

RESEARCH NOTE

EMPLOYMENT RELATIONS, EFFICIENCY AND EFFECTIVENESS IN AUSTRALASIAN UNIVERSITIES - TWO CASE STUDIES

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The research on academic employment relations reported in this note is the product of further analysis of Tipples and Krivokapic-Skoko's (1997) data used in a comparison with Lowry (1996). Both projects were conducted quite independently and similar features were noted only after publication in the International Journal of Employment Studies.

Lowry (1996) found that senior academics with longer years of service had lower levels of commitment than relatively new academic staff. Previous research suggested that there were higher commitment levels among senior, long serving staff. This article supports Lowry's findings. The research also suggests a complex relationship between characteristics of employee psychological contracts (e.g. the extent of fulfilment of promised obligations) and organisational commitment, trust and job satisfaction.

INTRODUCTION

Two recent articles in this journal have focused on changing employment relationships in tertiary educational institutions. First, Lowry (1996) studied the effects of employment externalisation on employee commitment in a multi-campus Australian university. Then Tipples and Krivokapic-Skoko (1997) looked at the effects of

performance management on academics' employment relationships in a New Zealand university.

By an accident of timing, the authors of the second article were not aware of the first at the time of writing. Consequently, it was not possible to focus on the common features of employment relations in tertiary education in Australasia. One feature was, however, clearly apparent - change. Both had become universities at the end of the 1980s, from previously existing tertiary education institutions. Both had experienced rapid growth, but were having to adjust to becoming universities in a context of reduced funding, more students, demands for 'relevance', 'quality' and 'customer focus'. In addition, the New Zealand university was confronted by the traumas of the restructuring of the 'New Zealand Experiment' in neo-liberal economic policies (Kelsey, 1997). State sector managers have been applying this thinking to organisations since the mid 1980s, with similar changes occurring in many Western economies, but with a particularly dramatic quality in New Zealand (Peters, 1997).

Against this background there are a number of overlapping themes in the two studies which shed light on each other. While both institutions had probationary initial appointments and performance management regimes, the major difference appeared to be the degree of externalisation of employment, with the Australian university aiming for both numerical and functional flexibility in its professional workforce. Approximately a third of academic appointments were on a fixed term contract basis. In contrast, at the New Zealand university approximately 9 percent of academic staff were employed on fixed term contracts. Regular re-application for jobs was a problem in both cases. In both cases the universities were having to adapt to a new management culture.

MANAGERIAL CHANGES

At the New Zealand university greater stress had been placed on the adoption of a performance management regime rather than a policy of externalisation of employment. The New Zealand university had changed its management culture in response to governmental directives from a rather paternalistic culture to one that was performance driven.

Performance led management systems sometimes fail to deliver the best services to clients (both internal and external) due their focus on efficiency without an equal, balancing, focus on effectiveness. In addition, the adoption of performance led systems, developed within the private sector, by public domain organisations has frequently failed to consider the unique features of the public domain (Ranson and Stewart, 1989; Skelcher, 1992; Davies and Hinton, 1993). Often associated with performance management has been the practice of 'restructuring' resulting in redundancies and causing employees to view the practice sceptically (Herriot *et al.*, 1997). In a University setting, Lowry (1996) reports a lower level of commitment from long serving academics who have been part of the change to performance management.

PSYCHOLOGICAL CONTRACTS

The term 'psychological contract' has been described as the 'invisible glue that attaches individuals to employing organisations over time' (Herriot, 1992). In assessing the impact of performance management, the concept of 'psychological contracts' is useful. Robinson and Rousseau, 1994; Tipples and Krivokapic-Skoko, 1996; Herriot *et al.* 1997; Stiles *et al.* 1997).

Changes to psychological contracts can come from a number of sources. Morrison and Robinson (1997) writing on how employees can feel betrayed and violated by the breaking of a psychological contract, list the following scenarios where violation has occurred: restructuring, downsizing, increased reliance on temporary workers, demographic diversity, foreign competition, lack of job security and judgements of insufficient reward for hard work. All of these potential breaches of psychological contracts can lead to loss of trust, lack of commitment and cynicism from employees (Stiles *et al.*, 1997; Robinson, 1996).

On this line of thinking, it would appear from the above that employees will be dissatisfied and have less commitment to an organisation that has changed its employees' psychological contracts by failing to meet promised obligations. Therefore, we might expect to find a negative correlation between the failure of the organisation to meet promised obligations and employee job satisfaction scores such as measured by the Job Descriptive Index (J.D.I.) developed originally by Smith, Kendall and Hulin (1969). With Lowry (1996), we expect to find a

decreased level of commitment from long serving employees affected by the imposition of a performance management regime.

