OTAGO MANAGEMENT GRADUATE REVIEW

ISSN 1176-4643

Published annually by the Department of Management, University of Otago

Business address: Department of Management
University of Otago
PO Box 56
Dunedin
New Zealand

Editor: Dr. Alan Geare, Professor of Management

Editorial Board (2006): Dr. Vicky Browning
Assoc. Prof. André Everett
Prof. Alan Geare
Prof. Steven Grover
Dr. Zi-Lin He

Managing Editor: Nancy Benington

© Copyright of the papers is retained by the authors.
CONTENTS

Editorial
Alan Geare

Perspectives on the patent system and its role in innovation: A way forward?
Brian Casey

A Review of Mentoring Relationships: Formation, Function, Benefits, and Dysfunction
Jono Elkin

Employees’ Responses to High Performance Work Systems. Assessing HPWS Effectiveness
Shannon Hegan

The 90 Day Probationary Period: Rhetoric or Reality
Shannon Hegan

Improvements of Executives’ Expatriation Experience in New Zealand: A Survey of French Expatriates
Lioubov Jakob

An Evaluation of the Three-Component Model of Occupational Commitment Among New Zealand General Practitioners
Ewan McComb

The Abolition of Youth Minimum Wages in New Zealand: What Effect will this Have on Teenage Employment
John Stevenson

Collectivism to Individualisation: Factors Contributing to this Recent Change in Employment Relations
John Stevenson
EDITORIAL

This journal is once again proud to publish some of the best pieces of work by graduate management students at the University of Otago.

The papers in this volume were written by students taking 400 level papers, either for BCom (Hons), Post-graduate Diploma or for MBus (taught Masters).

Full time honours students took the equivalent of three, 12 point taught papers a year, plus a 20,000 word research paper worth 12 points; MBus students took the equivalent of four 12 point taught papers plus two research papers. The taught papers normally require four essays of around 4,000-5,000 words. (From 2007 onwards, the University has converted all points for papers upwards by a factor of 3.)

One of the articles in this issue is an abbreviated version of a 20,000 word research paper, the others articles are examples of essays submitted for papers.

All students at this level are free to submit papers for this Review, subject to the supervising staff member having graded the paper at A or A+.

We congratulate those students whose work is represented here.

Alan Geare
Editor
**CONTENTS**

Editorial  
*Alan Geare*  

Perspectives on the patent system and its role in innovation: A way forward?  
*Brian Casey*  

A Review of Mentoring Relationships: Formation, Function, Benefits, and Dysfunction  
*Jono Elkin*  

Employees’ Responses to High Performance Work Systems. Assessing HPWS Effectiveness  
*Shannon Hegan*  

The 90 Day Probationary Period: Rhetoric or Reality  
*Shannon Hegan*  

Improvements of Executives’ Expatriation Experience in New Zealand: A Survey of French Expatriates  
*Lioubov Jakob*  

An Evaluation of the Three-Component Model of Occupational Commitment Among New Zealand General Practitioners  
*Ewan McComb*  

The Abolition of Youth Minimum Wages in New Zealand: What Effect will this Have on Teenage Employment  
*John Stevenson*  

Collectivism to Individualisation: Factors Contributing to this Recent Change in Employment Relations  
*John Stevenson*
Perspectives on the Patent system and its Role in Innovation: A Way Forward?

Brian Casey

Introduction
Economists have long appreciated the importance of innovation for economic progress. Accordingly, researchers have scrutinized the effects and desirability of stimulating various forms of research and innovative activity through such public interventions as direct Research and Development (R&D) tax-incentives, non-profit tax exemptions for research institutions, public financing of R&D activity, and intellectual property regulations (i.e., patent, copyright, and trademark policy) (Bessen & Maskin, 2000).

Hence, a substantial body of theoretical work has examined how much innovation intellectual property regulations induce. The analyses have generally assessed the impact of those regulations through their effect on protecting innovative returns from potential imitators who attempt to produce the same product as the innovator.

A distinctive characteristic of modern economic growth has been the significant role played by technological change (Sheridan, 1998). Of the diverse factors motivating technological change, one factor that has received increasing attention in the recent past has been the role of intellectual property protection and specifically patents. Consequently this forms the focus for this paper’s discussion.

Certainly, given the shift in the ownership distribution of innovations away from individuals and towards large corporations in recent decades (Rowland, 1997), Intellectual Property (IP) protection has arguably become an even more important stimulus than previously; for such protection augments both the means and the incentive to undertake expensive innovation. While there has been an ongoing debate on whether strong (or indeed stronger) intellectual property protection encourages or retards the rate of technological change and, perhaps, that of economic growth, policy-makers have in any case moved towards a regime of stronger intellectual property protection in recent times, as evidenced by the agreement on Trade Related Intellectual Property issues (TRIPs) in April 1994 (Gould & Gruben, 1996; Lesser, 2000; Taylor, 1993, 1994).

This paper takes a broad perspective of the patent system as it exists today and the theoretical foundations upon which it is based. What is evident from this analysis is that not all interests, whether social or organisational, are maximised under the current regime. Indeed, there appears to be an implicit tradeoff that varies across industries, technologies, economies and geographies. Therefore, this paper surveys these issues and considers what a patent system, if indeed a patent system is the answer, must consider in order to maximise the benefits from innovation.
A Brief History
That inventors be given specific protection for their invention was a principle recognized as early as the fifteenth century, when the very first patents were granted by the city state of Venice for glass blowers seeking to protect their skills (Benkler, 2004; Rowland, 1997). The motives cited were the natural right of the inventor to the fruits of their labour, the benefits accruing therefore to society at large, society's compensation (therefore) of the costs incurred by him, and the bonus this would provide to inventive propensities (Mandich, 1948). This is not to imply, however, that opposition to such protection did not also exist right from the earliest times. Some argued even then, for instance, that such protection mimicked prohibitive tariffs (insofar as the protected products could not be imported freely, hindering trade) and ought not to be granted (Schiff, 1971). That this issue has continued to remain controversial into the present times would be understating the case; one of the key reasons for this being the lack of cumulative empirical evidence one way or the other. Evenson (1990) categorises the attempts to examine the incentive effects of IP rights on innovation into two studies of (firm) behaviour and studies on the intrinsic value of protection. To these categories one should add, or at a minimum widen the first category to include, attempts to estimate aggregate or economy-wide response (Gould & Gruben, 1996; Park & Ginarte, 1997).

Strong(er) Protection or Weak(er) Protection?
When considering the process of technological change, two important characteristics of innovations ought to be kept in mind. First, innovations are non-rival goods. That is, use of a particular innovation by a producer does not preclude other entrepreneurs from using it. Second, innovations are partially non-excludable goods. This implies that the innovator is often unable to completely prevent others from using the innovation without due authorization (Romer, 1990). It is these two properties of innovations that form the basis of the argument in favour of intellectual property protection, which serves to decrease the degree of non-excludability of innovations by assigning to the inventor the property rights over his innovation for a given period of time. In return, disclosure by the inventor (in the patent application), adds to society’s fund of knowledge once the property rights lapse. How strong should the protection given be, however, is a difficult and complex question to settle in practice. Briefly discussed below are the various arguments for and against the strong protection of intellectual property.

Arguments Favouring Weak Protection
One of the more obvious benefits supposed to accrue from the weak protection of intellectual property, especially for developing countries, is claimed to be the cheap acquisition of technology through imitation, and the encouragement this provides to innovation. Underlying these arguments may be the suppositions that protected products have no close substitutes or competition, that the menu of products available would be the same irrespective of the protection regime (i.e. strong or weak), and that there are no offsetting costs to the countries in question (Sherwood, 1990). Second, there are several instances of patent abuse involving inadequate disclosure in developing countries, where important bits of knowledge have been withheld from the patent applications, without which even
those skilled in the art would not be able to replicate the inventions after the expiry of the patent. Thus, a system that is meant to add to society's fund of knowledge ends up thwarting technical change (Roffe, 1974). Third, strong protection, by creating a monopoly, may induce the producer to accumulate "sleeping patents" in an effort to preserve market share (Gilbert & Newbery, 1982). In this case, strong protection will only serve to limit the rate of technological change. Although, whether a producer would want to preserve market share with extant technology would depend upon whether or not he can do better by innovating (Park, 1997).

Takalo and Kanniainen (2000) demonstrated that stronger protection, by enhancing the innovator's capacity to wait and see how viable the innovation turns out to be, delays the commercial exploitation of the innovation and hence inhibits technical change. Bessen and Maskin (2000) show that if innovation is sequential and complementary (as in certain industries like software, semiconductors and computers), stronger protection would limit imitation and thereby inhibit technological change. Helpman (1993) shows that strong protection will increase the rate of innovation only in the short term as it raises profitability; in the long term it lowers the innovation rate as the producers tend to produce the older products. In a global context, Deardorff (1992) demonstrates that as patent protection is extended (to developing countries, for instance), the gains from protection in the form of higher inventive activity (on account of higher profits), taper off as diminishing returns set in, and at some point could fall short of the costs of protection (due to monopoly pricing). Again, Chin and Grossman (1990) show that the protection of intellectual property enhances global incentives for R&D investment only when R&D productivity is large, but not when innovations are small. Grossman and Helpman (1991) show that stronger protection (or production subsidies) would cause the global rate of technical innovation to fall.

Arguments Favouring Strong Protection
On the other hand, there is evidence which suggests that strong protection stimulates innovative activity, at least in some industries such as pharmaceuticals and chemicals. Thus, (Levin, Klevorick, Nelson, & Winter, 1987) a survey of 650 U.S. R&D executives who had been asked to rank order alternative means of protecting products and processes across 130 industries, found that for the pharmaceuticals and chemicals industries the executives placed great emphasis on patent protection. This result is supported by Mansfield (1986), who questioned one hundred R&D executives across different US industries about what percentage of their inventions over the period 1981-3 would not have been made had it not been for the availability of patents. The survey responses revealed that 60% of the inventions in pharmaceuticals and about 40% in chemicals would not have been developed in those circumstances (Evenson, 1990). This evidence is in resonance with Segerstrom (1991) who shows that government incentives to innovation unambiguously increase inventive intensity. Curiously, it is not necessarily in agreement with Segerstrom’s earlier work (Segerstrom, Anant, & Dinopoulos, 1990), which shows that stronger protection may either increase or decrease inventive activity.

Second, “strong” protection is often necessary because, even with this “strong” protection, competition begins to gnaw away the profits fairly quickly, lowering innovation incentives. For example, Lesser (2000) notes that the
commercial life of a new (crop) variety in the US is only about seven years and has been declining due to competition and is not the statutory 20 years which a patent protects. Mansfield (1985), using a survey of 100 US firms spanning 13 manufacturing industries, reports that the average time lapse until the point where information is leaked to rival firms was only about a year for new products and processes, and 12 to 18 months for innovation decisions.

Third, foreign direct investment and the transfer of technology from one country to another may be adversely affected, if adequate protection is wanting in the importing country. Taylor (1993; 1994) shows that in such a scenario, weak protection in one country (to facilitate unintended technology transfers, for instance), would evoke a defensive response from inventors in the other more strongly protected country; so that industries which were importing technology would now have to employ less than the best practice technology, thereby lowering aggregate R&D. Lai (1998) qualifies this statement by showing that the relationship between protection in the importing country and innovation depends on whether imitation or foreign direct investment is the mode of production transfer from the one country to another. Stronger intellectual property protection in the importer increases the rate of product innovation if foreign direct investment is the mode of production transfer, but decreases the rate of innovation if imitation is the mode of production transfer. Diwan and Rodrik (1991) demonstrate that stronger protection in any of the two regions (“home” and “foreign”) stimulates innovative activity, partly because of a better fit between the available and desired technologies in that region.

Fourth, strong protection by the “foreign” country may be necessary if it is to prevent rampant piracy of intellectual property and consequent retaliation by the “home” country, which may adopt various means to stem the outflow of technology (especially frontier technology). This may, in turn, impede technological change in the “foreign” country (Gadbaw & Richards, 1988). It was the loss of this potential profit which originally motivated the “home” country (particularly the United States) to bargain hard to bring intellectual property issues within the purview of the GATT/WTO; for the dispute settlement mechanism in this forum was reasonably effective, whereas there was no such mechanism in the World Intellectual Property Organisation (WIPO) (Sherwood, 1990). Moreover, by linking intellectual protection with trade, the “home” country gained insofar as it could use trade sanctions to counter piracy. This can be prevented, however, if the root cause of piracy - namely, weak protection - is remedied.

Consequently, one finds that a host of arguments can be adduced for and against the strong protection of intellectual property rights. From the arguments, and their theoretical expositions and empirical evidence, one is hard put to decide on the appropriate degree of intellectual property protection, specifically with respect to its influence on inventive activity. It seems appropriate at this stage to investigate some of the limitations implicit and “real world” in taking a purely stronger versus weaker protection perspective.

**Between-Patent Competition**

Indeed, the loss of innovative returns because of “within-patent” competition from imitators through patent expiration is only one way in which innovative returns may be reduced by competition (Bessen & Maskin, 2000; Mansfield, 1985). The other way is through “between-patent” competition from new patents being developed by competitors. A patent only protects an innovator from others
producing the same product; it does not provide protection from others producing better products under new patents. For example, in the pharmaceutical industry, within-patent competition after patent expiration stems from so-called generic manufacturers, and between-patent competition through new patents arises from so-called “brand-name” manufacturers engaging in therapeutic competition within disease and drug classes.

Indeed, between-patent competition may be as important a limit on innovative returns as within-patent competition, particularly in high-tech fields such as the telecommunications, biotechnology, and pharmaceutical industries. In those industries, which in turn contribute greatly to technological progress and growth, the demand for a given innovation is often destroyed by entry of new, superior products long before the first product’s patent expires (Gilbert & Newbery, 1982). In addition, within-patent competition occurs many years in the future and is thus less important for the present value of innovative returns. Therefore, extensive “creative destruction” through between-patent competition leaves less to be subsequently destroyed by “uncreative” within-patent competition (Gilbert & Newbery, 1982).

The existence of creative and uncreative competition limits the ability of the public sector to stimulate Research and Development (R&D). Because future innovation limits the rewards to current innovation, intellectual property policies whose purpose is to stimulate R&D may have offsetting effects on innovation. Policies that stimulate R&D not only increase the current incentive to innovate, but also the incentives of producers engaging in between-patent competition. For example, an increase in an R&D tax break would make research cheaper for the innovator, but also imply that the innovator will only be able to enjoy his market advantage for a shorter duration before new patents eliminate it. Existing analyses ignore the effect of between-patent competitions and thus give misleading implications about the effects and desirability of intellectual property regulations (Evenson, 1990; Gadbaw & Richards, 1988; Lai, 1998; Takalo & Kanniainen, 2000). In fact, because policies that reduce within-patent competition may be offset by between-patent competition, the public sector may not be able to fine-tune R&D.

**Alternatives to Traditional Patents**

Indeed, in today’s markets battle lines are often drawn between those who have strong Intellectual Property (IP) positions and those who do not. Those with strong IP positions choose either to retain the technology exclusively for their own use, or transfer it under exclusive bilateral licensing arrangements and strategic alliances - in either case resulting in limited access. Those with weak IP positions may favour placing the fruits of innovation and research in the public domain, (Arrow, 1962) but the results are mixed since this runs counter to the incentives that fuel research and development by entitling IP owners to the fruits of their inventive labours.

**One-Stop Licensing**

There is another way. By preserving the incentives that drive commercial investment and technology development, one-stop technology platform licensing balances a patent holder’s expectation of a reasonable return on its IP with the market’s interest in the widespread availability of technology while encouraging technological innovation through vigorous marketplace competition. It may not be the right fit in all cases or for all parties, but it can work with any technology
and where it fits, does not preclude independently negotiated bilateral licensing arrangements for those who want them.

This innovative patent licensing model has been successfully employed by the electronics and video content industries since 1997. By providing access to essential IP on fair, reasonable, non-discriminatory terms to all users under a single licence, the one-stop technology platform licence (or “patent pool” as it is often called) enables widespread implementation, interoperability and use of fundamental broad-based technologies covered by many patents owned by many patent owners. One reason for its success is that the electronics and video content industries are accustomed to the use of standards. Development costs are high and product manufacturers and content providers have rallied around the use of standards in order to foster compatibility that encourages both industry and consumers to invest in new products. But, products and the standards on which they are based increasingly rely upon many patents owned by many patent owners. Therefore, if the web of essential IP rights underlying their use cannot be accessed under reasonable terms and conditions (for example cost) applied evenly to all similarly situated competitors, the best of standards often go unused.

A Commons Based Approach (Open Source)

Unquestionably, the role of intellectual property in science has dramatically increased in the past few decades. U.S. law has encouraged both industries and universities alike to patent their discoveries and license them commercially; judicial reforms have increased patent protection, and the trend has expanded internationally through trade treaties (Jaffe, 2000; Lerner, 2002). The expansion occurred even though economic theory is arguably ambivalent about the effects of patents on welfare and innovation (Arrow, 1962). Indeed, proponents of this perspective argue that empirical evidence suggests that patents are important in few industries, mostly pharmaceutical, and that aggregate effects of strong protection are small and often negative (Jaffe, 2000; Lerner, 2002). Excessive patent protection has been criticized as impeding scientific research through “anticommons” effects (Benkler, 2004), and as imposing cost barriers on access to medicines. Proposed solutions usually take the form of legal change, but the emerging model of commons-based production can be implemented by the scientific community without waiting for law reform.

Property, contract, and managerial commands are the basic tools of managing mainstream production. By contrast, production is “commons-based” when no one uses exclusive rights to organize effort or capture its value, and when cooperation is achieved through social mechanisms other than price signals or managerial directions. Large-scale instances of such cooperation are “peer production” (Grassler & Capria, 2002; Sheridan, 1998).

Most obviously, the example of free software is the paradigm of commons-based production, as is the Linux kernel for peer production. Free software is based on a legal innovation, the GNU General Public License (GPL), which has been adopted with variations by 85% of open source projects (Benkler, 2004). It permits anyone to use the software and to develop it, but no one can appropriate outputs exclusively. Indeed, the whole concept requires improvers to share access to their improvements. The Linux kernel development process added an organizational innovation: It modularized the work and thereby harnessed thousands of volunteer developers and testers (Benkler, 2004). The measurable quality of free software and its wide adoption have proved its value, yet interestingly the monopoly remains in the sector.
What Does the Patent System Require?

