

GETTING EMPLOYMENT RELATIONSHIPS RIGHT

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ABSTRACT

Staff management and employment relationships in dairy farming have been problematic for many years. Employment relationships can be conceived as having legal and psychological components. Dairy farming employment relationships were investigated through employers' and employees' psychological contracts. The content of these psychological contracts was explored through a study of critical employment incidents recalled by a convenience sample of dairy farming employers and employees. Results suggested key issues prospective employees should discuss with prospective employers to ensure the establishment and maintenance of lasting and effective employment relationships.

Introduction

Don Rhodes, writing recently in *The Employer* (July 1999), argued that we need to be careful not to treat employment contracts, or any other form of contract, as just a matter of law. They are much more than that. They are about interpersonal relationships as well, whether between husband and wife, farmer and consultant, landowner and sharemilker, or between employer and employee. These 'extra' contractual terms form what is known as psychological contracts. A psychological contract covers the behavioural parts of interpersonal relationships while the law covers the legal parts.

Scenario 1: An employee of yours breaks a piece of machinery and does not tell you until you find the breakage yourself. What should or could be done?

Scenario 2: You are a dairy farm assistant employed by a farming couple who are both very involved in the farm. Often the female partner suggests jobs which need doing which you begin to complete when the male partner tells you to do a job that needs doing more urgently. This situation is causing some tension in the work place. What can be done?

These scenarios are typical of breakdowns occurring in psychological contracts: the first, from the employee not meeting the farmer's expectations; and the second, from the farming partners having different expectations so that meeting one partner's expectations will mean not meeting the other's.

Good psychological contracts have been identified as being a major issue in the success of dairy farming employment relationships in a recent study at Lincoln University (Tipples, Hoogeveen and Gould, 1999). Don't be put off by the word psychological - it simply refers to the often unspoken expectations and obligations the employer has of the employee and vice versa. It is basically the parts of the employment relationship which are often not fully discussed but simply assumed. An excellent example where psychological contracts operate in a big way is the marriage relationship, where certain roles and associated expectations are assumed. If these roles and expectations are not filled there is a sense of frustration and disappointment.

For example, a manager may expect staff members to work overtime to get an important job completed, without additional pay, whereas the staff may assume they will be compensated in some way.

This research was initiated from an industry-based focus group at Lincoln University helping to identify priorities for research. A study of the types of psychological contracts operating in the employment relationships between staff managers and staff in the dairy production sector was proposed. The researchers believed understanding how dairy psychological contracts operate was vital to the formation of successful, satisfying and lasting employment relationships.

Methods

The methods used in this research were derived from an approach originally developed by Herriot, Manning and Kidd (1997) in Great Britain. The basic unit of analysis in their research on psychological contracts is the critical employment incident. In their study, employers and employees were asked to recall incidents at work, where an employee or employer went beyond or fell short of what might reasonably be expected of them in their treatment of the other party. The interviewees' responses were recorded and then categorised according to Manning's (1992) classification of employment incidents. Herriot *et al* had reasoned that the nature of an employment obligation could:

'...be inferred from each incident of an expectation being violated or exceeded. It was assumed that the more frequently a particular category of obligation was cited the more salient it was overall in the minds of the respondents, and thus the more prominent a component of the psychological contract for them.' (Herriot *et al*, 1997)

In this research, the approach by Herriot *et al* was applied to New Zealand dairy farming. Prospective interviewers were farm management students at Lincoln University. They were required to live in, or come from, a dairy production area and they had to be able to get to interviews easily. The chosen ten interviewers were trained. They were subsequently paid on completion of the interviews and return of the tapes of interviews conducted and a transcript of the critical incidents cited.

Interviewers were asked to interview five dairy farm employers and five dairy farm employees each over Easter 1998. It was assumed they would be returning to their home areas over the vacation period where they would already know many dairy farmers and their employees. Following Herriot *et al* (1997), they were instructed to draw a convenience sample from their immediate acquaintance. They were instructed to ask dairy farmers and farm employees to remember employment incidents where the behaviours of employers or employees were better or worse than what they expected.

These incidents were then classified by two of the authors operating independently, using Manning's (1992) classification. Differences were reconciled by discussion until agreement was reached. Interviewees were asked not to identify any person described and interviewers were reminded of their professional responsibility to keep all information gathered as strictly confidential.

