male	Service	Small	<ul style="list-style-type: none"> • Additional holidays in quiet periods 	Flexibility	Supervisor	Ex-post
25	24	Male	Service	Large	<ul style="list-style-type: none"> • Lease car for work and private use 	Financial	Supervisor and cluster manager	Ex-post
26	29	Male	Service	Large	<ul style="list-style-type: none"> • Training 	Development	Supervisor	Ex-post
27	27	Male	Catering	Middle	<ul style="list-style-type: none"> • Management training 	Development	Location manager	Ex-post
28	55	Female	Health Care	Small	<ul style="list-style-type: none"> • Reduced work hours • Course for HR officer 	Flexibility Development	Supervisor	Ex-post
29	40	Female	Health Care	Small	<ul style="list-style-type: none"> • Flexible working hours 	Flexibility	Director	Ex-post
30	42	Male	Service	Large	<ul style="list-style-type: none"> • Flexible working hours 	Flexibility	Supervisor	Ex-post
31	29	Male	Service	Small	<ul style="list-style-type: none"> • Accounting Course 	Development	Mentor, director	Ex-ante

Note. Agent refers to the people in the organisation that the i-dealer directly negotiated with. Ex-ante refers to i-deals negotiated prior to hiring or during the hiring process and ex-post refers to i-deals negotiated during tenure (Rousseau et al., 2009).

Data Collection

The interviews took place at Erasmus University Rotterdam, the Netherlands, or at the participants' workplace. The interviews lasted, on average, between one and one-and-a-half hour. A semi-structured interview was conducted using nine starter questions, which were followed by in-depth questions to gain more understanding of the answers (see Appendix A for the Interview Script). Interviews were recorded digitally, and subsequently converted to transcriptions to analyse the data. All interviews took place in Dutch, and the transcripts were translated into English for subsequent analyses.

Each interview started with an explanation of the purpose of the interview and the guarantee of anonymity. Next, the interviewer explained what i-deals are (Rousseau, 2005). Subsequently, interviewees were asked to describe what kind of i-deals they had negotiated, what their motivation was to negotiate an i-deal, when that happened, who had taken the initiative to negotiate, what the reasons were for the organisation to grant the i-deal, which barriers had to be taken, which reactions they got from their environment, which impact the i-deal had on them, and finally how the i-deal was managed.

Data Analysis

The interview transcripts were analysed based on the grounded theory approach (Glaser & Strauss, 1967), which meant moving back and forth between the data and codes that were generated. Hence, an iterative process was followed, which meant moving from the data to the codes, and rereading the transcripts to ascertain the validity of the codes. First, open codes were generated from the data, and subsequently, these first-order codes were grouped into categories. The first-order codes resulted directly from the data, and were summaries of what the participants had expressed during the interviews. Examples are "agreements create flexibility", and "quality of relationships is important". The next step was axial coding, in which the first-order codes that were generated were clustered in conceptually similar second-order codes. Finally, these second-order codes were combined in three general themes relevant for i-deal research. After generating these codes and higher-order themes, the transcripts were reread and compared with the codes (King, 2004).

Findings

The interviews produced accounts of 42 different successfully negotiated i-deals among the 31 participants (range 1-3 i-deals per participant). Table 1 shows that almost half concerned flexibility i-deals ($k = 19$, 45 per cent), and the others were development ($k = 9$, 21 per cent), task ($k = 9$, 21 per cent), and financial i-deals ($k = 5$, 12 per cent). 24 participants negotiated their i-deals with their direct supervisor (i.e. agent), and in six cases, higher-level managers were directly involved as well. In seven instances, the director of the organisation (or division of large organisations) was involved. Two participants negotiated i-deals with their mentor, and one participant explained that the HR department was directly involved in the negotiation process. Finally, 37 i-deals (88 per cent) were ex-post, and five (12 per cent) were ex-ante i-deals.

Analysis of the data revealed three main themes: motives, enablers, and inhibitors. Each of these dimensions consists of two subdimensions. Figure 1 shows the process of coding the data, producing the higher-order factors. Table 2 shows illustrative quotes.

Figure 1: Data Structure

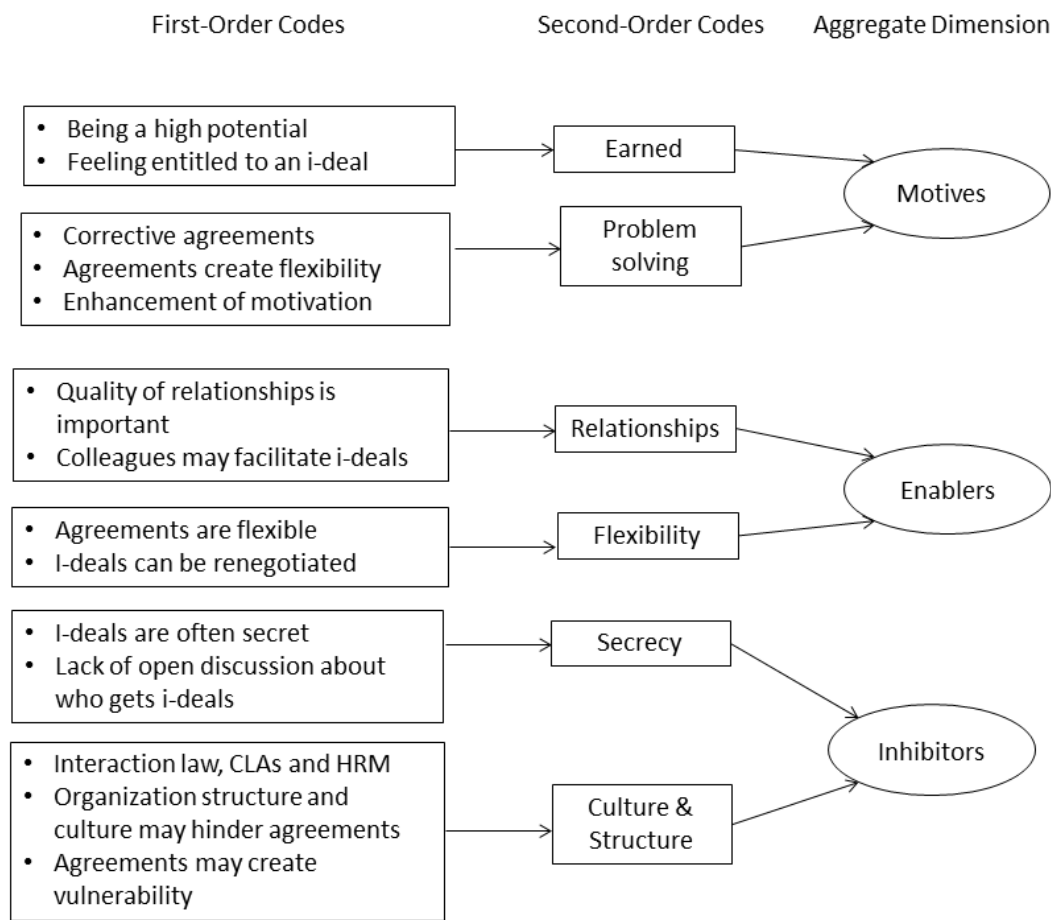


Table 2: Additional Data Examples

Themes	Illustrative Quotes (No. of Informant)
<i>Motives</i>	
Earned	<p>Being a high potential: “But the reason why these agreements were made, was because they saw the potential in me, and more than in my peers who had the same type of job as I had” (2).</p> <p>“I was performing well, and people came to me with questions etcetera, so it was a logical step for me to ask for the function of representative.” (10)</p> <p>Feeling entitled to an i-deal: “It is about rewards and real appreciation. Why am I still in [pay scale] 12 and they in 13, while we do the same work. Moreover, and I have said this once, I outperform half of the people here who is in 13. Why am I then in 12? It is about appreciation and money, but also about feeling appreciated.” (1)</p> <p>“It is not the case that my motivation substantially increased, because I find it normal to ask for these things and get it. Hence, in that sense, no surprises, and no feeling of ‘wow, how cool is this’. Just go with the flow.” (23)</p>
Problem Solving	<p>Corrective agreements: “When it did not go well, we decided to arrange tasks differently. When I changed functions, we agree that I would do larger national projects instead of smaller regional projects. That was agreed upon when I changed functions.” (3)</p> <p>“Flexible work schedules: that was related to my personal situation. Because my partner came over to study here for five months, and I liked to spent time with him in the evenings, that request was brought forward.” (5)</p> <p>Agreements create flexibility: “For me, it is very important to have a feeling of autonomy in my work.” (17)</p> <p>“Concerning working times, there are opportunities to deal with it in a flexible way. If suddenly, I have to arrange something serious, that is always possible.” (24)</p> <p>“It gives me rest. I do not feel pressure. Of course I do have deadlines, but this way, it is just much nicer.” (3)</p> <p>Agreements enhance motivation and performance: “I got the opportunity to get a promotion. But that had consequences. I had to follow training and had to work more hours.” (3)</p> <p><i>Teleworking</i>: “this was really motivating. I had the idea that I was so much more productive at home. I am really a morning person, while others at the office really have to wake up in the mornings and are mainly chatting, but they are not really working. At home, I really pushed forward, and got a lot of things achieved.” (9)</p>
<i>Enablers</i>	
Relationships	<p>Quality of relationships is important: “A lot is dependent upon the quality of your relationships, and your capabilities to build those relationships. That’s how it works, I think.” (14)</p> <p>“I showed my colleagues what I had done at home, so they could see I did a good job. There was a lot of trust at work, so I got a lot of freedom.” (9)</p> <p>Colleagues may facilitate agreements: “The team is an important factor if you want to arrange something, because if they agree, the supervisor has to come with very good reasons to reject it.” (15)</p> <p><i>Extra tasks</i>: “they reacted, oh that’s nice that you can do that, I would have liked to do that as well. But in a positive way, not in a jealous way. And a lot of</p>

Flexibility	<p>people offered me their help. Some asked me to substitute me when I was not there.” (10)</p> <p>Agreements are flexible: “We make agreements about the subdivision and that means in practice that we allocate tasks automatically among each other.” (3)</p> <p>“The management tasks have changed in content. First, it would be only for a year, and then collecting documents and making minutes, and that has been expanded over time, and has become more focused on content. (...) It does have an organic character and that’s why I have to consult a lot. And it does have an ad hoc character, so new things keep popping up, or there has to be reaction formulated to something. So I consult P. [the director] a lot, but colleagues as well.” (17)</p>
<i>Inhibitors</i>	
Secrecy	<p>I-deals are often secret: “They also said to me that it was exclusive, that I could not talk about it with others. It was only for me.” (4)</p> <p>“My colleagues do not really know about this, because I do not really cooperate with them. And I have to be aware, because they are careful with these agreements, so I better not speak out loudly about this.” (6)</p> <p>“That happens in the office. Then, the door closes, and things get discussed. There is a taboo about this. Especially in health care, I see that people easily adjust to policies. Maybe they accept them too quickly.” (18)</p>
Culture & structure	<p>Interaction with law, CLAs and HR policies: “In the beginning, I found it hard to ask, I felt uncomfortable, I did not want to lose my job. This agreement is not written in black and white, so we had to agree upon it beyond the existing rules.” (3)</p> <p>“A CLA is also an easy way for an organization to see it as a barrier, and to say that it could be a problem. (...) Organisational culture and the CLA form a wall that you cannot overcome.” (20)</p> <p>Organisation structure and culture can hinder agreements: “I sometimes do have the idea that the institute I work for, (...), that the structures are very hierarchical. While we are very used to flat organisational structures in the Netherlands, this is not the case over here.” (17)</p> <p>“I think with the daddy-days, the culture of the organisation played a role, as it was not done to work less, and moan about holidays. You live for your work, and the more you do that, the tougher you are. That was the approach.” (23)</p> <p>Agreements may create vulnerability: “The trees used to grow to the sky, but the crisis has put the people back on their place, and people treated each other less exuberant. People could get fired, and then there is a lot of tension. In such periods, you don’t start about individual agreements.” (25)</p> <p>“Just because of these arrangements I made, it was easy for them to kick me out. If you look at it that way, then the special position has become my downfall. My success was my weakness at the same time, to state it this way.” (28)</p>

Motives for I-deal Negotiation

The first main theme that emerged was motives for negotiation. Two types of motives were identified: earned and problem solving.

Earned i-deal

Some participants explained that they negotiated an i-deal because they felt they earned it. For instance, employees indicated that their organisation perceived them as a high-potential, or that they themselves felt being a high-potential and, therefore, they should be treated individually. Interviewee #10, being employed on a temporary basis, negotiated a renewed contract with expanded tasks and more flexibility, and explained that she was able to obtain this idiosyncratic position as she was already performing at a higher level, and colleagues were already consulting her on various work-related issues. Hence, employees may feel that they are entitled to receive i-deals because they perceive themselves to be outperforming others. However, entitlement not only arises from the perception that one is better than others, but also because one may perceive that others, for no good reason, are treated better. Interviewee #1, who negotiated a pay raise, felt he conducted his work at the same level as higher-paid employees and, therefore, earned an i-deal (See Table 2).

Problem Solving

In contrast to an earned i-deal, employees indicated that they also negotiated an i-deal to solve a specific problem at work, such as a working schedule that did not fit school times of the children. On the one hand, participants explained that, when something had gone wrong at work, i-deals could be negotiated to resolve the situation. Interviewee #3 negotiated a change of tasks when things did not go well at work, and negotiated an i-deal to conduct larger national projects rather than small projects as stipulated in her job description. On the other hand, i-deals can be negotiated to facilitate employees more flexibility in their work. Interviewee #17 indicated that autonomy at work was very important to her, hence she negotiated an i-deal about flexible hours. She explained that:

I perform less when I am distracted, or when I am not in a creative writing mood. Now I can say I am going home, and when you are more inspired in the evening I can do some work. And that there is nobody looking over your shoulder, because that really impedes my sense of autonomy, and that makes me perform less well.

This shows that flexibility i-deals may solve problems, but for many employees flexibility is also negotiated to prevent problems and, hence, flexibility is no longer a means to achieve something, but also contributes to problem prevention. Accordingly, interviewee #24 indicated that i-deals may provide more leeway in the future to make decisions flexibly, and interviewee #3 explained that her i-deal ensured that she felt less pressure and more flexibility in dealing with her deadlines. Finally, employees may initiate i-deal negotiation to enhance work motivation and productivity, thereby solving a career-related problem, such as low motivation or productivity. For instance, Interviewee #3, who negotiated a particular training and to work more hours, explained that this i-deal was a mean towards an end. The i-deal would help her to become more productive in her job, and to achieve a promotion and career advancement. Interviewee #31 negotiated to follow an accounting course which would benefit both him and the organization. He explained that: "To the director, I told him that I wanted to undertake additional education next to my work, because I want to develop myself and grow along with advancing knowledge."

Thus, i-deals can serve as a mean to achieve higher motivation in the job. In sum, the first theme shows that the motives people have for negotiating i-deals can be at least two-fold; people can feel they have earned an i-deal, or they start negotiating an i-deal to solve or prevent a problem.

Enabling Factors in the Negotiation Process

The second main theme identified from the data concerned the enabling factors employees perceived to exist in terms getting an i-deal. Two enabling factors were discovered: relationships and flexibility.

Relationships

The quality of relationships was important in whether one can negotiate an i-deal. Interviewee #14, who negotiated to do extra work (i.e., writing educational materials) for additional pay, explained that he was able to obtain this attractive job because of his high-quality relationship with the organisation. Without having these relationships, he admitted that he would not have received the offer. Moreover, Interviewee #15, who had negotiated an individualised career trajectory at his school, explained that because of training he underwent, he had to agree with his colleagues on his teaching schedules such that it would allow him to follow training as well. As he had informed his colleagues prior to negotiating the i-deal he wanted, they were actively facilitating his proposal for the i-deal. There would be no conflicts between his career development plan and his teaching schedule, which was an important requisite for his organisation to grant the i-deal. Hence, colleagues can actively facilitate the negotiation and successful implementation of i-deals.

Flexibility

I-deals are perceived to be flexible in nature. They can be negotiated on a rather abstract level (e.g., the expansion of tasks within a job), but the day-to-day practical implementation of the i-deal often has to be further negotiated. Interviewee #3, who had negotiated an i-deal to do larger projects, explained that this i-deal was somewhat abstract and concerned the general allocation of work. In reality, however, she renegotiated how work was conducted with her manager and coworkers on a daily or weekly basis. Interviewee #17, who negotiated expansion of her tasks, also explained that the i-deal had an organic character, changing over time in content, and the deal was in need of regular renegotiation with her director. Negotiated i-deals, therefore, may serve as a general framework which guide the more day-to-day agreements between employee, coworkers, and management. Hence, i-deals are in themselves flexible, and can be renegotiated over time.

Inhibiting Factors in the Negotiation Process

The third theme that was found pertained to the inhibiting factors towards i-deal negotiation, and consisted of two subdimensions: secrecy, and structure and culture.

Secrecy of i-deals refers to whether employees can freely communicate with coworkers about the i-deal they have negotiated. Organisations often ask the employee to keep the deal secret, unless coworkers are directly affected by an i-deal. That is often the case with i-deals on flexible working schedules, as they involve coworkers. Employees may be instructed to keep an i-deal confidential, as senior managers may not want coworkers to know about the i-deal, so that

coworkers do not start negotiating themselves, or to prevent feelings of unfairness among coworkers. Interviewee #18, who worked as a nurse in a large hospital, explained that when someone wanted to negotiate an i-deal, it happened behind closed doors, and it would not be discussed openly. He perceived a taboo on negotiating i-deals, as people in healthcare are more likely to adapt to existing policies. Hence, i-deals are generally not shared publicly, and organisations refrain from freely communicating about which deals are negotiated by whom. Employees are often put under pressure to remain silent about which deals they have negotiated. The effect of secrecy is that i-deals cannot be materialised, as employees cannot openly discuss their i-deals with others.

A second inhibiting factor found was *culture and structure*. Culture (both at organisational and national level) could influence the extent to which people were able to negotiate i-deals as well as the extent to which i-deals interact with existing structures, including law, labour agreements, and HR-policies. Often employees referred to existing rules as a foundation for the exchange relationship between employee and organisation, and they felt they could not ask for more beyond what was already available to them. For instance, Interviewee #3 explained that she felt uncomfortable about asking for i-deals, the more as it could not be formalised on paper. Since an agreement had to be made beyond existing rules, it could not be formalised, and remained an oral agreement. Interviewee #20 explained that collective labour agreements were also used by managers to reject i-deals, as they argued that i-deals would not fit with the existing rules. For many managers, HR-policies and labour agreements shape their negotiation space, as well as the boundaries around it. As i-deals may extend these boundaries, managers may reject i-deal requests as they blur the distinction between what is possible according to the rules and their discretion to make decisions. However, employees also perceive existing rules as limiting their need or potential to negotiate additional deals. Interviewee #12, who had been a supervisor for some years and gave up his position recently, explained:

Most of the things I use at work are written in the CLA (collective labour agreement), such as a seniority day, which means I get additional leave. You can use that when you are at a certain age. (..) Time for time and time for money arrangements are described in detail in the regulations.

In addition, organisation culture may also hinder the potential to negotiate i-deals. Interviewee #17, working for a small health care company, explained that the organisational culture was very hierarchical. Being a young woman in an industry where men dominated in top positions, she felt she lacked the confidence to ask for an i-deal. She explained that:

While we are very used to flat organisational structures in the Netherlands, this is not the case over here. I was the youngest and the lowest at the career ladder. (...) Often they look at you as being the youngest, and that you are not capable yet. I struggled with that in the beginning, because I had a low status, and some others did not manage that well. I do know a lot about some work-related topics, but because you are the most junior, it is a barrier for your confidence.

Interviewee #23, who negotiated reduced working hours to spend time with his family and children, experienced a hindering culture, as the dominant culture in his organisation emphasised the live-to-work mentality which did not fit in with his desire for reduced hours. These findings indicate that structure and culture may hinder both the chances of getting an i-deal, but also effective implementation and transfer of i-deals into the workplace.

Other inhibiting factors appear when i-deals may create vulnerability for employees. As employees negotiate special arrangements that differ from coworkers, a situation may be created where i-deals negatively influence an employee's standing in the organisation. Interviewee #25 explained that after the outburst of the economic crisis, he was less willing to start negotiating an i-deal, as there was a lot of tension within the organisation over potential lay-offs. Hence, in a crisis, employees may refrain from such negotiations. However, it was also found that employees who had negotiated i-deals became more likely to be made redundant during crises. Interviewee #28, who had negotiated a flexible work schedule so that she could pick up her children from school, indicated that because of this arrangement, she had become more vulnerable. As a consequence, in a recent reorganisation, she was made redundant and she felt that this happened because of her special arrangements.

Discussion

This explorative study on the motives for i-deal negotiation shows that there are at least three main themes relevant to i-deal negotiation. The first main theme pertains to the motives people have to start negotiating. Two main motives were identified; earned i-deals and problem-solving. While i-deal conceptualisation has primarily been developed around the notion of 'superstars' or high-performers in organisations (Guerrero, Bentein, & Lapalme, 2014; Rousseau, 2005; Rousseau et al., 2006), this study clearly shows that it is not only the high-performers who negotiate i-deals. While employees may feel entitled to i-deals, it was also found that i-deals may solve problems employees face at work. In sum, the motives that people have to negotiate i-deals may differ, and determine the outcomes of the i-deal negotiation. In addition to motives, there are two important elements in the negotiation process. First, enabling factors may help to negotiate i-deals and to transfer them successfully into the workplace. Social exchange relationships are important; when one has strong relationships with managers and colleagues, i-deals are more accessible, while poor relationships with coworkers may impede a successful transfer of i-deals to the workplace. Moreover, i-deals are also flexible in nature themselves through which they may create greater flexibility at work, and help a greater fit between a person and the job.

However, i-dealers also experience inhibiting factors towards obtaining an i-deal as well as implementing an i-deal successfully at work. First, organizations can explicitly demand workers to keep their i-deal secret as they do not want to know coworkers about special arrangements being agreed upon. This may hinder employees, as they are not allowed to openly communicate about the agreements they have made. For i-deals theory and research, it is, therefore, important to assess whether i-deals are publicly known in order to understand how they manifest in the workplace and affect work outcomes. Moreover, i-deals interact with law, CLAs and HR-practices. Managers may decline i-deals on the basis of existing regulation, but employees themselves may also feel hindered to negotiate within the existing structures and policies.

Theoretical Implications

The paper has a number of theoretical implications for research on i-deals, as well as the literature on individualisation of work relationships and negotiation at work. Essentially, i-deals are becoming 'normalised' in the workplace and more widely available to employee (Lee, Bachrach, & Rousseau, 2015), and are not solely negotiated by star performers, but by others as well. However, this may also contradict with existing structures, such as managers who want to be 'in control'. Hence, it is not surprising to observe how managers may ask employees

to remain silent on their i-deals, or may even reject i-deal requests on the basis of existing rules. This may be explained on the basis that, while employees have become more self-reliant in an individualised world, not all organisations and managers are actually welcoming of negotiating employees, and reducing control over their workers (Bal & Lub, 2015; Rousseau et al., 2006). Hence, individualisation of work arrangements may also be perceived negatively by organisations, as it indicates differential treatment of employees, reducing control, and more active management of negotiated i-deals.

Motives for I-deals

Motives for granting i-deals to employees may include made contributions to the organisation, being a high-potential, or because an employee threatens to leave the organisation (Rousseau, 2005). As the findings of the current study showed, managers may be inclined to deny i-deals when they struggle with legitimising i-deals in the workplace, and refer to existing policies and law as the basis for managing the employment relationship. Not granting i-deals at all may be easier for managers to sustain fairness across the organisation (Greenberg, Roberge, Ho, & Rousseau, 2004). An underlying explanation for this may be that managers are rarely educated in and used to negotiating i-deals with individual employees. Therefore, managers may lack the necessary skills and knowledge to successfully negotiate and manage i-deals in the workplace, through which they will be less inclined to grant them. Their reluctance may become a self-fulfilling prophecy, as the findings show that employees may perceive that i-deals are impossible to obtain, given the existing structures and culture in the organisation. Theory and research on i-deals should, therefore, integrate the boundaries that exist within and across organisations that impede i-deal negotiation to fully understand the context in which i-deals are negotiated and when they are not granted.

Motives for i-deal negotiation have clear theoretical links with the existing literature on i-deals. Problem solving motives fit within a work adjustment perspective (Bal et al., 2012), as preventive or corrective i-deals (primarily flexibility-oriented) are negotiated with the explicit aim to create a better fit between work and family demands. Further integration of the motives for i-deal negotiation with the theoretical perspectives on i-deals will enhance understanding of how i-deals operate in the workplace, and how they affect attitudes and behaviors.

Finally, the findings showed that i-deals interact with law, CLAs and HR policies. Therefore, the study also has implications for the wider literature on strategic HRM (Jiang et al., 2012). Dominant models in the HRM literature primarily depart from a systems-perspective, which postulates that the organisation has to implement HR-practices to increase employee and organisational performance (Messersmith, Patel, Lepak, & Gould-Williams, 2011). This study shows that beyond those HR-practices, employees negotiate individualised agreements which enhance motivation and performance. Hence, strategic HRM does not only entail the management of systems, but even more importantly, the management of people and i-deals. Hence, what is commonly referred to as the 'black box' of HRM (ibid), not only refers to the passive reactions of employees when they receive HR-practices, but also includes the active management of how employees interpret existing practices, and how they complement these with i-deals.

Limitations and Suggestions for Further Research

Despite the novelty of the findings and their implications for i-deals research, there are also some limitations to the study. First, in line with previous studies (Liao et al., 2016), this study focused on employee perceptions of the i-deal negotiation process, rather than organisational agents, including line managers and HR-managers. While i-deals are negotiated between employees and their organisations, the majority of studies have used the employee as the primary informant of how i-deals are established. However, future research would benefit from taking into account organisational perspectives on i-deals as well, and to establish whether there is agreement in the perspectives of employee and management.

Another limitation is that the focus was exclusively on employees who successfully negotiated i-deals. There is insufficient understanding yet of the wider context around i-deals, including perceptions of employees who requested but were not successful in obtaining i-deals (Lee et al., 2015), workers who perceive they lack the bargaining power or confidence to negotiate i-deals, and workers who feel no need for individualised work arrangements. Another concern pertains to the context of the study, as all of the interviewees were Dutch employees. As Rousseau (2005) explained, i-deals will differ substantially across countries and cultures. As norms of equality and negotiation are different across the world, it is not only the extent to which i-deals relate to outcomes that will differ across cultures (Liao et al., 2016), but also the way i-deals are shaped and tolerated within organizations. Therefore, cross-cultural research on i-deals would shed more light on these issues.