Finding the Incentive
A patent system must benefit the public interest, address the need for interoperability and access, provide a means of reducing the potential for litigation conflict, enhance the freedom to operate and reduce the costs of negotiating licences with many parties for many patents. However, none of these factors in and of themselves may be enough to provide the necessary incentive that will persuade patent holders to contribute their IP. For many patent holders, patent infringement is a cost of doing business. However there are barriers. For example in the biotechnology sector, as noted by Marks, Schmickel and Bednarek (2001) “there are forces and factors at work that make pooling biotech patents more attractive than ever before.” Indeed, this is largely true of innovation focused industries where there is a need to share a basic level of technology in order to maximise the net social benefit. Among these resulting rents are new revenue streams from joint licensing outside of the patent holder’s primary business focus and more remotely, the threat of compulsory licences. This has seen an increasingly strong endorsement for patent pools since they provide a way for patent holders as well as licensees to minimise risk. As proffered by Grassler and Capria (2002), it is likely that the combined factors of the price, the volume of licensees, and the low cost of licensing for the contributing members would be sufficient encouragement for large enough numbers of patentees to participate in the pool. Moreover, this is especially true where one patent is indistinguishable from another in its ability to block implementation of the subject technology, and where, as Grassler and Capria (2002) point out, the patents “do not provide strong market differentiation to the dominating patent owner’s product”.

Setting of Field of Use Boundaries
While the lack of standards in a given industry may present a problem of desire and familiarity, it should not be a problem of construction of a patent system. Standards are a helpful way of ensuring that the element of essentiality and a defined field of use can be satisfied, but they are not the only way. As long as the licence grant is defined with the precision necessary to ensure that the licence is specific enough to include what a licensee needs to practise, the particular technology and to communicate clearly to both licensors and licensees the rights granted by the licence and why patents are included or excluded, then the absence of an official standard is of no consequence. For example, in lieu of a standard, the creation of a quasi-standard bounded by a definable limitation or box consisting of complementary patent rights that are essential to the use of the defined field of use will suffice. Implicitly, the challenge is to identify those areas where interdependent patents are necessary to practice a technology that can be defined as a platform in lieu of an existing standard. This will likely be at the basic research, discovery (or lowest common denominator) level rather than at the outer edge of the product development value chain, thereby enabling a patent owner to provide nonexclusive access while retaining exclusivity over its proprietary birthright in its area of focus. Indeed, it will be a technology platform that does not establish end product requirements but is flexible within a broad functional range, thereby encouraging the creation of myriad applications. In their article Grassler and Capria (2002) suggest “libraries of targets” or “high-throughput screening” as one possibility as one means to facilitate the pooling of resources at this basic level.
Determining What the Market Needs

The lowest common denominator will be a point which satisfies the need for interoperability and access, provides a means for reducing the potential for litigation conflict and reduces the costs of negotiating licences with many parties under many patents. It will provide technology users with the freedom to operate with reduced risk in otherwise uncertain areas. Consistent with the above discussion, this is likely to be a research or development platform readily used by a broad cross-section of next stage (product development) companies willing to pay a reasonable price for risk avoidance that frees them to focus their full-time effort on competing with one another (Deardorff, 1992; Evenson, 1990).

Concluding Remarks

What becomes apparent from this survey of the literature, is that research and innovative activity is intertwined with notions of ownership and control; these manifest themselves as the current patent regime. What is not clear, however, and indeed is argued both for and against, is the degree (or degrees) of specific protection that should be afforded to inventors. Given that the demand varies from industry to industry, geographically, socially (culturally), and politically, the idea of a holistic method for resolving the issues surrounding IP ownership seems far fetched. Certainly, neither social nor organisational interest are maximised currently. However, there are specific elements of each system which are applicable to specific situations. For instance, the pooling method offers pharmaceutical companies access to basic research speeding market delivery time and consequently positively affecting the net social benefit. One would, therefore, tend to deduce that the remedy lies as the summation and alignment of the various regimes. This is, however, problematic given the need for interpretation by some external party. Given the legalistic bent of the WIPO (Jaffe, 2000) and need for clarity one could surmise that stronger protection, protection that may well favour “anticommons” effects (Benkler, 2004) is the most likely.

References


A Review of Mentoring Relationships: Formation, Function, Benefits, and Dysfunction

Jono Elkin

Introduction
Mentoring relationships are being promoted by the government, businesses, universities, and in the academic literature. Because of their promotion, many people have some idea of what mentoring is, and assume that it is good for all involved and thus should be used in businesses. However this limited understanding is of little use to human resource practitioners. Mentoring can be used as a tool in human resource development, so needs to be understood by those attempting to use it. This paper aims to provide information surrounding mentoring for practitioners by reviewing the prominent literature. It focuses on explaining what mentoring relationships are, the different types of relationships, how they function, and their outcomes for not only the protégé themselves, but also for the mentor and organisations. A possible overly optimistic view of mentoring can be gained by reading literature in this field. The negatives are seldom explored. For this reason dysfunctional and negative mentoring relationships will also be explained, so that practitioners can understand the possibility of dysfunctional relationships occurring, what they are, and how they affect the protégé, mentor, and organisation. Implications for organisations in relation to mentoring, and possibilities for further research will also be discussed.

Mentoring
Mentoring is receiving a lot of attention from researchers, providing multiple definitions and perspectives on what exactly a mentor is. Generally a mentor is an individual of higher status who is willing to invest time, interest, and support in a subordinate person over an extended period of time (Peluchette & Jeanquart, 2000). Adding to this definition is the proposition of Ostroff and Kozlowski (1993), which suggests that a mentor is a senior, experienced organisational member who specifically helps a young professional develop their individual technical, interpersonal, and political skills. However, this differs slightly to the view of Burlew (1991) who states that the definition of a mentoring relationship has changed from the intense, exclusive, multiyear relationship between senior and junior colleague, to now include an individual involved in a variety of short-term, low-intensity interactions with peers and direct supervisors. Most definitions agree that a mentoring relationship is an interactive, dyadic relationship (Paice, Heard, & Moss, 2002). Even though these newer definitions have been proposed, most of the literature continues to draw its definition directly from, or bases its definitions on Kram (1985) (Eby, McManus, Simon, & Russell, 2000; Ragins, Cotton, & Miller, 2000; Scandura, 1998). Kram defines a mentor as an individual who is advanced, experienced, and knowledgeable and is committed to providing upward mobility and career support to protégés. Taken together it is possible to define a mentor as usually (but not exclusively) a more senior, experienced, and knowledgeable individual.
who is in an interactive relationship with another individual and purposefully invests time, interest, and support to help them with their upward mobility.

**Functions of a Mentor**

Within the mentoring relationship there are certain functions which the mentor provides for the protégé and the organisation. These are broadly categorised as career-oriented, psychosocial, and organisational functions (McDowall-Long, 2004).

**Career Development Functions**

Career-oriented functions are activities which help the protégé’s general career progression. These functions include sponsorship, protection, coaching, challenging the protégé, and giving them exposure. Scandura (1998) calls these mentoring functions ‘vocational career support.’ Sponsorship is when the mentor acts in a proactive way to benefit the protégé’s career by championing their suitability for promotion and career benefiting assignments (McDowall-Long, 2004). Protection of the protégé is similar to sponsorship, but in a defensive manner. The mentor protects the protégé from undesirable assignments and internal politics which may harm their career development or advancement (Ragins & Cotton, 1999). Coaching is the mentor providing advice, analysis, and feedback with the intention of improving decision-making, organisational fit, and skills of the protégé (Parnell, 1998). Mentors challenge protégés by suggesting the acceptance of challenging assignments in order to assist them build on their variety of skills. Mentors also expose their protégés to senior-decision makers and aid them in the creation of their own internal and external networks (McDowall-Long, 2004).

The focus in career oriented functions is not necessarily to develop the protégé’s career within the current organisation, but to help develop it in general. This proposes the notion that it is possible that a mentor aids the development of the protégé in such a way that the protégé may then leave that particular organisation to further develop their career (Eby et al., 2000). It is important to realise that mentoring is not always concerned with the development of the protégé to benefit the organisation in the long run, but rather, the protégé.

**Psychosocial Functions**

Psychosocial mentoring functions involve confirmation and acceptance, counselling, friendship, and role modelling. These are aimed at improving the protégé’s psychosocial development (McDowall-Long, 2004). Confirmation and acceptance is the process of the protégé building a sense of self as a professional through the mentor affirming and understanding the protégé’s experiences (Liang, Tracy, Taylor, & Williams, 2002). The mentor also functions as a counsellor for the protégé by listening to their issues and strategies and offering advice to assist in their decisions. Mentors also provide friendship and a role model for protégés (McDowall-Long, 2004).

It is important to note however, the suggestion of mentors needing to provide role modelling is debated. Paice et al. (2002) state this is because role modelling does not necessarily involve any degree of contact between the one being modelled and the modeller. However there is strong support in the literature for mentors having a role modelling function for their protégés (Feldman, 1999; Grey & Smith, 2000; Lockwood, Jordan, & Kunda, 2002;
McDowall-Long, 2004). It is therefore best to view mentors as having a role modelling function, but this does not mean that role models have a mentoring function.

Organisational Functions
The third type of mentoring function is the organisational function. Covan (2002) argues that mentors help the organisation by monitoring their protégé and assuring they work to the appropriate standards. They also state that mentors help the organisation by teaching organisational values and processes to the new employee. There are less organisational related functions in mentoring, as the focus of mentoring is more concerned with developing the protégé to benefit the organisation.

Types of Mentoring Relationships
There are two specific types of mentoring relationships: formal or informal (Ragins et al., 2000; Scandura, 1998).

Informal Relationships
Informal mentoring relationships develop through mutual identification. Both parties are motivated to enter the relationship in order to meet developmental needs. Because of this, the relationship often begins early on in the protégé’s career, and focus first on psychosocial activities, which are the more immediate needs for the protégé. (Ragins & Cotton, 1999; Ragins et al., 2000). The important feature of informal mentoring relationships is that they form out of mutual attraction, and are not designed/constructed by the organisation (McDowall-Long, 2004).

Formal Relationships
Formal mentoring relationships differ from informal mentoring relationships because organisational assistance or intervention occurs to match the mentor with the protégé (Ragins et al., 2000). Murray (1991) states a formal mentoring relationship is

a structure and series of processes designed to create effective mentoring relationships, guide the desired behaviour change of those involved, and evaluate the results for the protégés, the mentors and the organisation, with the primary purpose of systematically developing the skills and leadership abilities of the less-experienced members of an organisation (p. 5).

The relationship is set up in an attempt to recreate the informal relationship (Kram, 1985). However because the formation of the relationship is due to a third party, and not mutual attraction, they have different characteristics. It is essentially a ‘forced’ relationship. Often both parties are not as motivated as they would if in an informal mentoring relationship, and as a result, less mentoring functions occur. Formal mentoring relationships last for about one fifth of the time that an informal relationship commonly lasts for (Ragins et al., 2000). McDowall-Long (2004) states that ‘the length of mentor-protégé relationships has a significant impact on outcomes’ (p. 530), which points to a study by Grassman and Rhodes (2002) which found that positive outcomes of mentoring relationships are strongly correlated to longer mentor-
protégé relationships. For these reasons it is suggested that the most positive outcomes come when the mentor and protégé are both involved in selecting each other, even in formal mentoring relationships (Scandura, 1998).

**Outcomes for the Protégé**

There is a large body of research which considers the effects of mentoring relationships on the individuals who are being mentored. The majority of results suggest that substantial benefits come from mentoring relationships.

**Psychosocial**

A benefit for the protégé comes directly from the psychosocial functions of the mentor. This is increased social support (Feldman, 1999). As already mentioned, mentoring relationships usually form early in the protégé’s career (Ragins et al., 2000). Entering a new workplace can be challenging and stressful for new employees. The friendship, counselling, and acceptance offered by the mentor helps the protégé assimilate into the organisation with as little stress to themselves as possible (Offstein & Shah, 2004). Ostroff and Kozlowski (1993) add to this theory with their suggestion that mentors help the protégé learn about the social culture and attitudes of the workplace, and help them regulate their behaviour to fit in. They also suggest that those without mentoring relationships learn these things by observing the behaviour around them, which may be misinterpreted or demonstrated incorrectly, thus causing the protégé to be gaining potentially incorrect information from co-workers. Because of a lack of direct information sources, the non-mentored newcomer will be more focused on immediate contextual features of the job, rather than social features. When in a mentoring relationship the protégé has a ‘point of call’ from which to gather more reputable information about a wider range of workplace features (Ostroff & Kozlowski, 1993).

**Career Development**

A major focus of the mentoring literature is the benefits of career development for the protégé. The career functions involved in the mentoring relationship have been found by many to be beneficial to protégés in the long-term (Lockwood et al., 2002; McDowell-Long, 2004; Ostroff & Kozlowski, 1993). The experience, knowledge, and resulting coaching by the mentor can be a significant aide in the career development of the protégé. Other functions of the mentor such as sponsorship, protection, and exposure are more aids in their career progression in the organisation (Feldman, 1999). It has also been found that those with mentors are faster to receive promotions than those without (Dreher & Ash, 1990). However as the focus of informal mentoring relationships is to develop the protégé in general terms, rather than specifically toward that organisation, these promotions do not necessarily occur within the original organisation, but may occur through accepting higher positions external to the current organisation (McDowell-Long, 2004).

**Career and Job Satisfaction**

A benefit for the protégé in the mentoring relationship is that they have easy access to someone for support and friendship, information and learning, coaching, and advocacy. Research that has found that an individual having a mentor correlates to the amount of job satisfaction they have. Ragins and
Scandura (1999) found that a benefit for protégés is that they have increased career and job satisfaction.

Outcomes for the Organisation

Organisational Entry
As has been shown already, there are many direct benefits to employees from being in a mentoring relationship, which many would argue will in itself improve the organisation’s performance. Empirical research has been conducted on the outcomes of mentoring for the organisation, and there are many benefits for the organisation which have been identified (Offstein & Shah, 2004; Ostroff & Kozlowski, 1993; Ragins et al., 2000; Scandura, 1998). Many benefits are linked to the original entry of a new employee into an organisation. Scandura (1998) states that mentoring is linked to a new employee ‘learning the ropes’ faster than an un-mentored newcomer. This is because, as already stated, one of the functions of a mentor is to provide guidance on how the organisation operates, its norms, procedures, and operations. The mentor becomes someone the protégé can ask questions of in their limited organisational knowledge, or the mentor can monitor the protégé’s activities and help them act as the organisation requires. New employees will essentially become ‘real members’ of the organisation more quickly if they have a mentor to help them.

Employee Learning
Ostroff and Kozlowski (1993) relate the socialisation benefits to the learning function provided by the mentor. The mentor acts as a teacher of organisational issues such as job related tasks and expectations, work roles, group processes, and overall organisational attitudes. The benefit for the organisation through this process is that the mentor can help focus the protégé on organisational issues, rather than personal issues. Ostroff and Kozlowski (1993) state that within an organisation there are four different domains which the protégé will learn about: Task domain, role domain, group domain, organisational domain. The task domain is about task mastery - learning important duties, assignments, and priorities. The role domain is concerned with boundaries of authority and responsibility, and associated appropriate behaviours. The group domain focuses on learning co-worker norms and values in interaction. Finally, the organisational domain is the politics, power, and value premises of the organisation which the newcomer needs to learn (Ostroff & Kozlowski, 1993). Mentors are most effective in helping the protégé learn the organisational domain, and mentored newcomers are thus more quickly sensitised to organisational culture, expectations, and politics than those without a mentor (Ostroff & Kozlowski, 1993).

An outcome of mentoring for the organisation is maintaining a more skilled workforce (McDowall-Long, 2004; Ragins & Scandura, 1999). The learning function involved in the relationship helps develop the protégé’s skills, which in turn increases the human capital of the organisation as a whole. This has obvious benefits for the organisation, as skilled employees are essential for high performance. Dreher and Ash (1990) state that promotions are more likely to be given to mentored individuals due to their increased performance. This suggests that the skills which are being learnt are of organisational significance as they are rewarded.
Employee Satisfaction and Organisational Commitment
There is a possibility that developing protégés and increasing their skills and knowledge could lead to those individuals then leaving the organisation (McDowall-Long, 2004). If this was to occur, their skills and knowledge would also leave with them. This may lead to a misconception that training and development, whether through the use of a mentor or not, is not necessarily a benefit to the organisation. Why develop staff if they are just going to leave and help another organisation instead? However, a reported outcome of being in a mentoring relationship is that it leads to stronger employee organisational commitment (Chao, 1997; Offstein & Shah, 2004). This may be due to the increased employee satisfaction which has also been found to be a result of being in a mentoring relationship. Both Elizur and Koslowsky (2001) and Wood and Albanese (1995) state that in order for organisational commitment to be gained, employees must find their jobs satisfying. However, Vandenberg and Lance (1992), and Bateman and Strasser (1984) contest this, as they found that it is most likely that organisational commitment causes job satisfaction to occur, not job satisfaction that causes the organisational commitment. But it is important to focus on the findings of increased employee commitment as a result of mentoring, as it has significant benefits for the organisation. With increased organisational commitment there is less absenteeism, staff turnover, and intention to leave (Kinnie, Hutchinson, & Purcell, 2000; Scandura, 1998; Tomer, 2001). This means that the complementary benefits of increased employee skills and commitment work result in the organisation maintaining the skilled workforce.

The benefits of organisational commitment are not limited to reduced staff turnover. A significant benefit of commitment is that it has been found to be a major determinant of organisational performance, and shareholder returns (Lok & Crawford, 2004; Watson Wyatt, 1999, as cited by Whitener, 2001). It can hence be suggested that mentoring relationships may increase organisational performance, as they may increase employee commitment.

Outcomes for the Mentor
The focus in much of the mentoring literature is on protégé and organisational benefits. This has resulted in a relative lack of research on the implications of mentoring relationships on the actual mentors (Grey & Smith, 2000; Scandura, 1998). Ragins and Scandura (1999) and Feldman (1999) conducted research into the implications of mentoring relationships on the mentors which found there are many benefits for mentors, as well as for the protégés and the organisation.

Mentor Satisfaction
A lot of mentor satisfaction was found to come from mentoring protégés. Both sets of studies found that mentors gained a sense of self-fulfilment and satisfaction for helping protégés. They enjoyed the valued use of their skills and wisdom and it gave the mentor a sense that they were contributing to future generations. This belief has been linked to mentors gaining a sense of immortality (Ragins & Scandura, 1999).