Of the ten interviewers selected and trained, two pulled out before the research began. Another failed to complete any interviews. One interviewer only completed seven interviews and one complete set of 10 interviews was rejected as a result of a quality check. The interviewer had ignored his instructions and paraphrased all the interviewees' responses rather than quoting exactly what was said in the interview and recorded on tape. Consequently, only 57 interviews took place out of the planned 100, which gave 476 usable incidents. Subsequently another 12 interviews were conducted in a part of Canterbury not covered in the previous work. That gave 69 usable interviews and 579 incidents.

Some problems were encountered by interviewers in distinguishing the employment relationship, a contract of service between an employer and an employee, from a contract for services between two independent parties eg the sharemilking relationship and the use of contract milkers. (Discussions on the Government's proposed Employment Relations Act have highlighted this issue!).

By asking employers and employees to recall critical incidents that exceeded or fell short of their expectations, it was possible to identify breaches of psychological contracts occurring in the dairy production sector.

Data collected was categorised under 20 headings, 13 for employer obligations and seven for employee obligations following the research of Herriot *et al* (1997) (see Figure 1). Both groups identified incidents in response to four standard questions seeking to find out their recollections of better and worse behaviours by employees and employers. Responses were classified for all categories, but one, for both groups. Incidents were classified as good or bad treatments and the most important categories, following Herriot *et al*, were those with the most incidents.

Results

Incidents occurred more often in the 'environment' category than in any other. For this reason the 'environment' category was divided into two parts - 'general environment' issues and those involving time. The 'general environment' category covered incidents relating to the provision of a safe and congenial work environment while the 'environment time' category covered incidents relating to the length of time worked and time off as outlined in Figure 1a. These incidents equated to 20% and 21% respectively of all incidents cited. Examples of different types of incidents are as follows:

Good treatment by employer

Category 7: Recognition

'Bonuses in the way of calves and cash at the end of the season.'
(Interview WS1)

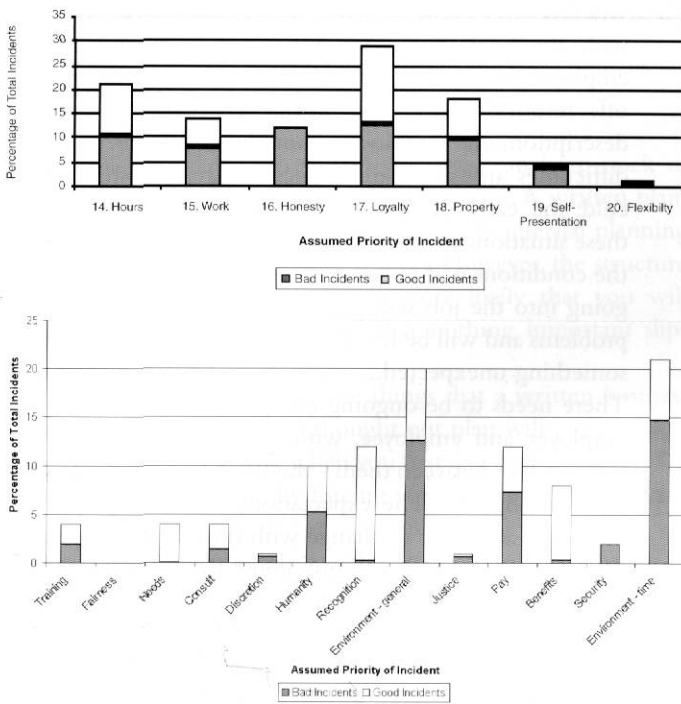
Figure 1: Categories of employment incidents and obligations imputed: (a) Employer/Manager Obligations