Practical Implications

The study has important practical implications as i-deals become more popular in contemporary workplaces. First, the study shows that employees may feel hindered to start negotiating as existing structures and practices are perceived to exclude the possibility of i-deal negotiation. For organisations and managers, the study offers insights into the i-deal negotiation process. As i-deals are now being requested by employees, organisations are advised to educate managers in how to manage i-deal requests and how to grant i-deals. As secrecy of arrangements may potentially increase perceptions of unfairness in the workplace (Greenberg et al., 2004), organisations benefit from a transparent approach towards individualisation of work arrangements. An important aspect is how organisations and managers communicate to employees about the possibilities for i-deal negotiation, as openness about this may enhance fairness and equality in the workplace. Moreover, managers may be aware that employees have different goals when initiating negotiation, and thus the i-deal content should be aligned with the goals of both the employee and the organisation. Finally, managers are advised to be aware that it is, nowadays, not only star performers who negotiate i-deals. As more employees are negotiating, they may have different motives for i-deal negotiation. Depending on these motives, i-deals may have different contents, but also effects on motivation and productivity.

References

Anand, S., Vidyarthi, P.R., Liden, R.C., & Rousseau, D.M. (2010). Good citizens in poor-quality relationships: idiosyncratic deals as a substitute for relationship quality. *Academy of Management Journal*, 53(5), 970-988.

- Bal, P.M., De Jong, S.B., Jansen, P.G., & Bakker, A.B. (2012). Motivating employees to work beyond retirement: A multi-level study of the role of i-deals and unit climate. *Journal of Management Studies*, 49(2), 306-331.
- Bal, P.M., & Lub, X.D. (2015). Individualization of work arrangements: a contextualized perspective on the rise and use of i-deals. In P.M Bal & D.M Rousseau (eds.), *Idiosyncratic Deals between Employees and Organizations: Conceptual Issues, Applications, and the Role of Coworkers* (pp. 9-23). Hove, UK: Psychology Press.
- Bal, P.M., & Rousseau, D.M. (2015). *Idiosyncratic Deals between Employees and Organizations: Conceptual Issues, Applications, and the Role of Coworkers*. Hove, UK: Psychology Press.
- Bal, P.M., Van Kleef, M., & Jansen, P. G. (2015). The impact of career customization on work outcomes: Boundary conditions of manager support and employee age. *Journal of Organizational Behavior*, 36(3), 421-440.
- Call, M.L., Nyberg, A.J., & Thatcher, S. (2015). Stargazing: An integrative conceptual review, theoretical reconciliation, and extension for star employee research. *Journal of Applied Psychology*, 100(3), 623-640.
- Conway, N., & Coyle-Shapiro, J. (2015). Not so i-deal: a critical review of idiosyncratic-deals theory and research. In P.M Bal & D.M Rousseau (eds.), *Idiosyncratic Deals between Employees and Organizations: Conceptual Issues, Applications, and the Role of Coworkers* (pp. 36-64), Hove, UK: Psychology Press.
- Druckman, D., & Wagner, L.M. (2016). Justice and negotiation. *Annual Review of Psychology*, 67, 387-413.
- Glaser, B.G., & Strauss, A.L. (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago: Aldine-Althester.
- Godard, J. (2014). The psychologicalisation of employment relations? *Human Resource Management Journal*, 24, 1-18.
- Greenberg, J., Roberge, M.E., Ho, V.T., & Rousseau, D.M. (2004). Fairness as an “i-deal”: Justice in under-the-table employment arrangements. *Research in Personnel and Human Resources Management*, 22, 1-34.
- Guerrero, S., Bentein, K., & Lapalme, M.È. (2014). Idiosyncratic deals and high performers’ organizational commitment. *Journal of Business and Psychology*, 29(2), 323-334.
- Hornung, S., Rousseau, D.M., & Glaser, J. (2008). Creating flexible work arrangements through idiosyncratic deals. *Journal of Applied Psychology*, 93, 655-664.
- Jiang, K., Lepak, D.P., Hu, J., & Baer, J.C. (2012). How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanisms. *Academy of Management Journal*, 55, 1264-1294.

- King, N. (1998). Template analysis. In: G. Symon & C. Cassell (eds.), *Qualitative Methods and Analysis in Organizational Research* (pp. 118-134). London: Sage.
- Lee, J.Y., Bachrach, D.G., & Rousseau, D.M. (2015). Internal labor markets, firm-specific human capital, and heterogeneity antecedents of employee idiosyncratic deal requests. *Organization Science*, 26(3), 794-810.
- Liao, C., Wayne, S.J., & Rousseau, D.M. (2016). Idiosyncratic deals in contemporary organizations: A qualitative and meta-analytical review. *Journal of Organizational Behavior*, 37(S1), S9-S29.
- Liu, J., Lee, C., Hui, C., Kwan, H.K., & Wu, L.Z. (2013). Idiosyncratic deals and employee outcomes: The mediating roles of social exchange and self-enhancement and the moderating role of individualism. *Journal of Applied Psychology*, 98(5), 832-840.
- Messersmith, J.G., Patel, P.C., Lepak, D.P., & Gould-Williams, J.S. (2011). Unlocking the black box: exploring the link between high-performance work systems and performance. *Journal of Applied Psychology*, 96(6), 1105-1118.
- Mislin, A.A., Campagna, R.L., & Bottom, W.P. (2011). After the deal: Talk, trust building and the implementation of negotiated agreements. *Organizational Behavior and Human Decision Processes*, 115(1), 55-68.
- Ng, T.W., & Lucianetti, L. (2016). Goal striving, idiosyncratic deals, and job behavior. *Journal of Organizational Behavior*, 37(1), 41-60.
- Oyserman, D., Coon, H.M., & Kimmelmeier, M. (2002). Rethinking individualism and collectivism: evaluation of theoretical assumptions and meta-analyses. *Psychological Bulletin*, 128(1), 3-72.
- Reif, J.A., & Brodbeck, F.C. (2014). Initiation of negotiation and its role in negotiation research: foundations of a theoretical model. *Organizational Psychology Review*, 4, 363-381.
- Rosen, C.C., Slater, D.J., Chang, C.H., & Johnson, R.E. (2013). Let's make a deal: development and validation of the ex post I-deals scale. *Journal of Management*, 39(3), 709-742.
- Rousseau, D.M. (2005). *I-Deals: Idiosyncratic Deals Employees Bargain for Themselves*. New York: M.E. Sharpe.
- Rousseau, D.M., Ho, V.T. & Greenberg, J. (2006). I-deals: idiosyncratic deals in employment relationships, *Academy of Management Review*, 31(4), 977-994.
- Rousseau, D.M., Hornung, S., & Kim, T.G. (2009). Idiosyncratic deals: testing propositions on timing, content, and the employment relationship. *Journal of Vocational Behavior*, 74, 338-348.
- Thompson, L.L., Wang, J., & Gunia, B.C. (2010). Negotiation, *Annual Review of Psychology*, 61, 491-515.

The legacy of New Public Management (NPM) on workers, management capabilities, and organisations

GEOFF PLIMMER*, JANE BRYSON**, NOELLE DONNELLY***, JESSIE WILSON****, BILL RYAN***** and STEPHEN BLUMENFELD*****

Abstract

Public servants want to work in good organisations, and management and organisational capability has been a long standing concern of public sector unions. This study explores the long run impacts of new public management (NPM) through worker experiences. Although NPM was introduced to improve organisational performance, it may have been bad for workers and there is limited evidence that organisational performance is high. Survey results of 15,762 members of the New Zealand Public Service Association (PSA) found that public servants were committed and motivated, but do not rate their managers or organisations highly. Results are discussed in terms of the long run legacy of NPM in which the right to manage has not been matched by the responsibility to manage. This has led to organisations poorly equipped to deal with emerging challenges.

Key words

New public management, worker experiences, management capability, organisational performance

Introduction

The performance of public sector agencies, as well as the wellbeing of workers, is of long standing concern to public sector unions and the wider field of industrial relations (Colley, Mccourt & Waterhouse, 2012; Haworth & Pilott, 2014)

New Zealand was an early and enthusiastic exponent of new public management (NPM), and eagerly embraced the disaggregation of agencies, contractualism and performance measurement that it entailed (Pollitt, 2007; Hood & Peters, 2004). It primarily introduced NPM with the State Sector Act 1988, which amongst other things formalised and strengthened Ministerial influence over the appointment of chief executives, and introduced contractual and market-based principles between the principal

* Dr Geoff Plimmer

School of Management, Victoria University of Wellington, PO Box 600, Wellington, New Zealand
Geoff.plimmer@vuw.ac.nz

** Jane Bryson, School of Management, Victoria University of Wellington

*** Noelle Donnelly, School of Management, Victoria University of Wellington

**** Jessie Wilson, Allen and Clarke, Wellington

***** Bill Ryan, School of Government, Victoria University of Wellington

***** Stephen Blumenfeld, School of Management, Victoria University of Wellington

(usually Ministers) and agents (departments and their CEOs). NPM is a loose term but, as well as objectifying the relationships outlined above, it also commonly includes a grab basket of other ideas, such as a stronger focus on management and managerialism, customer focus and private sector provision and style of management (Terry, 1998). It has resulted for many countries in the decentralisation of public sector employment issues, from central personnel agencies and the devolvement of operational human resource management (HRM) and employment relations (ER) accountability to line management of public sector agencies (Colley et al., 2012). In this paper, New Zealand represents an interesting microcosm of how NPM has played out in terms of its effects on workers and overall public sector capability.

NPM has gone through several iterations since it was introduced in New Zealand in the late 1980s. These multiple changes, however, tend to be layered on top of, and tinker with, existing models rather than be based on first principles or address underlying problems (Haworth & Pilott, 2014). A post-NPM environment is emerging that includes demands for heightened responsiveness, accountability and performance. Complexity arising from multi-actor governance and implementation is also increasing (e.g. Fossetøl, Breit, Andreassen & Klemsdal, 2015). Despite widespread public sector reforms, the effectiveness of many reforms is contested. The case that they have improved worker experiences, management capability and organisational performance is not strong (Schick, 2001; Haworth & Pilott, 2014).

This paper explores public sector worker experiences and capability roughly 25 years since the passing of the State Sector Act 1988. Drawing on large-scale survey data collected in 2013, workers' experiences, managerial capacity and organisational capability are explored. The paper begins with a review of the legacies of New Zealand's model of public management from the adoption of NPM, highlighting the outcomes that led to more recent public sector reforms. The paper presents findings from a survey of 15,762 public servants, demonstrating that while not entirely bleak, several significant flaws exist in the organisation and conduct of work across public entities.

Background - The New Zealand Model of New Public Management (NPM)

NPM has evolved into various hybrid forms within different jurisdictions (Terry, 1998). Within New Zealand it has been through several stages of reform (see Boston, Martin, Pallot & Walsh, 1996; Bryson & Anderson, 2007). The first phase, heralded by the State-Owned Enterprises Act 1986, separated various government and quasi-government organisations from central government functions. The next and arguably most important phase removed the notion of a unified public sector and introduced a new vision of state sector employment focused on individual departments and their management. The State Sector Act 1988 implemented this vision. Following this, a new centre right government in the early 1990s introduced the Employment Contracts Act 1991 which sought to weaken worker voice and collective bargaining in both the private sector and public sector. In the early 2000s, a centre left government sought to address emerging problems in the public sector, such as low organisational capability, poor co-operation between agencies, and a short-term outlook based on meeting output targets rather than longer term outcomes. However, reforms of that era were piecemeal and unconvincing (Halligan, 2007).

The Better Public Services programme, started with an advisory group set up in May 2011, recognised that public sector managers had a short-term focus and heightened responsiveness to ministers

(Wevers, 2011). They also did not maintain organisational and system capacity, or deal with the management of long-term strategic issues. There were subsequent commitments to improve matters (e.g. Rennie, 2013) and some important amendments in 2013 to the State Sector Act and the Public Finance Act.

Two major events in New Zealand encapsulated failures in the New Zealand model of public sector reform (a mine explosion and a flawed software payroll project)¹. Separate inquiries into these events both concluded that senior public servants had misrepresented the true (shabby) state of affairs to ministers (Ministerial Inquiry into the Novopay Project, 2013; Royal Commission on the Pike River Coal Mine Tragedy, 2012). As well as pointing to poor organisational performance, they also pointed to generally low management capability and poor worker experiences – including a limited ability of staff to speak up about concerns.

Commentators have recently called for a more radical agenda for change than the incremental steps that the Better Public Services initiative entails. In particular, Haworth and Pilott (2014) argue for a first principles state sector reform, including new structural and legislative change that will better address the problems of a “state sector that is fragmented, unable to solve intractable problems, slow to innovate, and performing poorly in terms of leadership and response to change” (ibid: 74). Of more relevance to this paper they also call for the state to be an exemplar employer with clearer expectations of human capability and organisational performance. This is to particularly address:

“Command and control” management styles, a “right to manage” mentality, and a cult of (senior) leadership are rife across the sector. Lost in this package are the positive workplace arrangements that promote improved organisational performance and productivity, better workplace cultures, and high-trust relationships (ibid: 75).

This paper discusses the gap between current workplace arrangements, and the positive workplace arrangements described above. It does this in sections that briefly cover worker outcomes, management capability and organisational performance. Each of these sections summarises pertinent international and local literature around the importance, consequences and dynamics of these topics.

Worker Outcomes

Worker experiences have become increasingly central to understanding the relationships between HRM practices, organisational performance and worker wellbeing (Boxall & Macky, 2009), and the purported command and control, and right to manage mentality mentioned above do not bode well for employee experiences. Workers who have little autonomy, are not informed of organisational goals or rewarded for good performance, and who receive inadequate development are more likely to be unmotivated, uncommitted, and dissatisfied (Boxall & Macky, 2009). Poor HR practices and organisational climates result in higher stress, lower motivation and greater likelihood of turnover. Similar findings apply in government, where it has been found that organisational factors, such as procedural constraints and organisational goal conflict undermine worker motivation, commitment, and job satisfaction (Wright, 2004). Teamwork, employee involvement and trust in line management have a positive impact on worker motivation, and HR practices and outcomes are reliable predictors of public sector performance levels (Gould-Williams, 2007). Flexibility and voice also help employee experiences, and in turn often help organisations (Landy, 1989).

A report by the State Services Commission (SSC) (2012) in New Zealand notes that public sector staff engagement remains lower than comparable private sector organisations. In sum, although good worker experiences are important to organisational performance, poor worker experiences are expected in public services. They are likely to be reflected in low levels of: motivation, commitment, job satisfaction, autonomy, information, rewards and training, security, flexibility, influence, and increasing job pace and work overload.

Management Capability

The need for managers to have technical, human and conceptual skills has been known since Katz's seminal work in 1955 (Peterson & Van Fleet, 2004). While many managers are hired and promoted for their technical skills – it is the human and conceptual skills that are needed for effective management performance. Technical skills are crucial, but human skills, such as conflict resolution are needed to effectively apply technical skills at a senior level. Conceptual skills, in particular the ability to see the organisation as a whole, or to take a systems view of the job, team, organisation and context are necessary to manage work outcomes (ibid).

While NPM has reinforced management's prerogative to manage, it has not been associated with the responsibility to manage well, instead it is linked with an over-reliance on restructuring as the prime tool for change, a lack of innovation and poor leadership skills (Norman & Gill, 2011; Plimmer, Norman & Gill, 2011). Within New Zealand, the consequences of this lack of responsibility include leadership teams focused on individual components of the business at the expense of government issues, or those who are good at managing up but do not know the business (English, 2012). Alongside this, management teams appear to be unable to provide robust strategic advice; fail to work effectively across organisational boundaries; struggle to manage people and change elements of their role; fail to use information effectively to drive their business, and lack the metrics to determine the effectiveness and efficiency of their business model and operations (Wevers, 2011). Defensive and rules-based cultures are also said to prevail (McCarthy, 2009). In sum, low levels of managerial capability are signalled by centralised, hierarchical authority, weak goals, weak work processes and low trust and responsiveness toward staff.

Organisational and Sector Capability

Poor worker experiences and poor management capability limits organisational capability (Gould-Williams, 2007). According to Diefenbach (2009), while efficiency gains have been found in a few concentrated areas as a result of NPM, the overriding search for efficiency has damaged organisational capacity – with associated long term costs. Despite the decentralisation rhetoric of loosening the administrative framework, and enabling managers to manage, practice has actually led to greater centralisation, re-bureaucratisation and compliance behaviour. Hood and Peters (2004) argue that these unintended organisational outcomes are widespread across a number of jurisdictions. In New Zealand, identified public sector weaknesses include being poor at sustaining capability and performance in the medium term, and low allocative efficiency (Te Kawa & Guerin, 2012). Agencies are also poor at working together to achieve outcomes and also often have a weak sense of purpose, or goal clarity.

In addition to prevailing concerns about long-term organisational capability, emerging problems are becoming harder to solve; public expectations are rising, policy designs are becoming more complex,

and require full-scale collaboration (Bourgon, 2011). Budgets are tight. These challenges essentially concern dilemmas between doing more with less, and being both innovative and efficient.

Empirical research on organisational ambidexterity provides a useful alternative frame to look at the dilemma facing public administration of how to be both efficient, and also adaptable to stakeholders. Ambidexterity seeks both i) adaptability, or rather exploration and innovation, and ii) alignment – requiring both efficiency and effective resource utilisation (Jansen, Tempelaar, Van Den Bosch, & Volberda, 2009). Traditionally, these two management goals have been seen to be mutually exclusive. However, more recent research regards them as compatible and even mutually reinforcing. In effect, organisations can be innovative and then use efficient processes to deploy them, and efficient processes can free resources for innovation (Raisch, Birkinshaw, Probst, & Tushman, 2009). Ambidexterity requires management skill and when embedded in individual jobs, worker experiences are important.

Organisations can be ambidextrous yet still maintain silos through effective co-ordination and integration at the executive level (Jansen et al., 2009). However, for this to work, management teams must also be competent and well integrated, and work group tasks must be naturally discrete. In government, however, much of the work is inherently co-produced with clients, and in collaboration with other work groups and agencies (O’Leary & Vij, 2012). Integrated health, education and social services for hard to reach clients are examples where cross unit co-operation is important. In sum, low levels of organisational capability are signalled by low incidence of: cross-unit co-operation, change and innovation, adaptability, alignment, ambidexterity and performance.

Research Design

An online survey was distributed to the full 49,611 membership of the PSA (Plimmer et al., 2013). To ensure the fullest representation of this group, two follow-up reminder emails were sent to members and further invitations to voluntarily participate were included in union newsletters and other communications. Members without email access were offered alternative ways to participate. In total, 15,762 complete responses were received, representing a response rate of 32 per cent. Respondents were in the core public service, crown agencies, district health boards, and local government.

Participants

All those who responded were both employed in public services and members of the PSA. Two-thirds of those who responded were female (68.5 per cent), reflecting the rise of female participation rates across New Zealand during the early 1990s, a trend that has continued over the past two decades (State Services Commission, 2012). The respondent group were found, on average, to be older. Most respondents were aged 45-54 years, with an average age of 48 years (Table 1). This compares to 28 per cent of similarly aged public service workers, with an average age of 45 years in 2012 (ibid). Alongside the decreasing number of workers in the 25-34 and 35-44 year age groups, these results indicates an ageing workforce in New Zealand’s public service.

The majority of respondents identified as New Zealand European Pākehā (65.2 per cent) with just over 30 per cent of respondents identifying with at least another ethnic group, broadly matching that of the

New Zealand population (Statistics New Zealand, 2013). The vast majority (>70 per cent) of respondents have a post-high school certificate or higher, and 43.22 per cent have a Bachelor's degree or higher.

Job and employer demographics

Public service agencies employed 44.8 per cent of respondents. Others worked for state sector agencies, district health boards, local government, and other types of organisations.

The majority (96.9 per cent) of PSA members surveyed were employed in permanent work. 90 per cent of respondents worked full-time and the remaining 10 per cent worked part-time.

Over half of those who responded have worked in their organisation for five years or more (66 per cent), with 35.4 per cent indicating that they had worked with the same employer for at least 11 years. This reflects general public sector employment tenure trends in which the average length of service for public service employees was 9.2 years (State Services Commission, 2012). Respondents represented a range of occupations, the biggest group being clerical and administrative workers. See table 1.

Table 1. Occupational types

ANZSCO occupational category	n	%
Level 1: Manager	1,306	8.5
Level 2: Professional	2,574	16.7
Level 2: Registered Social Professional	2,513	16.3
Level 2: Scientist	526	3.4
Level 3: Technician/Trader Worker	646	4.2
Level 4: Unregistered Service Worker	1,870	12.2
Level 5: Clerical/Administration	4,028	26.2
Level 5: Contact/Call Centre	853	5.5
Level 5: Inspection/Regulation Worker	827	5.4
Level 6: Sales Worker	64	0.4
Level 7: Machinery Operator/Driver	30	0.2
Level 8: Labourer	139	0.9

Most of those who responded defined their jobs as non-managerial (80.9 per cent), with just over 1 per cent identifying themselves as an executive or senior-level manager. This was reflected in participants' earnings. The majority (43 per cent) earned a gross annual salary of between \$40,000 and \$60,000. The median salary range was between \$50,000 and \$60,000.

Research Instrument

Based on national and international work, this survey explored workers' experiences; management practices and capabilities; work processes; and organisational capability and performance. Most survey

questions were quantitative and closed-ended using five-point Likert scales (from 1 for strongly disagree to 5 for strongly agree).

Organisational goal specificity was measured using Wright's (2004) scale. An example item is "This organisation has objectives that are specific and well defined". Both *cross unit cooperation* and *organisational processes* were measured using scales from Langford (2009). Example cooperation item: "There is cooperation between different sections in this organisation". Example *organisational process* item: "There are clear policies and procedures".

Trust and support was measured using the Gibson and Birkinshaw (2004) scale. Sample item: "Managers in this organisation give ready access to information that others need". *Employees' perceptions of HR practices* were measured using a measure of autonomy (power), information, rewards, and knowledge (Vandenberg, Richardson, & Eastman, 1999). Example items: "I have sufficient authority to fulfil my job responsibilities" and "Management takes time to explain to employees the reasoning behind critical decisions that are made". Example *Change and innovation* item is: "Change is handled well in this organisation" (Langford, 2009).

A *Working time flexibility* example item was "My hours are fixed by the organisation with no possibility for change" (EWCS, 2010). *Job pace* and *Job influence* was measured in a similar way using EWC survey items.

General commitment was measured with a scale comprised of items concerning the target of commitment: to current job, team, organisation, or society. Example *Organisational commitment* item: "I am willing to put in extra effort for this organisation" (Langford, 2009). Example *job satisfaction* item was: "I like the kind of work I do" (ibid). Example *Job security* item was "I might lose my job in the next six months." (EWCS, 2010). Example *work overload* item: "There is too much work to do everything well" (Macky & Boxall, 2008).

Bullying was measured using a question by (O'Driscoll et al., 2011)². Respondents then responded on an ordinal scale ranging from "No, never" to "Yes, almost daily".

Adaptability (Gibson & Birkinshaw, 2004) concerns whether the organisation responds to changing circumstances or new opportunities. Example item: "The management systems in this organisation are flexible enough to respond quickly to changes". *Alignment* (ibid) involves how efficient organisational systems are, or whether organisations are wasteful and working at cross-purposes with each other. Example item: "My organisation wastes resources on unproductive activities".

Ambidextrous organisations are those that "are capable of simultaneously exploiting existing competencies and new opportunities" (Raisch et al., 2009: 685). *Ambidexterity* was, therefore, calculated by multiplying the means of the alignment and adaptability scales. *Work motivation* was calculated by using the same scale as Wright (2004) used to measure public sector work motivation.

Organisational performance was measured using four items from Gibson and Birkinshaw (2004). Example item: 'This organisation is achieving its full potential.' This scale's validity was confirmed by correlating, where data was available, organisational performance with ratings of organisational management as rated by the State Services Commission's Performance Improvement Framework (Spearman's correlation = .65, p=.038).

Managerial trust and responsiveness was measured using a scale from the British Workplace Employment Relations (WERS) Survey (Chaplin, Mangla, Purdon, & Airey, 2005). Respondents were presented with the proposition '*Managers at this organisation...*' related to statements such as 'Can be relied upon to keep to their promises'.

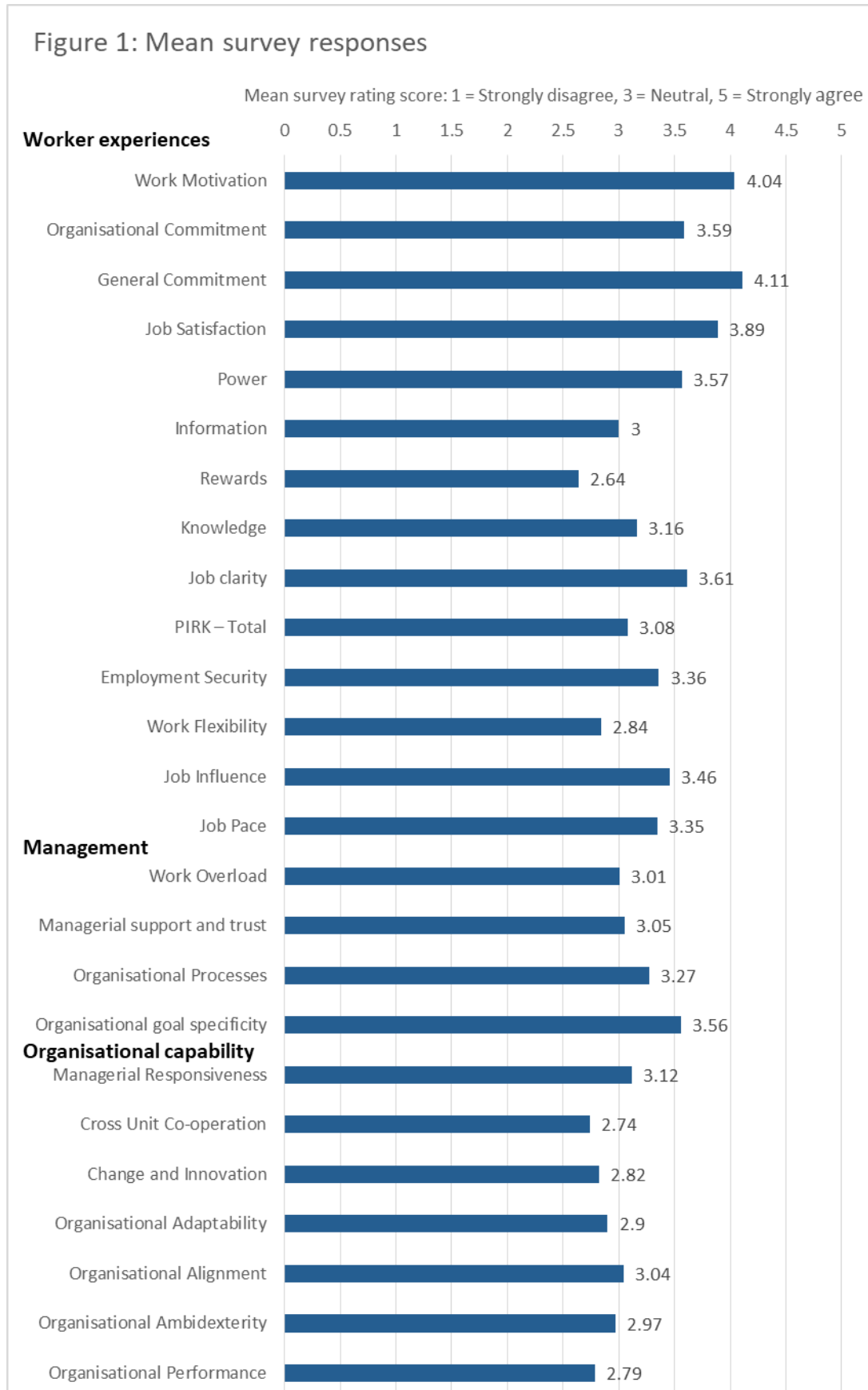
Results

Overall, results indicated high levels of scale reliability with alphas above .7 apart from work motivation (.68), employment security (.36), and organisational alignment (.67).