Assistance
A more practical benefit for mentors was found by Feldman (1999) to be technical knowledge and assistance available from protégés for the mentors. In a sense the protégé becomes the technical coach of the mentor, helping them keep
up-to-date with technology and systems that have changed since the mentor was in the position of the protégé. Supporting the mentor technically is not the only supportive function/benefit for the mentor, the protégé may also provide loyal political support (Feldman, 1999; Ragins & Scandura, 1999). The mentor can stay ‘in-the-loop’ through the communication of the protégé, and also influence the protégé to influence those they are in contact with. This support (like that the mentor provides for the protégé) helps the mentor to develop themselves and their careers.

Dysfunctional Mentoring Relationships

This paper has already commented on the numerous benefits for protégés, mentors, and the organisation as a whole from mentoring relationships. Feldman (1999) argues that early research has focused on good mentoring relationships, and not focused enough on dysfunctional or negative mentoring relationships and the outcomes for these groups. They state that “mentoring is not always a positive experience for either mentors or protégés” (p. 251). This is significant as dysfunction is not an unusual occurrence. Eby et al.’s (2000) study into the protégé’s experience of mentoring found that over half of all protégés surveyed had at least one dysfunctional mentoring relationship in their career. These researchers (along with Mc-Dowall-Long 2004; Scandura, 1998; and Ragins & Scandura, 1999) suggest that there is a possible research bias in favour of mentoring relationships, thus research focuses on the beneficial aspects of mentoring and ignores, or at least overlooks the possible negative effects of dysfunctional mentoring relationships on mentors, protégés, and the organisation.

A dysfunctional mentoring relationship is a mentoring relationship where the needs of either the mentor or the protégé are not being met, thus the relationship is not satisfying for one or both parties involved (Scandura, 1998). Feldman (1999) adds that dysfunction is also when the long-term costs of the relationship outweigh the long-term benefits of the relationship. It is also important to understand that dysfunctional relationships can be more than just dissatisfying, but can also be destructive (Ragins et al., 2000).

Potential dysfunctions

Scandura (1998) is recognised as performing the first comprehensive study into dysfunctional mentoring relationships (Eby et al., 2000; Ragins et al., 2000; Ragins & Scandura, 1999). They found that there are seven potential areas of dysfunction that can occur in relationships. The seven potential dysfunctions can be grouped into two groups according to where the dysfunction stems from. The two groups are power imbalance and dissimilarity. Power imbalance relates to the power relations in the mentoring relationship. Power imbalance dysfunctions include negative relations, submissiveness, sabotage, and harassment. Dissimilarity refers to differences between mentor and protégé. These include dysfunctions of difficulty, spoiling, and deception.

Power Imbalance

Negative relations can also be referred to as bullying. This is when a mentor is exploitive or egocentric (Eby et al., 2000). The protégé has the option either to resist the mentor and potentially become their enemy, or not to resist and risk being exploited by the mentor (Scandura, 1998). This relates directly the potential dysfunction of submissiveness. Submissiveness represents the power
imbalance in the mentoring relationship. A protégé usually has less power, authority, and knowledge than the mentor. The protégé may become overly dependent and submissive to the mentor, which harms their personal development, as they are focusing on gaining rewards from pleasing the mentor, rather than developing themselves. Stemming from this power imbalance also comes the possibility for harassment to occur in the relationship. Because of the protégé’s lower power position in the relationship, the mentor may harass them based on many aspects such as race, gender, or sexuality. This can be done psychologically and/or physically. Sabotage refers to the mentor purposefully harming the career of the protégé. For example a mentor may block the protégé’s advancement in order to benefit themselves because they are worried about being ‘overtaken’ by their protégé (Ragins & Scandura, 1999).

Dissimilarity
Potential dissimilarity dysfunctions include difficulty in a relationship. Difficulty exists due to differing backgrounds, attitudes, values, and beliefs (Eby et al., 2000). The difficulty exists because each member of the relationship has different judgements about, or goals for, the protégé’s career. If the mentor wishes the protégé to go in one direction, which differs from the protégé’s actual desire, a dysfunction in strategy and goals exist (Lockwood et al., 2002; Scandura, 1998). Spoiling is the term given to a mentoring relationship when it has turned from being beneficial to dysfunctional. It occurs due to some form of perceived betrayal. However this perceived betrayal is often only due to miscommunication between mentor and protégé over such things as goals, values, and judgements (Scandura, 1998). The differences between mentor and protégé can stand in the way of the relationship being beneficial. Feldman (1999) adds to these ideas of dissimilarity being a cause of dysfunction by stating ‘impression management’ may be entered into by the protégé to overcome these differences and thus please the mentor (also linking to the imbalance of power). Feldman (1999) suggests that deceptive tactics are used to create a more positive impression in order to receive benefits. They propose that this is possible only because the mentor may not know the protégé very well (not as likely to happen in informal relationships). When it does happen the deception causes a false façade which causes differences which are never addressed and worked through.

Organisational Harm
An interesting feature which may be considered to make a relationship dysfunctional is what Scandura (1998) calls ‘organisational harm.’ This is when a mentoring relationship exists which may fill the interpersonal needs of the mentor and the protégé, but the developmental and performance outcomes are not achieved, or achieved in a way which does not benefit the organisation. Ragins et al. (2000) call this type of dysfunctional relationship a ‘marginal mentoring relationship.’ They are satisfying in some regards, but dissatisfying in others. This is most commonly the case with dissatisfaction toward organisational developmental goals not being achieved.

Outcomes of Dysfunction
Possibly the most obvious result of a dysfunctional mentoring relationship is that either the mentor or the protégé terminates the relationship (Feldman, 1999; Grey & Smith, 2000). However, some may not leave a dysfunctional relationship
because of the potential pain of withdrawal or because it may be perceived as a failure for both parties (Scandura, 1998). Interestingly it has been found that those in a formal mentoring relationship are more likely to terminate the relationship than those in an informal relationship. This is because a dysfunctional formally-created relationship can be seen as being the fault of the third party who created it, not those in the relationships themselves (Feldman, 1999).

Outcomes for Protégé
The early termination of a dysfunctional relationship may actually be the best result for all involved. Dysfunctional relationships can have negative effects on the protégés, mentors, and the organisation as a whole.

As protégés are essentially the ‘output’ of mentoring, dysfunctional relationships harm them greatly. Grey and Smith (2000) found that a negative mentoring experience can cause the protégé to resent their mentor, and exert extra effort in order to avoid or even harm them. This can come from the mentor being excessively critical, demanding, or authoritarian toward the protégé (Eby et al., 2000). As a result protégés are more likely to show more signs of stress and anxiety in jobs. They are noted to have less self-esteem, and more self doubt (Feldman, 1999). There is also evidence to suggest that procedural justice is less likely to occur for the protégé (Ragins et al., 2000). These results have been linked to findings of lower employee organisational commitment and increased intention to leave the organisation completely (Ragin et al., 2000).

Outcomes for the Mentor
The effect of dysfunctional relationships on mentors is similar in some regards to the protégés. It is likely the mentor will feel betrayed by their protégé or the mentoring system all together. Mentors have been found to be angry at protégés and the organisation for not recognising their time and effort with the protégé, even though they usually have other responsibilities too (Grey & Smith, 2000). Mentors who have been through dysfunctional mentoring relationships are thus less likely to mentor again, as they see the costs of mentoring as greater than the benefits they gain (Ragins & Scandura, 1999). Because of this, and the general disillusionment with these types of developmental activities, it is also possible that the mentor may have less involvement in other organisational activities outside of their job description.

Outcomes for the Organisation
A mentoring relationship that does not develop the protégé as desired, and which may have caused conflict in the workplace, has effects on the organisation. The activity of setting up, encouraging, and maintaining the formal or informal mentoring relationship was essentially a waste of energy in the organisation, which could have been used more productively (Scandura, 1998). Offstein and Shah (2004) suggest that all organisations desire to have some form of control over their employees’ development, so desire to have some form of control over mentoring relationships. They qualify this by explaining that this is due to organisations wanting to make sure the relationship provides organisationally beneficial information and development for the protégé. Dysfunctional relationships have been found to change the focus from organisational issues, to a more focused approach on each party getting what they want, rather than trying to advance the organisation (Eby et al., 2000; Feldman, 1999; Scandura,
1998; Ragins & Scandura, 1999). This energy used is not benefiting the organisation.

Another organisational outcome from dysfunctional mentoring relationships is less organisational trust (Feldman, 1999). This is especially the case if power imbalance and spoiling dysfunctions occur. The loss of trust means less open communication and willingness by employees to work in teams (Feldman, 1999; Scandura, 1998). This has direct implications on the organisation, as it is suggested by Kaman, McCarthy, Gulbro, and Tucker (2001) that open communication and the use of teamwork in the workplace is a characteristic of effective high commitment management (managing human resources by eliciting organisational commitment from employees), which is said by Wood and Albanese (1995) to be the essential management strategy for today’s rapidly changing market. Open communication adds to a workforce’s flexibility and ability to respond to changing demands quickly and to a high standard of quality (Kaman et al., 2001). Dysfunctional relationships may reduce trust within an organisation. As a result, reduced communication and cooperation may occur, which forms a barrier to organisational flexibility.

Implications for Organisations
Knowledge of mentoring relationships is important for organisations, as there are multiple benefits, as previously discussed, that can be gained through their use. The benefits for the protégés and mentors helps develop employees and benefits organisational culture. By understanding what mentoring relationships are, and what activities should occur within them, human resource managers are equipped to capitalise on mentoring and develop their staff. Because of the benefits for the protégés and the mentors, it also fits within a more ‘humanistic’ managerial approach.

However, it is also important that a balanced view of mentoring is held by human resource managers. Having a biased or misinformed view of mentoring relationships may increase the likelihood of dysfunctional relationships occurring, or not being able to recognise dysfunction and handle its consequences. Dysfunction can harm the organisation and its members, so needs to be addressed and not overlooked. They need to understand that mentoring is not always as perfect an approach as may be desired.

Mentoring relationships are a tool which can be used in the organisation to improve performance, but may instead hamper performance.

Future Research Ideas
Most of the research has been conducted on the benefits and reasons to use mentoring relationships in organisations. As already suggested, this may have lead to an overly optimistic view of mentoring. A relatively small body of work has been conducted looking into the area of dysfunction and negative mentoring relationships and its outcomes for those involved. Therefore, more research should be conducted looking into why and how dysfunctional mentoring relationships occur, and their outcomes.

Coupled with this should be more work looking at the difference between informal and formal mentoring relationships. There is literature suggesting a difference between the types of mentoring, usually suggesting more benefits from informal rather than formal mentoring. In spite of this little has been done
to see the likelihood of, causes of, and outcomes of informal vs. formal dysfunctional mentoring relationships. A more in-depth understanding of dysfunction relating to type of mentoring would be beneficial, especially as many organisations are attempting to replicate informal mentoring relationships through formal mentoring programmes. It would be helpful to know the differences between the two, especially in regards to their possible negative outcomes.

Another research gap that exists is a lack of research into the universal applicability of mentoring relationships to all organisations. Mentoring needs to be explored to see its applicability for all types of organisations, and to see which types of organisations are most likely to benefit.

**Summary**

A mentor is usually (but not exclusively) a more senior, experienced, and knowledgeable individual who is in an interactive relationship with another individual (protégé) and purposefully invests time, interest, and support to help them with their upward mobility. Mentors do this through providing career-oriented, psychosocial, and organisational functions. The relationship can be created and maintained informally or formally by the organisation. Many benefits for the protégé, mentor, and the organisation have been found, suggesting that mentoring relationships are an effective developmental tool for human resource managers. However, research has mainly focused on the benefits of mentoring relationships rather than possible dysfunctional or negative relationships and their results. This is interesting, as many individuals have claimed to be in a dysfunctional mentoring relationship at some stage in their career. Dysfunctional relationships are when the needs to either party are not being met. There are many different potential dysfunctions which have been identified as coming from the distinct areas of power imbalance, and dissimilarity. All dysfunctions have negative effects on the protégé, mentor, and the organisation as a whole. Having a balanced understanding of mentoring is essential for practitioners, as this allows them to implement or encourage effective and beneficial mentoring relationships in organisations, and be able to recognise dysfunction and thus limit its affects.

**References**


Employees’ Responses to High Performance Work Systems: Assessing HPWS Effectiveness

Shannon Hegan

Abstract
The purpose of this paper is to identify the effects that high performance work systems (HPWS) have on employees, in an attempt to ascertain the effectiveness of HPWS. The specifics covered in this paper include organisational commitment, the resulting effect HPWS had on work-family balance for employees, relations with management, job satisfaction, and the resulting stress caused by HPWS.

The findings identified that HPWS do not, in practice, necessarily engender continuance of commitment to an organisation. The reasoning behind this comes through HPWS increasing employee discretion which in turn increases effort. This effort creates an increase in work pressure and strain which spills over into the home domain. As employment continues HPWS have a smaller impact on improving job satisfaction with it diminishing to levels prior to HPWS introduction. With lowered job satisfaction and increased work pressure, relations with management becoming strained. This identifies a possible path for employees to exit an organisation as a result of HPWS. It was therefore identified that HPWS in practice struggle to achieve their most basic premise of increasing performance.

Employee Reactions to High Performance Work Systems
It is bizarre that although human resource management (HRM) relates to the effective management of employees, we know remarkably little about how employees, as subjects of HRM, react to its practice (Grant & Shields, 2002). The dominant stream of research within the field of HRM has explored the link between HRM and organisational performance. Indeed, the general consensus is that this field of literature provides evidence that supports such an association (e.g. Arthur 1994; Huselid 1995). The possible reasoning behind the push to associate HRM with increased performance is to bring credibility to and indicate the need for HRM in the workplace.

The focus on establishing a link between HRM practice and organisational performance has resulted in very little attention being given to the effects of such practices. This failure to provide an adequate basis for understanding the link between HRM practice and employees’ reactions is highlighted by a number of commentators (Bacon, 1999; Guest, 1999; Gibb, 2001). With this lack of research into employees’ reactions to HRM practices, we are unable to effectively evaluate HRM on a number of counts (Grant & Shields, 2002). It is contended that to gauge a meaningful evaluation of HRM, research must have an accurate understanding of (1) what HRM is; (2) how workers react to it being practiced on them; and (3) why such relations occur (Grant & Shields, 2002). Furthermore, the increasing need for studies of employee reactions also becomes more pertinent, given that there is an increasing interest in the notion of employees as
stakeholders or partners in the enterprise (Guest, 1999). Thus, the need for valid and accurate assessments of employee reactions to HRM has never been greater.

Employee focused studies are a welcomed occurrence, due to this apparent lack of investigation into the effect HRM practice has on employees (Grant & Shields, 2002). Recent studies in employee centred literature have focused primarily on bundles of HRM (and non-HRM) employment practices (Grant & Shields, 2002). The study of these bundles indeed provides good insight into the general effect HRM practices have on employees; however the effects of individual practices on their own have not been investigated. Therefore, the purpose of this study is to do just that, by focusing primarily on the reactions employees have towards high performance work systems. This paper will critically analyze the research conducted on the reactions employees have towards high performance management practices, in an attempt to ascertain whether or not HPWS are indeed useful.

Prior to delving into the literature, it is important for the purposes of this paper to determine how to best characterise the practices under discussion and to also highlight what these practices constitute. There are many labels given to this area of HRM. The predominant labels include ‘high performance management’ (White, Hill, McGovern, Mills, & Smeaton, 2003), ‘high involvement management’ (Lawler, 1986) and ‘high commitment management’ (Wood & de Menezes, 1998). ‘High involvement’ is used by some to emphasise the importance of enhanced opportunities for employees to make decisions and exercise discretion. Others, as highlighted, prefer to use the term ‘high commitment’ to highlight the role of effective management in enhancing employee commitment and thereby reducing the need for managerial control. Nonetheless, there remains considerable overlap between the practices associated with each approach. For the purposes of this study, and given the nature of its aim to collate themes that arise from employee reactions, the term HPWS (high performance work systems) will be used on the basis that it is sufficiently broad enough to encompass the range of practices emphasised by different approaches (Ramsay, Scholaries, & Harley, 2000).

Organisational Performance
High performance work systems claim to increase organisational performance. It is crucial therefore to analyse whether or not these systems actually achieve the simple purpose they were devised to fulfil. There is a substantial and growing body of research which claims to show that enormous economic returns can be obtained through the implementation of HPWS (Pfeffer & Veiga, 1999). There are many indicators other than pure financial figures that indicate an increase in organisational performance (Huselid, 1995). One such indicator is the actual behaviour of employees, through the way they affect turnover and labour productivity (Huselid, 1995).

Eliciting superior employee performance, which in turn increases organisational performance, comes from HPWS in the form of developing individuals to their ‘full’ potential and motivating these individuals to apply their skills and abilities to their work-related activities (Way, 2002). This section will not delve into the issue of workforce turnover but will focus on the contentious issue of productivity. Way (2002) purports that HPWS result in an increase in labour productivity in small US firms. Further evidence comes from Delaney and Huselid (1996, p. 965), whereby it was concluded that, “the widely asserted assumption that people are the pre- eminent organizational resource and the key to achieving outstanding performance was indeed a credible observation.” Thus
the simple premise that HPWS improve organisational performance seems to be true. These brief results alone do not fully explain the degree to which HPWS create increased performance. The following sections will help to further answer this. The identification of HPWS adding value to an organisation through increasing performance is meaningless unless one has a grasp of exactly what the literature views as HPWS.

According to Pfeffer (1996) high performance work systems embrace employment security and high wages as well as communication and involvement schemes. Furthermore, we would see HPWS incorporating some sort of combination of schemes to promote employee discretion and autonomy such as team work, quality circles or problem solving groups, systems of communication that allow for upward communication of employee suggestions as well as downward communication from management, and serious attention to developing employee skills (Edwards & Wright, 2001, p. 570).

Proponents of the HPWS approach stress that its application will improve organisational performance (Ramsay et al., 2000; Harley, 2002; White et al., 2003). It was identified by Harley (2002), that there is consensus amongst researchers who have sought to demonstrate a link between HRM systems and organisational performance that the performance outcomes arise chiefly because the HRM practices improve employee orientations to work, which in turn makes them more productive. The causal path assumed by most proponents of HPWS is as follows (Edwards & Wright, 2001, p. 570).

"Systems... are established; they influence workplace practice; employee attitudes change, with increased satisfaction or commitment; there is a consequent effect on behaviour; and this in turn feeds through to the performance of the work unit and eventually the company..."

