

# **Employment relationships in dairy farming - Psychological contracts reconsidered.**

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**LEW 12, VUW, 15-16 November 2006**

# Introduction

- **It had been our intention to outline our initial findings on Once-a-Day milking**
- **Project has escalated, therefore no news to the end of the project.**

**Instead, we want to:**

- **Share some of our developing conceptual ideas on psychological contracts and research approaches; and**
- **Get your reactions to them.**

# The Employment Relationship

- **Two parts:**
  - **Legal contract**
  - **Psychological contract**
- **Legal expectations: Observable and quantifiable outcomes**
- **Psychological expectations: Invisible, but nonetheless real**

# Psychological Contract Origins

- **Construct appeared around 1960.**
- **Sources: social contract and social exchange theories, the idea of reciprocity (Roehling, 1997).**
- **“The psychological contract is a series of mutual expectations of which the parties to the relationship may not themselves be even dimly aware but which nonetheless govern their relationship to each other.” [Levinson *et al.*, 1963, 21].**

## Psychological contracts cont.

- **Previous research (Tipples and Verry, 2006) has either been largely survey based (Rousseau *et al.*) or based on critical incidents (Herriot *et al.*).**
- **Lorsch advocated the psychological contract construct, highlighting its diagnostic and therapeutic uses. (Jay Lorsch, *HBR*, 1979)**
- **Useful guidance for managers is offered by earlier research on the subject, as we seek to understand employment relationships, focusing more on expectations than obligations.**

# Previously used the 'Contracting' Approach (Tipples, 1995)

- Suggests some practical ways of establishing and maintaining sound and on-going mutually matching employment relationships=> 'Contracting' strategy
- Four stages: Pre-creation, Creation, Maintenance and Termination
- Focus: Realism, no surprises
- Better matches give more job satisfaction, more individual productivity, less labour turnover
- Used to assist in resolving dairy farming employment problems in the New Zealand (Tipples, Hoogeveen and Gould, 2000).

## **The Employment Relationship cont. - An alternative view**

- **Organizational development literature (e.g. Roberts, DL, 1977) suggests the desirable result of contracting is creating safety:**
  - **Financial**
  - **Social**
  - **Physical**
  - **Emotional**
- **Good contracting leads to safety for both employer and employee parties.**
- **Bad contracting leads to misunderstanding, defensiveness, stress & playing social and psychological ‘games’.**

## **The Employment Relationship cont.**

**Common denominator - to create emotional and functional safety, so that:**

- maximum energy goes into job performance,**
- minimum need for defending and protecting self.**

**This is called emotional job fitness  
(Altdorfer, 1977)**

## **Feeling 'safe' the parties function as autonomous adults:**

- Can concentrate on task at hand, focus, make fewer mistakes.**
- Can ask for help, advice, admit mistakes, apologize when needed.**
- Can value themselves, be assertive, take care of their own needs.**
- Can value others by communicating honestly at adult level.**
- Can think, feel, and do things in accord with their authentic self rather than play games.**

## When the parties do not feel safe they defend themselves by:

- **Fighting:** directly confrontational, winners and losers, someone gets hurt, energy sapping, may escalate.
- **Fleeing:**
  - **Overt:** Literally leaving the arena/job turnover, going out of business.
  - **Covert:** Disguised departure – Day-dreaming, chemical substances, working ‘by the book’, marking time.
- **Negotiating:** An attempt to reason with the other party to re-establish a psychological contract and ‘safety’.

## **Given a sense that danger exists the choice of strategy is determined by:**

- **Context – if in a supportive group fighting or negotiating.**
- **A sense of personal power or strong conviction.**
- **Knowledge and experience from previous encounters.**
- **Personality and personal drivers.**

# Difficulty of empirical research

- **The psychological contract is dynamic.**
- **‘At any one point in time we can take a snapshot of the contract, but that’s merely a fix on a moving target.’  
(Herriot, 1992, 7)**
- **Individuals may have a number of psychological contracts at the same time (e.g. number of work roles occupied?).**

# DAIRY FARMING CONTEXT

# Agriculture in New Zealand

- **Dairy exports = \$5.71 billion ( 21% of total merchandise exports) (SONZAF, 2006)**
- **3.9 million cows in 12,751 herds (Fonterra, 2005)**
- **26,331 people in Major Occupation Dairy Farming (1.5% of those occupied @ Census 2001)**

# **Dairy Industry Structural Change**

- **Diminishing overall labour force and less but larger herds**
- **Sole self employment is diminishing**
- **Replaced by more employment and employees**
- **More staff and management skills are needed per herd**
- **Ageing of dairy farm population**
- **Hours worked increasing since 1991. In 2001 32% work more than 70 hours per week**

# ***Strategic Framework for Dairy Farming's Future, 2005***

- **NZ Vision: 'World's best in dairying'**
- **Purpose: 'To enhance the **sustainable** competitive advantage of New Zealand dairy farming'**
- **Social sustainability only by implication: 'Be an attractive career prospect for current and potential farmers'**
- **Family succession rates in dairy farming perhaps as low as 6 percent?  
Sustainable?**

# The dairy farm labour crisis

- **Reputation: Low pay and bad employment relations**
- **Staff shortages since the late 1990s**
- **Response: Promotion of the career and lifestyle of dairy farming: *Windows to Dairying* and *Let's talk Dairying*; TV adverts etc**
- **Failure of industry to recognize problems from employees' perspective (e.g. Fairweather, 1994)**

## **A shift in employer/employee power**

- **“Good” employers (e.g. fair, concerned, involved, and even tempered) have little trouble getting staff**
- **“Bad” employers (e.g. bad tempered, unfair, exploitative, or unconcerned) have more and more difficulty getting staff. They have to take what they can get!**

# **Staffing problems in Canterbury dairy farming**

- **Canterbury dairy farming had acute difficulties in recruiting/retaining staff.**
- **No collective employment relations in dairy farming**
- **A ‘critical incident’ technique was applied to dairy farm employers/managers and employees to expose their psychological contracts.**

# Canterbury Dairy Farming PCs

- **Most frequent incidents were in the Work Environment group**
- **More than half related to issues of time e.g. very long hours, inappropriate rosters, and holidays.**
- **Most salient highlighted with employers as topics to concentrate on when recruiting staff.**
- **Employees' good treatment of the employers' property and animals was the most salient expectation of employees. (Tipples, Hoogeveen and Gould, 2000).**

## **Past research suggested:**

- **Reducing the tyranny of long hours through technological changes such as ‘Once-a-Day’ milking.**
- **Better pre-appointment preparations e.g. realistic recruitment**
- **Targeting specific employment stressors**
- **Focus on maintaining ‘best’ features of the work environment.**
- **We need more effective ways of exploring actual employment relationships.**

# Improvement

- **THE POTENTIAL!**

## **Future research needed:**

- **Initial results sufficiently positive to get the investment of more research funds in 2006-7 to study comprehensively: ‘The Human Face of Once-a-Day Milking’**
- **Problem with anecdotal research data, but with triangulation of methods and sources of data they can become robust**
- **Need for non-verbal ways of exploring employment relationships**