Table 2. Standard deviations and alphas

Scale	Standard deviation	Cronbach's alpha
Worker experiences		
Work Motivation	0.54	0.68
Organisational Commitment	0.88	0.88
Job Satisfaction	0.785	0.83
Power	0.79	0.92
Information	0.79	0.92
Rewards	0.9	0.91
Knowledge	0.91	0.95
Job clarity	0.7	0.75
PIRK – Total	0.7	0.96
Employment Security	0.65	0.36
Work Flexibility	0.83	0.74
Job Influence	0.9	0.83
Job Pace	0.66	0.84
Work Overload	0.78	0.84
Management capability		
Organisational goal specificity	0.81	0.85
Management support and trust	0.83	0.93
Organisational Processes	0.871	0.82
Managerial Responsiveness	0.941	0.93
Organisational capability		
Cross Unit Co-operation	0.92	0.85
Change and Innovation	0.86	0.85
Organisational Adaptability	0.89	0.82
Organisational Alignment	0.79	0.67
Organisational Ambidexterity	0.74	0.81
Organisational Performance	0.81	0.83

Mean results indicate a motivated, committed and satisfied workforce (see figure 1 worker experiences items), but working for managers, and organisations, of limited capability (see figure 1 management capability and organisational capability items). The rate of reported bullying experiences was high (32 per cent).



* All scales except bullying were measured on a standard 5 point Likert scale. Responses above 3 indicate agreement, below 3 indicate disagreement.

Bullying was measured using a different scale type and so is reported separately. 26 per cent reported being bullied now and then, 1.6 per cent monthly, 2.4 per cent weekly and 2.2 per cent almost daily.

An exploratory factor analysis (EFA) was conducted to better understand the underlying relationship between the many variables in this study. EFA allows researchers to understand how variables correlate together, in patterns or 'factors', that reveal underlying processes. Using principal axis factoring, two factors were identified. The first factor contained 13 strongly loaded variables that were primarily concerned with organisational and management characteristics (42 per cent of the variance). The second factor contained four variables that were primarily concerned with workers' subjective experiences of their job including motivation and commitment (8 per cent of the variance). Five scales did not load strongly on any of the two factors: work overload, employment security, workplace flexibility, job influence, and job pace. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.945 and the p-value of Bartlett's test of sphericity was below 0.001, indicating the data was suitable for factor analysis.

Discussion

These results paint an ambivalent picture of the public sector. Overall, the results indicate that New Zealand public service workers are motivated and satisfied, but do not rate their managers' and their organisations' performance well, as shown in figure 1. The two highest means concerned work motivation ($M=4.04$) and general commitment (4.11). The two lowest concerned cross unit co-operation (2.73) and organisational performance (2.79). The NPM reforms and its subsequent iterations do not seem to have led to organisations being particularly well run, despite the emphasis on private sector management practices and decentralisation rhetoric that accompanied the introduction of NPM (Haworth & Pilott, 2014).

Although comparisons across studies are difficult and controversial, a look at comparable means where identical items and rating scales have been used corroborates the generally dismal picture of the current results. Several of the scales were borrowed from Langford (2009) and used the same rating scales as that study. Grand means in the Langford study of Australian workers in over 1000 organisations are generally higher than the means reported here, apart from job satisfaction. Public servants generally rate their employers, workplaces and work experiences worse than their private sector counterparts and this may explain the differences (Wright & Davis, 2003). Regardless, it corroborates the mediocrity in public service management that has been reported globally (de Waal, 2010).

The factor analysis identified that the organisational and management capabilities go together and that they are inter-related. It points to a single factor of organisational health, rather than organisations that might be, say, good at processes and managerial responsiveness but poor at cross unit co-operation for instance.

Results for worker job conditions were mixed. Although workers have reasonable autonomy in their jobs, a more detailed item level analysis showed that items concerning upward flow of information scored lower than items concerning downward flow, indicating a lack of worker voice, even on matters of benefit to the organisation. This is consistent with the prevailing command and control style in New

Zealand's public sector criticized by Haworth and Pilott (2014). Rewards were another area of weakness. Items concerning 'knowledge' covered training and development which, although rated as sufficient in terms of amount of training, analysis revealed perceptions that the quality could be improved. Workers also reported an above-neutral level of autonomy, including the ability to choose the methods and pace of their work. Conversely, the ability of workers to choose their working time arrangements was given a below-neutral rating. This matches previous research indicating low levels of work flexibility despite the 'right' to request it (Donnelly, Proctor-Thomson, & Plimmer, 2012). The bullying measure was subjective, so may have under or over reported the true rate. However, negative workplace interactions are not infrequent. The rate reported in this study (32 per cent) roughly tallies with other data sources such as the State Services Commission's Integrity and Conduct Survey (2013) which reported that 25 per cent of State servants had personally experienced bullying or harassment in the last 12 months, and 11 per cent experienced it in the last 6 months.

The overall impression of public service workers under NPM is of motivated workers getting on with their jobs, despite limited recognition, voice and flexibility. It may be that the altruistic nature of many public servants acts as a buffer against weak managers (Bakker, 2015). The results provide barely moderate support for management capability, and provide support for Haworth and Pilott's (2014) argument that management skills are controlling but not necessarily high. Ratings for management of trust and support, and managerial responsiveness are only just above the neutral point. The clarity of organisational goals are rated higher, as are the quality of processes. Overall, these findings indicate that managers are slightly better at the task and process aspects of their jobs than the softer behaviours around trust and climate for performance.

These results indicate support for earlier criticisms that the public service is poorly equipped to deal with emerging challenges, and is impeded by many challenges including an inability to collaborate across units (Te Kawa & Guerin, 2012). These latter responses also point to weak skills at the executive level, because it is at this level where the tone and organisational capability is developed (or not). Results indicate a stronger focus on efficiency (alignment) rather than effectiveness (adaptability) and weak skills at integrating them (ambidexterity).

Conclusions

The picture that emerges here is one where public service workers are motivated and committed despite the limitations of their managers and organisations. Criticisms of organisations being unable to address more complex, emerging problems seem valid (Te Kawa & Guerin, 2012). This problem does not seem unique to New Zealand (Pollitt, 2007). Possibly some answers lie in the fit between HRM, NPM and the nature of public sector work.

Despite the uptake of market models and private sector management techniques, public sector work differs from private sector work in profound but often immeasurable ways (Colley et al., 2012), that makes HRM more difficult. Just as NPM type market-based systems have become both entrenched, and had new layers added, public sector HRM has had a similar journey. The 'traditional career service model' of personnel management has had a variety of hybrid HR models layered over pre-existing practices (ibid). These lead to inherent contradictions and tensions across a range of practices and accountabilities (Truss, 2008). Examples of these contradictions and tensions includes the devolving of HRM without adequate training, monitoring or auditing, and the fragmentation of HRM delivery

coupled with ‘fad following’ and institutional isomorphism rather than useful innovation. These can possibly be discerned from the results which show high levels of organisational goal clarity (an NPM condition) but weak rewards, and unsupportive and untrusted managers. The ‘right to manage’ has not always been supported by the responsibility to manage.

Findings here support the case for the first principles approach sought by Haworth and Pilott (2014). As well as carrying out legislative change, the state could be an “exemplar employer” (p. 75). It could include less command and control, more upward worker voice, and higher trust relationships.

After over two decades of piecemeal reform, these problems are increasingly recognised. In fact, legislation – in the form of the State Sector Amendment Act 2013 – makes CEOs accountable for long-term organisational capacity, allows designated CEOs to become sector leaders and for budget allocations (and accountabilities) to be made on a sector, rather than agency basis (English & Coleman, 2014). Successfully implementing the legislation will require collaboration, leadership and efficient processes. It will also require dealing with a mature workforce that might be somewhat jaded by earlier reform attempts.

A limitation in this research is that it is confined to union members, and may not be reflective of the wider public service. The results, however, are broadly comparable with other studies (e.g. McCarthy, 2009; State Services Commission, 2012).

This survey identified that public servants are generally motivated and satisfied, despite having mediocre managers and organisations. This paper hopefully provides a benchmark for tracking future improvements in public sector worker experience and performance.

References

- Bakker, A.B. (2015). A Job Demands–Resources approach to public service motivation. *Public administration review*, 75(5), 723-732.
- Boston, J., Martin, J., Pallot, J., & Walsh, P. (1996). *Public Management: the New Zealand Model*. Auckland: Oxford University Press
- Bourgon, J. (2011). *A new synthesis of public administration: Serving in the 21st Century*. Montreal, Canada; McGill-Queen’s University Press-MQUP.
- Boxall, P. & Macky, K. (2009). Research and theory on high performance work systems: progressing the high involvement stream. *Human Resource Management Journal*, 19(1), 3-23.
- Bryson, J., & Anderson, G. (2007). Reconstructing State Employment in New Zealand. In M. Pittard & P. Weeks (eds.), *Public sector employment in the twenty first century* (pp.253-279). Canberra: Australian National University Press
- Chaplin, C., Mangla, J., Purdon, S., Airey, C. (2005). The Workplace Employment Relations Survey (WERS) 2004: Technical Report. London: National Centre for Social Research.

- Colley, L., Mccourt, W. & Waterhouse, J. (2012). Hybrids and contradictions: Human resource management in the contemporary public sector. *International Journal of Public Administration*, 35(8), 507-512.
- de Waal, A.A. (2010). Achieving High Performance in the Public Sector: What Needs to Be Done? *Public Performance & Management Review*, 34(1), 81-103.
- Diefenbach, T. (2009). New Public Management In Public Sector Organizations: The Dark Sides Of Managerialistic 'Enlightenment'. *Public Administration*, 87(4), 892-909.
- Donnelly, N., Proctor-Thomson, S.B. & Plimmer, G. (2012). The Role of 'Voice' in Matters of 'Choice': Flexible Work Outcomes for Women in the New Zealand Public Services. *Journal of Industrial Relations*, 54(2), 182-203.
- English, B. (2012). *Creating Better Public Services: What can the UK learn from New Zealand (and vice versa)?* Retrieved from <http://www.instituteforgovernment.org.uk/events/creating-better-public-services-what-can-uk-learn-new-zealand-and-vice-versa-0>.
- English, B., & Coleman, J. (2014). *Better Public Services Results: 2014 Mid-Year Progress Report*. Wellington: Office of the Deputy Prime Minister
- EWCS – Eurofound Working Conditions Survey. (2010). *5th European Survey On Working Conditions 2010*. Retrieved from https://www.eurofound.europa.eu/sites/default/files/ef_files/surveys/ewcs/2010/documents/masterquestionnaire.pdf
- Fossestøl, K., Breit, E., Andreassen, T. A., & Klemsdal, L. (2015). Managing Institutional Complexity In Public Sector Reform: Hybridization In Front-Line Service Organizations. *Public Administration*, 93(2), 290-306.
- Gibson, C.B., & Birkinshaw, J. (2004). The antecedents, consequences, and mediating role of organizational ambidexterity. *Academy Of Management Journal*, 47(2), 209-226.
- Gould-Williams, J. (2007). HR practices, organizational climate and employee outcomes: evaluating social exchange relationships in local government. *International Journal of Human Resource Management*, 18(9), 1627-1647.
- Halligan, J. (2007). Reintegrating government in third generation reforms of Australia and New Zealand. *Public Policy and Administration*, 22(2), 217-238
- Haworth, N. & Pilott, B. (2014). The New Zealand Public Sector: Moving beyond New Public Management? *New Zealand Journal of Employment Relations*, 39(1), 68-78
- Hood, C. & Peters, G. (2004). The middle aging of new public management: into the age of paradox? *Journal Of Public Administration Research And Theory*, 14(3), 267-282.

- Jansen, J.J., Tempelaar, M.P., Van Den Bosch, F.A. & Volberda, H.W. (2009). Structural differentiation and ambidexterity: The mediating role of integration mechanisms. *Organization Science*, 20(4), 797-811.
- Landy, F. J. (1989). *Psychology of work behavior* (4th ed.). Thomson Brooks/Cole Publishing Co.
- Langford, P.H. (2009). Measuring organisational climate and employee engagement: Evidence for a 7 Ps model of work practices and outcomes. *Australian Journal of Psychology*, 61(4), 185-198.
- McCarthy, S. (2009). *The leadership culture and performance connection: Transforming leadership and culture in the state of nations*. Wellington: Human Synergistics International.
- Macky, K., & Boxall, P. (2008). High-involvement work processes, work intensification and employee well-being: A study of New Zealand worker experiences. *Asia Pacific Journal of Human Resources*, 46(1), 38-55.
- Ministerial Inquiry into the Novopay Project. (2013). *Report of the Ministerial Inquiry into the Novopay Project*. Retrieved from <https://education.govt.nz/assets/Documents/Ministry/Information-releases/Novopay-information-release/MIN130501InquiryReport.pdf>
- Norman, E.J.R., & Gill, D. (2011). *Restructuring: An Over-used Lever for Change in New Zealand's State Sector?* (Working Paper 11/06). Wellington, New Zealand; Institute of Policy Studies
- O'Leary, R. & Vij, N. (2012). Collaborative Public Management Where Have We Been and Where Are We Going? *The American Review of Public Administration*, 42(5), 507-522.
- O'Driscoll, M.P., Cooper-Thomas, H.D., Bentley, T., Catley, B.E., Gardner, D.H. & Trenberth, L. (2011). Workplace bullying in New Zealand: A survey of employee perceptions and attitudes. *Asia Pacific Journal of Human Resources*, 49(1), 390-408.
- Peterson, T.O. & Van Fleet, D.D. (2004). The ongoing legacy of R.L. Katz: An updated typology of management skills. *Management Decision*, 42(10), 1297-1308.
- Plimmer, G., Norman, R. & Gill, D. (2011). Skills and people capability in the future state: Needs, barriers and opportunities. In B. Ryan & D. Gill (eds.). *Future State: Directions for Public Management in New Zealand* (pp. 281-305). Wellington, New Zealand: VUW Press.
- Plimmer, G., Wilson, J., Bryson, J., Blumenfeld, S., Donnelly, N., & Ryan, B. (2013). *Workplace Dynamics in New Zealand Public Services*. (Working Paper). Victoria University of Wellington: Industrial Relations Center
- Pollitt, C. (2007). The New Public Management: An Overview of Its Current Status. *Administrative Science Quarterly*, 52(1), 110-115.
- Raisch, S., Birkinshaw, J., Probst, G. & Tushman, M. L. (2009). Organizational ambidexterity: Balancing exploitation and exploration for sustained performance. *Organization Science*, 20(4), 685-695.

Rennie, I. (2013). Speech of Head of State Services and State Services Commissioner Iain Rennie at the *Institute of Public Administration New Zealand* (IPANZ) State sector legislation launch. Wellington.

Royal Commission on the Pike River Coal Mine Tragedy. (2012). *Royal Commission on the Pike River Coal Mine Tragedy*. Retrieved from [http://pikeriver.royalcommission.govt.nz/vwluResources/Final-Report-Volume-One/\\$file/ReportVol1-whole.pdf](http://pikeriver.royalcommission.govt.nz/vwluResources/Final-Report-Volume-One/$file/ReportVol1-whole.pdf)

Schick, A. (2001, August). *Reflections on the New Zealand model*. Lecture Notes based on a lecture at the New Zealand Treasury in August.

State Services Commission. (2012). *Human resource capability survey of public service departments*. Wellington: State Services Commission

State Services Commission. (2013). *Integrity And Conduct Survey*. Wellington: State Services Commission

Statistics New Zealand (2013). *Major ethnic groups in New Zealand*. Retrieved from <http://www.stats.govt.nz/~media/Statistics/Census/2013%20Census/profile-and-summary-reports/infographic-culture-identity/culture-identity-infographic-jpeg.jpg>

Te Kawa, D., & Guerin, K. (2012). Provoking Debate and Learning Lessons. *Policy Quarterly*, 8(4), 28-36.

Terry, L. D. (1998). Administrative leadership, neo-managerialism, and the public management movement. *Public Administration Review*, 58(3), 194-200.

Truss, C. (2008). Continuity and change: the role of the HR function in the modern public sector, *Public Administration*, 86(4), 1071-1088.

Vandenberg, R.J., Richardson, H.A. & Eastman, L.J. (1999). The Impact of High Involvement Work Processes on Organizational Effectiveness: A Second-Order Latent Variable Approach. *Group and Organization Management*, 24(3), 300-339.

Wevers, M. (2011). *Better Public Services Advisory Group Report*. Wellington: New Zealand Government.

Wright, B. E. (2004). The role of work context in work motivation: A public sector application of goal and social cognitive theories. *Journal of Public Administration Research and Theory*, 14(1), 59-78.

Wright, B.E., & Davis, B.S. (2003). Job Satisfaction In The Public Sector The Role of the Work Environment. *The American Review of Public Administration*, 33(1), 70-90.

Notes

¹ For an overview of these issues see <http://pikeriver.royalcommission.govt.nz/Volume-Two---Contents> and <http://www.minedu.govt.nz/theMinistry/NovopayProject/~media/MinEdu/Files/TheMinistry/NovopayProject/MinisterialInquiry/MIN130501InquiryReport.pdf>

² The text of the question is: Workplace bullying refers to situations where a person is (a) repeatedly and over a period of time exposed to negative acts or mistreatment from colleagues, superiors or subordinates, and (b) has difficulty defending themselves against this mistreatment. With this definition in mind, do you feel you have experienced bullying in your workplace within the last six months?

Work-family conflict and Employee Loyalty: Exploring the Moderating Effects of Positive Thinking Coping

JARROD HAAR*

Abstract

This paper extends the job-related outcomes predicted by work-family and family-work conflict by exploring employee loyalty. Employee loyalty is defined as active behaviours, whether through voice or actions, that express pride and support in the organisation. Despite the importance of employee loyalty, it is a seldom explored outcome in the work-family field. With a sample of 203 New Zealand Government department workers, conflict of both types (work-family and family-work) was found to be negatively associated with employee loyalty. Furthermore, positive thinking coping was explored as a moderator of these negative relationships. Positive thinking coping was found to have significant moderating effects, with respondents with low levels of positive thinking having lower levels of employee loyalty than those with higher positive thinking when both types of conflict increased. The implications for future outcome related studies of work-family conflict are discussed.

Keywords

Work-family conflict, employee loyalty, positive thinking coping, moderating effects.

Introduction

Work-family conflict (WFC) is defined as “a form of interrole conflict in which the role pressures from the work and family domains are mutually incompatible in some respect” (Greenhaus & Beutell, 1985: 77). Work-family conflict research has emerged out of changes in the workplace over the past half a century, including longer working hours, more women in working, working mothers and working parents and the importance of dual-career couples (Haar, Roche, & Taylor, 2012; Haar, 2006a, 2008). This is further exacerbated with technology, where organisations can intrude on employees’ afterhours, for example through smartphones and emails. This has prompted France to adopt new legislation that allows employees to ignore emails outside standard work hours (French workers earn ‘right to disconnect’, 2017). Thus, the ability to sufficiently juggle work and family roles is difficult and ultimately leads to greater WFC (Haar, 2006a). Ultimately, the pressures on employees to juggle these roles has led to Haar (2007) stating that “balancing work and family issues have become increasingly important for both employees and employers, and are a universal worldwide phenomenon” (p. 69).

Employee loyalty – despite decades of downsizing – has still been found to be an important factor in the performance of individuals and ultimately their firms. Yee, Yeung,

* Professor of Human Resource Management, Department of Management, AUT University, Auckland, New Zealand

and Cheng (2010) noted that many researchers focused on the links between employee attributes, such as loyalty, and job performance of the employee (Hunter & Thatcher, 2007; Meyer, Becker, & Vandenberghe, 2004). Thus, a loyal employee is likely to expend additional effort and perform better than co-workers with less loyalty. Yee et al. (2010) notes that the links between employee loyalty and firm performance are understudied and while some researchers have explored employee attitudes and firm performance linkages (e.g., Sun, Aryee, & Law, 2007), Yee et al. (2010) found empirical evidence that employee loyalty was part of a path model to influencing firm performance. Thus, employee loyalty builds service quality, which in turn influences customer attitudes and behaviours, and ultimately firm performance (ibid). Thus, employee loyalty is an important construct to be exploring.

The present paper explores the links between work-family conflict and employee loyalty and makes a number of contributions. First, work-family and family-work conflict are tested towards employee loyalty and found to be significant influences. Second, positive coping strategies are tested and supported as a way for employees to buffer the detrimental influence of conflict on employee loyalty. Overall, the present study provides insights into not only how work and family roles can be detrimental to an important outcome like employee loyalty, but how employees can cope with the role interference to minimise the detrimental effects.

Work-Family Conflict

The WFC literature has established the methodology of exploring conflict from both the work and the family roles. Earlier studies focused on a single-directional approach to conflict, where workplace issues interfering with the home was the sole focus. However, this earlier approach has been criticised as being a limitation (Frone, Russell, & Cooper, 1997) because it cannot be assumed that relationships from one domain (e.g. workplace) are similar for the other domain (e.g. family). In response, WFC studies have established work-family conflict (WFC) and family-work conflict (FWC) as the acceptable norm (Kossek & Ozeki, 1998). For the present study, WFC is defined as conflict from the workplace interfering with the home, while FWC is conflict from the home interfering with the workplace, and Haar et al. (2012) highlighted the importance of testing both dimensions of conflict towards work outcomes.

A major focus of the WFC literature has been to explore what influence conflict from employees two central roles (work and family) has on outcomes. While a number of studies have included and life satisfaction (for a review see Kossek & Ozeki, 1998), and psychological distress (e.g. Frone, 2000), the dominant focus has been on job-related outcomes. Of particular interest has been job satisfaction (Mesmer-Magnus & Viswesvaran, 2005; Adams, King, & King, 1996; Kossek & Ozeki, 1998) and turnover intention (Mesmer-Magnus & Viswesvaran, 2005; Anderson, Coffey, & Byerly, 2002).

The focus on job-related outcomes has been important because understanding that family issues interfering into the workplace can reduce job-related outcomes has undoubtedly influenced the adoption of work-family practices into the workplace (Haar & Spell, 2004). Further, understanding that employees with workplace issues interfering with their

family lives may be more likely to leave an organisation, or be less satisfied and less productive, may also encourage organisations to address workloads and job design issues. Consequently, the importance of WFC studies on job-related is well established. However, while many job attitudes have been explored, employee loyalty appears to have been neglected as a potential outcome of work-family conflict (see Mesmer-Magnus & Viswesvaran, 2005; Eby, Casper, Lockwood, Bordeaux, & Brinley, 2005). This paper considers whether WFC will have a negative influence on employee loyalty, and whether how employees cope with general workplace issues helps reduce the negative influences of WFC. This focus is important because while many organisations discourse the importance of a loyal workforce, few studies have explored how this outcome may be influenced by conflict.

Employee Loyalty

Rusbult, Farrell, Rogers, and Mainous (1988) defined employee loyalty as “passively but optimistically waiting for conditions to improve-giving public and private support to the organisation, waiting and hoping for improvement, or practicing good citizenship” (p. 601). Haar (2006b) defined employee loyalty “as giving public and private support for the organization” (p. 1944). Thus, employee loyalty might be shown by publically wearing an organisational-branded article of clothing, and privately by sticking up for the organisation when someone criticises it. Similar to Niehoff, Moorman, Blakely, and Fuller (2001), the present study takes an active and applied focus towards employee loyalty, and defines employee loyalty as active behaviours, whether through voice or actions, that express pride and support in the organisation.

It is important to note that loyalty and organisational commitment while similar are distinct constructs. According to Jaros, Jermier, Koehler, and Sincich (1993), loyalty and organisational commitment are both attitudes about an organisation and a set of behaviours. These authors noted the faithfulness towards an organisation (employee loyalty) does not have to be related to a deep emotional attachment to the organisation (organisational commitment). Consequently, an employee might exhibit employee loyalty to their organisation by speaking positively about it; however, they may not be committed to the organisations values.

Social exchange theory is about a relationship of mutually contingent, tangible and intangible exchanges (Dyne & Ang, 1998). Haar (2006b) states that: “Social exchange theory suggests that employees who value benefits received from their organization, such as pay, fringe benefits or working conditions, will reciprocate with more positive work attitudes” (p. 1944).

Similarly, those who receive detrimental influences – such as greater WFC – are likely to result in lower employee loyalty. Lambert (2000) described social exchange theory as recognising conditions under which an employee may feel obligated to reciprocate to their organisation when they personally benefit from an action (e.g. pay rise, value practice etc.). This employer-employee exchange is conditional in nature, because it has not been established beforehand (Blau, 1964).

The related norm of reciprocity (Gouldner, 1960) suggests this ‘give and take’ may produce benefits for both parties. Recently, studies have used social exchange theory and the related norm of reciprocity to explain why work-family practices elicit improved employee attitudes (Haar & Spell, 2004; Lambert, 2000). Similarly, social exchange theory has been used to explain employee loyalty (Roehling, Roehling, & Moen, 2001). Thus, employees who personally benefit from some action, resource, or reward, may reciprocate with increased loyalty. In effect, the felt obligation is repaid by exhibiting greater loyalty, such as frequent positive comments about the organisation to friends and families. Remembering that employee loyalty can ultimately influence firm performance through a process of enhanced service and customer satisfaction (Yee et al., 2010).

Schalk and Freese (1997) noted that employee loyalty links with a number of behaviours, including organisational citizenship, attendance and turnover. While social exchange theory has been used to explain positive attitudes linked to work-family practices, this paper suggests feelings of obligation and reciprocity may diminish as conflict from the office and home increase. While distinct from employee loyalty, organisational commitment has been explored as an outcome of work-family conflict (Good, Sisler, & Gentry, 1988; Good, Page, & Young, 1996; Eby et al., 2005). Shaffer, Harrison, Gilley, and Luk (2001) noted that organisational commitment is related to social exchange theory. Hence, there is some previous justification to exploring attitudes relating to social exchange theory (employee loyalty) as work-family conflict outcomes.

It might be expected that employees with increased workplace issues interfering in the home will be less likely to expound the virtues of the organisation. For example, an employee working over the weekend on some urgent work report might be less positive about the organisation and its workload to family and friends. Similarly, an employee with increased family issues interfering with the workplace might have less time for citizenship related behaviours, thus also reducing employee loyalty. The employee might also blame the organisation for failing to support their family issues, as such support is noted as having a positive influence (Haar & Roche, 2008; 2010).