RESULTS

The methodologies adopted by Lowry (1996) and Tipples and Krivokapic-Skoko (1997) are described in the original articles.

In our research, there was a negative correlation between the satisfaction scores (J.D.I.) and the university failing to meet obligations promised. This was offered further support by the positive correlation between promised obligations being fulfilled and increased job satisfaction. There was also a positive correlation between the fulfilment of promised obligations and increased levels of trust being held by the employees. The results also show a positive correlation between trust and the J.D.I. scores.

Secondly, like Lowry (1996), we expected to find a decreased level of commitment from long serving employees. This was found to be supported by the negative correlation between greater length of service and organisational commitment. Length of service was also found to be correlated with expected future length of service, but negatively correlated with positive feelings about changes over the last year. Other findings included the apparent anomaly that organisational commitment was strongly negatively correlated with intent to stay. Positive feelings about changes were found to be correlated with trust, J.D.I. scores and the fulfilment of promised obligations.

For students of academic employment relations, our New Zealand research is usefully related to Lowry (1996) and other studies.

For Australia Lacy and Sheehan (1997) have recently reported that factors relating to the environment in which academics work, including university atmosphere, morale, sense of community and relationships with colleagues, were the greatest predictors of job satisfaction. Those things which develop a sense of community - acknowledgment, support, appropriate levels of participation in decision making - encourage higher levels of job satisfaction and reduce job dissatisfaction. But just as important are nurturing the intellectual environment, clarity of aims and faculty- administration relations. Importantly, in our study, the fulfilment of promised obligations was correlated to job satisfaction as measured by the J.D.I. with the highest level of correlation. Trust was

found to be related to job satisfaction and also related to the fulfilment of obligations.

Lowry (1996) makes the point that there is "a discrepancy between the rhetoric of 'people are our greatest asset' and the message implicitly conveyed ... that 'people are somewhat disposable'". The results from the New Zealand university suggest that the actions of the university may have contributed to the erosion of trust many employees now feel towards their employer (Pickard, 1995; Tipples and Krivokapic-Skoko, 1997).

The changes imposed by performance led systems move the employment contract from the relational, which is often supported by the organisations mission statement, to the transactional in nature. The rhetoric used in mission statements, of providing a quality service to valued clients (or a variation on this theme) is often not supported as the targets measured are often short term, and focus upon economic or efficient goals rather than longer term effectiveness goals.

Like Lowry's study, the New Zealand study found that commitment was negatively correlated with greater length of service of academic employees. However, it was also found that expected length of future service, measured in years, was negatively correlated with commitment. An explanation may lie in Lowry's suggestion that the lower level of commitment may be related to the effects of changes. The results from New Zealand show a negative correlation between the effect of changes and length of service. This means that longer serving employees viewed the changes as making their job worse. The negative correlation between intent to stay and commitment may also be explained by Lowry's suggestion that longer serving employees have more to lose if they leave the organisation due to the 'side-bet' theory (Becker, 1960), whereby they stand to lose benefits accrued over time.

Herriot *et al.* (1997) and Rousseau (1996) both point out that modern lean organisations require increased commitment from their employees to be successful. However, if the current employees will not, go 'the extra mile' due to lack of time, trust, commitment, goodwill or resources then there is nobody else left to do so, as the 'slack' has been removed due to 'down-sizing'. This situation will result in poor service for the clients, a cost that may not be immediately apparent in an efficiency indicator.

There is also a potential 'hidden' cost involving employees who become dissatisfied with their psychological contract and choose to leave

the organisation. Fitz-enz (1997) has shown that the loss of a trained employee to an organisation has been estimated at 133 percent of the annual salary when training and replacement costs are taken into account. Pragmatically it would appear to be more cost effective for an organisation to seek to keep its existing employees rather than to lose them due to dissatisfaction or loss of trust. Given that academic disciplines are often very specialised, the costs to replace the skills lost may be even higher than 133 percent.

Current research has shown that there is a significant correlation between the variables of trust, job satisfaction, fulfilled obligations and commitment. Further research is needed to understand the role these variables play in forming psychological contracts.

The authors do not criticise the adoption of a performance driven philosophy *per se*, they do however consider that the techniques used to measure organisational performance should be considered before 'blind adoption'.

In current Australian academic job satisfaction surveys, the change reported indicates that the staff were generally not impressed with the state of affairs. Reports of increased student unrest also suggests that other 'clients' of the system were also not impressed with the level of performance. The current evidence suggests that performance led systems that focus upon efficiency indicators may be leading the organisation towards potential future costs that arise from dissatisfaction, loss of trust and commitment from employees and clients. To minimise costs, a **proactive** approach to developing sound balanced psychological contracts with employees would appear to be the **optimal** strategy for academic employees rather than the expensive and time consuming process of trying to restore confidence once it has been lost.

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