The assumption has been made by HPWS theoretical models that any performance gains are necessarily attributable to a positive impact on employees, chiefly through increased autonomy, satisfaction and commitment (Harley, 2002). Harley (2002, p. 421) states that two alternatives have been overlooked: (i) improved performance may be driven by factors other than HRM practice; and (ii) improved organisational performance may arise via negative outcomes for workers. Therefore, the following analysis will endeavour to identify whether employees reactions do indeed elicit increased autonomy, satisfaction and commitment.

Organizational Performance and Negative Outcomes for Workers

Commitment
As stated above, proponents believe that HPWS have a positive effect on employee commitment which in turn leads to increased performance. Therefore, this part of the paper will attempt to identify what the effect truly is, whether it is positive or negative. The definition of commitment adopted here is:

...the relative strength of an individual’s identification with and involvement in a particular organisation’, which is characterised by three related factors, ‘strong belief in and acceptance of the organisation’s goals, a willingness to exert considerable effort on behalf of the organisation, and a strong desire to maintain membership of the organisation (Mowday, Steers, & Porter, 1979, p. 226).
Prior work on turnover has examined the determinants of both individual employees’ departures and aggregate organizational turnover (Huselid, 1995). Previous research concluded that perceptions of job security, the presence of a union, job satisfaction, organisational tenure, demographic variables such as age, gender, education, and number of dependents, organisational commitment, whether a job meets an individual’s expectations, and the expressed intention to search for another job were all predictive of employees’ decision to leave (Arnold & Feldman 1982; Cotton & Tuttle, 1986).

High performance work systems aim at reducing turnover, absenteeism and costs through a reduction in the need for control and monitoring (Ramsay et al., 2000). Furthermore, so-called HPWS create high trust, high involvement, high intrinsic satisfaction, high skill and control and as a result, high commitment (Scholarios & Ramsay, 1999; Harley, 1999). With these ‘objectives’ as they may be termed, it is important to analyse the actual affect of HPWS on organisational commitment.

Findings that support these ‘objectives’ as stated above, comes from Ramsay et al. (2000) whereby there was a positive correlation between HPWS and employee commitment. It was identified that the resulting regression equations performed on employee attitudes showed a score which had a positive and statistically significant effect. However, contradictory evidence came out of the same study, whereby there was one group of ‘system’ practices (identified two HPWS system practices) which showed a negative statistically significant relationship with commitment (SWP1), and the other no effect (SWP2) (Ramsay et al., 2000). Explaining these results begins by looking at what made up these two ‘systems.’ System one included such things as EEO policy, employee union representation, and family-friendly policies amongst other things. The second system included grievance procedures, formal teams, appraisals and formal training (Ramsay et al., 2000). It is this author’s view that SWP1 could be labelled a ‘politically correct system.’ Attributing a label to SWP2 is much more difficult as the variables contained within it seemed unrelated.

A possible explanation of the results identified for SWP1 can be found in the affirmative action literature. Affirmative action is an important and generally controversial policy, which is used to combat differences between groups in earnings and employment (Coate & Loury, 1993). Affirmative action programmes identify ‘unfair’ or ‘uneven’ practices and prescribe rules that favour the disadvantaged group (Schotter & Weigelt, 1992). The relevance of this literature is that SWP1 is made up of affirmative action policies such as EEO, and family friendly policies. Furthermore the effects that affirmative action could have on employees are identified by Kuklinski et al. (1997). Kuklinski et al. (1997) identified that in the minority groups that receive affirmative action the result will be an increase in performance and commitment when the disadvantage was severe. Furthermore, it was identified that those not in the minority group expressed considerable dislike for affirmative action and would often attempt to resist it. In the author’s view the dislike and resistance shown by the non minorities could be a possible answer as to why SWP1 resulted in a negative effect on commitment. When one is outside the scope of the affirmative action’s range and when the disadvantage for the minority group was minor, it was identified that there would be a drop in overall performance and satisfaction in both groups. Therefore, this drop in satisfaction could result in a decline in employee commitment.

With these results in mind, there is still the case of the statistically significant regression equations of employee attitudes, which showed that HPWS
had a positive effect on commitment. This result simply shows that we can be reasonably certain that the results are not caused by sampling error. Furthermore in the author’s view, although the result shows a real difference, it is so small that it is not applicable in reality. Therefore, it can be concluded from Ramsay et al. (2000), that high performance work systems may have a marginally positive effect on employees’ attitudes to commitment (which can be debated) but an overall negative effect on employees’ actual commitment.

Further evidence of the effect of HPWS on employee commitment comes from Arthur (1994). These results were contradictory to Ramsay et al. (2000), in that the adoption of HPWS resulted in a dramatically lower turnover rate compared to control systems, and increased performance (Arthur, 1994). It was identified however, that the results for the regression analysis of the variables used against the commitment system were not significant. The difficulties posed here then are that the Human Resource System variable adopted in this study was one of the variables found to have an insignificant relationship and hence it must be interpreted with some caution.

Harley (2002) identified that HPWS were negatively associated with employee continuance commitment. The workplace practice of ‘high involvement’ creating commitment was statistically insignificant.

Thus, from the literature discussed above, it can be concluded that the myth of thinking HPWS result in an increase in employee commitment is just that, a myth. The results from Ramsay et al. (2000) showed that actual commitment was negatively affected by HPWS. Furthermore Arthur (1994) looked at performance gains from enhanced commitment and any resulting turnover. These results identified an ‘apparent’ statistically significant relationship between commitment and performance; however one performance variable returned an overall insignificant result. The issue that arises here is that the Human Resource System Variable in this model, which shows the significant relationship between commitment and performance must be interpreted with some caution. Furthermore Harley (2002) identified that ‘high involvement’ practices have a negative effect on continuance commitment.

Therefore from the analysed results above, it has been identified that although in theory HPWS should elicit commitment, it has been identified that in practice this is not necessarily the case. Although there were some results showing a positive effect, these are highly suspect as stated by the author.

Having identified evidence that HPWS do not necessarily elicit commitment, a discussion on why this occurs is needed. This discussion will focus on team work in an attempt to elicit a possible reason. The purpose of analysing teams is that they increase autonomy and allow for greater discretion over work, which are all aspects of HPWS (Edwards & Wright 2001). Kirkman and Shapiro (1997) identify the ‘self-managing work team,’ (SMWT hereafter). These work teams consist primarily of two dynamic components; (1) the process of self-management & (2) collaborative teamwork (Kirkman & Shapiro, 1997).

The concept of self managing teams is closely linked to what is termed ‘concertive control’ (Baker, 1993). Concertive control is whereby the group or team is given the power to control themselves as opposed to management traditionally holding it (Baker 1993). Employees typically develop a behavioural premise of ideas norms, or rules that enable them to act in functional ways for the organisation (Baker 1993). These new values that individuals within the teams have manifest into a supervisory force that guides the group’s every action (Baker 1993). This concertive control formulated by the individuals themselves, fermented hostility towards both management’s goals of making the
teams fully self-managed and also the actual goals of the firm (Baker, 1993; Ezzamel & Willmott 1998; Sewell 1998). Therefore this hostility towards management and their goals could be directly linked into continuance commitment to the organisation. Thus with the control that team members exert over themselves in order to reach functionality for the organisation, they are in turn bringing into effect a power that has the ability to dwindle commitment to the organisation. Baker (1993) reported that workers in these self managing teams were reporting that they felt they were under much more control now than they were prior to the introduction of self managing teams. The result of this was reported as an increase in work pressure to conform to the group norms and greater dislike towards management (Baker 1993).

Work-Life Balance and Work Intensification

Throughout the literature it is purported that HPWS have a positive effect on employees’ discretion (White et al., 2003; Harley 2002). In particular there are claims that specific practices such as group work and the formation of teams aids in this positive affect. This concept of ‘discretion’ is the employees’ ability to make good choices, be careful, and have the freedom of choice (Harley 2002). It was identified in Harley (2002) that HPWS have a positive effect on discretion. The results showed a significant and positive association to team building, which was further supported by White et al. (2003).

The purpose of highlighting this association is that the effect of this increased discretion is that it may have repercussions beyond the workplace. White et al.(2003) examines this possibility through a detailed look into the impact that working hours and selected high-performance practices have on negative job to home spillover.

In today’s media saturated society, it is thought that employees choose demanding jobs to fulfil material ambitions in a consumer society that has developed powerful forms of advertising and credit purchase systems (Schor, 1991). Therefore many workers felt obliged to accept high work demands simply to service their personal debt (Schor, 1991). Schor (1991) investigated the increasing number of hours worked by employees in a typical week. This discussion however did not review the practices the employers’ were making their employees’ adhere to, and the pressure to work long hours, just the reasons for why an employee should feel compelled to do so.

White et al.(2003, p. 177) proposes that it seems “plausible that high-commitment or high-performance management will have a negative impact on the home domain of workers to the extent they are designed to elicit greater discretionary effort in pursuit of the organizations goals.” This negative impact is counterproductive for many of the claims that state that HPWS are good for both the employee and the employer. Employers it is argued, gain through improved quality, productivity and financial returns, whilst employees’ benefit from higher wages and job satisfaction (Huselid, 1995). Evidence shows that this is not the case, with Ramsay et al.(2000) identifying that HPWS are associated with employees’ experiencing job strain, and lower pay satisfaction, while Godard (2001) identified that Canadian employees reported that high levels of adoption of these practices are linked with low job satisfaction and self-esteem, possibly because the work is considered to be more stressful. Evidence is vast, which challenges the claims that employees gain from HPWS (White et al.2003).

With these findings in mind it is therefore important to assess the degree to which this ‘job strain’ and ‘increased stress’ spills over into the home domain. White et al.(2003) identified that high performance practices were a major
contributor to this negative job-to-home spillover. Practices such as appraisal systems had a significant effect on increasing this spillover for both men and women. Other theoretically significant results concerned group or team motivational practices. It was identified that there was a tendency for group-orientated practices to further perpetuate this form of work family conflict, particularly in the year 2000 compared to 1992 (White et al. 2003). This finding suggests that group-orientated work is playing an increasingly larger role in work demands today. In 1992 performance related payment systems had a significant impact on reducing this negative job-to-home spillover (White et al., 2003). This impact showed considerable change in time, and by the year 2000 this relationship had become smaller and non-significant. The only high performance practice that showed a reduction in negative spillover was the adoption of flexible working hours albeit for women only (White et al., 2003).

These results have shown that work place practices, in particular, high performance practices, increase the negative job-to-home spillover (White et al., 2003). There were considerable gender differences with men being less affected by group work practices compared to women, and men not benefiting at all from the introduction of flexible working hours (White et al.2003). Furthermore it was identified that the largest influence on negative job-to-home spillover came from actual hours worked. White et al. (2003) stressed that as the hours worked increased, so too did the pressure they felt, which resulted in an increase in negative spillover.

The concept of work intensification includes not only the longer hours that an employee works, but the pressure created from having a more highly skilled workforce (Green 2001). When one looks at work intensification primarily from a perspective of increased hours, it is interesting to note that people work far fewer hours than those immediately after WWII (Green 2001). Furthermore in recent years the average hours worked have changed very little with only a slight increase (Green 2001). Thus the question must be asked, “Where is this work intensification coming from?”

Metcalf (1994 cited in Edwards et al.2001) identifies that workers in the UK report work effort is increasing, and that there was a ‘fear-factor’ associated with job loss in the 1980s. Therefore with the increase in work intensification and no apparent increase in hours worked, it could be posited that indeed HPWS induces increased discretion which in turn elicits an increase in effort. Furthermore this increase in work ‘effort’ will perpetuate the feelings of pressure and strain at work. The additional effect of self managing work teams as noted by Baker (1993) creating constant pressure furthers perpetuates this outcome.

Job Satisfaction and Relations with Management
Harley (2002) purports that job satisfaction was positively associated with the HPWS practice of quality circles. It is important to clarify just what quality circles are, in order to further discuss their effect on job satisfaction. Quality Circles are generally defined as “small groups of volunteers from the same work area who meet regularly to identify, analyze, and solve quality and related problems in their area of responsibility (Griffin, 1988). Further supporting evidence showing an increase in job satisfaction as a result of quality circles comes from (Griffin 1988), whereby it was identified that quality circles had a moderately positive increase in job satisfaction over a period of time. It is important to note however that this increase was not stable over time and eventually decreased back to its original level. This suggests that quality circles do have a positive effect on job satisfaction; however this effect is only short term in nature.
The effect that HPWS had on relations with management was both small and very hard to explain. It was identified that employee attitudes to management were negatively associated with employment security (Harley, 2002). This suggests that the greater the proportion of employees employed on a permanent full-time basis, the more negative the employee perception of management will be. These results are difficult to explain but they contrast with the traditional view that offering employment security will lead to more positive orientations for employees (Albrecht & Travaglione, 2003; Jones & George, 1998 cited in Ferris & Travaglione, 2003).

Discussion

The findings identified in this paper show that HPWS sufficiently fulfil their basic premise of increasing performance (Delaney & Huselid, 1996; Way 2002). However it is important to discuss the fact that Huselid (1995), a reputable researcher in this area, stated that HPWS increase performance through a number of avenues, with one of these being employee behaviour. This employee behaviour affects turnover and labour productivity within the organisations (Huselid, 1995) thus eliciting employee commitment, which is in direct contrast to turnover. Findings in this paper suggest otherwise (Ramsay et al., 2000; Harley, 2002; Arthur, 1994). It was however identified that HPWS do not engender commitment to an organisation as was once thought. Furthermore, the scant results that supported Huselid’s findings were to be interpreted with some caution, due to the relevant variable being insignificant. Explaining a possible causal relationship was done through an analysis of the effect self-managing teams had on organisational commitment. It was identified that these teams generate their own rules and norms which in turn creates an immense power over its members to conform to them. The result of this being an increase in work pressure and strain, which inevitably causes turnover.

Further findings identified that HPWS did increase discretion of employees (Harley, 2002; White et al., 2003). It was argued however, that this increase in employee discretion played a significant part in creating the negative job-to-home spillover. With discretion being the ability of employees to make good decisions, be careful and have freedom of choice this means that employees are given considerably more responsibility which in turn requires greater effort and in particular longer working hours. However, it was identified that work hours had not increased, in fact since shortly after the end of WWII they had actually been on the decline. Furthermore, it was identified that working hours had only slightly increased and could not be accountable for the increase in work intensification. It was identified that a possible origin of this work intensification came from the increase in work effort which was transcribed through HPWS creating an increase in employee discretion.

The concept of job satisfaction in relation to HPWS showed a positive relationship. Evidence from Griffin (1988) and Harley (2002) showed a statistically significant relationship between quality circles and job satisfaction. However the continuance of job satisfaction was relatively low. Griffin (1988) identified that ongoing job satisfaction was unlikely, due to the fact that employee satisfaction followed a bell curve almost, whereby their satisfaction peaked and then returned to its origin level.

The results from job satisfaction may offer a possible answer for the findings relating to employee relations with management. It was identified that employee attitudes to management were negatively associated with employment security (Harley, 2002). This simply meant that the longer an employee was
employed the more likely they were going to generate feelings of dislike towards management. Therefore, the findings regarding job satisfaction and the resulting discussion add validity to these findings.

Prior to drawing conclusions on this paper, it is important to note that this field of research, that being employee centred research regarding the effect of HPWS is relatively new. The important result of this is that current researchers in this field have been either adopting or adapting surveys or their data for the purposes of analysing this effect. Through not having an accurate measurement tool specifically tailored to this specific issue, this generates thoughts of its generalisability. Furthermore when one is interpreting survey data, it is obviously confined to that individual’s perception of it.

In conclusion, this paper has identified that HPWS ‘may’ result in a marginal increase in performance. The effectiveness of HPWS is diminished through the lack of continuance commitment which can be directly related to the increased discretion which increases negative job-to-home spillover. Thus as Edwards and Wright (2001) proposed a causal path of HPWS, this author to would like to propose another one on the effectiveness of HPWS.

HPWS increase individual employee’s discretion. This discretion results in an increase in effort which in turn creates increased work pressure and strain that culminates in negative job-to-home spillover. As employment continues, good relations with management diminish and as a result the organisation struggles with continuance commitment. The result is turnover, which is widely viewed as being detrimental to organisational performance.

References


The 90 Day Probationary Period: Rhetoric or Reality

Shannon Hegan

Abstract
The purpose of this paper is to identify whether what the proponents of the Employment Relations (Probationary Employment) Amendment Bill presented before parliament, was rhetoric or reality.

A short comparative analysis is performed to identify the severity of the bill against systems currently in use in both Australia and Ireland. This resulted in the bill being categorised as ‘harsher’, compared to the Australian and Irish versions. Not only is there scope for negotiation in Australia, but also comparing the 3 months proposed by the bill with Ireland’s 12 month period is completely misleading.

This paper then discusses the use of probation periods as a sorting mechanism, whereby it was identified that employers would use this as deterrent against workers with low ability applying. A relationship between probationary periods and absenteeism rates was also identified. This behavioural effect occurred through those individuals seeking to mimic the behaviours of ‘better workers’ and upon the completion of the probationary period, a significant drop in attendance would occur. This brought into question the need to devise an ‘optimal probation period’, to help weed out the pretenders. However, questions were raised regarding the feasibility of devising such a period for some firms. Furthermore, it was identified that the lack of procedural justice associated with probationary periods could raise a number of issues such as citizenship behaviour. Finally this paper discusses the relationship between the severity of employment protection legislation, and labour market flexibility. It was identified that deregulation does not necessarily improve labour market performance and indeed the premise rigidities in the market increase unemployment was refuted. Therefore, this paper finds that probationary periods are indeed rhetoric and not reality due to feasibility issues and the relatively little impact it could have on decreasing unemployment.

The 90 Day Probationary Period: Rhetoric or Reality
On the 15 March 2006 Dr. Wayne Mapp, National MP presented before parliament for first reading, the Employment Relations (Probationary Employment) Amendment Bill. This bill proposed an automatic probation period of 90 days for new employees whereby the “expensive, cumbersome, and litigious personal grievance procedures in the Employment Relations Act” would not apply (Mapp, 2006, p. 1). It was argued that this bill would bring New Zealand in line with all of the OECD, and that it was “absolutely middle of the road” compared to other countries (Mapp, 2006).