While employee loyalty is related solely to feelings from the work domain, a meta-analysis by Kossek and Ozeki (1998) found that both WFC and FWC consistently were negatively related to a work domain attitude (job satisfaction). As there is evidence that conflict from both the home and office can negatively influence job-related attitudes; the present study explores employee loyalty as an outcome for both types of conflict. The present study suggests that employees reporting greater interference from their work role into their family (and vice-versa) will report lower employee loyalty. Thus, the first hypotheses.

Hypothesis 1: WFC will be negative related to employee loyalty.

Hypothesis 2: FWC will be negative related to employee loyalty.

Positive Thinking Coping

In addition to the direct effects of WFC on employee loyalty, how employees generally cope with work situations is also explored as a potential moderating effect. It has been suggested that few WFC studies have considered moderation effects (Fu & Shaffer, 2000). Positive thinking coping, which is defined as recasting work situations positively (Armstrong-Stassen, 1998), was chosen as a potential moderator because active coping strategies, as opposed to inactive strategies, provide the best buffering effects (Jex, Bliese, Buzzell, & Primeau, 2001). This is because active coping strategies may allow employees to circumvent the stressor or amend its effects (Carver, Scheier, & Weintraub, 1989). For example, an employee with a weekend work assignment (WFC) might recast the work as an opportunity to show their boss 'what they can do', thus putting a positive spin on the event, and perhaps telling disappointed family members that this is 'a big opportunity'? This is distinct from other coping strategies such as acting with passive resignation (Armstrong-Stassen, 1998).

In effect, the interference of work into the home becomes nullified because the situation has become positive rather than negative. Similarly, when a family crisis interferes with work (FWC), the employee may recast the situation positively (e.g. 'I'm a winner and I can handle this') and thus buffer potential FWC effects. As such, it is expected that positive thinking coping will weaken the negative relationships between conflict and employee loyalty because an employee with higher positive thinking coping strategies casts themselves as being able to manage any situation positively, and thus they will minimise the detrimental influences of conflict. This leads to the last set of hypotheses.

Hypothesis 3: Positive thinking coping will weaken the negative relationship between WFC and employee loyalty.

Hypothesis 4: Positive thinking coping will weaken the negative relationship between FWC and employee loyalty.

Method

Sample and Procedures

Data were collected from a New Zealand Government department in the financial services sector. The 622 employees were spread over a wide geographical region. There were a total of 203 participants (32.6 per cent response rate) between the ages of 18 and 65 years, who responded to two matched surveys sent through the organisation's Intranet. Two surveys were administered, with a four-week time lag, to reduce the possibility of common method variance. The first questionnaire contained demographics, criterion and moderating variables, while survey two contained the predictor variables. On average, the participants were 40.5 years old, Caucasian (88 per cent), married (81 per cent), female (75 per cent), parents (74 per cent) and union members (67 per cent). Average tenure was 12.6 years, with 73 per cent blue collar and 27 percent white collar. On average, respondents earned between \$30,000-\$40,000 and 40 per cent held some tertiary or university qualification.

Measures

WFC was measured using the 14-item Inventory of Work-Family Conflict (Greenhaus, Callanan, & Godshalk, 2000), with statements divided equally (7 each) between work and family interference, with anchors 1=strongly disagree, 5=strongly agree. WFC items included “After work, I come home too tired to do some of the things I’d like to do”, and “My job makes it difficult to be the kind of spouse, partner or parent I’d like to be”. FWC items included “My family takes up time I would like to spend working”, and “At times, my personal problems make me irritable at work”. The Cronbach’s alphas for these measures were respectable at $\alpha = .73$ (WFC) and $\alpha = .86$ (FWC).

Employee Loyalty was measured using seven items by Rusbult et al. (1988), coded 1=strongly disagree, 7=strongly agree. Sample questions are “I will speak highly of the organisation to friends” and “Employees shouldn’t criticise this organisation”. Exploratory factor analysis (principal components, varimax rotation) was conducted, and all seven items loaded onto a single component with an eigenvalue of 2.90, accounting for 41.4 per cent of the variance. This scale had a good reliability of $\alpha = .74$.

Positive Thinking Coping was a 4-item scale by Armstrong-Stassen (1998), coded 1=did not at all, 5= did this a great deal. Respondents were asked how they cope with general workplace situations. A sample item is “Tried to think of myself as a winner-as someone who always comes through”. A high score indicates a coping strategy based on being more positive. This scale had a good reliability of $\alpha = .76$.

A number of demographic variables that have been found to influence WFC were controlled for (Fu & Shaffer, 2000; Erdwins, Buffardi, Casper, & O’Brien, 2001; Major, Klein, & Ehrhart, 2002; Haar et al., 2012). These variables were gender (1=female, 0=male), marital status (1=married/de facto, 0=single), family size (total number of children), and total hours worked (on average per week).

Analysis

To examine the direct effects of WFC and FWC on employee loyalty (Hypotheses 1 and 2), and the potential moderating effects of positive thinking coping (Hypotheses 3 and 4), separate hierarchical regression analysis were conducted. Control variables (gender, marital status, family size, and total hours worked) were entered in Step 1. There were separate equations for WFC and FWC in Step 2. The potential moderator (positive thinking coping) was entered in Step 3, and the interaction effects (predictor multiplied by moderator) were entered in Step 4. Following Aiken and West’s (1991) recommendation, the centering procedure was used where interaction variables are z-scored. Consistent with Cohen and Cohen (1983) recommendations, regression coefficients for the control effects were obtained from Step 1 in each analysis, predictor effects were obtained from Step 2, moderator effects were obtained from Step 3, and interaction effects were obtained from Step 4.

Results

Descriptive statistics for all variables are shown in Table 1.

Table 1. Correlations and Descriptive Statistics of the Study Variables

	Mean	SD	1	2	3	4	5
1. Total Hours Worked	38.3	5.4	--				
2. WFC	2.5	.80	.09	--			
3. FWC	2.1	.61	.02	.67**	--		
4. Positive Thinking Coping	3.1	.70	.08	.04	-.02	--	
5. Employee Loyalty	4.4	.95	-.02	-.20**	-.20**	.05	--

N=203, *P< .05, **P< .01

Employee loyalty was significantly correlated to both WFC and FWC (both $r = -.20$, $p < .01$). This supports examining employee loyalty as an outcome of work-family conflict. Further, WFC was significantly correlated with FWC ($r = .67$, $p < .01$). While this correlation is high, it is below the threshold of concept redundancy (Morrow, 1983).

Results of the regressions for Hypotheses 1 to 4 are shown in Tables 2 and 3 below.

Table 2. Hierarchical Regression Analysis for WFC Predicting Employee Loyalty Moderated by Positive Thinking Coping

Variables	Employee Loyalty			
	Step 1	Step 2	Step 3	Step 4
<i>Controls</i>				
Gender	.29**	.27**	.28**	.30***
Marital Status	-.07	-.11	-.12	-.12
Family Size	.20*	.20*	.21*	.21**
Total Hours Worked	.07	.09	.09	.06
<i>Predictor</i>				
Work-Family Conflict (WFC)		-.24**	-.25**	-.26***
<i>Moderator</i>				
Positive Thinking Coping			.08	.04
<i>Interaction Effect</i>				
WFC x Positive Thinking Coping				.24**
R ² change	.12**	.06**	.01	.05**
Total R ²	.12	.18	.18	.24
Adjusted R ²	.10	.15	.15	.20
F Statistic	4.71**	5.83***	5.05***	5.94***

*p< .05, **p< .01, ***p< .001 Standardised regression coefficients.

Table 3. Hierarchical Regression Analysis for FWC Predicting Employee Loyalty Moderated by Positive Thinking Coping

Variables	Employee Loyalty			
	Step 1	Step 2	Step 3	Step 4
<i>Controls</i>				
Gender	.29**	.25**	.25**	.27**
Marital Status	-.07	-.09	-.09	-.08
Family Size	.20*	.20*	.21*	.23**
Total Hours Worked	.07	.06	.06	.04
<i>Predictor</i>				
Family-Work Conflict (FWC)		-.27***	-.27***	-.23**
<i>Moderator</i>				
Positive Thinking Coping			.06	.08
<i>Interaction Effect</i>				
FWC x Positive Thinking Coping				.20*
R ² change	.12**	.07**	.00	.04*
Total R ²	.12	.19	.19	.23
Adjusted R ²	.10	.16	.16	.19
F Statistic	4.71**	6.34***	5.38***	5.74***

*p< .05, **p< .01, ***p< .001 Standardised regression coefficients.

WFC was significantly and negatively related to employee loyalty ($\beta = -.24$, $p < .01$), which supports Hypothesis 1. Likewise, FWC was also significantly and negatively related to employee loyalty ($\beta = -.27$, $p < .001$), supporting Hypothesis 2. From Step 2, WFC accounts for 6 per cent of the variance of employee loyalty ($p < .01$), while FWC accounts for 7 per cent of the variance ($p < .01$). Positive thinking coping had a significant interaction effect on employee loyalty and WFC ($\beta = .24$, $p < .01$), as well as FWC ($\beta = .20$, $p < .05$). These findings support Hypothesis 3 and 4. Finally, amongst the control variables, gender ($\beta = .29$, $p < .01$) and family size ($\beta = .20$, $p < .05$) are significantly related to employee loyalty, indicating female respondents and those with larger families are more loyal towards their organisation.

To facilitate interpretation of the interaction effects for WFC and FWC, plots of the interactions are presented below. Plotting the interaction terms (Figure 1) illustrates those respondents with low WFC have similar levels of employee loyalty, although respondents with low positive thinking coping have slightly higher employee loyalty than those with high positive thinking coping. However, as WFC increases, respondents with low levels of positive thinking coping experience a significant reduction in employee loyalty while respondents with high levels of positive thinking coping report a flat line (no decrease) in employee loyalty, supporting the hypothesis. Plotting the interaction terms (Figure 2) illustrates that similar to WFC, with respondents with low FWC having similar levels of employee loyalty irrespective of whether their reported use of positive thinking coping is high or low. However, as WFC increases, those with low levels of positive thinking coping experience a significant drop in employee loyalty, while those with high levels of positive thinking coping experience stable levels of employee loyalty, supporting the hypothesis.

Figure 1. Interaction Effects of Positive Thinking Coping towards WFC and Employee Loyalty.

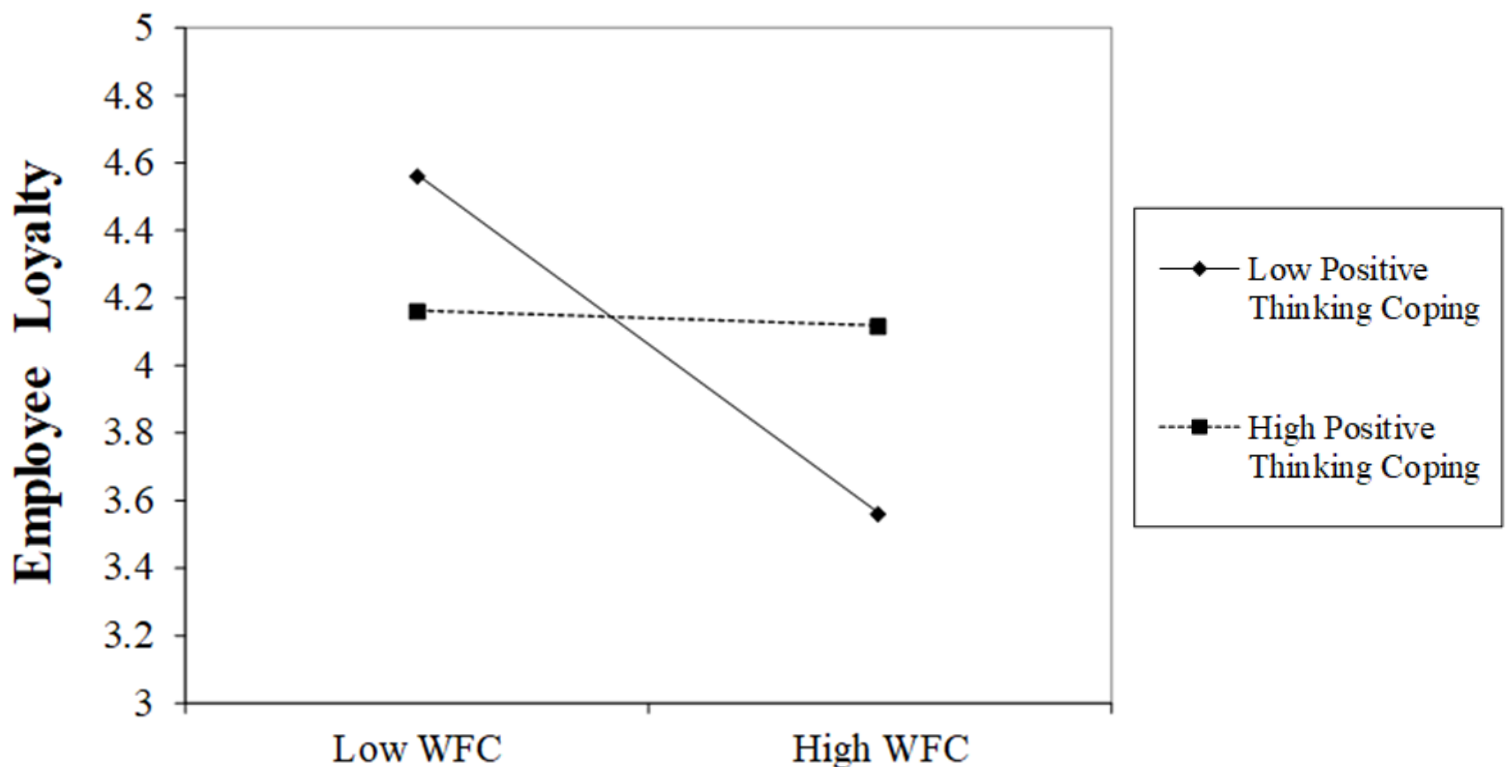
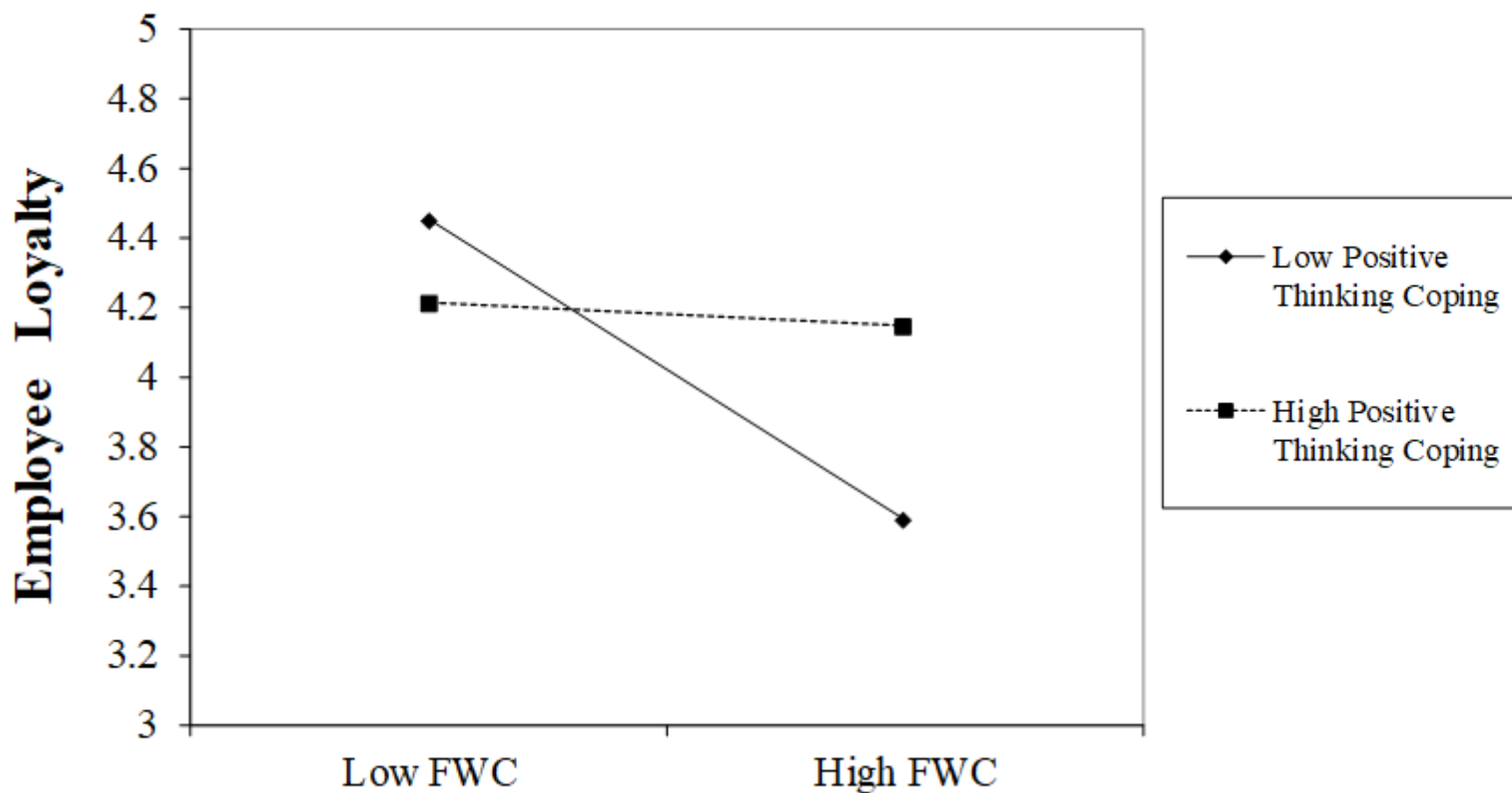


Figure 2. Interaction Effects of Positive Thinking Coping towards FWC and

Discussion

This paper sought to expand the job-related outcomes predicted by WFC. This was important because attitudes that explore employee loyalty or commitment to their organisation have not been well explored in the WFC literature. Furthermore, empirical evidence suggests that loyalty is not only related to job performance of employees but also their organisation (Yee et al., 2010). Overall, the findings support the notion that both directions of conflict (work-family and family-work) can be negatively associated with employee loyalty. Consequently, employee active behaviours, whether through voice or actions, that express pride and support in the organisation, are detrimentally influenced by conflict from the office and home.

Consequently, the extent of job-related outcomes predicted by WFC can be expanded to include employee loyalty. In the present study, the findings also indicate that WFC and FWC are relatively even predictors in strength, with similar variances accounted for by each (WFC=6 per cent, FWC=7 per cent). This is important because recent meta-analyses (Shockley & Singla, 2011) suggest work-family predictors might be best at predicting outcomes associated with the same source, thus WFC to work outcomes. However, there is evidence that in some unusual cases that FWC can be an important predictor of work

outcomes (e.g., Haar et al., 2012) so the influence on employee loyalty from both WFC and FWC is not unique.

What influence employee loyalty has on other job-related outcomes, including job satisfaction, turnover and performance is currently poorly understood. While employee loyalty has been linked with organisational citizenship behaviours, attendance and turnover (Schalk & Freese, 1997), empirical studies are somewhat limited. Since WFC influences employee loyalty (at least in the present organisational setting), more studies that explore the outcomes of employee loyalty are encouraged. This would allow a greater understanding of the role employee loyalty might play on other attitudes and behaviours. In this manner, a recent meta-analysis of perceived organisational support has highlighted its role as a major predictor of a number of job-related attitudes and behaviours (Rhoades & Eisenberger, 2002). More studies of employee loyalty are required to allow such analyses, and further studies with respect to WFC would improve the generalisability of these findings. For example, Haar (2006b) found perceived organisational support was significantly correlated to employee loyalty. Consequently, if employee loyalty is found to be consistently a major predictor of job-related outcomes, then understanding the influence on WFC on this attitude becomes more important. Furthermore, it might allow for more sophisticated models to be tested such as work-family conflict predicting employee loyalty which, in turn, predicts turnover intentions or job performance.

The present study also supports the concept of positive thinking coping acting as a buffer of the negative influences of WFC on employee loyalty. Those using positive thinking coping for general workplace situations weakened the negative influences of WFC and FWC on employee loyalty at high levels of conflict. Therefore, employees who recast challenging and/or detrimental situations in a positive way are less likely to decrease their expressed pride and support in the organisation when conflict from either major domain (work and family) intrudes into the other. Of particular interest was the graphed interaction effect when conflict levels (WFC and FWC) increased. While those with low positive thinking suffer decreased employee loyalty, those who recast situations more positively maintained stable levels of employee loyalty for both WFC and FWC.

Perhaps these respondents are better able to manage their role conflict by dealing with it in an active and positive manner. For example, someone who manages situations by thinking of it as an opportunity to show what they can do may see that dealing successfully with family issues in the workplace will allow them to show how they are a good working parent. Consequently, their active behaviours in expressing pride and support in the organisation remains unchanged because they see themselves as a winner, who always comes through. This effect was support for both WFC and FWC providing an indication of the usefulness of this type of coping strategy for employees to utilise as well as work-family researchers.

Limitations

Like most studies, there are a few limitations that offer caution towards the findings. Of major significance is the limitation of WFC studies exploring employee loyalty as an outcome. In spite of this, employee loyalty has been noted as being related but different

from organisational commitment, which has been found to be significantly predicted by WFC. However, this finding encourages further studies to explore employee loyalty as an outcome of WFC. In addition, the use of a single government department limits the generalisability. Further studies, particularly in the private sector, are needed. As such, these findings should be viewed with caution until more evidence indicates generalisability.

A typical limitation of WFC studies is the use of self-report data. This limitation is somewhat tempered by collecting data at two time periods, with a four-week gap between collection of predictor and criterion variables. Consequently, the links found between WFC and employee loyalty are not likely to be influenced by common method variance, where answers given to one set of questions might influence other answers. This improves the overall strength of the findings in the present study. Finally, a comment must also be made regarding the high correlation between the work-family conflict measures (WFC-FWC, $r = .67$, $p < .01$). While the bi-directional separation of conflict has been established, these measures are typically significantly correlated but not to the extent found here. However, another study using this same measure (Haar & Spell, 2001) also found these variables highly correlated ($r = .70$, $p < .01$), and suggests the measure needs further refinement. That said, concept redundancy – where two constructs might actually be one – does not occur until $r > .75$ (Morrow, 1983), suggesting they are distinct constructs but perhaps needing further refinement to remove any overlap.

Conclusion

The present study supports the bi-directional examination of WFC towards employee loyalty, and expands the number of job-related attitudes that are detrimentally related to WFC. Furthermore, the findings offer new direction for the moderating effects of positive coping strategies. Overall, the present study finds that conflict occurring in one domain (office/home) and interfering with the other domain (home/office) is negatively associated with employee loyalty but that employees who use positive coping strategies more can buffer this negative influence. The present study should signal to researchers that employee loyalty is a worthy outcome for WFC studies, while employers should understand how employees deal with conflict from both the office and home may lead them to express less pride and support in their organisation. Researchers might also see the value in exploring positive coping strategies towards the detrimental influence of WFC. Overall, the present study highlights another outcome for WFC studies, and offers new directions for research.

References

- Adams, G.A., King, L.A., & King, D.W. (1996). Relationships of job and family involvement, family social support, and work-family conflict with job and life satisfaction, *Journal of Applied Psychology*, 81(4): 411-420.
- Aiken, L.S., & West, S.G. (1991). *Multiple Regression: Testing and Interpreting Interactions*. Newbury Park, CA: Sage.

Anderson, S.E., Coffey, B.S., & Byerly, R.T. (2002). Formal organizational initiatives and informal workplace practices: Links to work-family conflict and job-related outcomes. *Journal of Management*, 28(6): 787-810.

Armstrong-Stassen, M. (1998). The effect of gender and organizational level on how survivors appraise and cope with organizational downsizing. *Journal of Applied Behavioral Science*, 34(2): 125-142.

Blau, P.M. (1964). *Exchange and Power in Social Life*. New York: Wiley.

Carver, C.S., Scheier, M.F., & Weintraub, J.K. (1989). Assessing coping strategies: A theoretically based approach. *Journal of Personality and Social Psychology*, 56: 267-283.

Cohen, J., & Cohen, P. (1983). *Applied Multiple Regression/Correlation Analysis for the Behavioral Sciences* (2nd ed.). Hillsdale, NJ: Erlbaum.

Dyne, L.V., & Ang, S. (1998). Organizational citizenship behavior of contingent workers in Singapore. *Academy of Management Journal*, 41(6): 692-703.

Eby, L.T., Casper, W.J., Lockwood, A., Bordeaux, C., & Brinley, A. (2005). Work and family research in IO/OB: Content analysis and review of the literature (1980-2002). *Journal of Vocational Behavior*, 66(1): 124-197.

Erdwins, C.J., Buffardi, L.C., Casper, W.J., & O'Brien, A.S. (2001). The relationship of women's role strain to social support, role satisfaction, and self-efficacy. *Family Relations*, 50(3): 230-238.

French workers earn 'right to disconnect' from work emails. (2017, January 1). *The New Zealand Herald*. Retrieved from http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11775394

Frone, M.R. (2000). Work-family conflict and employee psychiatric disorders: The national comorbidity survey, *Journal of Applied Psychology*, 85(6): 888-895.

Frone, M.R., Russell, M., & Cooper, M.L. (1997). Relation of work-family conflict to health outcomes: A four-year longitudinal study of employed parents, *Journal of Occupational and Organisational Psychology*, 70: 325-335.

Fu, C.K., & Shaffer, M.A. (2000). The tug of work and family: Direct and indirect domain-specific determinants of work-family conflict. *Personnel Review*, 30(5): 502-522.

Good, L.K., Page, T.J., & Young, C.E. (1996). Assessing hierarchical differences in job-related attitudes and turnover among retail managers. *Academy of Marketing Science*, 24(2): 148-156.

Good, L.K., Sisler, G.F., & Gentry, J.W. (1988). Antecedents of turnover intentions

among retail management. *Journal of Retailing*, 64(3): 295-314.

Gouldner, A. (1960). The norm of reciprocity. *American Sociological Review* (April): 161-178.

Greenhaus, J.H., & Beutell, N.J. (1985). Sources of conflict between work and family roles. *Academy of Management Review*, 10(1): 76-88.

Greenhaus, J.H., Callanan, G.A., & Godshalk, V.M. (2000). *Career Management*, (3rd ed.), Orlando, FL: The Dryden Press.

Haar, J. (2008). Work-family conflict and job outcomes: The moderating effects of flexitime use in a New Zealand organization. *New Zealand Journal of Employment Relations*, 33(1): 38-51.

Haar, J. & Roche, M. (2010). Family supportive organisation perceptions and employee outcomes: The mediating effects of life satisfaction. *International Journal of Human Resource Management*, 21(7): 999-1014.

Haar, J., Roche, M., & Taylor, D. (2012). Work-family conflict and turnover intentions amongst indigenous employees: The importance of the whanau/family for Maori. *International Journal of Human Resource Management*, 23(12): 2546-2560.