Incidents	Description of incident type	Number incidents	Percentage of total
1. Training	Providing adequate induction and training	15	4
2. Fairness	Ensuring fairness of selection, appraisal, promotion and redundancy procedures	0	0
3. Needs	Allowing time off to meet personal and family needs	12	4
4. Consult	Consulting and communicating with employees on matters which affect them	14	4
5. Discretion	Minimal interference with employees in terms of how they do their job	5	1
6. Humanity	To act in a personally and socially responsible and supportive way towards employees	33	10
7. Recognition	Recognition of or reward for special contribution or long service	42	12
8. Environment	Provision of a safe and work environment; managerial support etc.	68	20
9. Justice	Fairness and consistency in the application of rules and discipline	3	1
10. Pay	Equitable with respect to market values and consistently awarded across the organisation	42	12
11. Benefits	Fairness and consistency in the administration of the benefit system	26	8
12. Security	Providing what job security they can, and jobs preserved in redundancy, illness or accident as far as possible	7	2
13. Environment -time	Incidents relating to length of time worked and time off	70	21
Total		337	100

(b) Employee Obligations

14. Hours	To work the hours you are contracted to work	50	21
15. Work	To do a good job in terms of quality and quantity	35	14
16. Honesty	To deal honestly with the clients and with the organisation	28	12
17. Loyalty	Staying with the organisation, guarding its reputation, and putting its interests first	70	29
18. Property	Treating the organisation's property in a careful way	43	18
19. Self Presentation	Dressing and behaving correctly with customers and colleagues	13	5
20. Flexibility	Being willing to go beyond one's own job description, especially in an emergency	3	1
Total		242	100

Figure 2: Employee Obligation Incidents Grouped Relatively by Form of incident



Category 8: General environment

'Employer tries to find skills and abilities of the employee and if they enjoy working more with stock or tractor work then allows them to do more of that work. Tries to bring it out in them, so to ensure that they enjoy what they're doing.' (Interview HC10)

Category 10: Pay

'Pay above district average and overtime above normal hours at a flat rate.' (Interview JO4)

Poor treatment by employer

Category 10: Pay

Boss taking advantage of employee having no prior knowledge in the industry and underpaying him and expecting him to work long days.' (Interview HR9)

Category 13: Environment time

'Employee being expected to get the cows in morning and afternoon, 7 days a week, being given off only 2 hours per week and one weekend per month.' (Interview HR8)

The most frequently cited incidents suggesting staff obligations were the Loyalty category at 29% of all incidents cited, followed by Hours (21%) and Property issues (18%). Examples of these cited incidents include:

Good treatment by employee

Category 14: Hours

'An employee offered to continue to work over Christmas to allow the owner to have a holiday without being asked to.' (Interview HR1)

Category 17: Loyalty

'Dairy farmer had been sick and worker has been given time off but comes back to work until farmer well enough, because

things had to be done.' (Interview HC3)

Category 18: Property

'Employee mowing the manager's lawn and weeding his garden without being asked to.' (Interview HR5)

Poor treatment by employee

Category 13: Hours

'When an employee was left to their own devices and took advantage of this, not putting in the hours required between milkings doing on-farm work.' (Interview HR1)

Category 16: Honesty

'Employee lying and trying to cover up his mistakes when implements got broken.' (Interview HR4)

Category 17: Loyalty

'Giving an employee time off for a family bereavement and they don't turn up again.' (Interview HR8)

Category 18: Property

'When an employee starts knocking the cows around... Not taking care of the manager's machinery which affects cashflow.' (Interview HR3)

Figures 1 and 2 illustrate the proportion of incidents cited in each category with differentiation between good and bad incidents and therefore the assumed priority of these.

Discussion

The more a category of incident was cited, the greater importance Herriot *et al* (1997) believed it had. On that basis, 'environment time' and 'general environment', as the two most cited types of incidents, were of the most importance to those interviewed. Thus interviewees believed that the employer obligations were first and foremost in the 'environment time' and 'general environment' categories, followed by the 'pay', 'recognition' and 'humanity' categories. For all of these, except recognition, bad incidents exceeded good incidents, being a half to two thirds of incidents in each category. Therefore, dairy farm employers need to pay special attention to these areas, emulating the good practices reported and avoiding the bad ones.

Taking the environment time as an example, this would suggest dairy employers should pay attention to employees' concerns with the hours worked and the time off given. More time off may need to be given and only reasonable hours expected, especially at the busiest time of year, spring calving. However, employees' concerns could also be addressed by making certain that they were fully aware of the time stresses upon appointment, so that when they encounter them they are not surprised. Thus long and stressful hours are part of their job and they know it.