The purpose of this bill was to remove the expensive, cumbersome, and litigious personal grievance procedures for a period of 90 days. This will result in employers being able to take more of a ‘risk’ on employing those on the margins
of the workforce, which will inadvertently aid in decreasing unemployment for these vulnerable employees. What are the ‘vulnerable workers’ that are being referred to here? The New Zealand Business Round Table (2006) identified them as ‘those who are on the margins of the workforce’, such as young workers, re-entrants to the labour force, long-term unemployed, older workers, convicts, immigrants and disadvantaged groups such as Maori and Pacific people. Indeed when we shine the spotlight onto Maori in particular, it can be identified that with the unemployment rate for Maori Youth (18-24) approaching a staggering 18% in 2005 (Statistics New Zealand, 2005), the result would in all likelihood reflect poor market performance for this group, and furthermore with the possibility of enduring unemployment, the potential for high economic and social costs is likely. Further exacerbating the impact of the slow uptake of these groups into the workforce, has been the increased rigidities in the labour market – for example the introduction and subsequent tightening of the Employment Relations Act (ERA), related aspects such as paid parental leave, changes in holiday legislation, and successive increases in the minimum wage, have all contributed to the increased costs associated with employment in New Zealand. The OECD in 2005 voiced growing concerns regarding the recent direction of the New Zealand Labour Market policies through the belief that, although New Zealand has one of the most flexible labour markets in the OECD, legislative changes since the turn of the century have resulted in a direction towards increasing rigidities in the market. Therefore, it is believed that the introduction of this bill would generate the flexibility in employment law that is needed to boost productivity, and thus gain the competitive advantage we so dearly want.

Given the previous outlining of the need for the Probationary Employment Bill and the related factors that are further perpetuating the exclusion to an extent of some of these groups, this paper’s purpose is not to formulate an argument to refute or mitigate the bill, but to outline a concise and in-depth argument as to its true impact. With this in mind, this paper will set the scene through a brief look into the use of probationary periods in other countries. The countries identified by proponents of the bill, will be analysed in an attempt to decipher whether one can make any meaningful comparison. Following this, an analysis will be conducted to test whether what the proponents were asserting was rhetoric or reality. This analysis will therefore scrutinise the proponents’ arguments for the bill in an attempt to elicit its true nature. This will begin by looking into the true nature of probationary periods, which will include a discussion on probationary periods as a ‘sorting mechanism’ and the difficulties associated with devising an optimal period. Decreasing labour market rigidities was portrayed by the proponents as the number one way to decrease unemployment. Taking this as reality however would be foolish, and thus the paper will seek to determine what the true relationship between labour market flexibility and unemployment is. Finally, this paper will finish with a discussion on the justice associated with adopting the use of such a bill.

Probationary Employment in Other Countries
National MP, Dr. Wayne Mapp pointed out that many of the countries the current New Zealand Government often admires have employed the use of probationary periods. These include Australia (3 month probationary period), Canada (6 months), UK (12 months) and Ireland (12 months). Furthermore, it is posited, that given that many of the countries mentioned, have better living conditions
and were not considered to be hard on employees, it is argued there is simply nothing wrong with the introduction of probationary periods. Identifying the true nature of the situation in some of these countries (Australia and Ireland) will not only help put Dr Mapp’s comments into perspective but also aid in eliciting the potential implications of our bill.

It seems only appropriate to begin with our close neighbours Australia and the introduction of a 3 month probationary period by the Workplace Relations Act 1996. This probationary period specifically refers to unfair dismissals, which under s170CE(1) of the Workplace Relations Act 1996 is defined as, “termination of employment in an unfair, unjust or unreasonable way” and does not refer to unlawful dismissal, which includes such things as dismissal based on race, colour or religion. This 3 month period is somewhat of a ‘default’ period, given that under s170CE(5B) of the Workplace Relations Act 1996 it is stated, that a shorter, or no period, can be reached upon agreement between the parties before the commencement of employment, with the same applying to the implementation of longer periods, however there is a maximum of period of 12 months. These probationary periods are commonly referred to as an extension of the interview process, whereby employers can more accurately assess one’s abilities within the position, and help develop the individual through the use of support and training programmes (Office of Industrial Relations, 2004). Furthermore it is posited that probationary periods are used as a ‘first step’ in one’s career, through the development of desirable skills.

Probation periods in Ireland differ significantly to that being proposed in New Zealand. The previously identified 12 month probationary period is not a legislatively enforced concept, through there being no rules stipulating its presence. Parties to employment contracts are free to negotiate the term of probation, and indeed its presence in an employment agreement is not a requirement at all (Corporate Training, 2004). The rules associated with an agreed probationary period are that, like Australia and the proposed bill here, employees on probation cannot rely on unfair dismissal legislation. There are however instances whereby it is permitted, like when an individual has had more than one year’s service or is dismissed for trade union membership and matters relating to pregnancy rights (The Rights Commissioner Service, 2004). The only legislation that has any sort of impact on probationary contracts in Ireland is the Terms of Employment (Information) Act 1994, whereby it is stated in section 3 that all employers wishing to impose a probationary period of employment on an individual, need to stipulate in writing the exact term up to the maximum of 12 months.

Given these findings, one cannot compare the proposed bill to that of Australia and Ireland based simply on the length of the period. Justification for this comes from identifying the vastly different systems.

**Probation Periods: Rhetoric and Reality?**

When we think about ‘employment probation’ we mean a fixed-length monitoring and testing period imposed on newly hired or newly promoted employees. More importantly, as previously identified, the organisation has greater leeway, discretion, and freedom when seeking to discharge probationary employees. The most identifiable reason for using probationary periods is to ‘gather information on workers’ in the hope of determining their suitability for the position. Identifying whether what is being argued by the proponents is rhetoric or reality will begin with answering the question of, ‘What is an optimal probationary
Bull and Tedeschi (1989) purported that the optimal probation period is devised through identifying the costs and benefits to 'lazy' workers of mimicking 'hard-working' workers, provided that the costs associated with the firm’s system of monitoring the individual, is less than the cost incurred by hiring lazy workers. Loh (1994a) purports that there are five assumptions commonly found in the literature that are important considerations to be made when seeking to devise the length of a probationary period. The first is that workers’ abilities are not fully known at the point of hiring, thus their potential productivity is a random variable. Next, employers would like workers to produce at a desired level; however there is often variation from this, which is acceptable as long as one does not fall below a minimum threshold. The individual productivity levels are also crucial to devising the probationary period, with monitoring expected to continue until sufficient information is gathered so that there is an acceptable degree of accuracy. Following this, there is an issue regarding the monitoring of individuals on probationary periods being imperfect; firms may in some instances accept a worker who should be fired or reject a worker who should be hired. Furthermore, there is the issue regarding the amount of resources a firm may need to commit to such monitoring, given that with the marginal benefits associated with it declining markedly, with the increased length of probation. Wang and Weiss (1998) identify that being excessive with one’s monitoring, is necessary in helping to deter applications from workers with low productivity. Dissuading individuals with low productivity becomes a central theme for the use of probationary periods. With the previous identification of ‘excessive monitoring’, it is further purported by Wang and Weiss (1998) that by letting wages and the continuance of employment depend upon the results of tests associated with monitoring, firms can “design contracts which are attractive to high ability workers but not appealing to low ability workers” (p. 360). The implications of such an approach to the application and use of probationary periods is far reaching. Essentially, there is scope for probationary periods to be used as a selection tool for organisations in such a way as to not only further the exploitation of our most vulnerable workers, but also to help weed out applicants for more senior positions. This exploitation comes not only in the form described above, but also through the identification by Wang and Weiss (1998) that “jobs with probationary periods have exceptionally low wages and exceptionally high increase in wages” (p. 376). It is contested by this author that despite the potential for ‘exceptionally high increases in wages’, employers would not grant our most vulnerable workers such a luxury, instead given their relative unemployability, the minimum wage would be sufficient for them.

The previous discussion has identified what Loh (1994a) termed ‘the sorting mechanism’. This concept is not confined to probationary periods alone, Salop and Salop (1976) applied it to the use of steep wage tenure profiles in a bid to deter applications from workers with high probabilities of quitting; furthermore Guasch and Weiss (1982) and Nalebuff and Scharfstein (1987) applied it to application fees and contingency wages as a deterrence to workers with low expected productivity. Categorising probationary periods as a sorting mechanism was proposed by Loh (1994a), through the belief that imposing probationary employment could be used to reduce a firm’s cost of gathering information needed to screen out potentially poor workers. It is further posited that workers with ‘greater ability’ face lower risk from using probationary periods in this way. For example, when new workers are hired they are initially going to
be as productive as the next, regardless of the industry they are in. However, each worker will have a different degree of ability, and this ability directly affects how much training they are going to need, thus meaning that the better workers require less training, and are according to Loh (1994a), less likely to be fired as a result of it. In an ideal world there may be nothing to worry about, but what has been identified here is a blatant opportunity for management to simply gain back some of the managerial prerogatives that they so dearly miss. Applying this concept to the proposed bill in New Zealand, it can be identified that indeed there is scope for the claim that the introduction of this bill could boost productivity. This boost would come in the form of more accurate selection processes, but at a significant cost for the average employee. Furthermore, the identification by Wang and Weiss (1998) that there is a potential relationship between ability and success in probationary periods, is significantly damaging to the argument that probationary periods are going to aid the most vulnerable groups of workers in our workforce. Indeed it is posited that they will do the opposite, through further marginalising them and making it easier for employers to distinguish the productivity differences between potential employees. Finally, it was posited by the New Zealand Business Round Table that due to a number of factors, the costs of employment in New Zealand has increased, and that by increasing the flexibility of employment (as this bill aids to contribute towards), costs associated with employment would decrease marginally. However, in light of Wang and Weiss’s (1998) assertion that excessive monitoring is a good way to make use of probationary periods, there are costs associated. While the most astute employer may be able to identify the ‘optimal period’, it is believed by this author that the ‘average employer’ will not recognise such a period. Instead there may be situations of over monitoring resulting in unnecessary costs, or under monitoring which would take away a major use for such a mechanism.

Besides the logistical implications associated with probationary periods being used as a sorting mechanism, issues surrounding what is fair and just to the employees being subjected to this practice needs mention. Analysing the concept of organisational justice, which is a term used to describe the role of fairness as it directly relates to the workplace, will aid in discussing this dilemma (Moorman, 1991). Specifically, this concept is concerned with the ways in which employees determine whether they have been treated fairly in their jobs and the ways in which those determinations influence other work-related variables. There are two sources of organisational justice commonly cited being: distributive justice, which describes the fairness of the outcomes an employee receives; and procedural justice, which describes the fairness of the procedures used to determine those outcomes (Folger & Greenberg, 1985). Both distributive and procedural forms of justice are applicable in this situation. How fair is it to excessively monitor an individual in order to unearth his/her deficiencies and then fire them for it? Although the literature on the impact of excessive monitoring is sparse with regard to this discussion on what is fair and just, it has been identified that monitoring has a negative impact on organisational citizenship. Given the concepts task orientation of monitoring being to allow management to gather information and make informed decisions, it should ideally have a positive impact on these individuals performance (Neihoff & Moorman, 1993). It was however identified by Neihoff and Moorman (1993) that excessive monitoring had a negative impact on citizenship behaviours, which can be characterised as individual discretionary behaviour, not directly or explicitly recognized by formal reward systems, which includes such things as the extra motivation to go above and beyond one’s job description. Moving on from
distributive justice to procedural justice, one could clearly identify the fallacy behind the concept. Much like the previous discussion it was identified by Moorman (1991) that perceptions of procedural justice directly influenced the citizenship behaviours of individuals to organisations. The implication of this is that the use of probationary periods, considered to be unfair and unjust to this author, has a considerable negative impact on the citizenship behaviours of employees. However further study is needed to elicit the true relationship between monitoring and justice.

Moving on from the sorting effect probationary periods can have, this paper will now focus on the behavioural effects between probationary periods and workers. The particular behaviour that will be focused on is absenteeism. Barmby, Orme and Treble (1995) identified that those workers on different employment contracts behaved differently with respect to their absence behaviour, such as differing sick pay schemes, and daily wage rates associated with individuals' employment contracts. It was posited that the contract structure determined by firms, as a response to a number of factors such as productive technology and the characteristics of the workforce, directly influenced the absence behaviour of employees. This same effect is proposed to occur between probation periods and worker absenteeism (Ichino & Riphahn, 2005; Riphahn & Thalmaier, 2001). The assumption primarily rests on the previously discussed possibility that poorly motivated workers will attempt to mimic good workers during their probationary periods. This is what Riphahn and Thalmaier (2001) refer to as 'changing of behaviour' according to the period of the probationary employment. It is posited that the propensity to mimic good workers during probationary periods can be identified as the degree to which absenteeism increases once the end of the probation period is reached (Ichino & Riphahn, 2005; Riphahn & Thalmaier, 2001). These two main studies looking into the behavioural effects of probationary periods were conducted in two countries, Germany (Riphahn & Thalmaier, 2001), and Italy (Ichino & Riphahn, 2005). Therefore, this analysis will outline each of these studies to highlight how this behavioural effect is likely in different employment systems.

Germany has long had a six-month probationary period that removes any binding laws regarding dismissal. It was identified by Riphahn and Thalmaier (2001) that there are generally differences regarding the length of the probation period between blue and white-collar workers, however the difference between absenteeism rates differs little. The results show that in all cases regardless of gender, sector or industry, there is a marked jump in the number of absences following the completion of the probationary periods. These results do not stand alone; Ichino and Riphahn (2005) identified that once employment protection is granted, the average number of days of absence per week almost triples for men. The situation with females, who are on average more absent in all periods, are similar in absolute terms but smaller in relative terms. This is all in a country that Ichino and Riphahn (2005) identify as one with the highest degree of employment protection against firing in the OECD. Reinforcement for these results comes from Nagin, Rebitzer, Sanders, and Taylor (2002), whereby it is posited that the "rational cheater model" and its alternatives can be adopted when searching for an overarching model of opportunistic behaviour. In their field experiment, it was identified that a substantial fraction of workers will change behaviour when monitoring rates are manipulated. Their results specifically indicated that a "sizable fraction of employees behave roughly in accordance with the 'rational cheater model', which posits that employees respond to a reduction in monitoring by quickly and sharply increasing the rate
at which they engage in malfeasance" (p. 870). We see the same manipulation occurring in the use of probation periods, whereby employers more proactively monitor their employees prior to the resumption of protected employment.

The identification of the major behavioural effects associated with the use of probationary periods brings to the fore many important questions. The first being, just how does one manage the transition from probationary employment to the resumption of protected employment? This is indeed an unexplored area, and although this paper will not attempt to prescribe a potential answer, it is posited by this author that without the modification of the concept of probationary periods or some other band-aid like solution to solve the problem, probationary periods will be of little use. Proponents of probationary periods would argue that employers need to devise an 'optimal period', which is devised through identifying the smallest number of monitoring periods needed to eliminate the benefit to "lazy" workers of mimicking "hard-working" workers (Bull & Tedeschi, 1989). However, to assume the devil's advocate role for a moment, how viable is it for a small to medium sized company that might have already stretched resources to be spending (what this author believes to be) a considerable amount of time determining such a period? This is answered through the proposed bill setting an 'automatic' probationary period of 3 months. However, every job and individual is different, and the time it may take them to elicit the required traits may not be achievable within 3 months. Furthermore, even with the adoption of Australia's negotiation clause, have we not just come full circle back to a firm’s ability to judge what a suitable period would be?

### Labour Market Flexibility

The NZBR (2006) made a number of statements regarding the negative impact employment protection legislation (EPL) has on certain groups of workers, productivity, and the impact on an economy's ability to innovate. Given these statements, it is imperative to this paper that the relationship between EPL and Labour Market Flexibility be explored.

EPL includes protection against dismissals, limitations on temporary forms of employment, and more broad regulation of working time and health safety, to name a few. Eamets and Masso (2005) posit that there are two main arguments surrounding the use of EPL; 'institutionalists', who argue that EPL is necessary to offset the weak bargaining positions of employees; and 'distortionists', who argue that EPL increases labour market dualism by favouring insiders, increases effective labour costs, discourages hiring and impedes adjustment to economic shock. There are various empirical studies (Baird, 1996; Bentolila & Saint, 1992; Bertola, 1990) that have concluded that the extent of EPL directly results in a relatively inflexible labour market. This is based on the premise that without flexibility in the labour market, there is a general trend towards unemployment. However, there is evidence to the contrary (Abraham & Houseman, 1993; Baker, Howell, Glyn & Schmitt, 2002), which concludes that their findings do not support the common argument that deregulation improves labour market performance. Abraham and Houseman (1993) actually stress that it is even less evident that further weakening of social and collective protections for workers will have a significantly positive impact on employment prospects. Hence there is no clear agreement in the literature as to what exactly the interactions between EPL and labour market performances are. Therefore the following analysis will critique the 'distortionists' view held by such authors as Baird (1996), Bentolila and Saint (1992), and Bertola (1990) with a focus on the relationship between
labour market rigidities and unemployment due to this being emphasised as a vital reason for the introduction of employment probationary periods.

This analysis will begin by discussing the long held question of 'Have Dismissal Laws inhibited Labour Market Flexibility?' Abraham and Houseman (1993) purport that there is no empirical evidence to support the claim that enabling employers to more easily reduce their workforce levels during downturns, will result in employers being more willing to employ during periods of rising demands. What is essentially being stated here is that labour market rigidities are partially responsible for unemployment rates. This therefore brings into question, the validity of the argument posed by both the National party and the NZBR, stating that probationary periods will aid in lowering unemployment rates. The issue at hand is succinctly identified by Salvanes (1997) whereby it is stated, "A common explanation for the high and persistent level of unemployment in Europe has been the presence of labour market policies" (p. 315). Furthermore, it is stated that Labour Market policies create a situation whereby higher levels of hiring and firing costs lead to lower job turnover and a less flexible labour market. Despite these assumptions however, there is little empirical evidence to suggest that employment protection has any sort of effect on job creation. Despite this however, Leonard and Schettkat (as cited in Salvanes, 1997) found that labour market rigidities did not account for differences in job creation.