Haar, J. & Spell, C. (2001). Examining work-family conflict within a New Zealand local government organization. *The New Zealand Journal of Human Resources Management*, 1, 1-21

Haar, J. & Spell, C. (2004). Program knowledge and value of work-family practices and organizational commitment. *International Journal of Human Resource Management*, 15(6): 1040-1055.

Haar, J.M. (2006a). The downside of coping: Work-family conflict, employee burnout and the moderating effects of coping strategies. *Journal of Management & Organization*, 12(2): 146-159.

Haar, J.M. (2006b). Challenge and hindrance stressors in New Zealand: Exploring social exchange theory outcomes. *International Journal of Human Resource Management*, 17(11): 1942-1950.

Haar, J.M. (2007). Exploring the benefits and use of flexitime: similarities and differences. *Qualitative Research in Accounting & Management*, 4(1): 69-82.

Haar, J.M. & Roche, M. (2008). Employee perceptions of organisational support for work-family issues and outcomes: The moderating effects of supervisor support. *New Zealand Journal of Human Resources Management*, 8: 1-27.

Hunter, L.W., Thatcher, S.M.B. (2007). Feeling the heat: effects of stress, commitment, and job experience on job performance. *Academy of Management Journal*, 50(4): 953-968.

Jaros, S.J., Jermier, J.M., Koehler, J.W. & Sincich, T. (1993). Effects of continuance, affective, and moral commitment on the withdrawal process: An evaluation of eight structural equation models. *Academy of Management Journal*, 36: 951-995.

Jex, S.M., Bliese, P.D., Buzzell, S. & Primeau, J. (2001). The impact of self-efficacy on stressor-strain relations: Coping style as an explanatory mechanism, *Journal of Applied Psychology*, 86(3): 401-409.

Kossek, E., & Ozeki, C. (1998). Work-family conflict, policies and the job-life satisfaction relation. *Journal of Applied Psychology*, 83(2): 139-149.

Lambert, S.J. (2000) Added benefits: The link between work-life benefits and organizational citizenship behavior. *Academy of Management Journal*, 43(5): 801-815.

Major, V.S., Klein, K. J., & Ehrhart, M. G. (2002). Work time, work interference with family, and psychological distress. *Journal of Applied Psychology*, 87(3): 427-436.

Mesmer-Magnus, J.R., & Viswesvaran, C. (2005). Convergence between measures of work-to-family and family-to-work conflict: A meta-analytic examination. *Journal of Vocational Behavior*, 67(2): 215-232.

Meyer, J.P., Becker, T.E., & Vandenberghe, C. (2004). Employee commitment and motivation: a conceptual analysis and integrative model. *Journal of Applied Psychology*, 89(6): 991-1008.

Morrow, P. (1983). Concept redundancy in organizational research: The case of work commitment. *Academy of Management Review*, 8(3): 486-500.

Niehoff, B.P., Moorman, R.H., Blakely, G., & Fuller, J. (2001). The influence of empowerment and job enrichment on employee loyalty in a downsizing environment. *Group & Organizational Management*, 26(1): 93-113.

Rhoades, L. & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*, 87(4): 698-714.

Roehling, P.V., Roehling, M.V., & Moen, P. (2001). The relationship between work-life policies and practices and employee loyalty: A life course perspective. *Journal of Family and Economic Issues*, 22(2): 141-170.

Rusbult, C.E., Farrell, D., Rogers, G., & Mainous III, A. G. (1988). Impact of exchange variables on exit, voice, loyalty, and neglect: An integrative model of responses to declining job satisfaction. *Academy of Management Journal*, 31(3): 599-627.

Schalk, R., & Freese, C. (1997). New facets of commitment in response to organizational change: Research trends and the Dutch experience. In C.L Cooper & D.M Rousseau (eds.), *Trends in Organizational Behavior*, Volume 4 (pp.107-123). London: John Wiley & Sons.

Shaffer, M.A., Harrison, D.A., Gilley, K.M., & Luk, D.M. (2001). Struggling for balance amid turbulence on international assignments: Work-family conflict, support and commitment. *Journal of Management*, 27: 99-121.

Shockley, K.M. & Singla, N. (2011). Reconsidering work-family interactions and satisfaction: A meta-analysis. *Journal of Management*, 37(3): 861-886.

Sun, L.-Y., Aryee, S., & Law, K.S. (2007). High-performance human practices, citizenship behavior, and organizational performance: A relational perspective. *Academy of Management Journal*, 50(3): 558-577.

Yee, R.W., Yeung, A.C., & Cheng, T.E. (2010). An empirical study of employee loyalty, service quality and firm performance in the service industry. *International Journal of Production Economics*, 124(1): 109-120.

Effectiveness of Trade Union Workplace Organisation: A Case Study of the New Zealand Post Primary Teachers' Association

RAYMOND MARKEY* and GAY SIMPKIN**

Abstract

Union effectiveness at the workplace level has been neglected in the literature. This study develops measures for evaluating union effectiveness at the workplace, or branch level in New Zealand state secondary schools. These measures take account of a hybrid employment relations structure, whereby a national industry level collective agreement in secondary public schools determines pay and conditions for the sector, but substantial flexibility operates at the school (branch) level in implementation of key clauses.

The study evaluated union effectiveness at the workplace level in eight schools. It gathered the perceptions of the three main employment relations actors at school level: branch chairs (union delegates) and principals (workplace management) through interviews, and branch members through survey. The results indicated the union's overall effectiveness at workplace level in all schools. However, there were variations in the degree of effectiveness between schools, and across different measures. Most importantly, the study confirms the importance of developing measures for union effectiveness that suit the specific context for individual unions.

Keywords

Union effectiveness, trade union organisation, workplace organisation, teachers' unionism, New Zealand employment relations

Introduction

Trade unions attract a significant degree of academic attention in contemporary industrial relations literature. Much of the attention given to trade unions relates to their declining membership density in most countries, their consequent decline in influence, and union strategies to address these problems (e.g. Frege & Kelly, 2004). Only a small part of industrial relations literature directly relates to their effectiveness, although this is implicit in strategic debates concerning declining membership. Virtually none of the literature relates to union effectiveness at a workplace level, except in terms of maintaining delegate structures.

* Raymond Markey, Honorary Professor of Employment Relations; Former Director, Centre for Workforce Futures, Faculty of Business and Economics, Macquarie University, NSW Australia

** Dr Gay Simpkin is a former Research Associate, NZ Work Research Institute.

NB: Dr Simpkin passed away in early 2016, Prof. Ray Markey's eulogy for her was published in the NZJER 41(1). She had been an organiser for the PPTA prior to becoming a Research Associate at the Institute in 2007 and wrote a PhD entitled **Moments of Rupture. Changing the State Project for Teachers: a Regulation Approach Study in Education Industrial Relations** (Victoria University of Wellington, 2002).

This gap in the literature is surprising because union effectiveness, especially at a workplace level, is intimately related to membership density. Union effectiveness is, to a large extent, dependent upon membership density. But at the same time, union effectiveness is also likely to impact upon unions' organising ability. Effectiveness at the workplace level in particular might be expected to impact on union organising ability as well as being dependent on membership density.

Our article contributes to filling this gap with a case study of an important New Zealand professional union, the Post Primary Teachers' Association (PPTA). The central research question that this study seeks to answer is: how effective is the PPTA at the branch level of the school, particularly in relation to regulation of working conditions?

We apply measures suited for evaluating effectiveness at the workplace level for the PPTA. The union is party to a national industry level collective agreement in secondary public schools that determines pay and conditions for the sector. However, substantial flexibility in implementation of some of the industry agreement's key clauses occurs at the school (workplace) level, mediated by interaction between PPTA branches and workplace management, or school principals. The measures for effectiveness adopted to take account of this employment relations structure were:

- Workplace membership density,
- Union democracy and participation at workplace level,
- Branch members' engagement with the union more broadly,
- Regulation of working conditions, and
- Relationship between workplace representatives and management (principals).

An explanation for the measures chosen in this study follows from a review of the existing literature on union effectiveness. The second section describes the union and its industrial relations setting, particularly explaining why the workplace focus is important in the sector. Subsequently, the methodology is outlined, the results are presented and discussed, and the article concludes with more general implications.

Literature review

The literature on union effectiveness is limited and lacks agreed measures of effectiveness. The literature that exists is based on the perceptions of union leaders, officials or members, but not all of these in any one study. Broadly, this literature has adopted three main measures by which to measure effectiveness, although there are numerous subsets to these categories:

- Ability to organise new members,
- Outcomes of collective bargaining, and
- Effect on society as a whole (Clark, 2000; Clawson & Clawson, 1999; Fiorito, Jarley, & Delaney, 1993; 1995; Fitzgerald & O'Brien, 2005; Rose & Chaison, 1996).

In applying these general measures, the focus of most of this literature is at a national sectoral level, although the outcomes of collective bargaining may be at an enterprise level depending on the nature of the industrial relations system. Much of this literature also focusses relatively narrowly on the effectiveness of the organising model in arresting union decline in

the context of neo-liberal policy settings (for a review of the organising literature see Heery, 2015). Union density is a key variable in this literature, as both consequence and determinant of effectiveness.

Some other examples of national level approaches to union effectiveness are more broadly based. Burchielli (2004) developed a typology of union effectiveness based on interviews with Australian union officials at the centralised state level. The typology has three dimensions:

- *Representation* – measured by responsiveness to members, recruitment, achievement of key union goals;
- *Administration* – measured by structure and strategy, innovative practices, goal clarity, leadership, staff accountability;
- *Ideology* – social values, cohesiveness, active members, union commitment, political commitment.

However, the typology is complex, with many of these categories themselves requiring definition and measurement by a range of variables. The wide range of variables are also not easily transferred to the level of the workplace in their entirety.

Boxall and Haynes (1997) take a more focused approach, arguing that effectiveness should be evaluated by the degree to which unions meet their members' expectations regarding better pay and conditions, influence over relevant workplace decisions, and protection against arbitrary management action. Success in achieving these objectives depends on the strategic choices that unions make regarding worker and employer relations within the constraints specific to industry sectors and national industrial relations systems. This approach is based on national level research, but can be applied more readily than others to the workplace level.

Specific workplace level studies of union effectiveness are particularly rare and share the preoccupation of national level studies with falling membership density and the role of the organising model in addressing this. For example, Peetz and Pocock (2009) surveyed union delegates' perceptions of union influence and power in relation to union membership. Some of their findings could be related more broadly to union effectiveness: they found a strong association between perceptions of union democracy and union power; and support for delegates from the union office and organisers was associated with higher levels of union power at the workplace level. However, this study was not specifically focused on effectiveness, nor on what unions actually did at the workplace level.

Two important US studies of teachers' unions focus at the lower level of the union local. In the US context, teachers' union locals comprise union members from a regional grouping of schools. Typically, these union locals undertake collective bargaining. Maitland and Kerchner (1986) based their study on union leaders and 450 teachers in three California school districts. Their results indicated separate standards between union leaders and teacher members for judging union effectiveness. For union leaders, legitimacy derived from winning concessions from management as well as developing a cooperative relationship with management. Teachers, however, prioritised acceptance of the union as their representative by the school board, which, in the US context, plays a key role in management of the school.

Hammer and Wazeter (1993) employed organisational goals to develop a model of union effectiveness based on five dimensions in 511 Pennsylvanian teachers' union locals:

- Member participation,
- Union preparation for negotiations,
- Union involvement in political and civic activities,
- A union mentality, and
- Union leadership.

Their survey of union members and leaders found that all of these dimensions except involvement in political and civic activities contributed significantly to perceptions of union effectiveness. Hammer and Wazeter (1993) also emphasised that models for evaluation of union effectiveness should be tailored to specific unions to take account of organisation-specific goals and environments. This resonates with the approach of Boxall and Haynes (1997).

The measures developed for evaluating union effectiveness in this study incorporate a range of indicators from the wider literature where relevant for a workplace, rather than national level focus, but also reflect Hammer and Wazeter's (1993) emphasis on union specific measures. Hence, we do not focus on political activity, which is included in some models of union effectiveness, because this is undertaken by the union at a national level in a small democracy with a unitary system of government.

Our first measure, *membership density*, is a determinant and an outcome of effectiveness in most models in the literature regarding effectiveness. The PPTA claims over 90 per cent of New Zealand secondary teachers across all schools as members. This indicates a high level of effectiveness at a national level, especially in comparison with other unions. However, some variation in membership density occurs between different schools, which may impact on effectiveness at workplace level.

Our second measure is *membership participation*. This relates to the democratic engagement of members in the organisation. Participation and democracy were major themes in most of the literature already cited, particularly Burchielli (2004), Boxall and Haynes (1997) and Hammer and Wazeter (1993).

The third measure that we have adopted is members' *broader union engagement*. It is strongly related to democracy and participation more generally in the union. It also incorporates major themes in the literature on union effectiveness referring to participation and commitment (Burchielli, 2004) or 'union mentality' (Hammer & Wazeter, 1993).

Since focus on the workplace and collective agreements are negotiated at a national industry level in public school education in New Zealand, we have focused on *regulation of working conditions* as our fourth measure, rather than bargaining itself. This particularly aligns with the approach of Boxall and Haynes (1997). Our fifth measure, *relationship with management*, relates directly to a key indicator identified by Maitland and Kerchner (1986), but also incorporates leadership attributes and the ability to achieve union goals identified by others (Hammer & Wazeter, 1993; Burchielli, 2004).

In evaluating the relationship between workplace representatives and management, we have included an additional measure of the perception from management that does not appear elsewhere in the literature. We argue that management perceptions of effectiveness, particularly in the spheres of workplace union leadership and achievement of goals, is a critical measure. The absence of management perceptions of an interactive relationship with

union representatives has weakened existing literature that focuses entirely on union leaders and members.

Context

From the late 1980s, the New Zealand employment relations system was decentralised to become based on collective bargaining at enterprise level and individual contracts. Union membership and collective bargaining coverage declined substantially, particularly in the private sector: union membership now stands at about 18 to 19 per cent of the workforce, and collective bargaining coverage at about 17 per cent (Statistics NZ, 2016; NZ Companies Office, 2016; Rasmussen, 2010).

In the state school sector, however, a hybrid system of employment relations emerged. The Ministry of Education is responsible for negotiating the pay and conditions of employees centrally with the union party. Other employer powers over individual teachers, relating to appointments, dismissals, performance, and enforcement of the provisions of the Collective Agreements, became the responsibility of schools' Board of Trustees, with the principal defined as the Chief Executive Officer. Matters affecting the environment in which teachers work, such as curriculum, qualifications and assessment, remained with the Ministry of Education.

The PPTA covering secondary school teachers is one of two teacher unions. The union traditionally had a strong centre, but weaker branches at schools as this level of employment relations became more important in the new system. The goal from 1989 was to build a union where the centre was strong enough to negotiate centrally with the government's agent, and where branches were strong enough to interact with the local employer successfully in terms of enforcing the Secondary Teachers' Collective Agreement (STCA) and in representing the interests of employees at the school level.

This article seeks to evaluate the effectiveness of the PPTA at the branch, or school, level because of the rapid enhancement of significance in this level of employment relations in the system post 1988. The union's branch level interacts with school boards of trustees as employers, via the principal, in implementation of the agreement. The branches, therefore, are much more than mere administrative units or recruitment agents for the union, although they do not negotiate formal agreements themselves. In recent years, there has been an emphasis on negotiating provisions into the STCA that deal with individual teacher workload, and implementation and interpretation of the STCA require substantial degrees of negotiation. Consequently, there is increasing pressure on the branch to enforce the school-based provisions of the STCA. At the same time, there has been increasing awareness in the PPTA that branches may differ in their ability to carry out the union function in schools.

Research Design

We utilised a multi-method research strategy capturing and analysing perceptions of workplace union representatives, union members and workplace management (principals). Branch chairs of the union and school principals were interviewed, and teachers who were

members of the union were surveyed. This range of perceptions enabled triangulation of results to enhance validity of our observations.

Data was gathered from eight comprehensive secondary schools chosen from 72 in the greater metropolitan Auckland area. An acknowledged limitation of the research is that it may not be possible to generalise from this region to New Zealand as a whole, where many schools are based in rural or small town environments. The schools were selected on a random basis within two specifications: they were required to reflect a range on the basis of size and union membership densities, because it was considered that both these variables could impact on union branch effectiveness. In terms of size, two schools were large (> 2,000 pupils); four were medium-sized (1-2,000 pupils), and two were small (< 900 pupils).

In each of the schools chosen, the principal and branch chair of the union were approached for a semi-structured interview and cooperation with the staff survey. Both parties agreed to participate in seven schools, but the principal was unavailable due to ill-health in another. In total, seven principals or their deputies (2) and eight branch chairs were interviewed. Of the branch chairs, seven were male, and five had 20 or more years as union members. All principals or deputies were male.

The survey of teachers at the schools was designed to elicit perceptions of the effectiveness of the branch and quality of working conditions in the school. The questionnaire was posted on the SurveyMonkey internet website and sent to the PPTA branch chairs at all schools in the sample. The branch chairs then forwarded an email invitation from the researcher to branch members.

A total of 96 teachers responded to the survey in eight schools, out of a potential 553 union members, representing an overall response rate of 17 per cent. However, this varied between 8 and 40 per cent, with most schools in the lower ranges. It is not clear why there was such variation, as there was no clear pattern in the schools between the response rate, union membership and how positive the responses were about the branch. It is generally acknowledged that web-based surveys produce lower range response rates than other formats (Fan & Yan, 2010), but there is no clear-cut evidence that low response rates necessarily detract from validity of results; some research has suggested precisely the opposite (Visser, Krosnick, Marquette, & Curtin, 1996) and some that it makes little difference (Curtin, Presser, & Singer, 2000; Keeter, Kennedy, Dimock, Best, & Craighill, 2006; Choung, Locke, Schleck, & Ziegenfuss, 2013). It may be that this response introduced a bias in the results, for it is possible that the most committed unionists and the most electronically literate were more likely to respond, and we qualify our findings accordingly. On the other hand, engaged union members are also well-placed to evaluate branch effectiveness.

Low survey response rates may impact on demographic representativeness, but the respondents to our survey were broadly representative of state teachers as a whole, as shown below in Table 1. There were slightly more females, more older teachers, and somewhat more part-time and fixed-term employees in the national workforce than amongst survey respondents. However, the statistics for the national teaching workforce include primary teachers, who are more likely to be female, and Auckland region teachers are more likely to be younger than their rural counterparts. It may be also that part-time and fixed-term teachers were less likely to participate in the survey. Nevertheless, as with the national workforce, the survey respondents were predominantly female, relatively mature in age and permanent full-time employees.

Table 1. Demographic profile of survey respondents and total national state school teaching workforce (primary and secondary schools) 2016

Characteristic	Respondents %	National workforce %*
Gender:		
Male	32	28
Female	68	72
Age (years):		
<30	19	11
30-49	55	48
50+	26	41
Job status:		
Permanent	94	81
Fixed term	6	19
Full-time	96	81
Part-time	4	19

* Source: NZ Ministry of Education, 2016.

Results

Interviews

Membership density

The PPTA claims a union membership density of over 90 per cent in state secondary schools. We asked both branch chairs and principals what the approximate membership density was in their schools, and their responses were quite precise. The average membership density of 88 per cent in the schools studied is close to that claimed across the sector by the PPTA, but there was considerable variation between the schools. According to branch chairs and principals, three schools had 100 per cent membership of the unions, and four had 80-90 per cent membership. Only two schools could be considered as having low union membership density by industry standards, one at 75 per cent, and another at 60 per cent.

Relationship between principal and branch

All branch chairs interviewed had a sophisticated understanding of workplace employment relations, and that negotiation involving ‘give and take’ between themselves and the principal was essential to the running of the school. Their guiding questions tended to be ‘What is fair to both staff and school?’, ‘What will work?’, and ‘What will people accept?’. There was also an emphasis on finding agreed local solutions to issues in legislation and national agreements. The branch chairs considered that the best principals took a similar approach.

The branch chairpersons interviewed emphasised the importance of building a harmonious, open and honest relationship with the principal, involving genuine negotiations over local issues and ‘give and take’. Principals had a similar view overall, considering that the branch chair needed to be practical, able to concentrate on the issues and someone whom they could trust and be open with.

Relationships were presumably assisted because the principals had all been teachers themselves. In five schools, they were PPTA members, as were the majority of their senior management teams. In three schools, they were former PPTA activists.

The relationship between principal and branch was identified as working well by both parties in six of eight schools. Where interviewees indicated good relationships based on mutual trust and respect, they also tended to indicate positive working conditions.

Most principals appreciated that the PPTA played an important role in the school's operation. At one school with 100 per cent membership density, the principal relied on the branch chair to act as the conduit for feedback from the staff. The chair was typical of others in the sample in having a well-developed sense of site-based unionism and of his role. Both parties recalled an earlier period when workplace relations were more negative, and were anxious to avoid a recurrence through developing skills to achieve their goals without antagonism. Their relationship was the most positive of all indicated in interviews.

At another school, the deputy principal emphasised the role of the branch as a forum for building positive workplace culture through providing a process for agreement even when some had been dissatisfied with some issues. One principal stated:

I think it's important that the two share a broad understanding of what's happening in the school, the vision, what people are trying to achieve. ... The branch chairperson is a key person in communicating that to the wider staff and hopefully it removes the potential for friction.

The advantage of having a good relationship with your branch chair is that I don't mind having an open book. We can sit down and say, well, this is what's happened to the funding, this is what we're having to grapple with and try to come up with solutions together.

However, this perspective contrasted with those in two schools where relationships between principal and branch chairperson were less productive than the others; these are identified here as S1 and S2. In S1, the principal adopted a paternalist attitude. He considered that there was little role for the PPTA because he observed the Collective Agreement and looked after teachers, but he acknowledged that he needed to listen to the union. The branch chairperson, however, believed that the principal wielded managerial power to exclude the union from the running of the school. At the second school, with a less positive principal/branch chair relationship (S2), the branch chairperson considered that she needed to be assertive to be heard by the principal, but that he respected her right as spokesperson for members. In these two schools, branch chairpersons feared reprisals from the principals if they were considered too assertive. In S2, the branch chairperson considered that her predecessor's career advancement had suffered.

Key components of an effective branch. A broad consensus existed amongst branch chairpersons regarding this issue. An effective branch needed:

1. A branch leader with school knowledge and ability to discuss issues with the principal to communicate staff concerns; and
2. School management that adhered to the Collective Agreement and was open about management processes.

Effectiveness was not necessarily seen as literal application of the Collective Agreement at all times, thus confirming the 'give and take' approach.

Workload was generally seen as the greatest constraint for branch effectiveness. Branch chairs struggled with time management since they also had normal teaching duties. Individual approaches from members for advice could take up considerable amounts of time, especially in larger schools. Members also often struggled to find time to attend meetings, and a branch chairperson referred to low membership energy levels as a constraint. This resonated with the comments of one former activist principal that the union membership lacked fire compared with earlier days, partly because members were busy, but also because of more consultative management styles. One deputy principal believed that PPTA senior leadership was more important than the branch in maintaining awareness of major educational issues, because the branch tended to be focused on local matters.

The two schools with a less positive relationship between principal and branch chairperson were also not considered effective by their chairpersons. S1 had the lowest union membership of 60 per cent, which the chairperson interpreted as a weakness. He acknowledged that the Collective Agreement was adhered to, and even exceeded in some areas, such as terms of leave, but felt constrained to avoid splits between members and non-members in the staff room over operational issues. He also described an ideological climate where the union was depicted as left wing and associated with the Labour Party, whereas he considered management to be very right wing. At the second school considered ineffective (S2), the main reason related to autocratic management style. The principal practised policies of favouritism and divide and rule amongst staff, according to the branch chair.

General observation of the Collective Agreement is not contested in any of the schools studied, but some clauses require interpretation or 'best endeavours' resulting in non-adherence, misunderstanding or lack of priority. Examples are timetabling policy, class size and middle management allowances. Branch chairs often needed to be pragmatic in terms of strict enforcement of all clauses so as to protect relationships with principals when it was clear that central funding did not provide adequate resources to meet obligations under the Collective Agreement. Principals emphasised these constraints, although some principals and branch chairs acknowledged that higher levels of management – the Ministry and the school board – sometimes abdicated responsibility by claiming the other was responsible for shortfalls in resources.

Links with the wider union occurred on a number of levels. Information is received electronically and branches forward this on to an email list of branch members. Hard copies were also distributed via staff pigeonholes. The quality of material from national office was appreciated. The impression was gained, however, that unless there were local issues needing to be dealt with by the branch, the branch chair was the most knowledgeable of any branch member and a high level of overall knowledge of the national union or even interest in it was not expected.

The most immediate backup to the chair for site-based issues and enforcement of the Collective Agreement are the field officers. They deal with union representation for competence and disciplinary cases. One branch chairperson complained that members often went directly to field officers because he was seen as a 'stooge' owing to his working relationship with the principal.

Regional meetings were used for information only. Three of the schools interviewed did not send representatives to these, because of lack of time and involvement in other community activities, and the distance required to travel at night. PPTA executive members did not have a significant role in the branch. National union events were spoken of highly, particularly in terms of building solidarity and networking, even if they were not accessed often. Chairs were aware of national office, but as a background, not as directly affecting the branch on an everyday basis. Interestingly, principals, more than chairs, saw the union still primarily in its role of negotiating pay and conditions and acting politically in national lobbying over resources in schools. They saw the branch more pragmatically and less politically than the national body.

Survey

The survey sought responses relating to four of the five measures of branch effectiveness. Space prevents a school by school analysis, but significant departures from the general response are noted below.

Participation

The survey enquired of members' level of participation in branch activities. Frequency of branch meetings varied, ranging from fortnightly, to once per term, to seldom. There was also great variety in the issues discussed at branch meetings, ranging from the national level regarding education policy and negotiations for the Collective Agreement, to local issues, including implementation of the Collective Agreement regarding workload, health and safety and general school governance. Table 2 shows a high degree of attendance at branch meetings, with 84 per cent claiming they attended most of the time or always. Three quarters of respondents felt that they could speak freely and were listened to at branch meetings, as shown in Table 3, although almost a quarter felt it depended on the issue. Overall, these results indicate a substantial degree of activity at branch level, and fairly high levels of members' participation and engagement.

Table 2. Branch meetings attendance

Response	Per cent
Always	49
Most of the time	35
Half of the time	4
Occasionally	12
Never	0
Total	100

Question: Do you attend PPTA meetings at school?

Table 3. Participation in branch meetings

Question	Response per cent		
	Yes	Sometimes/ usually depends on issue	No
Do you feel you can speak freely at meetings?	74	21	5

Do you feel you are listened to when you do speak in meetings?	75	23	2
--	----	----	---

A democratic mentality is confirmed with the results in Table 4 relating to who respondents considered constituted the PPTA branch at their school. The overwhelming majority considered that it was the branch members and/or attendees at branch meetings, although a significant number also included branch officers.

Table 4. Whom do you think of as ‘the PPTA branch’ in your school?