The second largest employer obligation category gaining negative responses was the 'general environment' category. This category covers incidents relating to the provision of a safe and congenial work environment. This includes the accommodation provided. In some situations, this issue is difficult to address, such as with sharemilkers who have little control over the quality of accommodation because it is the farm owner's responsibility.

For 'recognition', almost all incidents were good incidents suggesting this is an area in which employers could do much to improve employees' work experiences in dairy farming. Emulation could be as simple as saying 'thank you' for jobs well done or recognition to others of special efforts.

The largest category of concern for employee obligations was that relating to loyalty. Employees sometimes lacked loyalty to employers and the organisation. An example of this was: 'In another situation an employee leaving one week into calving with one day's notice' (Interview JO3). Loyalty on the job has to be 'earned' by the employer and is not always an automatic inclination for employees.

The second largest category of employee obligations related to critical incidents classified as 'hours', which concerned employees working the hours they were contracted to work. 21% of incidents showing employee obligations were in this category. Employee obligations relating to 'honesty', which covered dishonest dealings with clients and the organisation, concerned 12 % of all incidents showing employee obligations. However, all were bad incidents. Honesty is difficult to ensure in an individual. There is little an employer can do improve this situation except be careful to select as honest staff as possible and encourage honesty. Correction of this behaviour must come directly from the individual employee.

To achieve successful psychological contracts, the aim is to match expectations and priorities. In terms of the incidents cited, employers and employees agreed on the obligations of the employers to employees. On the other hand, there was a difference in the views of employers and employees on employee obligations to employers in terms of the attitude to property. On dairy farms, property is of particular importance as it can be costly to repair and may make or break a farming business. In Canterbury, where summer drought can reduce the grass available and irrigation is indispensable, employee carelessness or misuse of large irrigators resulting in damage may not only lead to costly repairs, but is also a serious threat to the business.

Recommendations

Psychological contracts are fundamental to the employment relationship. It is imperative to have sound psychological contracts for successful employment relationships. Dairy production staff and staff managers have differing views on the obligations of each to the other. Some steps need to be taken to increase the successfulness of psychological contracts.

This can be achieved by making sure a thorough discussion, with as much thinking and understanding of mutual expectations as possible, takes place when a new job is set up, or when an established job experiences major change. Our research suggests that discussion and thinking should concentrate on:

1. The work environment as it is a problem area:
 - Employers should provide an adequate environment to work and live in, in terms of accommodation, and the hours worked and time off.
 - Employers need to explain clearly to the employee the nature of the job from the outset. It is in the employer's

own interests to provide the possible future employee with the information they require to have well founded expectations and to make an informed decision as to whether they want to work there. This can be achieved with the help of a good job description and written employment contract. They should outline the hours, time off, responsibilities, and duties. As part of the job description, the employee should be informed of the difficulties and distasteful aspects of the job such as the cold; the early mornings; and the slurry and smells. In these situations a candidate who is not prepared to tolerate the conditions will pull out of the selection process. Those going into the job will do so with their eyes open to its problems and will be less likely to leave because they meet something unexpected..

- There needs to be ongoing communication between the employer and employee, with regular reviewing of the relationships between them - the key being talking to each other at all times. The expectations of the employer and employee are likely to change with time so it is important to discuss these changes and adjust the relationship and contract where appropriate.
2. In terms of employee obligations to the employer, property incidents whether good or bad, were reported mostly by the employers/managers. Staff should be properly trained in the use of tools, equipment and machinery to avoid accidents and to reduce equipment damage. This has the added advantage of encouraging compliance with the Health and Safety in Employment Act 1992. Other categories were rated with a similar importance for both parties, including hours and loyalty.
 3. Recognition issues: employers and managers need to say 'thank you' and show appreciation for jobs done well and for special contributions.
 4. Communication is the key to successful employment relationships as they are reciprocal. Looking after the employee will have positive benefits on the employer and vice versa.

To help employers address the most important issues highlighted by this research, work has begun on developing an instrument for employers to use to help them establish and then maintain employment with satisfied mutual expectations and perceptions of mutual obligations. Such an instrument is intended to clarify issues which may not otherwise have been openly discussed, and to help form sound psychological contracts.

A fuller version of this report is available as a Farm and Horticultural Group Discussion Paper from Dr Rupert Tipples, Applied Management and Computing Division, Lincoln University, Canterbury.

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