Labour Market legislation 'may' raise the effective cost to firms of employing workers and/or raise the effective cost of adjusting levels of employment (Nickell, 1997). The impact of the former on unemployment is dependent on the extent to which the extra costs are shifted onto employees, through a suitable adjustment of wages. Nickell (1997) identifies that this is often the case, "the major part of the burden of its impact on unemployment". Despite the presence of minimum wage legislation, Nickell (1997) finds no relationship between high labour standards having any impact on unemployment. Furthermore raising the cost of employment through employment protection, will tend to slow the inflow into unemployment whilst simultaneously reduce the flow out of unemployment into work. Nickell (1997) posits that these findings bear little impact on unemployment overall, as the two tend to cancel each other out. Given the weak link between unemployment and what Nickell (1997) terms 'direct market rigidities', alternatives were proposed as a means for understanding what determines unemployment rates. Nickell (1997) purports that the following labour market features are associated with high unemployment: 1) generous unemployment benefits that are allowed to run on indefinitely as is the case in New Zealand, 2) high unionisation with wages bargained collectively and no coordination between either unions or employers in wage bargaining, and 3) high overall taxes impinging on labour or a combination of high minimum wages for young workers associated with high payroll taxes. Looking more closely at particular countries Nickell (1997) identified that countries (up until 1991) such as Denmark (10.8%), Finland (10.5%) and Spain (18.9%) had relatively high unemployment rates, and coincidently they each had reasonably generous benefits with very long periods of entitlement and little in the way of active policies to push the unemployed into work.

Therefore the broad-brush belief that says unemployment in certain countries is high because of rigid labour markets is both too vague and, in this author’s view, misleading. Many of the labour market institutions that conventionally come under attack for further perpetuating unemployment rates, have been identified as having no association whatsoever with unemployment.
Conclusion
The purported impact of probationary periods has been questioned by the previous analysis. This began with identifying the difficulties associated with devising an optimal probationary length. Without an optimal period, this paper questioned whether introducing such a mechanism would serve any use. It was posited that over monitoring would be inefficient and under monitoring would defeat its purpose entirely. Furthermore, it was questioned whether small companies could afford to attribute the necessary resources to the monitoring associated with probationary periods. Backing this up comes from the analysis of the behavioural effects of probationary periods. Not only does it raise questions surrounding the management of the transition from probationary employment to regular protected employment, but it shows an instance of how companies are not achieving this ‘optimal period’. Therefore based on this part of the analysis, it is simply rhetoric for many employers to be able to devise an ‘optimal period’, given a lack of knowledge and resources needed to devise such a period.

The true impact of probationary periods was identified through its primary function begin to act as a sorting mechanism. As a sorting mechanism, probationary periods would adopt excessive monitoring to not only deter those with lower productivity, but also weed them out during the period. The implications of this were discussed in regards to organisational justice and although there is little on the relationship between monitoring and organisational justice, it was identified that excessive monitoring posed a serious threat to organisational citizenship. Furthermore, the results of this analysis show that those on the ‘margins of the workforce’ who the proponents of the bill said would benefit from its introduction, would in all likelihood be further marginalised and kept out of the working populous. Building upon probationary periods’ true impact, was the identification of the lack of a relationship between labour market rigidities and unemployment. The impact of this is that probationary employment seeks to increase labour market flexibility through the removal of employment protection legislation, with the flow on effect being that it will aid in reducing unemployment rates. However, having identified that there are alternative reasons for unemployment such as generous unemployment benefits, the actual impact that the introduction of probationary periods is debatable. Therefore, with the previous findings in mind, it is posited by this author that the concept of probationary periods actually having any real impact is indeed rhetoric.

References


Improvement of Executives’ Expatriation Experience in New Zealand: A Survey of French Expatriates

Lioubov Jakob

Abstract
Due to the increasing number of expatriates (“One of the trends of the last decade is the increasing number of people who go abroad to find jobs and increase income.” Beamish et. al., 1996, p. 16), and the high rate of failure of expatriation (between 16% and 50%, according to Cerdin, 2001), international management practices have to adapt to a rapid pace of change. Comparative empirical research on international human resource management (HRM) practices is surprisingly limited. The purpose of this paper is to contribute to this literature, specifically by introducing the findings from a survey that evaluates which practices human resource managers can use to improve the expatriation experience of executives. What are the best international human resource practices? The literature provides insight into the antecedents of adjustment to a foreign assignment, essentially the conditions for expatriation success. One model is introduced here, and explored with a qualitative on-line survey, addressed mostly to French expatriates working in New Zealand (although a few non-French expatriates also responded).

Note: This paper follows a separate theory-based examination of the process of expatriation and the training needs of expatriates, which is not reproduced here.

Literature References and Model
A variety of antecedents to international adjustment have been proposed in the literature. Black, Mendenhall, and Oddou (1991) detailed the facets of adjustment, identifying five antecedents, which they believe can determine the degree of success in cross-cultural adjustments situations. These include:

- Previous overseas experience
- Selection criteria
- Pre-departure training
- Individual skills
- Non-work factors

According to Schneider and Barsoux (1997), the most common international HRM practices are selection, socialization, training, performance appraisal, compensation, and career development.

The model tested in this paper, through a survey, tries to integrate these two perspectives (see Figure 1).
It is quite relevant to test this model on French expatriates in New Zealand because the Asia-Pacific zone seems to be the most culturally different for French expatriates (Cerdin, 2001). Nevertheless, we should not forget that this is an average; for example, China is much more culturally distant from France than is New Zealand.

**Survey Design / Methodology**

**Why Qualitative Research?**
The aim of this survey was more qualitative than quantitative.

First, qualitative research provides a fundamental understanding of people’s language, perceptions, and values. To obtain more in-depth responses, qualitative research is more suitable than quantitative. Further, with this kind of survey, fewer people are needed to constitute an adequate sample (this is also a necessary consequence of the target sample that was chosen).

However, quantitative and qualitative research are often complementary, so some quantitative questions were included in order to compare the adaptation of the expatriates, which is used here as the indicator of performance and success in the foreign assignment.

**Methodology**
A questionnaire, consisting mostly of open-ended questions, was prepared and placed on-line on the web site of the School of Business of the University of Otago. Selected human resource managers were contacted by telephone and email, in order to ask them to address this survey to all the French expatriates in their companies. However, the population of real French expatriates in New Zealand is quite small, and the survey was opened to a few non-French expatriates, both to slightly increase the sample size and to provide a comparison with people from other cultures.

**Sample Chosen**
This survey was addressed to nine companies, to a total of twelve expatriates: 9 French, 2 Australians, and 1 Scottish. Based on conversations with the company
HRM contact people, it is believed that nearly all French expatriates in New Zealand were identified, contacted, and participated in this study. Despite some difficulty in identifying all the French expatriates in New Zealand, this nearly-complete sample should be quite representative of the population of French executives working in New Zealand. A very small number of “real” French expatriates were sent by overseas companies to work in their New Zealand subsidiaries. In general, most of the foreign companies present in New Zealand hire local executives.

The three other non-French expatriates chosen for this survey come from cultures relatively close to New Zealand’s (Australia and Scotland). This is quite relevant in order to compare how cultural distance or proximity might affect the expatriation experience and success.

Questionnaire Form
Section 1) - Identification of Expatriates
a) First name
b) Company
c) Country of origin
d) How long have you been an expatriate in New Zealand?
e) What kind of expatriation experiences did you have previously? (Where? How long?)

Section 2) - Selection of Expatriates
a) On which critical factors have you been selected? (Individual skills, previous experience, non-work factors,...)
b) For you, what are the most critical elements in selecting expatriates?

Section 3) - Training of Expatriates
a) What kind of training did you receive? (Language, cross-cultural, briefing by host country managers,...)
b) When did you receive it? (Pre-departure, post-departure, or both) For how long?
c) What are the best forms of training for you?

Section 4) - Compensation of Expatriates
a) How are you compensated in New Zealand compared to standards in your own country?
b) Do you have any non-financial incentives? Which ones?
c) Is it enough? If not, how much should it be?
d) What is your ideal compensation package?

Section 5) - Adaptation of Expatriates
a) Did you experience culture shock and the different stages of adjustment? (Honeymoon stage, irritation and hostility stage, recovery stage, and biculturalism)
b) What stage are you currently at?
c) What solutions did you find to solve these problems?
d) What are your feelings now regarding living in New Zealand? (Frustration, boredom, satisfaction,...)
e) Could you give a grade on a scale from 1 (none) to 10 (complete) about your general adjustment?
f) Could you give a grade on a scale from 1 (none) to 10 (complete) about your adjustment to interaction with host country nationals?
g) Could you give a grade on a scale from 1 (none) to 10 (complete) about your work adjustment?
h) Could you give a grade on a scale from 1 (none) to 10 (complete) about your subjective well-being?

Section 6) - Overall
a) Do you have any regrets about your expatriation?
b) What would you do differently if you had to consider a new expatriation?
c) What types of knowledge did you gain?
d) How may the expatriation impact on your career?
e) How has this experience made you more valuable for the company?
f) What advice would you give to any expatriates coming to New Zealand?

Results: Summary of Data
In the following data summary tables, the names of the respondents have been disguised to protect their identities. The identification codes include a letter for nationality or culture of origin (F = French, A = Australian, S = Scottish) and a unique sequential number. All of the French and the one Scottish respondent were male; the two Australian respondents were female.

Table 1
Identification of expatriates

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Company</th>
<th>Nationality</th>
<th>Length of stay in New Zealand so far</th>
<th>Previous experiences of expatriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Alcatel</td>
<td>French</td>
<td>20 months</td>
<td>None</td>
</tr>
<tr>
<td>F2</td>
<td>L'Oreal</td>
<td>French</td>
<td>16 months</td>
<td>6 months in the USA</td>
</tr>
<tr>
<td>F3</td>
<td>Quartier Latin</td>
<td>French</td>
<td>8 years</td>
<td>Sailing around the world: 4 years</td>
</tr>
<tr>
<td>F4</td>
<td>SDV NZ Ltd</td>
<td>French</td>
<td>4.5 years</td>
<td>4 years in Australia</td>
</tr>
<tr>
<td>F5</td>
<td>LEGRAND-Electric</td>
<td>French</td>
<td>3 years</td>
<td>4 years in Japan</td>
</tr>
<tr>
<td>F6</td>
<td>JF Hillebrand</td>
<td>French</td>
<td>1 month</td>
<td>California: 6 months</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>New York: 2 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Chile: 3 years</td>
</tr>
<tr>
<td>F7</td>
<td>Le Brun Family Estate Ltd</td>
<td>French</td>
<td>31 years</td>
<td>None</td>
</tr>
<tr>
<td>F8</td>
<td>Masset-Glencross Ltd</td>
<td>French</td>
<td>32 years</td>
<td>None</td>
</tr>
<tr>
<td>F9</td>
<td>Quartier Latin</td>
<td>French</td>
<td>8 years</td>
<td>Circumnavigation half way around the world: 4 years</td>
</tr>
<tr>
<td>S10</td>
<td>Alcatel</td>
<td>Scottish</td>
<td>3 years</td>
<td>None</td>
</tr>
<tr>
<td>A11</td>
<td>Alcatel</td>
<td>Australian</td>
<td>18 months</td>
<td>None</td>
</tr>
<tr>
<td>A12</td>
<td>Nestle</td>
<td>Australian</td>
<td>14 months</td>
<td>None</td>
</tr>
</tbody>
</table>
### Table 2

**Selection of expatriates**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>On which critical factors have you been selected?</th>
<th>For you, what are the most critical elements in selecting expatriates?</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Skills and previous experience in service assurance and bid management</td>
<td>Ability to adapt to the country, including adaptation of expatriate's family to the country. Ability to deal with a &quot;certain amount of uncertainty&quot;</td>
</tr>
<tr>
<td>F2</td>
<td>Experiences and relations</td>
<td>An expatriate has to be able to adapt to his new country, everything depends on that: happiness, work performances...</td>
</tr>
<tr>
<td>F3</td>
<td>France knowledge</td>
<td>NA</td>
</tr>
<tr>
<td>F4</td>
<td>Same company for 8.5 years I guess experience, skills and French language</td>
<td>Language probably is the only real critical element nowadays and maybe company culture</td>
</tr>
<tr>
<td>F5</td>
<td>Previous experience</td>
<td>Family situation, confidence</td>
</tr>
<tr>
<td>F6</td>
<td>Individual skills, previous experience and lack of local staff fitting the job</td>
<td>Individual skills, previous experience</td>
</tr>
<tr>
<td>F7</td>
<td>Individual skills</td>
<td>Skills, sound health, no criminal record, age, marital status</td>
</tr>
<tr>
<td>F8</td>
<td>Personal experience</td>
<td>Need to speak English</td>
</tr>
<tr>
<td>S10</td>
<td>Previous experience</td>
<td>Willingness to move, good independent character as you’re moving to a new country with the only people you know are your colleagues and family</td>
</tr>
<tr>
<td>A11</td>
<td>Individual technical skills for the work in NZ based on previous experience</td>
<td>People who are keen to work in different environments, also people who are excited by new challenges</td>
</tr>
<tr>
<td>A12</td>
<td>Individual skills relevant to NZ market; lack of appropriately skilled &amp; qualified candidates in New Zealand.</td>
<td>A clear career plan must be in place for the individual's development, especially in terms of a re-entry point into the home market. The individual must show commitment and leadership to the Company, as well as obviously having strong skills aligned to the role they are moving into</td>
</tr>
</tbody>
</table>
Table 3

*Training of expatriates*

<table>
<thead>
<tr>
<th>Respondent</th>
<th>What kind of training did you receive?</th>
<th>When did you receive it?</th>
<th>What are the best forms of training for you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>None</td>
<td>Not applicable</td>
<td>Immersion in job. However, the job description must be agreed by all stakeholders in the mobility assignment</td>
</tr>
<tr>
<td>F2</td>
<td>None</td>
<td>Not applicable</td>
<td>Being in the country, meeting locals and experience their way of life</td>
</tr>
<tr>
<td>F3</td>
<td>None</td>
<td>Not applicable</td>
<td>NA</td>
</tr>
<tr>
<td>F4</td>
<td>None</td>
<td>Not applicable</td>
<td>Starting at the bottom and making yr way up...</td>
</tr>
<tr>
<td>F5</td>
<td>Technical training and briefing</td>
<td>1 month before departure</td>
<td>NA</td>
</tr>
<tr>
<td>F6</td>
<td>Briefing by other managers of this area</td>
<td>On-going training</td>
<td>On hands</td>
</tr>
<tr>
<td>F7</td>
<td>None</td>
<td>Not applicable</td>
<td>On the spot</td>
</tr>
<tr>
<td>F8</td>
<td>None</td>
<td>Not applicable</td>
<td>Experience</td>
</tr>
<tr>
<td>F9</td>
<td>None</td>
<td>Not applicable</td>
<td>Personal experience of NZ business</td>
</tr>
<tr>
<td>S10</td>
<td>None</td>
<td>Not applicable</td>
<td>online courses</td>
</tr>
<tr>
<td>A11</td>
<td>Background information on NZ and Wellington. Not a lot of difference culturally between Australia and NZ so training was not important.</td>
<td>Just before departure</td>
<td>I think if I was moving to another non-English speaking country or a country which was culturally different from Australia/NZ, then language courses and cross cultural training would be very useful.</td>
</tr>
<tr>
<td>A12</td>
<td>Nil as Australia and New Zealand are commonly aligned..</td>
<td>Not applicable</td>
<td>One on one, face-to-face. If individuals from Nestle were moving to a much different country they would receive language classes, coaching on culture differences, and sometimes an initial paid for visit to the country to ensure they understand the country and its differences</td>
</tr>
<tr>
<td>Responder</td>
<td>How are you compensated in New Zealand compared to standards in your own country?</td>
<td>Do you have any non-financial incentives?</td>
<td>Is it enough? How much should it be?</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>F1</td>
<td>Partial compensation for housing and cost of living. No financial incentive. No compensation for reduction in holidays (RTT). Once-off Mobility premium for moving.</td>
<td>No</td>
<td>Should cover 100% of housing</td>
</tr>
<tr>
<td>F2</td>
<td>I'm not; I'm treated as a New Zealand employee.</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>F4</td>
<td>No idea</td>
<td>company vehicle; company phone</td>
<td>NA</td>
</tr>
<tr>
<td>F5</td>
<td>Compensation for housing. No financial incentive</td>
<td>Car</td>
<td>Yes. Based on sale</td>
</tr>
<tr>
<td>F6</td>
<td>Retirement plan, social security, schooling allowance</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>F7</td>
<td>A better life</td>
<td>quality of life</td>
<td>How much more should one expect?</td>
</tr>
<tr>
<td>F8</td>
<td>NZ standards</td>
<td>No</td>
<td>Never enough</td>
</tr>
<tr>
<td>F9</td>
<td>Free loan of 100K NZ$ to launch a business with 3 staff. A Free Duty Taxes on French products.</td>
<td>Free Courses on IRD/GST/Accounting management.</td>
<td>NA</td>
</tr>
<tr>
<td>S10</td>
<td>Well</td>
<td>Shipping and return flights</td>
<td>It's reasonable</td>
</tr>
<tr>
<td>A11</td>
<td>Home allowances to cover additional rent &amp; expenses, living in a foreign country</td>
<td>No</td>
<td>Yes it is enough</td>
</tr>
<tr>
<td>A12</td>
<td>Salary is paid comparable to the local</td>
<td>Relocation assistance,</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Table 5
*Adaptation of expatriates*

<table>
<thead>
<tr>
<th>Responder</th>
<th>Did you experience culture shock and the different stages of adjustment?</th>
<th>What stage are you currently at?</th>
<th>What solutions did you find to solve these problems?</th>
<th>What are your feelings now regarding living in New Zealand?</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>No</td>
<td>Biculturalism</td>
<td>Meeting people (New Zealanders, Kiwis) outside of work. My wife received a scholarship to attend art school.</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>F2</td>
<td>Not really, the most difficult being to create a new social life.</td>
<td>Fully integrated</td>
<td>Close contact with my family and friends in France, taking advantage of any occasion to meet new people. I unfortunately didn't meet a lot of kiwis but some Australians, South Africans... which is great anyway.</td>
<td>Life in New Zealand is really nice, less stress than in France. The distance is still a problem as it is expensive and time consuming to go back to France. Just being half way would make a big difference.</td>
</tr>
<tr>
<td>F3</td>
<td>No</td>
<td>NA</td>
<td>NA</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>F4</td>
<td>No</td>
<td>Being more local than a local</td>
<td>NA</td>
<td>Loving it, for now, but won't be here all my life...</td>
</tr>
<tr>
<td>F5</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Lots of satisfaction</td>
</tr>
<tr>
<td>F6</td>
<td>No</td>
<td>NA</td>
<td>NA</td>
<td>Overall satisfaction</td>
</tr>
<tr>
<td>F7</td>
<td>No</td>
<td>After 31 years, I am fully integrated</td>
<td>Get on with it!</td>
<td>one would have to be blind and stupid not to be satisfied</td>
</tr>
<tr>
<td>F8</td>
<td>Yes</td>
<td>Fully integrated</td>
<td>Fit in the rules</td>
<td>Good</td>
</tr>
<tr>
<td>F9</td>
<td>There is an evident barrier of culture, when we are not kiwis. But with time and</td>
<td>Running our Import and Wholesale Business</td>
<td>Work harder</td>
<td>Because of the difference of culture, the social life is boring, but we gain in life style (compare to</td>
</tr>
</tbody>
</table>
money people learnt to respect and trust our way of dealing with customers.