Option	Per cent
Branch chair	19
Branch officers	13
Attendees at branch meetings	29
All branch members	69

Multiple responses allowed.

Table 5. Appropriate level of decision-making authority for branch chair in negotiating issues with principal

Response	Per cent
Limited to solutions branch has already agreed	11
Able to discuss other solutions but needs branch endorsement before agreeing	73
Able to make agreements on behalf of branch that s/he believes are in best interests of branch members	16
Total	100

Table 5 shows a strong commitment amongst members for branch participation and democracy in members’ direction of the branch leadership; 73 per cent believed that the chair needs members’ endorsement of agreements with the principal following discussions over workplace issues.

Broader union engagement

General engagement of members with the union was evaluated in two questions in the survey. Table 6 shows a high degree of wider union participation amongst respondents, with 75 per cent having attended a local PPTA meeting and 49 per cent having sought assistance from a union field officer.

Table 6. Involvement with PPTA

Involvement type	%
Attended a PPTA employment relations course	17
Attended a PPTA ward/regional meeting	75
Attended a national PPTA event (e.g. annual conference)	15
Asked for assistance from PPTA field officer	49
Asked for assistance from PPTA national office	6

Multiple responses allowed.

Table 7 shows a very high positive response regarding the impact of the PPTA as a whole on jobs: 78 per cent considered it would make their job more difficult if the PPTA did not exist.

Table 7. If the PPTA didn't exist what difference would it make to your job as a teacher?

Response	%
More difficult	78
Less difficult	2
No difference	20
Total	100

Another potential indicator of engagement and of trust in the union is whom members would consult if they needed assistance over workplace issues. Table 8 shows responses relating to two key issues in schools: non-contact time entitlements and carer's leave. Significant variation occurred in responses for the different issues, partly reflecting different management responsibilities. In the case of not receiving their proper entitlement for non-contact time, the department head was first choice by almost half of respondents, and the timetabler was first choice for almost a quarter. The branch chair was the third choice, followed by the principal. In the case of being denied carer's leave, the branch chair was the first choice for the largest group of respondents, closely followed by the principal. This issue might be more adequately dealt with at the principal's level, whereas non-contact time is more likely to be simply a matter of timetabling.

For both issues, however, the branch chair is by far the most likely person to be approached for assistance if an approach to a supervisor (department head) or management (principal) is unsatisfactory. Overall, strong majorities of respondents would approach the union for assistance, but there was a strong trend for attempting to resolve in a non-adversarial manner by approaching supervisor or management in the first instance. In the case of carer's leave, 44 per cent of respondents would also approach PPTA field or regional officers for assistance. This all indicates a high degree of engagement with and trust in the wider union.

Table 8. Who would consult for assistance?

Agent	Re entitlement to non-contact time %		Re carer's leave %	
	1st	2nd	1st	2nd
Branch chair	18	48	39	42
Department head	43	12	13	1
Principal	11	22	38	13
Timetabler	22	5	2	0
Field officer	1	10	7	22
Regional officer	1	3	1	22
Other	4	0	0	0
Total	100	100	100	100

The third set of questions related to respondents' perceptions of the effectiveness of the union branch in regulating working conditions. Table 9 indicates a general assessment of branch effectiveness in representing the rights of its members. The response was quite positive, with 70 per cent assessing the branch as either very or mostly effective.

The responses regarding observation of the entitlements of the Collective Agreement at school level were consistent with those for assessment of branch effectiveness, as shown in Table 9. Again, 70 per cent considered that the agreement was observed in all or most instances.

Table 9. How effective branch is in representing rights of members to school management?

Response	Per cent
Very effective	32
Mostly effective	38
Effective some of the time	20
Mostly ineffective	9
Ineffective	1
Total	100

Table 10. Observation of Collective Agreement in school

Response	Per cent
All entitlements	25
Most entitlement	45
Some entitlements	13
Don't know	17
Total	100

Perceptions of the quality of working conditions are another indicator of the union's effectiveness in regulating working conditions at branch level, although not all conditions are subject to school level control. Almost two thirds of respondents considered conditions good to very good and only 14 per cent rated them as below average or poor, as indicated in Table 11. Table 12 shows an even stronger positive response regarding satisfaction with the safety and physical comfort of working conditions, with 88 to 92 per cent either satisfied or usually satisfied.

Table 11 Quality of working conditions

Quality	Per cent
Very good	18
Good	46
Average	22
Below average	10
Poor	4
Total	100

Table 12. Satisfaction with safety and comfort of working conditions

Response	Safety % (physical & emotional)	Physical comfort %
Yes	36	44
Usually	52	48
No	12	8
Total	100	100

A further question sought respondents' perceptions about the overall impact of the branch on running the school and their jobs, with results shown in Table 13. Almost half considered that the branch made running the school easier, although 52 per cent did not know.

Table 13. Whether the existence of the branch makes the running of the school easier or more difficult

Response	Per cent
Easier	44
More difficult	4
Don't know	52
Total	100

Relationship with school management

A fourth set of survey questions concerned relationships between branch members or officials and school management. Table 14 shows that over 80 per cent of respondents considered they were treated with respect by management. This positive response, however, did not fully translate into a perception that members were consulted over decisions impacting on their jobs, with 56 per cent considering that this was the case only sometimes or never.

Table 14: Consultation over decisions that impact on job and respect from management

Response	Consultation	Respect
Always	6	38
Most of the time	38	43
Sometimes	42	18
Never	14	1
Total	100	100

Table 15 demonstrates a generally positive series of responses regarding the branch relationship with the principal. Large majorities considered that the branch membership and branch chair had effective relationships with the principal at least usually, 76 and 81 per cent, respectively. Similarly, large majorities considered that the principal respects the branch (77 per cent) and branch chair (82 per cent) and their role at least usually. The central importance

of the branch chair is a strong theme in these responses, with 96 per cent confirming that the relationship between principal and branch chair is important at least usually.

Table 15: Branch's effective relationship with and respect from principal

Response	Effective branch relationship with principal %	Effective branch chair relationship with principal %	Principal respects branch & its role %	Principal respects branch chair & their role %	Relationship between branch chair & principal is important %
Yes	40	51	49	54	90
Usually	36	30	28	28	6
Sometimes	15	15	14	15	3
No	9	4	9	3	1
Total	100	100	100	100	100

Variations between schools

Significant departures from the general trends in survey responses occurred at three schools. At one of the schools (hereafter S3) that was identified in interviews as having an effective branch with an effective relationship with the principal, responses relating to participation, regulation of working conditions and the relationship with the principal were all consistently higher than the general trend. At those two schools identified as less effective in interviews the pattern diverged. At S1, the responses were consistently and substantially more negative than the general trend regarding participation in branch meetings, observation of the Collective Agreement, how effective the branch is, consultation, and the branch and branch chair's effective relationship with and respect from the principal. However, at S2, survey responses followed the generally positive trend. In contrast, at one other school where interviews indicated an effective branch with a positive principal/branch chair relationship, responses regarding participation and regulation of working conditions were significantly less positive than generally.

Other variables were not associated with trends in survey responses to any significant or consistent degree. Size of schools did not appear to be a factor. The school indicated as most effective by survey and interviews (S3) had the highest survey response rate (40 per cent), which may confirm a high level of branch participation by membership. However, the branch indicated by survey and interviews as least effective (S1) had the second highest response rate (21 per cent).

Discussion and analysis

Overall, the results indicated that union branches at the school level were reasonably effective and well-adapted to local employment relations, using the measures that we adopted. Most of the interviews were positive in this respect. They also confirmed a high

union *membership density*, although this did vary somewhat between schools. The survey further indicated a strong positive response from members as a whole across the other four measures.

The survey confirmed a high degree of *participation* and democratic engagement amongst members. This was evident in terms of attendance and participation at branch meetings, the fact that members mainly considered themselves rather than officers as constituting the branch, and the related fact that most respondents considered that branch chairs needed to consult with members over decision-making with workplace issues. High levels of participation are noteworthy because of the pressures of time and workload alluded to by some branch chairs.

These positive responses also carried over to our second measure of branch effectiveness, *broader union engagement*. The vast majority of branch members engaged with the PPTA at a regional level, although branch chairs at three schools indicated a lack of engagement at that level by branch members; at the remaining schools, therefore, a very high proportion of members attended regional meetings. Almost half of survey respondents had contact with field officers. Most respondents also considered that the PPTA made their job easier than if it did not exist. This was much higher than for the branch itself, which indicates strong commitment to the union as a whole.

When asked who they would consult for assistance with specific workplace issues, whilst the vast majority of survey respondents would go to their branch chair over both issues, half would also consult field or regional officers of the union regarding carer's leave. A majority would also try to resolve issues at an early stage with the appropriate level of management, particularly in the case of entitlements regarding non-contact time. This indicates a willingness to resolve such issues directly in the first instance, but also a confidence in different levels of the union, as appropriate to the issue, for support if necessary.

Survey respondents were very positive about the success of the branch and the PPTA more widely in *regulation of workplace conditions*, confirming the positive accounts in most of the interviews. Two thirds or more considered that the branch was generally effective in representing the rights of members with school management, that the Collective Agreement was observed in their school, and that the quality of working conditions was good. About 90 per cent were satisfied with the safety and comfort of their working conditions. Overall, these indicate a high degree of branch effectiveness, especially in the context of 'give and take' in interpretation of the Collective Agreement that was indicated in interviews. This meant that some variation in strict interpretation of the Collective Agreement occurred between branches, without necessarily impacting on perceptions of branch effectiveness.

The importance of the final measure for branch effectiveness, *relationship with school management* (the principal), was acknowledged as critical by all parties. Most principals and branch chairs considered that they had achieved this positive relationship. Large majorities of the members surveyed also considered that the relationship between principal and branch chair was important and that it was positive.

However, some variation in effectiveness of the branches occurred within this overall positive assessment. One branch, S1, was consistently less effective than the others, according to interview and survey data, regarding participation, regulation of working conditions and relationship with the principal. It also had the lowest membership density.

Others variations in the data were less consistent. At S2, we noted negative assessments of the relationship with the principal and general branch effectiveness by the branch chair. However, members surveyed generally indicated satisfaction with the performance of the branch and working conditions, although union membership was the second lowest (75 per cent). At one other school, interviews were more positive than members' assessment of branch effectiveness. Here, the comparatively low indications of membership participation in the survey indicate problems in this area.

At the other end of the spectrum, one school (S3) was consistently more effective than others according to interview and survey data; union membership density was also 100 per cent.

Two main determinants of branch effectiveness appeared in the data. The level of membership in the branch, our first measure, was one key determinant. Judging by all sources of data, the least effective branch overall had the lowest membership density, and the most effective had one of the highest densities. Another less effective branch according to interviews also had the second lowest membership density. The second main determinant indicated strongly by the two less effective branches was the management style of the two principals, both of whom were authoritarian and intimidatory, even if this did not necessarily translate into poor conditions or an overtly hostile attitude towards the union.

Conclusions

New Zealand state schools have developed a unique hybrid employment relations structure since 1988, whereby a Collective Agreement is negotiated by the union and Ministry of Education, but its implementation requires negotiation between union branches and principals. This study has shown that the PPTA has developed the capacity at the school level to be effective in implementing the Collective Agreement and maintaining its integrity.

However, it was found that there was a need for pragmatism and flexibility from all parties in interpretation and enforcement of clauses in the Collective Agreement in ways suited to the branch. One of the greatest areas of success demonstrated for the union was the ability of its branch chairs at schools to work constructively with principals in this process to acknowledge on-the-ground realities that underlay these variations. In most of the schools studied, the importance of this was acknowledged by branch chairs and principals, and usually they and branch members considered that a positive relationship was achieved in this regard. The success of this process also requires acknowledgement from the central union of the need for flexibility in interpretation of the Collective Agreement.

The workplace focus for this study of union effectiveness was significant, because it departs from most of the literature that focuses at the national level of unions. Central negotiation of a Collective Agreement covering all state secondary schools in New Zealand in one sense supports this traditional approach. However, the hybrid system of employment relations in New Zealand state secondary schools defines two employers – one at the central Ministry level, and the other in the school workplace where principals are the managers. This system places great emphasis on the school level for the effective implementation of the Collective Agreement. For all of these reasons, the school workplace was the most appropriate level for this study.

The measures employed for evaluating effectiveness here were adapted to suit this particular union and its specific employment relations context. This follows the approach recommended

by Hammer and Wazeter (1993) and Boxall and Haynes (1997). Nevertheless, the measures for effectiveness employed here were consistent with many of the dominant themes in the main literature on union effectiveness, particularly by encompassing membership density, outcomes of collective bargaining (in terms of local implementation), workplace participation of members, and wider union participation.

Perhaps the most substantial innovation of this study has been to include the perceptions of three different actors at the workplace level: union members, union delegates (branch chairs) and workplace managers (principals). None of the existing literature attempts this inclusiveness, concentrating usually on only one of these actors, and this has never been the workplace managers. Since the relationship between branch union representatives and school management was found to be important, it confirmed the utility of this measures. It was equally critical to include the perception of the workplace union delegates (branch chairs), who are rarely included in studies in union effectiveness, with Peetz and Pocock (2009) offering a significant exception.

However, it was the combination of the perceptions of the three sets of actors that was particularly important and provided a triangulation of data. Focusing on any one of them would have led to somewhat differently nuanced conclusions. For example, at two schools members' evaluation differed from that of branch chairs regarding branch effectiveness: members were more optimistic in one case, and in another less pessimistic, than the respective branch chairs.

The relationship between the different measures employed here is also instructive. Of all the factors associated with branch effectiveness in terms of regulating working conditions, three seemed important. The most important was the relationship between principals and branch chairs, which was also seen as critical by branch members. This highlights the importance of including this as a measure of effectiveness, and of gaining management perspectives on this issue.

Union membership density is more commonly recognised in the literature as a determinant of union effectiveness. There was support in the findings of this study for this perspective, but principally at the extreme ends: the least effective branch overall had the lowest membership density, and the most effective had one of the highest densities. However, this association was not consistent: the second weakest branch in terms of membership density did not perform poorly according to members, and two other branches with 100 per cent membership density did not perform significantly better than others. It is also possible that any causal relationship in this association occurs in the opposite direction, i.e. that effectiveness assists union membership. The outcomes here, therefore, seem more likely to confirm Rose and Chaison's (1996) perception that membership density is both cause and consequence of union effectiveness.

Participation by members in the union and opportunities for this may be a mediating variable. Members of the most effective branch indicated high levels of participation. Conversely, the least effective branch indicated lower than average levels of participation by members. Most importantly, however, this study demonstrates the importance of a range of measures of effectiveness and the interaction between them.

Finally, our study suggests the need for further research at the workplace level, focusing on the *implementation* of collective agreements. The situation that the PPTA occupies in relation to central collective bargaining with local branch negotiation of the interpretation and

implementation of the central agreement differs substantially from the role of US union branches studied in the existing literature; this is because the US locals undertake collective bargaining themselves. However, this hybrid two-tier situation is not unique. A similar system to New Zealand operates in teaching in Australian states, and in the public sector more generally at the state level in Australia. It is also similar to arrangements in Denmark and Sweden, where collective agreements are negotiated at industry level, but considerable latitude is allowed union branches in negotiating implementation (Knudsen 1995; ETUI 2014). Further studies would need to develop measures of effectiveness appropriate for the sector that include a range of perspectives from management, union leaders and union members.

References

- Boxall, P., & Haynes, P. (1997). Strategy and Trade Union Effectiveness in a Neo-liberal Environment. *British Journal of Industrial Relations*, 35(4): 567-91.
- Burchielli, R. (2004). "It's Not Just Numbers": Union Employees' Perceptions of Union Effectiveness. *Journal of Industrial Relations*, 46(3): 337-44.
- Choung, R., Locke, R., Schleck, C., & Ziegenfuss, J. (2013). A low response rate does not necessarily indicate non-response bias in gastroenterology research: a populations based study. *Journal of Public Health*, 21(1): 87-95.
- Clark, P. (2000). *Building More Effective Unions*. Ithaca, NY: Cornell University Press.
- Clawson, D., & Clawson, M. (1999). What has happened to the US labor movement? *Annual Review of Sociology*, 25: 95-119.
- Curtin, R., Presser, S., & Singer, E. (2000). The Effects of Response Rate Changes on the Index of Consumer Sentiment. *Public Opinion Quarterly*, 64(4): 413-428.
- ETUI – European Trade Union Institute (2014). *Countries*. Retrieved 2 April 2014 from <http://www.worker-participation.eu/National-Industrial-Relations/Countries>
- Fan, W., & Yan, Z. (2010). Factors affecting response rates of the web survey: A systematic review. *Computers in Human Behavior*, 26(2): 132-39.
- Fiorito, J., Jarley, P., & Delaney, J.T. (1993). National union effectiveness. *Research in the Sociology of Organisations*, 12: 111-37.
- Fiorito, J., Jarley, P., & Delaney, J.T. (1995). National union effectiveness in organizing: measures and influences. *Industrial and Labor Relations Review*, 48(4): 613-635.
- Fitzgerald, I., & O'Brien, P. (2005). Like taking coals to Newcastle: A new era for trade unionism in the North East of England? *Capital & Class*, 29(3): 17-27.
- Frege, C., & Kelly, J. (eds.). (2004). *Varieties of Unionism. Strategies for Union Revitalization in a Globalizing Economy*. Oxford: Oxford University Press.

- Hammer, T.H., & Wazeter, D.L. (1993). Dimensions of union effectiveness. *Industrial and Labor Relations Review*, 46(2): 302-319.
- Heery, E. (2015). Unions and the organizing turn: Reflections after 20 years of organizing Works. *Economic and Labour Relations Review*, 26(4): 545-560.
- Keeter, S., Kennedy, C., Dimock, M., Best, J., & Craighill, P. (2006). Gauging the Impact of Growing Nonresponse on Estimates from a National RDD Telephone Survey. *Public Opinion Quarterly*, 70(5): 759-779.
- Knudsen, H. (1995). *Employee Participation in Europe*. London: Sage.
- Maitland, C., & Kerchner, C.T. (1986, April 16-20). *The Tone of Labor Relations in Schools: Correlates of Teacher Perception*. Paper presented at the 67th Annual Meeting of the American Educational Research Association, San Francisco CA
- New Zealand Companies Office. (2016). *Union membership return report 2016*. Retrieved 26 April 2017 from <http://www.societies.govt.nz/cms/registered-unions/annual-return-membership-reports/2016>
- New Zealand Ministry of Education. (2016). *Teaching Staff. Information on Teaching Staff in schools from 2004-2017*. Retrieved 27 April 2017 from http://www.educationcounts.govt.nz/statistics/schooling/teaching_staff.
- Peetz, P., & Pocock, B. (2009). An Analysis of Workplace Representatives, Union Power and Democracy in Australia. *British Journal of Industrial Relations*, 47(4): 623-652.
- Rasmussen, E. (ed.). (2010). *Employment Relationships. Workers, Unions and Employers in New Zealand* (2nd ed.). Auckland: Auckland University Press.
- Rose, J.B., & Chaison, G.N. (1996). Linking Union Density and Union Effectiveness: The North American Experience. *Industrial Relations*, 35(1): 78-105.
- Statistics New Zealand. (2016). *Union membership and employment agreements – June 2016 quarter*. Retrieved 26 April 2017 from http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics/union-memship-emplymt-agmt.aspx
- Visser, P.S., Krosnick, J.A., Marquette, J., & Curtin, M. (1996). Mail Surveys for Election Forecasting? An Evaluation of the Columbia Dispatch Poll. *Public Opinion Quarterly*, 60(2): 181-227.

A New Paradigm for Occupational Health and Safety: Is It Time to Abandon Experience-Rating Once and for All?

NADIA DABEE*

Abstract

This article argues that both the practical consequences and the theoretical underpinning of experience rating are misaligned with the values and goals of the occupational health and safety legislative framework in New Zealand. Some perverse practical consequences of experience rating are employers discouraging employees from making claims or forcing a too-early return to work after an injury. These practical consequences are out of step with goals of the legislation. Experience rating is based on the assumption that occupational health and safety can be viewed as a commodity. Some of the underlying principles in the Health and Safety at Work Act 2015 challenge the notion that safety is merely a cost centre and places safety as a core business value or perhaps, even as a fundamental right of workers.

1. Introduction and Methodology

The introduction of the Health and Safety at Work Act (HASWA) 2015 signals a paradigm shift away from thinking of occupational health and safety (OHS) as a commodity or as a separate cost centre, to being a core organisational value. The extent to which a paradigm shift can be achieved in practice will depend on the way the HASWA 2015 is implemented (Dabee, 2016). The existing framework that currently surrounds the HASWA 2015 also needs to be examined, and commonly-held beliefs now need to be challenged.

Part of the framework surrounding the HASWA 2015 is the funding of compensation costs for workplace accidents. These costs are covered by the Accident Compensation Corporation (ACC). The ACC uses experience rating (ER) on the levies that fund its Work Account from which compensation to injured workers are paid out. Under an ER system, levies on employers are loaded or discounted depending on their past claim rates for workplace accidents.

The underlying assumption of ER is that OHS is a commodity. This view of OHS as a commodity should now be abandoned, in light the paradigm shift signalled by the HASWA 2015. The latter treats OHS as a core value of a business, which is in contradiction with ER which treats OHS as a commodity. Moreover, the practical consequences of ER do not align with the stated objectives of the legislation.

The ACC introduced ER in 2011 to “provid[e] financial incentives to prevent injuries”, to “encourage appropriate return to work programmes” and, to make “levies fairer” so that lower risk employers do not subsidise higher risk employers (Accident Compensation Corporation, 2010). Experience rating means that levies imposed on employers are loaded or discounted based on the number of claims an employer has made in the past three years.

* Nadia Dabee, is a Professional Teaching Fellow and PhD Candidate, Department of Commercial Law, Faculty of Business and Economics, University of Auckland.

Section 2 of this article explains how the ACC uses ER and, that the underlying premise of ER is to treat OHS as a commodity (Kankaanpää, 2010). The section also provides other reasons to abandon the use of ER, namely that the practical effects of using ER do not align with the stated goals of the ACC. ER also does not achieve the legislative aims of the Accident Compensation Act (ACA) 2001 and of the HASWA 2015.

New research into OHS that suggest that to improve OHS, OHS should be core organisational value through management commitment and involvement of workers. The cost of OHS should also be a secondary consideration. Section 3 explains how some of the rules in the HASWA 2015 align with the findings of this new research. For example, the HASWA 2015 imposes due diligence duties on officers (S 44, HASWA 2015).

Methodology

A search for previous empirical studies (quantitative, qualitative and mixed) and, case law and legal commentary, was carried out in selected databases (EBSCOhost, HeinOnline, Jstor, PubMed, ScienceDirect, Scopus, LexisNexis NZ, Westlaw NZ and Austlii). The titles and abstracts of articles, and case summaries, were read to determine the relevance of each article, or case, to the themes examined in this article. The articles were selected on the basis of their relevance to the topic examined here.

To show that the underlying assumption of any ER scheme is that OHS is a commodity, the literature explaining the use of ER was examined.

To explain the practical effects of ER and assess the extent to which ER meets the objectives of the legislation, studies on the effects of ER were organised into the themes addressed in this article. The themes were based on ACC's stated objectives for the ER scheme (ACC, 2010). The following themes were searched for:

- Research testing the hypothesis that ER to provide financial incentives to invest in safety;
- Research examining the effect of ER on the rehabilitation of injured workers;
- Research examining the degree to which cross-subsidisation of high-risk industries by low-risk industry occurs.

The ACC has a good store of statistical data which would be impossible for a researcher to replicate. Where appropriate, the data available from the ACC were used.

Limitations of the Evidence Used

The limited availability of data is an impediment to carrying out empirical studies into OHS and ER (Brath, Klein, & Krohm, 2008). Also, a particular study can only look at a number of limited factors at a time, whereas workplace safety is affected by a multitude of factors. Finally, most of the empirical evidence comes from jurisdictions where the no-fault compensation system is limited to workers' compensation. In the United States, all States, except Texas, have opted for a no-fault compensation regime. Australia has a hybrid system where the injured employee can either sue or opt for no-fault workers' compensation. The United Kingdom has a no-fault system with most employers having to purchase compulsory insurance. This means that some of the conclusions from studies in other jurisdictions may not always be directly applicable to the New Zealand Context.

Statistics from the ACC on accident rates was also used. The ACC website explains that these data are approximate (ACC, n.d.a)

While the equivalent Australian legislation, the Model Work Health and Safety Act (Cth) 2011 is very similar to the HASWA 2015, Australian jurisprudence is not binding in New Zealand, but is merely persuasive. However, due the similarity of the two pieces of legislation, Australian jurisprudence can aid in the interpretation of the HASWA (NZ) 2015.

2. Experience Rating

2.1. Background: The ACC Compensation Scheme

The ACC pays out compensation to people who suffer injuries caused by an accident, whether at work or not, for “treatment injuries” or injuries following a medical procedure and for work-related gradual process diseases or infections (ACA 201, s 21 and Schedule 3). Mental injuries following certain criminal acts like rape are also compensated (ACA 2001, s 20).

Work-related injuries are defined in section 28 of the ACA 2001 as personal injuries suffered while at “any place for the purpose of his or her employment”. Cover is available for employees on breaks or travelling to and from work if the employer provided the means of transport. Work-related mental injuries are also covered (ACA 2001, s 20).

The ACC has five different accounts that fund compensation for five different types of injuries. The ACC accounts are “fully-funded” which means that, each year, the ACC collects enough in levies to cover the costs of the full lifetime of a claim (ACA 2001, s 166A; ACC, 2015). Only the work account is experience-rated.

Account	Cover for:	Levies paid by:
Work Account	Work-related injures	Employers and the self-employed
Motor Vehicle Account	Motor vehicle injuries on public roads	Motorists through licensing fees and petrol levies
Earners' Account	Non-work injuries suffered by people in work	Through the Pay-As-You-Earn tax on salaries
Non-Earners' Account	Non-work injuries suffered by people not in work	The government
Treatment Injury Account	Injuries that occur as a result of medical treatment	Earners' and non-earners' accounts

Table 1: The Five Funding Accounts of the ACC

The ACC Experience Rating Scheme (ERS)

The ACC loads levies on employers that had a poor accident claims record in the previous three years and gives levy discounts to those with good claims records. Looking at the previous three years prevents a costly incident in any one year from distorting the claims figures (Chelius & Smith, 1993). An employer with medical claims greater than \$500 per year or with a single fatal injury claim in one year faces an increase in levy of up to 75 per cent. The ACC can also require those workplaces with high claim rates to undergo prescribed safety programmes or face a 50 per cent increase in levy. The ACC also gives levy discounts to employers who have taken steps to improve workplace safety.

The ERS programme only applies to employers who pay levies beyond the “minimum liable earnings”. The liable earnings refer to how much employees earn. For example, in the tax year 1 April 2014 to 31 March 2015, the minimum liable earnings were \$28,600 (Accident Compensation Act (Experience Rating) Regulations 2016, Reg 6). Setting this threshold is necessary because ER can only be applied to larger businesses where a large amount of data can be gathered. The data for larger organisations is more reliable and consistent than the data that can be gathered for smaller businesses (Sugarman, 1985). A couple of accidents in a small firm with few employees would change its rate more significantly than a couple of accidents in a large company with many employees. Small businesses are left out of the ERS.

For those employers that do qualify for ER, levies are adjusted not just according to the number of claims and deaths, the risk management component (Accident Compensation (Experience Rating) Regulations 2015, reg 15(12)-(19)), but also according to how long the claims last – the rehabilitation component and the size of the employer (Accident Compensation (Experience Rating) Regulations 2015, reg 13, 15(4)-(11)). There is also an “off-balance” adjustment so that the “aggregate value of discounts equals the aggregate value of loadings” (Accident Compensation (Experience Rating) Regulations 2015, reg 15(2)(c)(i)). Which means that overall (across all businesses), discounts on premiums must offset loadings, so that the ACC can receive adequate funding from levies. Offsetting levy discounts with premium increases means the overall revenue of the ACC does not change (ACC, 2010).

Safety Programmes

The ACC currently has in place four programmes that tack onto of the ERS, but is planning to get rid of the two “voluntary” programmes (ACC, 2016a). That decision was made because these two voluntary programmes focus on “compliance rather than on outcomes” (ibid). There is no reason why the compulsory programmes should not be scrapped as well for similar reasons. A Research New Zealand pilot study indicates that the other programmes are also focussed on “paper compliance” (Research New Zealand, 2016).

Compulsory Programmes

For each of these programmes, an ACC inspector goes through the audit with the employer. The focus of the audit is on compliance which is determined by what is reflected on the forms provided by the ACC for the employer to fill in. Recommendations are made by the ACC inspectors.

The “No-Claims Discount” Programme

This programme applies to small businesses that have work levies of less than \$10,000 in any of the three previous years. The levy discounts are based on the number of weekly

compensation days paid in the three previous years. If there were no weekly compensation days paid, the business gets a 10 per cent levy discount. If there were between one and 70 compensation weekly days paid, there is no levy adjustment, and more than 70 weekly compensation days results in the levy being loaded by 10 per cent.

The “Workplace Safety Evaluations” Programme

This is a compulsory programme for employers who have “poor injury statistics” (ACC, 2016b). Claims data is used to identify employers who have twice the number of claims as the industry average. Employers must work with the ACC to meet required safety standards and improve workplace safety. Failure to participate or to complete agreed actions the workplace will be audited. Failing the safety audit may result in a 50 per cent increase in levy.

Under the programme, the ACC inspector will help the employer discover the causes of the most common accidents, followed by a plan to implement practices that will reduce accident rates (ibid). A follow-up by the inspector is done after six months, where the inspector can order a further safety audit if the business has not been able to improve its safety practices. The focus of the audit is to make the business compliant with hazard management standards prescribed by the legislation, staff training and incident reporting under the health and safety legislation.

The ACC reported that 53 per cent of employers who were deemed to be high risk, that is, with a loading of 15 per cent or more on levies, received help to put an action plan into place to reduce workplace accidents (ACC, 2012).

Voluntary Programmes

The next two programmes are voluntary and offer the reward of a premium discount for undergoing a safety audit.

The “Workplace Safety Discounts” Programme

This is an optional programme aimed at businesses with 10 or fewer full-time employees and those who are self-employed, in the areas of agriculture, forestry, construction, motor trades, road transport, fishing and waste management industries. The employer first undergoes an ACC safety audit. An employer who passes the audit gets a 10 per cent levy discount.

The “Workplace Safety Management Practices” Programme

This voluntary programme is aimed at medium-sized businesses. Discounts on work levies are applied for 24 months and can be renewed as long as safety standards are met. There are three levels of safety performance: primary, secondary and tertiary. To get into the tertiary level requires the employer to meet the highest safety standard of all three tiers. An employer who reaches the tertiary level (highest safety level) gets a 30 per cent discount in premium. Employers who reach the secondary level get a 20 per cent discount. The discount is 10 per cent for those who reach the primary level (lowest safety level).

2.2.The Rationale for Experience Rating

Equity in Premiums

The levy paid by each employer is differentiated on two bases (ACA 2001, ss 167, 169; Accident Compensation Act (Experience Rating) Regulations 2015). Firstly, the risk profile of the industry the employer is in. Industries where workers statistically suffer more injuries are perceived to be higher-risk industries and so employers pay higher levies. Secondly, the premiums vary among individual employers within an industry group based on the actual number of claims, the duration of the claims, the number of fatal claims, the number of claims exceeding \$500 in treatment claims (Experience Rating Regulations 2015, Reg 4), the levy-risk group and (Experience Rating Regulations 2015, Schedules 1-3), the size of the industry (ACA 2001, s 13).

Differentiating premiums creates a sense of equity. The impression is then that industries with lower claim rates do not subsidise industries with higher claim rates. (This claim is disputed later on in this article.) The accurate classification of industries into high-risk and low-risk industries is vital to calculate premiums accurately.

Safety

Part of the rhetoric on ER is that it helps promote workplace safety: the threat of a higher levy may motivate an employer to invest in workplace safety (Klein & Krohm, 2006). As explained below in section 2.3.1, this reasoning is overly simplistic.

The Underlying Assumption that OHS is a Commodity

Flemming (1967) argues that insurance premium adjustments make up a reliable “pain-and-pleasure” system that rewards employers with low claims and punishes those with high claims. The aim of this “pain-and-pleasure” system is to incentivise employers to make investments that would prevent accidents.

Underpinning this idea is the fact that employers respond rationally to incentives or disincentives (KanKaanpaa, 2010). That is, they can anticipate the increase in cost following an accident, and make a rational decision to invest in safety to prevent that accident. It follows that the investment in safety would have to be optimal, such that cost of investment in safety would not exceed the direct cost of the accident. This way of looking at OHS assumes that OHS is a “good” that requires resources to “produce” it (ibid).

A system that assumes its participants will act rationally requires employers and workers to have perfect knowledge of all the risks in the business and of all the steps required to eliminate or minimise the risks (ibid). In practice, such perfect knowledge is impossible to gain.

There is also the assumption that the cost of an accident only involves direct cost, such as paying increased levies and replacing machinery or workers. Indirect costs or externalities are often borne by victims and their families (ibid). Indirect costs can be as high as 20 times the direct costs of an accident (Mansfield et al., 2012). For example, a severely injured worker may no longer be able to work in their chosen profession and have to settle for a lower-paying job. There is also the cost of increased administration that goes into managing claims (Ison, 1986).

It is possible to require employers to assume the full cost of the accident, but that may lead to increased costs being passed on to consumers. Alternatively, employees could ask for wage premiums to compensate for the higher risk they face (KanKaanpaa, 2010). However, this is only possible when bargaining is possible between employer and employee. Employees are often economically vulnerable and unable to bargain with employers. Wage premiums will not always reflect the danger inherent in the job due to lack of knowledge about the inherent dangers of a job, inequality in bargaining and, the costs requiring the employer to set up prevention measures (Chelius, 1982). Transaction costs also exist in practice and include “ignorance, psychological factors, fundamental inequality of the employer-employee relationship, distribution of costs, and the...structure of workers’ compensation system” (Speiler, 1994: 238).

All these traditional, economics-based arguments are based on the premise that OHS is a commodity and that increasing the “supply” of OHS requires increasing the “demand” by providing the right incentives. This way of thinking contradicts modern research into OHS. The modern way of looking at OHS involves looking at OHS as an organisational value that should be at the core of every business (Healy & Sugden, 2012), rather than as a cost centre or commodity.

A parallel can be drawn with the trade of “carbon credits”. Splash (2010) argues that focussing on the economic aspects of reduce carbon emission reduces the incentives to change behaviour that would actually reduce carbon emission overall. Similarly, focussing on the costs of health and safety can detract from the changes in behaviour that need to occur to improve OHS.

2.3. Workplace Safety Culture (Viewing OHS as an organisational value)

The hypothesis that organisational structure can influence OHS is relatively recent. One of the first literature reviews in this area was done by Osborn et al., (1983), to study health and safety in nuclear plants (Osborn et al., 1983; Oien, Utne & Herrera, 2011). The authors were among the first to recognise management and other organisational factors as contributing to workplace safety.

The link between organisational structure and safety has since remained at the forefront of the safety debate. Investigations into disasters have put managerial shortcomings, poor safety culture, inadequate safety systems and, inability to take corrective measures, into focus (Kongsvik, Almklov & Fenstad, 2010). Thus, the concept of “workplace safety culture” began to emerge.

An organisation’s safety culture is part of its larger culture. Fernandez-Muniz, Montes-Peon & Vazquez-Ordas, (2007) propose the following definition of “safety culture” after undertaking an extensive literature review on the link between safety culture and the reduction in workplace accidents

A set of values, perceptions, attitudes and patterns of behavior with regard to safety shared by member of the organization; as well as a set of policies, practices and procedures relating to the reduction of employees’ exposure to occupational risks, implemented at every level of the organization, and reflecting a high level of concern and commitment to the prevention of accidents and illnesses (p.628)

Workplaces that have good OHS cultures exhibit certain characteristics. Namely, that OHS is viewed as an integral part of developing work processes, equipment and plant rather than a

separate cost centre. Other characteristics of workplaces with good OHS are: management commitment to OHS, leading by example, good reporting systems from worker to management and, flat organisational hierarchies with a “no-blame” culture (Fernandez-Muniz et al., 2005).

Hudson (2001) has suggested five types of safety cultures. The worst type of safety culture is a “pathological” culture, where not being caught for violations is more important than safety. The “reactive” culture is where the organisation recognises the importance of safety, but only reacts when there is an accident. The “calculative” culture is where safety hazards are managed through the use of cost-benefit analyses of the cost of safety measures against the benefits to be gained from those safety measures. In a “proactive” culture, organisations are constantly working on solving safety problems that crop up. Finally the “generative” stage is reached. Safety then becomes part and parcel of how the organisation runs its business (ibid).

An organisation has a “generative safety culture” when management holds health and safety as sacrosanct, there is good employee participation in workplace safety, and constant improvements on existing safety protocols are being made. An example of a “generative safety” culture in practice was the way the London Olympic construction was managed. Work was stopped whenever a danger was identified, and workers told not to worry about costs and targets. There were no deaths during the construction and non-fatal injury rate below the national average and, the project was delivered on time (Healey & Sugden, 2012).

Link with the HASWA 2015

The HASWA 2015 principles reflect the actions that are needed to have a “generative” culture (see section 3 below). However, it will not be possible to effect the paradigm shift proposed by the HASWA 2015 until employers and workers shift their mind-set as well. Unfortunately, as long as employers view OHS as a cost centre and a regulatory requirement, it will be difficult for most businesses to reach a “generative” culture.

While giving premium discounts as an incentive to undergo safety audits may appear to be a positive, ER turns can inculcate the mind-set that workplace safety is a cost that needs to be managed like any other business cost. Employers usually plan along shorter time-frames and so are unlikely to be attracted to invest in safety measures that eat into short-term profits (Brath et al., 2008).

At the moment, the ERS turns the employers’ minds to the costs of safety, and the accompanying safety programmes focus on compliance rather than on improving the overall safety culture. These are the characteristics of a “calculative” culture. Getting rid of the ERS could signal that thinking about OHS as a separate cost centre or as a commodity is now obsolete.

2.4. Does the ERS Help the ACC Achieve its Stated Goals?

As explained in section 1 above, the aims of the ERS are to “provid[e] financial incentives to prevent injuries”, to “encourage appropriate return to work programmes” and, to make “levies fairer” so that lower risk employers do not subsidise higher risk employers (ACC, 2010).

2.4.1. Does the ERS Provide Financial Incentives to Prevent Injury?

If changes in levy prices are to motivate employers to invest in workplace safety, then employers need to know in advance how levy hikes and discounts will be imposed. Koning

(2005) showed that employers who were aware of how ER works were more likely to invest in workplace safety. The ACC provides extensive information on the ERS on its website. The website also has an online calculator and there are hotlines to call for employers who would like more information. So arguably, for those employers who are interested, the information is readily available.

Under ER, most of the incentives to invest in safety are *ex post*. König (2005) also found that the incentive to “increase ... preventative activities” only eventuates after there was a “substantial” increase in levy for an employer. The ACC is decreasing levies on employers by 10 per cent for the 2017-2019 period while increasing levies on workers by three per cent (ACC, n.d.b). Employers now shoulder even less of the cost of compensation, which means reduced ability to motivate employers to invest in safety through the threat of increased costs.

Another study by Pascale Lengagne (2016) also found that an increase in premiums can lead to employers investing more in safety training and education *ex post*. She carried out an econometric study that correlates actual safety practices (rather than claim rates) with increasing or decreasing premiums; the dataset used was the manufacturing sector in France for the period 1999-2005. High premiums were a signal to employers to address OHS issues, and fewer OHS breaches were observed after a premium increase. Premium decreases did not lead to reduced efforts to maintain good OHS.

However, there are a number of confounding factors. Levy hikes may not be the direct cause of an increase in safety investment. A levy hike is usually accompanied by other events. For example, monitoring by the regulator could increase, good employees may leave, fines may be imposed and, the firm subject to negative publicity (Brath et al., 2008). Those other events may be a more significant cause of a change in attitude towards safety than a levy hike.

Increasing premiums means that employers have less to spend on improving OHS. A high claims rate could still act as a flag for an employer to improve their OHS. But a tax break could also be used as incentive, while freeing up money for employers to invest in OHS.

Smaller businesses are not experience-rated, so there is no financial incentive to invest in safety tied in with premium hikes or discounts (Boden, 1995). This is an issue because workers in smaller businesses have more hazardous work environments and smaller businesses have less money to invest in safety management systems (Sorensen, Hasle, & Bach, 2007). Small businesses (with less than 20 employees) make up 97 per cent of our economy (MBIE, 2016).

What do Decreased Claims Actually Mean?

Brath et al., (2008) found that ER is more effective at reducing the number of claims in larger employers. But they placed a *caveat* on their study and explained that the study does not “demonstrate” that experience rating creates an incentive to improve workplace safety, but only shows that claims decrease as a consequence of experience rating. The data is insufficient to suggest a causal relationship between increased premiums and an improvement in workplace safety (Brath et al., 2008).

A decrease in accident claims does not necessarily mean that fewer accidents are occurring. Instead, it could be that employers are getting their employees to make fewer claims, even if the numbers of accidents remain the same (Lengagne, 2016). It is often impossible to determine whether lower claims are due to better investment in safety or due to employers discouraging injured employees from making claims (Mansfield, 2012). The studies are

severely limited as no direct data is available to measure the effects of experience rating (Bruce & Atkins, 1993).

Indeed, one of the more severe consequences of experience rating is that some employers may discourage injured employees from filing a claim, or tell the employee to report an accident as a non-work accident (Tompas et al., 2013; Strunin & Boden, 2004). In New Zealand, this does not leave the worker with no compensation as it may in other jurisdictions (Strunin & Boden, 2004). The ACC will cover the cost of any accident, no matter the cause. Employers may discourage employees from making claims under the work account, but the cost of the claim will be picked up somewhere else. There is no evidence as to whether this is, indeed, happening.

Injury Statistics in New Zealand

Workplace injury claim rates have declined steadily since 2002 to 2015 by 14.5 per cent. The introduction of the ERS in 2011 coincided with a drop of the incidence rate of workplace injury claims from 120 to 114 (a five per cent drop). The rate has since then been stable at 111 injury claims per 1000 full-time equivalents (FTEs) from 2012 to 2014, dropping slightly to 110 in 2015 (a 0.9 per cent drop) (Stats NZ, 2016). The introduction of the ERS also coincided with the Pike River Mine disaster in 2010 after which Parliament started the process of changing the law relating to OHS in 2011 (Health and Safety Reform Bill 2011).

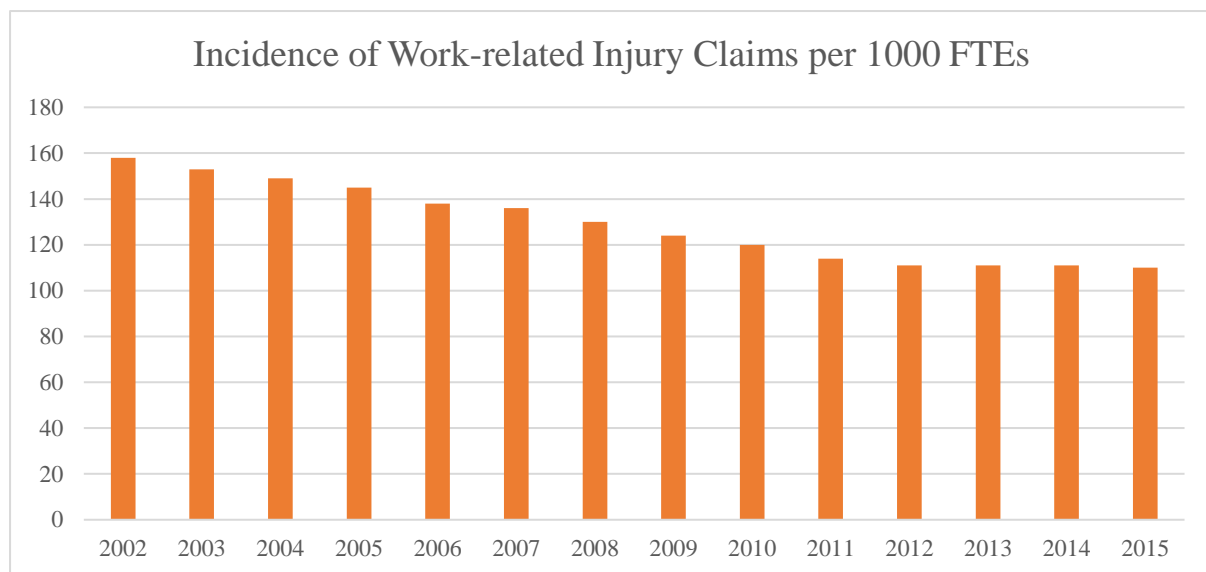


Figure 1: Rate of Work-Related Injury Claims per 1000 Full-Time Equivalents the period 2002 – 2015

The data in Figure 1 reflects the injuries that occurred in a particular year (not the date when the claim was made to the ACC).

A crude picture of what has happened since the introduction of the ERS in 2011 can be gathered by looking at the number of work-related claims against the total number of claims in the period 2011 to 2016 (ACC, n.d.a). The number of work-related claims is relatively stable, but the total number of claims across all accounts has gone up. The data on its own does not show that injured workers are moving their work-related claims to other accounts. The data indicates that more accident claims are being made to other accounts.

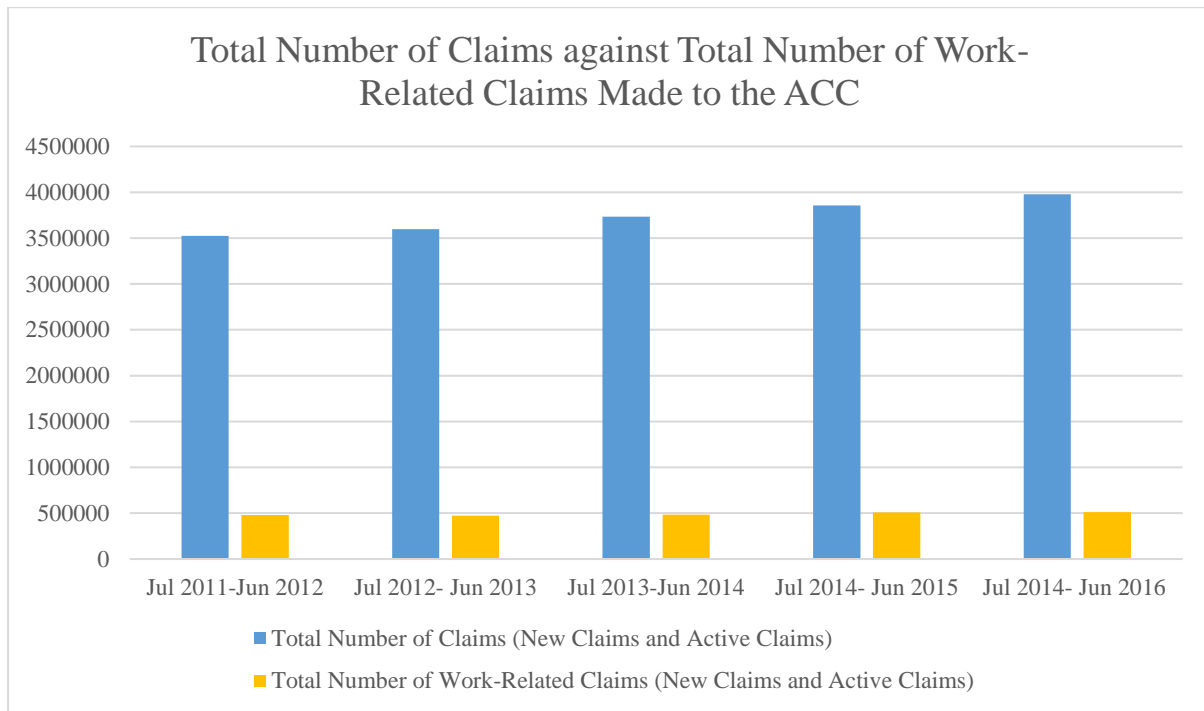


Figure 2: Total Number of Claims against the Total Number of Work-Related Made to the ACC in the Period July 2011- June 2016

The ratio of the total number of claims to the total number of work-related claims has increased since the introduction of the ERS in 2011 (ACC, n.d.a). This suggests that, relatively, more claims are being made to non-work accounts than to the work account. It could be that workplaces are becoming relatively safer when compared to other places where accidents occur (such as at home) or that work-related claims are being pushed to other accounts. It is impossible to determine what is actually going on without further research.

Year Range	Ratio of Total Number of Claims to Total Number of Work-Related Claims
Jul 2011-Jun 2012	7.4
Jul 2012- Jun 2013	7.6
Jul 2013- Jun 2014	7.7
Jul 2014- Jun 2015	7.6
Jul 2015- Jun 2016	7.8

Table 2: The Ratio of the Total Number of Claims Made to the ACC to the Total Number of Work-Related Claims Made to the ACC for the period July 2011 – June 2016.

2.4.2. Does the ERS Foster Rehabilitation?

In order to lower the number of claims being made, employees who are unfit to work may be kept on the payroll and discouraged from making a claim. (In New Zealand, workers have the option of making a claim for the injury as a non-work injury). Or, employers may ask a worker to come back on light duties so that the number of days off work can be recorded as being lower than what it ought to be (Mansfield, 2012). This then distorts the data on the number of severe injuries occurring that ought to be reported. The HASWA 2015, s 23 requires all serious

injuries to be reported to WorkSafe. Workers have sometimes been forced back to work without having fully recovered (Mansfield et al., 2012; Tompa et al., 2013).

Campolieti, Hyatt and Thomason (2006) showed a decrease in claim rates following the introduction of ER in British Columbia, Canada. The study showed that, while claims involving medical care decreased, claims that involved time off work (suggesting a serious injury) or claims for fatalities did not decrease. The reason could be because less serious injuries were not being claimed for, but claims for fatalities cannot be discouraged.

The real downside to the employer discouraging an employee from making a claim is the ensuing strain on the employer-employee relationship. Employees feel victimised, which then causes resentment and anxiety in the injured employee. These negative feelings also inhibit the employee's rehabilitation (Ison, 1986).

When an employer is worried about rising premiums, they may subject workers to unnecessary tests to prove that the injury is not work-related. To challenge claims, employers may resort to more adversarial attitudes towards their employees who make claims. Doctors may be pressurised to certify workers as fit to return to work when there is no suitable work available (Mansfield, 2012). All these factors can compound the stress on the worker, and inhibit their long-term well-being.

Dew and Taupo (2009), in a safety study of a meat processing plant in New Zealand, found that workers faced unsafe working conditions daily and felt compelled to turn up to work even while suffering from injuries. The company doctor pushed employees back into work even when they were not fit to return to their duties. Workers still turned up for work while not fully recovered from work injuries due to threats from management of lost earnings or of job losses. There was also a lack of bargaining power for employees due to production pressures and lack of opportunities to get other jobs. Moreover, workers knew their colleagues would have to pick up the slack if they were absent.

2.4.3. Does the ERS Ensure that High-Risk Employers are Not Subsidising Low-Risk Employers?

A first fallacy is to assume that ER accurately reflects a business' safety track record. The time lag between the employers making the investment in safety and the employers finally seeing a reduction in levy is long (Sugarman, 1985). An empirical study by James Chelius estimates that there is a delay of two years between the investment and a partial decrease in premium; and up to and five years to see the full reduction in premiums (Chelius & Smith, 1982).

Lamm, McDonnell & St John (2012) give an ironic example of ER in practice. Air New Zealand received a rebate in its levies in November 1980, under the then current experience rating scheme. The rebate was given to the airline after one of its planes crashed in the Antarctic in November 1989, killing 237 passengers and 20 crew members. This is an example of a company killing 257 people, but not having to immediately bear the full cost of those injuries.

A second fallacy is to assume that no cross-subsidisation occurs. There will always be a degree of cross-subsidisation as the aim of insurance is to spread out the costs of claims over all those insured. The final levy an employer has to pay always has a fixed component that covers the fixed cost of injuries across all firms and a fixed administrative cost (Lengagne, 2016).

Cheluis and Smith (1982) found that ER tends to penalise smaller firms by imposing “higher costs per dollar loss on them”. That is, for every dollar lost due to a workplace accident, smaller businesses spend more on insurance premiums than larger businesses. But despite the higher costs per dollar loss for smaller businesses, it was found that larger businesses do subsidise the cost of insurance for smaller businesses. This is because insurance companies have fixed overheads that they need to spread out over all of their clients. Larger businesses tend to pick up more of the tab.

Moreover, smaller individual businesses cannot be successfully experience-rated because the fluctuations in accident rates can vary wildly due to the small sample size. The risk is then pooled across a particular sector and the premiums averaged out across all the small businesses in that sector. Therefore, “less risky” small individual businesses do end up subsidising “more risky” businesses (ibid).

2.5. Is the ERS Consistent with the Underlying Philosophy of the ACC?

The original aim of the ACC scheme was to provide compensation to all those who suffered injury by accidents, regardless of fault (Oliphant, 2007). In setting up the ACC scheme, the Royal Commission of Inquiry, headed by Owen Woodhouse, in 1967, proposed five guiding principles: community responsibility, comprehensive entitlement, complete rehabilitation, real compensation and administrative efficiency.

The value of “community responsibility” underpins the New Zealand accident compensation legislation, and entails “the community ... protect[ing] all citizens ... from the burden of sudden individual losses when their ability to contribute to the general welfare by their work has been interrupted by physical incapacity” (Royal Commission on Accident Compensation, 1967).