Running a business is a real challenge and is quite satisfactory. Living cost in Auckland is as high as in Paris, knowing that the average of earning is much less.

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S10</td>
<td>No</td>
<td>NA</td>
<td>NA</td>
<td>Quite satisfied</td>
</tr>
<tr>
<td>A11</td>
<td>I mainly was home sick a few months after arrival due to not having friends and family here, I was also unhappy that we had trouble meeting people</td>
<td>Recovery stage</td>
<td>Keep busy and find alternative activities to keep active. we have also done a lot of traveling which has kept our minds off being</td>
<td>Satisfaction</td>
</tr>
</tbody>
</table>

A12 No - just natural process of change in home and lifestyle but not directly related to culture shock

Join sporting teams and gym to increase social network; have the ability to fly back to australia if feelings feel severe for a weekend.

Extreme satisfaction. I enjoy the lifestyle, opportunities and natural beauty of NZ and have taken the opportunity to get out and see things. I very much enjoy my position and the company that I work for, and have had the benefit of working for fantastic people who have made my transition a lot easier.

Table 6
Measurement of the different degrees of adaptation
On a scale from 1 to 10:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>General adjustment</th>
<th>Adjustment to interaction with host country nationals</th>
<th>Work adjustment</th>
<th>Subjective well-being</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>8</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>F2</td>
<td>8</td>
<td>6</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>F3</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>F4</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>F5</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>F6</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>F7</td>
<td>10</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>F8</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>F9</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>S10</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>A11</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>A12</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>8.6</strong></td>
<td><strong>8.2</strong></td>
<td><strong>7.2</strong></td>
<td><strong>8.6</strong></td>
</tr>
<tr>
<td>Respondent</td>
<td>Do you have any regrets about your expatriation?</td>
<td>What would you do differently if you had to consider a new expatriation?</td>
<td>What types of knowledge did you gain?</td>
<td>How may the expatriation impact on your career?</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-----------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>F1</td>
<td>No</td>
<td>Clarify material conditions before moving. Have better knowledge of the job description before coming. Speak with the host unit manager.</td>
<td>General knowledge on functions of local host unit, and how it interacts with headquarters (regional, international). Professional relationships with many other people in the company. Experience in working in an innovative context with our customer, and involvement in major programs of work</td>
<td>Willingness to be mobile is an important asset for anyone's career. The professional networking is a key element. Professional knowledge of customer and business requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>F2</td>
<td>Not at all</td>
<td>Move far away from France but not as far as New Zealand is... again half is enough</td>
<td>Very various, beside the language I learn to be independent, to adapt to very different situation and to face difficulties: systems, administrations... are different we still need to adapt and doing this in a foreign language always make things a little more complicated</td>
<td>Hopefully the impact will be positive</td>
</tr>
<tr>
<td>F3</td>
<td>No</td>
<td>Nothing</td>
<td>Knowing better others</td>
<td>NA</td>
</tr>
<tr>
<td>F4</td>
<td>Not at all</td>
<td>More money maybe</td>
<td>Great experience, on a professional and personal levels.</td>
<td>I might never go back home to work...</td>
</tr>
<tr>
<td>F5</td>
<td>It was great but the local mentality is so different at work. NZ is a beautiful country and we are still thinking about it.</td>
<td>NA</td>
<td>Work and management are really different in NZ</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>F6</td>
<td>None at least for now. Maybe the feeling of being very far from origin country and relatives</td>
<td>Nothing</td>
<td>Experience</td>
<td>Huge</td>
</tr>
<tr>
<td>F7</td>
<td>No</td>
<td>Nothing</td>
<td>France and Europe in general have gone to the dogs</td>
<td>NA</td>
</tr>
<tr>
<td>F8</td>
<td>No</td>
<td>Do it faster</td>
<td>All sorts</td>
<td>I created my own company</td>
</tr>
<tr>
<td>F9</td>
<td>Strong feeling that we have had a very little in return, after investing a lot in this country: time, personal, and a very good amount of financial investment considering that we have immigrated here under a Business Migration. So there is some frustration and a feeling to be rip-</td>
<td>We might consider Australia, as there is a similar life style but also there is much more potential in business and education for our child.</td>
<td>More fluent in English I presume</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>S10</strong></td>
<td>No</td>
<td>Prepare myself to be in a stronger position to negotiate when being moved from a short term contract to a long term.</td>
<td>Participate in a new project for the company from the beginning, invaluable experience for the company</td>
<td>Very good.</td>
</tr>
<tr>
<td><strong>A11</strong></td>
<td>No</td>
<td>Nothing</td>
<td>additional professional experience which I would not have been able to gain in Australia</td>
<td>provides me with additional skills which should enhance my future career opportunities</td>
</tr>
<tr>
<td><strong>A12</strong></td>
<td><strong>No not at all. I have enjoyed the experience.</strong></td>
<td><strong>I would look closer at exchange rates and ensure a savings plan was set up in my best interests. I think this is something the company should assist with.</strong></td>
<td><strong>Self insights, integrity, hard work and commitment.</strong></td>
<td><strong>It will enhance my employability through the skills developed, and knowledge gained. It places me in a much stronger position than my peers having had international exposure.</strong></td>
</tr>
</tbody>
</table>
Interpretation and Discussion
Given the very small sample size, the caveat that the comments in this section should not be generalized beyond the intended microcosm is quite obvious. Nonetheless, the findings are both interesting and fairly intuitive within their context.

Identification of Expatriates
These results show that three very important factors pre-determine the chance of success of the expatriation: the previous experience, the length of the expatriation, and the cultural distance. For expatriates with lots of previous experiences, or who are culturally close (e.g., Australian), it is easier to adapt. As well, after a long time of expatriation in New Zealand (in one instance here over 30 years), adaptation is no longer a problem. On the other hand, these results are not complete. They do not show, for example, how much prior knowledge this panel of expatriates had before coming to New Zealand: Did they speak English fluently? Had they already visited New Zealand? Did they read on their own in order to be prepared?

Selection of Expatriates
In selecting expatriates, it appears that there are three different types of critical factors: the individual skills, the previous experience, and the family situation. These factors will determine the ability to adapt to the country, including adaptation of the expatriate's family to the country and the ability to deal with some amount of uncertainty. The individual skills include language skills, technical skills, confidence, willingness to move and to work in different environments, good independent character, commitment, and leadership to company. In addition, a clear career plan should be in place for the expatriate's development, which should be explained during the selection process.

Training of Expatriates
There is an obvious lack of training among the expatriates interviewed: only three out of the twelve received even simple training. Usually the pre-departure training (one month before) is relatively minimal: it contains a job description and a briefing by other managers in this area. Ideally, if we summarize the expatriates’ answers, it should include some language courses, cross-cultural training, on-line courses, and even initial paid visits to the country to ensure the expatriates understand the country and its differences. However, according to most of these expatriates, the best form of training is post-arrival: being in the country, meeting locals and experiencing their way of life, but also immersion in the job. It seems obvious that culturally close expatriates (Australian or Scottish) do not need the same degree of language and cultural training as those from less culturally similar areas (e.g., France).

Compensation of Expatriates
The compensation packages do not seem either adapted to the local market or tailored to suit individual needs. Only six out of the twelve expatriates receive a partial compensation for housing and cost of living. The main reason is that the living cost in Auckland is as high as in Paris, yet the average earnings are much less. The other expatriates are treated as Kiwi employees. Usually there is no financial incentive for expatriates in New Zealand. Some packages included some non-financial incentives such as a company car, retirement plan, social security, or schooling allowance.
Ideally, if we summarize the expatriates’ answers, the compensation package should include: a 15% bonus on the salary, the option of having a company car, compensation for reduction in holidays (versus the French RTT system), compensation on income and other taxes, an overseas allowance premium, regular return flights to the home country, health care for the family, and shipping of household goods.

Finally, any good financial package will work as it will allow the expatriate to afford the comfort he or she needs to compensate for his/her expatriation. In any case, one should not forget that money is just a mean of compensation and does not always lead to well-being and happiness, which are crucial for adaptation. Further research should be done to evaluate the real influence of special compensation on the adaptation and success of the expatriate.

**Adaptation of Expatriates**

Only three expatriate have experienced a real culture shock due to their difficulty in creating a new social life or due to cultural differences. For the other expatriates, it was just a natural process of change in home and lifestyle but not directly related to culture shock. Most of these expatriates are now fully integrated, being more local than a local (also called bicultural), but one is in the recovery stage and one is still in the honeymoon period (just arrived).

Most of the solutions to solve the problems of experiencing culture shock are:
- Socialization: For example, finding social activities (sports, arts,...) to increase social network.
- Fit in the rules.
- Keep busy and active. For example, with travelling.
- Keep in close contact with family and friends, taking advantage of any occasion to meet new people.

In a general way, most of the expatriates except two are satisfied with their expatriation. Life in New Zealand is deemed to be really nice, less stressful than in France, even if it is expensive and time consuming to return to France. One expatriate found it difficult to adapt due to the lack of social network and another one because of the difference of culture: “the social life is boring”.

**Measurement of the Different Degrees of Adaptation**

Firstly, the more difficult adjustment problem was the work adjustment. Second came the communication problems, representing difficulty interacting with host nationals. Finally, adjustment to the general environment was the easiest. It appears that the expatriates who adjusted the best are the culturally closer expatriates (Australian and Scottish, rather than the French), the expatriates who have spend long time in New Zealand, and the expatriates who have a lot of previous overseas experience. Not surprisingly, in two cases, the semi-failure of adaptation reflects the degree of dissatisfaction. These two cases out of twelve, of not really successful expatriation, confirm a failure rate of about 16%.

**Overall Situation**

In general there is no regret of being an expatriate in New Zealand, except for two cases, in which the expatriates encountered some frustration and a feeling of being ripped off: “The education system is poor as well as the medical support.” They have a strong feeling that they have had very little in return, after investing a lot in this country: time, personal effort, and a very good amount of financial investment. They are ready to move out. Overall, the expatriates have learnt
some lessons: They noticed the importance of clarifying material conditions before moving, to have better knowledge of the job description before coming. This could be achieved by, for example, speaking with the host unit manager.

The Different Types of Knowledge Gain by the Expatriates
- Language skills.
- Independence, to adapt to very different situation and to face difficulties. “The systems, administrations... are different; we still need to adapt”.
- General knowledge on functions of local host unit, and how it interacts with headquarters (regional, international).
- Professional relationships with many other people in the company: Knowing others better.
- New culture.
- Additional professional experience.

The Expatriation has a Positive Impact on the Career of Expatriates
It provides them with additional skills which should enhance their future career opportunities and professional knowledge of customer and business requirements. Willingness to be mobile is an important asset for anyone's career. Professional networking is a key element. In some cases, they might never go back home to work.

...and the Expatriates Become More Valuable for the Company
They gain professional knowledge (additional skills, both technical and interpersonal / managerial). They develop an ability to work with different teams and different cultures, which is also a valuable asset. They can bring a different point of view. Finally, they become more flexible, they can adapt to any situation, and they know a different market which represents a huge experience over the years.

Advice from the Panel to Future Expatriates
Do a pre-visit so that you get an understanding of what New Zealand is like. New Zealand is more a lifestyle choice than a monetary choice. (You will earn less than in Europe but the monetary side of an occupation may not always be better.) Understand and respect the New Zealand culture, especially around Maori and Islanders, in order to better appreciate the country.

Conclusion
This research has shown the lack and inconsistency of international HRM practices in the expatriation of executives. Three possible improvements of these practices have been highlighted: The selection criteria should be reinforced; the training should be complete and "de facto", and the compensation package should be fair to compensate for the changes in the environment. If these three conditions are offered to the expatriate, his/her adaptation to the foreign environment is more likely to occur, which is a critical step to ensure success and performance in the expatriation process. However, one should not forget to also consider the cultural background of the expatriate, which will influence his/her adjustment to a more or less culturally different environment. Previous overseas experience and length of expatriation are also important criteria affecting adaptation, as is socialization with host country nationals.
References
An Evaluation of the Three-Component Model of Occupational Commitment Among New Zealand General Practitioners

Ewan D. McComb

Abstract
This study evaluated the utility of the three-component model of commitment (Allen & Meyer, 1990; Meyer, Allen, & Smith, 1993) in respect of an important work outcome, intention to leave, using a sample of New Zealand General Practitioners (GP’s). Support was found for the generalisability of the model to a different work context from that in which most commitment research has been undertaken. Affective and continuance commitment were found to be negatively related to intention to leave the occupation, and commitment was found to mediate the effects of satisfaction with general practice on intention to leave. Antecedents of commitment identified in other studies as explaining variance in commitment were also investigated. All were found to be related to affective commitment, but relationships with continuance and normative commitment varied.

For those whose responsibility is maintaining an adequate workforce, understanding the nature of commitment is essential. Commitment has been shown to be the best predictor of potential turnover, explaining up to 55% of the variance in turnover intention (Mowday, Porter, & Steers, 1982). Nevertheless, our understanding of commitment has been constrained by lack of a truly effective measure of the construct. Meyer and Allen’s (Allen & Meyer, 1990; Meyer & Allen, 1991) recently developed three-component model (and associated measure) appears to more accurately capture the true nature of the concept than prior uni-dimensional conceptualisations. However, the model has only been tested in relatively restricted circumstances; most tests have taken place in North America, predominantly in the U.S.A., and have in the main tested commitment to an organisation. This article responds to calls for further testing of the three-component model to confirm its generalisability and validity in non-U.S.A contexts (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002), and in respect of different targets, particularly differing occupations (Snape & Redman, 2003).

Further testing in a non-U.S.A. context is recommended because tests of the three-component measure in countries other than the U.S.A. have provided inconclusive results. For example, one test of the measure in South Korea disclosed difficulties with the psychometric properties of the scales (Ko, Price, & Mueller, 1997), whereas a later study in the same country confirmed the utility of the model after some adjustment to scale items (Lee, Allen, Meyer, & Rhee, 2001). Conversely, a test of the model in Turkey confirmed the generalisability of the model to that culture (Wasti, as cited in Lee et al., 2001). The conflicting results in South Korea may be due to a translation problem or may reflect differences unique to the culture in which the tests were undertaken. Testing the measure in a different culture where translation is not necessary removes one
potential confounding variable, thus adding to the store of knowledge regarding the generalisability of the measure.

The vast majority of studies testing the three-component model specify the target of the commitment as an organisation, yet an occupation is a recognised alternative target of commitment (Lee, Carswell, & Allen, 2000; Ritzer & Trice, 1969). Ritzer and Trice noted that occupational commitment is more relevant where the occupation is a more meaningful focus for an employee than the organisation, and various authors have noted that the rate of organisational change may be prompting workers to focus commitment on their occupation (Johnson, 1996; Reilly, Brett, & Stroh, 1993). As work becomes more specialised, society has a need to retain people in particular occupations. Although the three component model of commitment has been shown to generalise to an occupational focus (Meyer et al., 1993), it has, as yet, been tested among a very limited range of occupations. As occupations differ in modes of entry, training, socialisation and work context, and thus may have differing determinants and consequences of commitment, there is a need to test the three-component model among a wider range of occupations (Meyer et al., 2002; Snape & Redman, 2003).

In addition to informing the study of occupational commitment by simply adding to the number of occupations studied, the sample group for this study is a different type of worker. Most studies of occupational commitment have examined professional workers employed by organisations (see Gunz & Gunz, 1994; Lachman & Aranya, 1986; Parasuraman & Nachman, 1987 for example). A frequent focus of such studies has been to identify whether commitment to the ideals of the profession competes with commitment to the employing organisation. Generally, both organisational and occupational commitment are measured with similar instruments and using similar methods, generally self-reports. The observed relationships between the respective commitments and outcome variables may therefore have been inflated due to common-method effects.

Within most professional groups however, there are individuals who do not work in organisations; they are self-employed or ‘autonomous’ professionals. Autonomous professionals are important to provision of the professional service in areas where larger professional organisations do not exist because of insufficient demand for the service. Occupational commitment levels among autonomous professionals may differ from those of professionals who work in organisations because their identity is inextricably linked with the occupation. Investigating relationships between commitment levels and outcome variables for autonomous professionals may therefore add to knowledge of the true relationship between occupational commitment and intended occupational turnover.

At a more general level, confirmation that the three-component measure is valid and generalisable is important because this model differs significantly from past models of the commitment concept. Past measures of commitment have treated commitment as uni-dimensional. Many studies have incorporated Becker’s (1960) conceptualisation of commitment as a propensity to continue a specific behaviour, based on a series of past actions that constrain available alternatives. An alternative conceptualisation of commitment as a psychological phenomenon, based on a liking for the object of the commitment (Ritzer & Trice, 1969) provided the basis of the most used measure in many studies of commitment, the Organisational Commitment Questionnaire (Mowday, Steers, & Porter, 1979). Still other authors suggested that commitment had its basis in
compliance with general societal expectations of a correct course of action (Hall, Schneider, & Nygren, 1970). The common element in these conceptualisations of commitment is the propensity to continue a line of action, the disagreement essentially relates to the basis of the commitment.

The three-component model visualizes commitment as “a force that binds an individual to a course of action that is of relevance to a particular target” (Meyer & Herscovitch, 2001, p. 301). The ‘force’ encapsulates three components; (a) an affective component based in a liking for the target, (b) a behavioural, or ‘continuance’ component founded in past actions that constrain future decisions, and (c) a normative component based in a recognition of what is the right thing to do. Thus, the three-component model appears to integrate the multiple views of commitment that have been popular in the past, and therefore has face validity, but further testing is required to confirm the generalisability and validity of the measure.

Inherent in the definition of commitment is the proposition that not only must there be a target for the commitment there must be a course of action relevant to the target. Although various other courses of action, improved work performance for example, have been proposed as outcomes of increased commitment, the most investigated outcome in commitment studies is an intention to continue membership. If the three-component measure generalises to the sample group a similar relationship between the dimensions of commitment and intention to leave as found in other studies of the commitment – intention to leave relationship should also be evident among New Zealand GP’s. Hence it is predicted that:

**Hypothesis 1:** All three components of commitment will contribute uniquely to negatively predict intention to leave general practice over and above demographic variables. Specifically:

a. Affective commitment will be the strongest negative predictor.

b. Normative and continuance commitment will predict less, but still unique, negative variance in intention to leave.