While the ERS rhetoric of not having safer workplaces subsidising more dangerous workplaces seems appealing to the business community, it shifts the burden of the cost of accidents to those who can afford the least. Meeting the increased costs of premiums means that employers, already struggling with poor workplace safety, have even less money to spend on investing in OSH. Imposing more financial burdens on those who can least afford it goes against the fundamental philosophy of community responsibility that underpins the ACC.

The ACC wants to decrease levies on employers by 10 per cent (ACC, 2016c), but increase those on workers by three per cent (ACC, 2016a), thus, shifting more the cost of compensation onto workers, rather than spreading it out evenly across the whole community. Following from that, the rhetoric of incentivising employers to invest in safety through costs seems to make even less sense if workers are to bear more of the costs as the latter can often do very little on their own to improve workplace safety.

The Woodhouse Report stated three other goals for the ACC. Rehabilitation that enables injured workers to recover sufficiently from their injuries and allow them to start work as soon as possible. Real compensation that provides injured workers who cannot work with a decent standard of living. Finally, “administrative efficiency” to make up a speedy, consistent, economical and contention free administration (Royal Commission on Accident Compensation, 1967)

As argued above, the ERS does not foster rehabilitation. The ACC still provides compensation for all accidents, so even if accident claims are being moved to other accounts, then at least

injured workers are receiving compensation. But, if employers are urging workers to work while injured or to move their claims to other accounts, then that is hardly “contention free”.

2.6. Is the ERS Consistent with the Legislation?

To be in line with the legislation, the ERS should also promote measures that reduce both the number and severity of personal injuries, focus on rehabilitation that “restores to the maximum extent a claimant’s health” (ACA 2001, ss 3 (a),(c)). If injured workers are being forced back to work, then clearly this goal is not being met.

The ERS objectives must also be viewed in light of the overarching purpose for which the ACC was set up. The ACC’s work should “enhance the public good” (ACA 2001, s 3). In addition to providing compensation for personal injury, the ACC’s legislative goals are to work “to minimise the incidence of injury in the community” as well as manage “the impact of the injury on the community” (ACA 2001, s 3). The injury reduction must be done in a “supportive environment” (ACA 2001, s 263).

As shown above, the ERS leads to employers focussing on managing claims rather than on improving safety. The ERS can also create an adversarial environment, and could also be creating incentives that may push workers from claiming from other accounts would go against the legislative purpose of the ACC is to reduce personal injuries overall. Moreover, the available data show that ER does not meet the legislative purpose of restoring claimants’ health and well-being to the “maximum practicable extent” (ACA 2001, s 3). Overall, it appears that ER does not promote the aims of the legislation.

If employers start questioning or legally challenging claims made by employees to avoid a levy increase, then a certain element of “fault” is being reintroduced subtly into our legal system. This goes against the ideology of the ACA 2001, which places a statutory bar on actions for personal injury (Mansfield, 2012).

There is no mention of equity in funding in ACA 2001. The Act requires that any “funding policy statements” by the Minister be consistent with section 262 of the ACA 2001 (ACA 2001, s 166B). Section 262 states that services must be “cost-effective” (ACA 2001, s 262(3)(b)). There is a lack of evidence that the ERS gives a return in terms of savings on meeting compensation costs, the programme does not meet the funding requirements in the legislation either.

Another of the legislative functions of the ACC is to collect personal injury information (ACA 2001, s 3). An integral part of running the ERS programme is the collection of and analysis of “injury-related” information (ACA 2001, s 3(b)). The data collected by the ACC is currently being used for information on levy discounts and loading. The ACA 2001 states that information collected by the ACC should be used “to facilitate the achievement of the Government’s overall injury management objectives”. Under the ERS, the information gathered by the ACC could be used to identify workplaces that are in need of assistance to improve their OHS systems, but without using ER.

2.7. ACC’s Suggestions to Improve the ERS

The ACC has recently re-examined its ERS. The ACC identified three reasons for “enhancing” the ERS: improving the motivation to improve OHS performance; make the link between OHS performance and levy rates “understandable” and “improve how quickly” the levies respond to

changes put in place by the business. The ACC has suggested two new approaches: an increased “responsiveness” approach, and an increased “transparency and responsiveness” approach (ACC, 2016c).

The first approach suggests five main changes. The experience period would be shortened which would mean that the levy rates would fluctuate more rapidly. This may exacerbate problems with claims management as employers may have more incentives to manage claims to prevent fluctuations and to “ride out” shorter levy periods. More focus would be put on the number of claims than on the duration of the claims, the reasoning being that businesses have more control over preventing accidents than helping workers return to work. More severe injuries require workers to take longer periods off work; so this approach may shift the focus away from preventing more severe accidents and focus on decreasing the number of minor accidents.

Under the first approach, the ACC has also suggested only using the business’ experience without reference to the industry they belong to and without reference to the size of the business. Both of these changes will make the levies more volatile for a particular business. There is also a suggestion to setting the final premium after the experience period. The employer would have paid a deposit, and a final premium is calculated at the end of experience period, based on number of accidents. The effect of these changes could be two-fold: employers would have problems with financial forecasting, which could be a problem when drawing up tenders, and it will put more pressure on employers to manage claims to avoid paying extra premiums.

The second approach suggests two main changes. One being the removal of the claim duration consideration when calculating levies, with the possible consequences just described. The premiums will be increased and decreased according to a set “sequence on a ladder” (loaded premiums at the top and discounted levies at the bottom), coupled with the application of rules that determine the movement of the ratings “up or down a number of steps on the ladder”. Many rules could be applied at the same time. There is no explanation of what these rules would be except to say that they would be based on “performance” and that the rules would be known in advance to allow businesses to plan.

Neither of the suggestions cuts to the core of the issue, which is that OHS should no longer be viewed as a separate cost centre, but as a core value of the business and an integral part of the way work processes are designed.

2.8. Retaining Equity in Funding the Work Account

Removing the ERS would remove the perceived equity of the funding system for the ACC work account. While low-risk employers may not want to “subsidise” high risk employers, the upside is that, with reduced costs, high risks employers, for example in forestry and fishing, can be more competitive in a global market. Also, all employers would pay the same premium which would be more straightforward to administer.

Another possibility could be to retain levy differences between industries, with higher risk industries paying higher premiums but not differentiating levies within an industry. This would retain some equity at least across industries.

3. The Health and Safety at Work Act 2015: A New Concept of OHS?

Australia passed the Model Health and Safety at Work Act (Cth) 2011 as part of the process of updating its OHS legislation to be in line with the International Labour Organization's (ILO) Occupational Safety and Health Convention, of which New Zealand is also a signatory, and to be consistent with the ILO's 2003 Global Strategy on Occupational Health and Safety (National Review into Model OHS Law, 2008; ILO, 2003). The ILO's Global Strategy recognises that "new strategies and solutions need to be developed" in order to manage OHS, and that OHS needs to be given a "higher priority" and engage the whole community. The ILO advocates that workers have "the right to a safe and healthy working environment" (ILO, 2003).

Oldfield (2014) has argued that OHS should be considered as a human right. This approach would be a good strategy to fight against the abuse of workers that leads to hazardous working conditions. Human rights in the workplace is not a new concept. For example, under the Human Rights Act (HRA) 1993, employers are forbidden from discriminating against individuals on the basis of certain "prohibited grounds of discrimination", such as age and sex (HRA 1993, ss 21-22). The HRA 1993 was passed to implement New Zealand's obligations under the Universal Declaration of Human Rights. Cost is hardly ever at the forefront of any human rights debate. If OHS is to be viewed as a "right", then cost can no longer be a major consideration.

Here are some provisions in the HASWA 2015 which could be interpreted to mean that OHS is a priority and cost should no longer be an overriding consideration in achieving good OHS culture.

3.1. The "reasonably practicable" test

Most of duties in the HASWA 2015 are subject to the "reasonably practicable" test (HASWA 2015, s 22). For example, a person conducting a business or undertaking (PCBU) – such as a company, a partnership or a sole proprietor – has to "so far as is reasonably practicable" ensure the health and safety of the workers who work for it (HASWA 2015, s 36). Doing what is "reasonably practicable" requires the PCBU to "weigh up all relevant matters". The PCBU must have regard to the likelihood of the hazard or risk occurring and the risk that could result. In doing so, it must consider what a reasonable person knows or ought reasonably to know about the hazard or risk, and the ways of eliminating the hazard or risk and the availability and suitability of those ways. The very last consideration is whether the "cost is grossly disproportionate to the risk". The cost of eliminating or managing hazards and risks is the very last consideration in determining what is reasonably practicable.

Cost was also the last consideration under the "all practicable steps" test in the previous legislation, the Health and Safety in Employment Act (HASEA) 1992. The test looked at "the availability and cost of those means [to eliminate or minimise harm]" (HASEA 1992, s 26A). The term "grossly disproportionate" in the HASWA 2015 suggests a much higher threshold. The case of *WorkSafe New Zealand v Ministry of Social Development* (CRI-2015-0825-002309; [2016] NZDC 12806, per Doogue J.) was decided under the HASEA 1992. The Court explained that "in order for cost to outweigh the risk of harm, the cost must be 'disproportionate to the risk.'" The court also explained that the law had evolved and the cost must be "grossly disproportionate" to the risk to justify the organisation not taking steps to eliminate/minimise the harm.

The risk in this case was the violence by clients against staff. The Ministry knew that there was a real risk that their staff could be attacked by a client armed with a firearm. The steps that would have adequately protected the staff would have involved a significant redesign of the

offices, according to current best practice, at a cost of \$13.1 million - \$27.3 million for all the offices. The operating budget was \$400 million, so the cost of putting in place safety measures against firearm attacks would have been as much as 6.75 per cent of the operating costs. The court did not think the cost was “grossly disproportionate” to the risk faced by the employees and that the Ministry had failed in its duty to keep employees safe.

Clearly, the safety of the worker needs to come first, by eliminating or minimising risks and hazards, and the cost of protecting workers comes last. OHS can no longer be viewed as a commodity that responds to market forces (Kankaanpää, 2010).

3.2. Duties on Officers

When the leaders of an organisation exhibit behaviours that send out messages that OHS is important, then that attitude infiltrates the rest of the organisation (Zohar, 1980). For example, in the Olympics, management gave a clear signal to stop work if it was unsafe, regardless of cost. Ironically, not worrying about cost meant that the project ended up being completed on time and within budget (Healey & Sugden, 2012).

The directors of a company have always been distinct from the company itself and, thus, traditionally not liable for any wrong-doing of the company. This changed under the HASEA 1992, directors would have only been liable if they had “directed, authorised, assented to, acquiesced in, or participated in” the breach of the company (HASEA 1992, s 56). It was very rare for a director to be found liable. In *McGall v Dominion Bookbinders Ltd* (CRI-2009-090-503893, CRI-2009-090-503896, CRI-2009-090-503291, CRI-2009-090-503297, CRI-2009-090-503894, 31/3/2010, per Blackie J), the company had failed to maintain an entrance gate and an employee’s child was injured while climbing the gate. The company had breached s 50 of the HASEA 1992 by failing to provide a safe workplace for “any other person”. The director, being aware that the gate was defective, had “participated” in the breach and was personally liable under s 56 of the HASEA 1992.

The HASWA 2015 puts separate duties on officers of the PCBU (such as directors and partners), (HASWA 2015, s 18) which require officers to put OHS at the centre of what they do. Officers have a duty to exercise “due diligence” to ensure that the PCBU complies with its duties. Officers must first educate themselves about OHS matters relevant to their industry, and then find out about the hazards and risks in their particular business (HASWA 2015, s 44). Businesses with good OHS tend to ensure that production pressures do not come in the way of safety (Hudson, 2001). Officers need to ensure that there are adequate resources available for OHS (HASWA 2015, s 44). Flat hierarchies are associated with good OHS (Hudson, 2001), and the officer must ensure that there are appropriate processes that work in practice for employees and contractors to provide feedback on hazards and that steps are taken to eliminate those hazards (HASWA 2015, s 44). Finally, good OHS requires constant monitoring and checking (Hudson, 2001). Officers have to ensure that there are processes to audit OHS in their business and to verify all the processes in place are viable (ibid).

Officers, thus, need to dedicate more time to OHS as they would traditionally in order to be aware of what happens on the shop floor, to keep up-to-date with OHS trends in their industries, and to carry out regular safety audits. A lack of time and other resources will no longer be an excuse for an officer to not turn their minds to OHS, even for an officer overseeing a very large company (See the Australian case of *Inspector Kumar v Ritchie* [2006] NSWIRComm 384 (6 December 2006), per Haylen J.). Nor can the busy officer delegate this responsibility to focus mainly on the profitability of the business (HASWA 2015, s 31).

3.1. Contractors and Sub-Contractors

The fragmentation of the workforce means there are less stable employment contracts, and organisations increasingly rely on the work of contractors (James, Johstone, Quinlan, & Walters, 2007). This, in turn, meant more hazardous working conditions for workers in those less stable employment arrangements (Quinlan, Mayhew, & Bohle, 2001a;b)

It had been the law that contractors were responsible for their own OHS (Perritt, 1988). Thus, making use of contractors was a way for organisations to avoid the responsibility and costs of putting in place adequate safety systems. Hiring contractors is no longer an acceptable way of managing risk-liabilities and of reducing cost. The HASEA 1992 introduced changes that meant that principals had some responsibilities towards contractors and their employees.

The HASEA 1992 imposed a duty on a principal to “take all practicable steps to ensure that no employee of a contractor or subcontractor” or “no contractor or subcontractor” is harmed “while doing work... that the contractor was engaged to do” (HASEA 1992, s 18). However, the principal had less responsibilities than the contractor towards the contractor’s employees (*Central Cranes v Department of Labour* [1997] 3 NZLR 694, (1997) 5 NZELC 95,733, [1997] ERNZ 520 per Blanchard, Gault, Henry, Keith and Thomas JJ). Under the HASWA 2015, the principal (a PCBU) owes the same duties to the employees of the contractor as it does to its own employees.

Under the HASWA 2015, PCBU’s owe duties to keep their workers safe (HASWA 2015, s 36). The definition of “PCBU” in the HASWA 2015 is wider than the definition of “employer” in the HASEA 1992. A PCBU is a person that conducts a “business or undertaking alone or with others”, whether or not for profit or gain (HASWA 2015, s 17(1)(a)), whereas an employer was a “person who employs any other person to do any work for hire or reward” (HASEA 1992, s 2).

In the HASWA 2015, the definition of “worker” includes contractors and subcontractors and their employees (HASWA 2015, s 19). Under the HASEA 1992, employees only covered those who worked directly for an employer (HASEA 1992, s 2). This change in the law is to reflect the fragmentation of employment and to impose duties on businesses that create risk and that have the ability to protect workers and other persons (Johnstone, 2015).

Also, under the HASWA 2015, main contractors and sub-contractors have a duty to “consult, co-operate... and co-ordinate activities” if they owe the same duty to the same person (HASWA 2015, s 34). Principals and contractors owe the same duties to the employees of contractors under the HASWA 2015. This duty to consult had only been part of a code of practice under the HASEA 1992 (MBIE *A Principal’s Guide to Contracting to Meet the Health and Safety in Employment Act 1992*, May 2010).

The laws under the HASWA 2015 seem to suggest that PCBU’s now have a higher obligation to manage the risks and hazards that contractors and their employees face than employers would under the HASEA 1992. The law recognises the fragmentation of the workforce and that all workers need protection, regardless of their employment status. While market forces may have pushed for the fragmentation of the workforce, the intent of the HASWA 2015 is to push against these forces and provide protection for all workers, regardless of their status.

4. Conclusion

From the available empirical evidence, it is possible to draw the conclusion that it is not possible to achieve the aims of the ACA 2001 and the HASWA 2015 by using ER. Tying financial incentives to preventing injuries encourages employers to focus on managing claims rather than on preventing injuries. Levies are loaded, also, according to the severity of the injuries claimed for, so the longer an employee is off work, the higher the premium becomes. This may mean some employers try to get employees back to work sooner than they are ready to do so. There is also evidence that low-risk employers do end up subsidising high-risk employers because there is a fixed cost that needs to be met that is spread out evenly over all premiums. Moreover, by increasing levies on employers with poorer OHS, the amount many of these employers have to invest on OHS is reduced, making it even less likely that they will be able to make changes to improve OHS.

With its focus on providing incentives to invest in occupational health and safety (OHS) through costs, ER is conceptually inconsistent with the fact that OHS should not be viewed as a separate cost centre but as part of the cost of properly designing work processes and plants *et caetera*... In spite of the countervailing evidence and logical inconsistencies, the ACC would still like to retain ER, albeit in a modified form (ACC, 2016d). The modifications would not remove the fundamental problems associated with ER, but more importantly, the message that safety is a cost centre would remain at the forefront.

The evidence shows that the ERS does not lead to improved workplace safety. Perverse outcomes, such as employers discouraging employees from making claims and reporting near-misses, can occur. Moreover, the “stick” approach does not sit naturally with the non-threatening, supporting role the ACC is meant to have in our community.

The HASWA 2015 represents a possible paradigm shift in the way of thinking about OHS. The “reasonably practicable” test, the due diligence duties of officers and, the emphasis on ensuring the safety of contractors and their employees signal new way of thinking about OHS. Cost can no longer be a driving factor, and, as the evidence shows, shifting the focus from costs to good practices does lead to improved profitability.

The implementation of the HASWA 2015 and the infrastructure surrounding it need to be in step with the changes represented in the HASWA 2015 if the way we think about OHS in New Zealand is to change, but that can only occur if attitudes shift. Employers need to change their mind-set, and retaining ER is a way of clinging onto a way of thinking that does not belong with the new OHS regime.

References

- ACC. (n.d.a). *Injury Statistics Tool*. Retrieved from <http://www.acc.co.nz/for-individuals/injury-statistics/index.htm>
- ACC. (n.d.b). *Decreasing your work levy*. Retrieved from <https://www.shapeyouracc.co.nz/proposals/work-levy/>
- ACC. (2010). *Experience Rating Information and Consultation Document*. Wellington, New Zealand: Author

ACC. (2016a). *The Earners' Account*. Retrieved from <https://www.shapeyouracc.co.nz/assets/uploads/documents/earners-account.pdf>

ACC. (2016b). *ACC Workplace Safety Evaluations*. Retrieved from <http://www.acc.co.nz/for-business/small-medium-and-large-business/workplace-safety-for-small-medium-and-large-businesses/BUS00064>

ACC. (2016c). *The Work Account*. Retrieved from <https://www.shapeyouracc.co.nz/assets/uploads/documents/work-account.pdf>

ACC. (2016d). *Our new approach to helping create healthy and safe workplaces*. Retrieved from <https://www.shapeyouracc.co.nz/assets/uploads/documents/new-approach-workplace-health-safety.pdf>

ACC. (2012). *Financial Condition Report 2012*. Retrieved from http://www.acc.co.nz/PRD_EXT_CSMP/groups/external_communications/documents/reports_results/wpc117421.pdf

ACC. (2015). *How we're funded: the 5 ACC accounts*. Retrieved from <http://www.acc.co.nz/about-acc/overview-of-acc/how-were-funded/>

Boden, L.I. (1995). Workers' Compensation in the United States: High Costs, Low Benefits. *Annual Review of Public Health*, 16: 189-218.

Brath, M.M., Klein, R.W., & Krohm, G. (2008). Workers' Compensation Insurance Experience Rating and Subsequent Employer Claims: the Wisconsin Experience. *Journal of Insurance Issues*, 31: 16-42

Bruce, C.J., & Atkins, F.J. (1993). Efficiency Effects of Premium-Setting Regimes under Workers' Compensation: Canada and the United States. *Journal of Labor Economics*, 11(1): 538-569.

Campolieti, M., Hyatt, D., & Thomason, T. (2006). Experience Rating, Work Injuries and Benefit Costs: some new evidence. *Industrial Relations/Relations Industrielles*, 61(1): 118-145

Chelius, J.R. (1982). The Influence of Workers' Compensation on Safety Incentives. *Industrial and Labor Relations Review*, 35(2): 235-242

Chelius, J.R., & Smith, R.S. (1993). The Impact of Experience Rating on Employer Behaviour: The case of Washington State. In D. Durbin & P.S. Borba (eds.). *Workers' Compensation Insurance: Claim Costs, Prices and Regulation* (pp.128-137). Ithaca, NY: ILR Press

- Dabee, N. (2016). The Health and Safety at Work Act 2015: The Myth of Increased Deterrence. *Victoria University of Wellington Law Review*, 47(4): 586-616.
- Dew, K., & Taupo, T. (2009). The Moral Regulation of the Workplace: presenteeism and public health. *Sociology of Health and Illness*, 31(7): 994-1010
- Fernandez-Muniz, B., Montes-Peon, J.M., & Vazquez-Ordas, C.J. (2007). Safety Culture: analysis of the casual relationships between its key dimensions. *Journal of Safety Research*, 38(6): 627-641
- Fleming, J.G. (1967). The Role of Negligence in Modern Tort Law. *Virginia Law Review*, 53(4): 815-846.
- Healy, N., & Sugden, C. (2012). *Safety Culture on Olympic Park*. Retrieved from <http://www.hse.gov.uk/research/rrpdf/rr942.pdf>
- Hudson, P. (2001). Safety management and safety culture: the long, hard and winding road. In W. Pearse, C. Gallagher, & L. Bluff (eds.), *Occupational health and safety management systems: proceedings of the first national conference* (pp.3-31). Sydney: Crown Content
- ILO. (2003). *Global Strategy on Occupational Health and Safety*. Geneva, Switzerland: Author
- Ison, T. (1986). The Significance of Experience Rating. *Osgoode Hall Law Journal*, 244): 723-742.
- James, P., Johnstone, R., Quinlan, M., & Walters, D. (2007). Regulating Supply Chains to Improve Health and Safety. *Industrial Law Journal*, 36(2): 163-187
- Johnstone, R. (2015). Regulation of Occupational Health and Safety. In J.D. Wright (ed.), *International Encyclopedia of Social and Behavioral Sciences* (2nd ed.) (pp.141-146). Oxford: Elsevier Science Limited
- KanKaanpaa, E. (2010). Economic Incentives as a Policy Tool to Promote Safety and Health at Work. *Scandinavian Journal of Work, Environment and Health*, 36(4): 319-324.
- Klein, R.W., & Krohm, G. (2006). Alternative Funding Mechanisms for Workers' Compensation: An International Comparison. *International Social Security Review*, 59: 3- 28.
- Kongsvik, T., Almklov, P., & Fenstad, J. (2010). Organisational safety indicators: some conceptual considerations and a supplementary qualitative approach. *Safety Science*, 48(10): 1402-1411

Koning, P. (2005). *Estimating the Impact of Experience Rating on the Inflow into Disability Insurance in the Netherlands*. (Discussion Paper Series Nr: 05-07). Retrieved from https://www.uu.nl/sites/default/files/rebo_use_dp_2005_05-07.pdf

Lamm, F., McDonnell, N., & St John, S. (2012). The Rhetoric vs the Reality: New Zealand's Experience Rating. *New Zealand Journal of Employment Relations*, 38(2): 21-40

Lengagne, P. (2016). Experience Rating and Work-Related Health and Safety. *Journal of Labor Research*, 37: 69-97.

MBIE – Ministry of Business, Innovation and Enterprise. (2016). *Small Businesses in New Zealand – how do they compare with larger firms?* Retrieved from <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/sectors-reports-series/pdf-image-library/the-small-business-sector-report-and-factsheet/small-business-factsheet-2016.pdf>

Mansfield, L., MacEachen, E., Tompa, E., Kalcevich, C., Endicott, M., & Yeung, N. (2012). A Critical Review of Literature on Experience rating in Workers' Compensation Systems. *Policy and Practice in Health and Safety*, 10(1): 3-25

National Review into Model Occupational Health and Safety Law. (2008). *National Review into Model Occupational Health and Safety Law. First Report, October 2008*. Braddon, ACT: Department of Education, Employment and Workplace relations

Oien, K., Utne, I.B., & Herrera, I.A. (2011). Building Safety Indicators: Part 1- Theoretical Foundation. *Safety Science*, 49(2): 148-161

Oldfield, Y. (2014). Safe and Healthy Work: a Human Right. *New Zealand Journal of Employment Relations*, 39(2): 73-105

Oliphant, K. (2007). Landmarks of No-Fault in the Common Law. In W. Van Boom & M. Faure (eds.), *Shifts in Compensation (vol. III): Between private and public systems* (pp.43-85). Vienna: Springer

Osborn, R.N., Olson, J., Sommers, P.E., McLaughlin, S.D., Jackson, M.S., Scott, W.G., Connor, P.E. (1983). *Organizational Analysis and Safety for Utilities with Nuclear Power Plants: an Organizational Overview*. (NUREG/CR-3215; BHARC-400/83/011; PNL-4655). Richland, WA: US Nuclear Regulatory Commission.

Perritt, H.H. Jr. (1988). Should some Independent Contractors be Redefined as Employees under Labor Law. *Villanova Law Review*, 33: 989-1041

Quinlan, M., Mayhew, C., & Bohle, P. (2001a). The global expansion of precarious employment, work disorganization, and consequences for occupational health: a review of recent research. *International Journal of Health Services*, 31(2): 335-414

Quinlan, M., Mayhew, C., & Bohle, P. (2001b). The global expansion of precarious employment, work disorganization, and consequences for occupational health: placing the debate in a comparative historical context. *International Journal of Health Services*, 31(3): 507-536

Research New Zealand. (2016). *Safety Star Rating Pilot Report*. Retrieved from <https://www.worksafe.govt.nz/worksafe/about/what-we-do/the-safety-star-rating-scheme/documents-and-images/ssr-pilot-evaluation-final-report.pdf>

Sorensen, O.H., Hasle, P., & Bach, E. (2007) Working in Small Enterprises – Is there a Special Risk? *Safety Science*, 4 (10): 1044-1059.

Speiler, E.A. (1994). Perpetuating Risk? Workers' Compensation and the Persistence of Occupational Injuries *Houston Law Review*, 31(1): 119-264.

Splash, C.L. (2010). The Brave New World of Carbon Trading. *New Political Economy*, 15(2): 169-195

Stats NZ. (2016). *Injury Statistics – Work-related claims 2015*. Retrieved from http://www.stats.govt.nz/browse_for_stats/health/injuries/InjuryStatistics_HOTP15.aspx

Strunin, L., & Boden, L.I. (2004). The Workers' Compensation System: Worker Friend or Foe? *American Journal of Industrial Medicine*, 45(4): 338-345.

Sugarman, S.D. (1985). Doing away with Tort Law. *California Law Review*, 73(3): 555- 664.

Tompa, E., Hogg-Johnson, S., Amick III, B., Wang, Y., Shen, E. ... Saunders, R. (2013). Financial incentives of experience rating in workers' compensation: new evidence from a program change in Ontario, Canada. *Journal of Occupational and Environmental Medicine*, 55(3): 292-304.

Royal Commission on Accident Compensation. (1967). *Compensation for Personal Injury in New Zealand: Report of the Royal Commission of Inquiry*. Wellington: Government Printer

Zohar, D. (1980). Safety Climate in Industrial Organisations: Theoretical and Applied Implications. *Journal of Applied Psychology*, 65(1): 96-102.