If the three-component measure does truly reflect a multi-dimensional concept, then one would expect that not only would the different dimensions have different effects on proposed consequences, but that different dimensions would have different antecedents. Identifying potential antecedents of the dimensions of autonomous professionals’ occupational commitment proved difficult due to a lack of similar studies. At the target level, a recent meta-analysis of occupational commitment studies (Lee et al., 2000) found that most studies reviewed utilised uni-dimensional measures of commitment as opposed to the multi-dimensional measure being tested in this study. At the specific sample level, the sole study identified that tested a commitment-intention to leave relationship among GPs (physicians) (Kim, Price, Mueller, & Watson, 1996) utilised a uni-dimensional measure of commitment and tested intention to remain in the organisation, not the occupation. The sample group were not, therefore, autonomous professionals. Only one study that examined occupational commitment among autonomous professionals (self-employed dentists) was found. While this study tested multiple dimensions of commitment, generally only demographic antecedents were examined (Kaldenberg, Becker, & Zvonkovic, 1995) and potential turnover was not included among the outcomes measured. However, by examining the range of potential antecedents identified
in these three studies it was possible to identify some variables that were likely to affect New Zealand GP’s commitment to remaining in the occupation.

A problem remained in that the use of uni-dimensional measures in the studies meant that there was little information available as to the likely effects of these variables on individual components of the three-component measure. However, in studies comparing occupational and organisational commitment a strong correlation between these commitments has generally been noted. This finding suggests that it may be valid to draw on studies of organisational commitment in an attempt to identify the nature and strength of relationships between the potential antecedents of occupational commitment and the individual components of that commitment. The recent meta-analysis of organisational commitment studies (Meyer et al., 2002) provides some clues in this regard. Based on the identified antecedents, and the relationships noted in Meyer and Allen’s study (see Table 1) it is therefore predicted that:

**Hypothesis 2**: The proposed antecedents will be related to the components of commitment. Specifically:

a. Met expectations will be positively related to affective commitment, but unrelated to continuance or normative commitment.

b. Role ambiguity and role conflict will be related to all three components of commitment. There will be a negative relationship with affective and normative commitment, and a positive relationship with continuance commitment.

c. Autonomy will be positively related to affective and normative commitment, but unrelated to continuance commitment.

d. Distributive justice will positively related to affective and normative commitment, but there will be no relationship with continuance commitment.

e. Perceived sacrifices will be positively related to affective and normative commitment, but there will be no relationship with continuance commitment.

f. Perceived alternatives will be negatively related to continuance commitment, but there will be no relationship with either affective or normative commitment.
### Table 1
Prospctive Antecedents of GP Commitment

<table>
<thead>
<tr>
<th>Authors</th>
<th>Type of study</th>
<th>Dimension of commitment measured</th>
<th>Meta-Analysis</th>
<th>Physicians</th>
<th>Self-employed Dentists</th>
<th>Meta-analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee et al. (2000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kim et al. (1996)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meyer et al. (2002)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Demographic Characteristics

| Age            | .067 | .230 | -.120 | -.120 | .150 | .140 | .120 |
| Income         | .173 | .140 | .165  | .175  |      |      |      |
| Gender         | .008 | .008 | .008  | .008  | .030 | .010 | .020 |

#### Personal Characteristics

| Met expectations | 0.550 |

#### Work Experiences

| Role Ambiguity | -0.321 | -0.220 | -0.390 | 0.100 | -0.210 |
| Role Conflict  | -0.249 | -0.380 | -0.300 | 0.130 | -0.240 |
| Distributive Justice | 0.270 |      |        | 0.400 | -0.060 | 0.310 |
| Autonomy       | 0.277  |      |        | 0.150 |      |      |

#### Personal Job Attitudes

| Job satisfaction | 0.435 | 0.520 | 0.720 | 0.190 | 0.650 | -0.070 | 0.310 |

#### Alternatives/Investments

| Investments (Sacrifices) | 0.240 | 0.010 | 0.210 |
| Transferability of Education (Alternatives) | -0.040 | -0.220 | -0.070 |
| Transferability of Skills (Alternatives) | 0.170 | -0.310 | 0.130 |

Note: Only those antecedents selected for inclusion in the current study are included in the table. For a full list of variables examined in the original studies readers should refer to the original articles.

1 Measures used included the Career commitment Scale (Blau, 1985) or a modified version of the Organisational Commitment Questionnaire (Mowday et al., 1979).
2 Study measured commitment with Organisational Commitment Questionnaire.
3 Commitment measured using a combination of items from Morrow and Wirth (1989), the Organisational Commitment Questionnaire, and Hall (1968).
4 Correlations reported are mean weighted corrected correlations. Included studies using Organisational Commitment Questionnaire and those using Meyer and Allen three-component measure (Allen & Meyer, 1990; Meyer et al., 1993).
5 Meyer and Allen did not report correlations with ‘pay’ but did with ‘pay satisfaction’ – a conceptually different variable.
6 This study included males only.
7 The study was intended to investigate gender-related differences. A significant difference between males and females was found only in respect of a net income effect on behavioural commitment. The scores reported in this table are original scores averaged across both genders.

Unlike other potential antecedents of occupational commitment listed in hypothesis 2, job satisfaction has been clearly identified as both an antecedent and a correlate of commitment (Jaros, 1997; Jaros, Jermier, Koehler, & Sincich, 1993). Job satisfaction is generally defined as a positive feeling about the factors that make up the job, including the work itself, supervision, pay, promotion prospects and co-workers (Price, 1997). This definition suggests a narrow focus on elements that are directly related to the day-to-day work involved, ignoring other elements that may be relevant to the work-worker relationship including the wider organisation, the work system, and work-life interaction that are captured in other concepts being measured. The factors of a GP’s job, however, differ from those of other workers, giving rise to other potential sources of positive feeling than the strictly job related factors. They may feel a sense of satisfaction arising from belonging to an old and respected profession, or from being the owner of a business. To recognise these wider potential sources of satisfaction, the term satisfaction with general practice is used instead of job...
satisfaction. Based on relationships identified in prior studies that included both commitment and [job] satisfaction, it is predicted that:

Hypothesis 3: Satisfaction with general practice will be positively related to affective and normative commitment, but not to continuance commitment; and

Hypothesis 4: Satisfaction with general practice will be negatively related to intention to leave general practice, but:
Hypothesis 4a: this relationship will be mediated by total commitment.

Method

Sample and Procedure
A questionnaire, together with a letter setting out the purpose of the survey, was mailed to 1000 doctors randomly selected from the New Zealand Medical Council’s roll of vocationally registered GPs. Respondents were assured anonymity, precluding any form of follow-up of non-respondents. The project was reviewed and approved by the Department of Management, University of Otago.

By four weeks after the initial mailing 561 responses had been received, of which 22 were letters returned either because the intended recipient was no longer at the address to which the letter was sent, or because the recipient was no longer a practising GP. This left 539 valid responses from a reduced sample size of 978, a response rate of 55.1%. A further 31 responses were received too late to be included in the analysis. To establish whether these respondents were a representative sample of GPs, data were compared with both the recent Royal New Zealand College of General Practitioners (the College) membership survey (2005) and, where possible, the most recent New Zealand Medical Council workforce survey (MCNZ, 2005).

Responses were received from 202 (37.5%) female and 328 (60.9%) male GPs. Nine respondents did not disclose their gender. This ratio of female to male GPs closely matches data from the New Zealand Medical Council workforce survey (39% female) but is slightly lower than the ratio disclosed in the College membership survey (43% female). This may mean that there is a higher proportion of female GPs who are members of the College but who do not have vocational registration, or it may simply be an indication that female GPs are less likely to respond to non-College surveys.

Demographic Measures
Demographic measures, most frequently age, gender, and income, are often included in commitment studies. However, there are rarely strong or significant correlations between demographic variables and commitment, the strongest relationship is generally between age and commitment but it is rarely higher than around .20 (see Table 1). Demographic variables were therefore included as control variables, primarily to determine whether the respondents were a representative sample of GPs. Respondents were asked to report age, measured at three significant points; entry to Medical School, age at which qualified as a GP, and current age based on ranges of (1) under 20, (2) 20 to 29, (3) 30 to 39, (4) 40 to 49, (5) 50 to 59, and (6) 60 or over. Gender was measured as (1) female or (2) male. Income was also measured in ranges stipulated as (1) under
$10,000, (2) $10,000 to $39,999, (3) $40,000 to $69,999, (4) $70,000-$99,999 and (5) $100,000 or over.

All non-demographic variables were measured by either single- or multiple-item 5-point Likert type scales anchored ‘Strongly Disagree’ on the left (coded 1) and ‘Strongly Agree’ on the right (coded 5). Some items were reverse scored to mitigate the effects of standardised response bias, and as recommended by Meyer and Allen (2004) the commitment scale items were mixed and integrated with other item measures.

**Intention to Leave**
Intention to leave was measured with two questions varying only in the projected time scale; the first indicated an intention to leave within six months, the second indicated intention to leave within five years.

**Commitment**
Commitment was measured using Meyer and Allen’s three-component measure (Meyer & Allen, 2004). Generally, the wording as recommended for tests of occupational commitment was used (Meyer et al., 1993), the words ‘general practice’ or ‘line of work’ being substituted for the term ‘occupation’ to avoid conceptual confusion. An exploratory factor analysis with varimax rotation confirmed that the scale items produced three factors with eigenvalues >1 and accounting for 57% of the variance. Items and factor loadings are shown in Table 2, as are reliabilities, mean scores and standard deviations. Alpha reliabilities of the scales are similar to average n-weighted reliabilities reported by Meyer et al. (2002) being affective commitment, .835 (cf .82 in Meyer et al.), continuance commitment, .823 (.76) and normative commitment, .851 (.73).

Other than satisfaction, few, if any, of the concepts expected to be related to GP’s attitudes to remaining in general practice have been tested among GPs in any cultural context, let alone in New Zealand. Measures for the following potential antecedents of commitment were therefore generated by first examining definitions of the concepts reported in the industrial psychology literature, and then examining the medical industry literature for potential exemplars of these concepts.

**Met Expectations**
Met expectations are essentially the discrepancy between what a person encounters in the job and what they expected to be encountered (Porter & Steers, 1973). Individuals’ differing pre-entry expectations may develop from socialised expectations arising out of a knowledge of the job gained from influential others in family, social or educational groups, or be created at pre-entry interviews, or in the case of professionals, during qualifying training. Subsequent on-the-job experiences, both positive and negative are matched against these expectations. Suggested consequences of higher discrepancies (termed ‘reality shock’) are lower job satisfaction, lower commitment, and increased turnover (Wanous, Poland, Premack, & Davis, 1992). Low job expectations have been suggested as one reason for reduced recruitment into rural GP posts (Hill, Martin, & Farry, 2002).
Table 2
Factor loadings, descriptive statistics, and alpha reliabilities for affective, continuance and normative commitment scales.

<table>
<thead>
<tr>
<th>Scale Items</th>
<th>Factor 1 Affective Commitment</th>
<th>Factor 2 Continuance Commitment</th>
<th>Factor 3 Normative Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>I dislike being a General Practitioner. [R].</td>
<td>.859</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am enthusiastic about general practice as a line of work.</td>
<td></td>
<td>.812</td>
<td></td>
</tr>
<tr>
<td>I regret having entered general practice. [R].</td>
<td>.789</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am proud to be a General Practitioner.</td>
<td>.776</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not identify with general practice as a line of work. [R].</td>
<td>.639</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General practice is important to my self-image.</td>
<td>.379</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right now, leaving general practice would require considerable personal sacrifice.</td>
<td>.820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It would be too costly for me to leave general practice right now.</td>
<td>.809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too much in my life would be disrupted if I left general practice right now.</td>
<td>.785</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing my line of work to something other than general practice would be difficult for me to do.</td>
<td>.672</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have put too much into general practice to consider changing now.</td>
<td>.509</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are no pressures to keep me from leaving general practice. [R].</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I remain in general practice because I feel a sense of loyalty to it.</td>
<td>.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would feel guilty if I left general practice.</td>
<td>.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel a responsibility to general practice to continue in it.</td>
<td>.818</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not feel any obligation to remain in general practice. [R].</td>
<td>.627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think people who have been trained in a particular line of work have a responsibility to remain in it.</td>
<td>.616</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Even if it were to my advantage I do not feel it would be right to leave general practice now.</td>
<td>.602</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Descriptive statistics and alpha reliabilities

<table>
<thead>
<tr>
<th>N</th>
<th>530</th>
<th>530</th>
<th>523</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>3.96</td>
<td>3.36</td>
<td>2.80</td>
</tr>
<tr>
<td>SD</td>
<td>0.698</td>
<td>0.828</td>
<td>0.837</td>
</tr>
<tr>
<td>Alpha reliability</td>
<td>.835</td>
<td>.823</td>
<td>.851</td>
</tr>
</tbody>
</table>

Note: [R] = Reverse scored

Met expectations are usually measured by a series of questions measuring discrepancies between pre-entry expectations and post-entry reality in relation to important specific job factors such as pay, supervision, and promotion prospects (Wanous et al., 1992). Identifying important job aspects for GPs would have been difficult without a prior confirmatory study, however measuring met expectations with a single item question, similar to a global job satisfaction question, is an acceptable alternative (Wall & Payne, 1973). This option was adopted, the questionnaire item included was ‘Overall I feel the requirements of general practice are what I expected’.

Role Ambiguity and Role Conflict
Role ambiguity can arise from uncertainty about the tasks or responsibilities attaching to a position, and/or the time that should be allocated to dealing with them (Rizzo, House, & Lirtzman, 1970). While this uncertainty usually arises from a lack of information or a lack of guidance about what is expected, GPs, as members of a profession and generally owners of the business, have traditionally been responsible for setting their own task responsibilities and allocating appropriate time for them. Role ambiguity for GPs may, therefore, arise from other individuals or organisations requiring GPs to undertake different tasks or allocate more or less time to tasks than they would prefer if such requirements did not exist. GPs perceive an increased administrative burden is being placed on
them by Primary Health Organisations (Minogue, Goodyear-Smith, & Fishman, 2005; Reid, 2006), thus reducing the amount of time available to them for undertaking their primary task – treating patients. Role ambiguity was therefore measured by three items, one task responsibility item reflecting an increase in administrative work, ‘I often feel unsure whether my primary function is treating patients or dealing with administrative matters’, and two time allocation items reflecting lack of time to treat patients; ‘I often feel I am putting more time into work-related matters other than helping patients’ [reverse scored] and ‘Helping patients with their medical problems takes more of my time than other work-related matters’.

Role conflict arises when behaviours expected of an individual are inconsistent (Rizzo et al., 1970), for example incompatible requests from two or more people. One significant area of role conflict identified in both the organisational psychology (Boyar, Maertz Jr, Pearson, & Keough, 2003; Elloy & Smith, 2003) and medical workforce (Elley, 2001; Kilmartin, Newell, & Line, 2002; Swanson, Power, & Simpson, 1998) literature is conflict between work and family roles. This is likely to be a significant issue for GPs as they are contractually bound to provide a 24-hour/7-day service (M.O.H, 2003 s. H.3.1). Role conflict was therefore measured by one item reflecting overlap with family commitments, ‘I would like to be able to spend more time with my family’.

**Autonomy**

Professional autonomy is the degree of control that members of an occupation exercise over the organisation and terms of their work (Kerr, Von Glinow, & Schriesheim, 1977), and may reflect individual differences in the pacing of work, the way tasks are performed and the degree of co-ordination with others (Barrick & Mount, 1993). GPs exercise autonomy at two levels; in their interaction with patients, and the way they organise their business. At the patient level, interaction with patients generally takes place on a one-to-one basis and the GP traditionally has significant control over the way the work is performed including the degree of ‘friendliness’ in the interaction and the treatment decisions made. At the business level, the GP controls the pace of work by setting the length of appointments and the amount of interaction with other employees. For example, a GP may choose to hire a nurse to undertake some duties, or a manager to relieve the administrative burden. Based on Barrick and Mount’s autonomy scale, others’ expectations of the way the job is performed at the patient level was measured by the item ’Too many other people or organisations seem to want to control how I deal with my patients’, while business-level autonomy was measured by one item reflecting the imposition of rules, policies and procedures by an external authority, ’There are too many rules and regulations affecting the way I run my practice’.

**Distributive Justice**

Distributive justice is the relationship between rewards and punishments and performance (Adams, 1965; Leventhal, 1976). The basis of distributive justice is a comparison of both perceived job requirements and perceived rewards or punishments with referent others. It is acknowledged that rewards of general practice are not limited to physical rewards such as remuneration, they include the psychological rewards of having the trust and respect of society and one’s patients (Holland, 2006). However, the factor most often identified in distributive justice comparisons is remuneration equality, and a major factor in the perceived unattractiveness of general practice in New Zealand is adverse pay comparisons
with other New Zealand medical specialists (Dowell, Hamilton, & McLeod, 2000), and remuneration rates obtainable overseas (Conway, 2006). Distributive justice was, therefore, measured by a single item, ‘General practice is not as well paid as other medical specialties’.

**Perceived Sacrifices**

If considering a change in work arrangements, the potential sacrifices that must be made and the number of alternatives that are available are both readily identifiable antecedents of the continuance commitment dimension (Meyer et al., 2002). Sacrifices are an evaluation of investments made, and the degree to which they would be lost if the work arrangements were changed. These investments may be financial (practice purchase), professional (networks of contacts with colleagues) or social (non-work related friendships) investments. No readily identifiable measure of perceived sacrifices was able to be located, this concept was therefore measured by three self-developed items, each reflecting one of the above dimensions. ‘My current financial situation would not allow me to consider giving up general practice at present’ was intended to measure potential financial sacrifices, ‘Leaving general practice would require me to develop a whole new set of professional contacts’ symbolised the sacrifice of existing professional networks, and ‘Leaving general practice would mean having to develop a whole new set of friendships’ captured the sacrifice of social investments.

**Perceived Alternatives**

Perceived alternatives is a forward looking view that assesses the potential for preserving investments made in achieving the current position. Based on Becker’s side-bet theory, these investments include educational investments as well as the network and financial investments referred to in the previous paragraph. As identified earlier in this paper, GPs have a number of alternatives that would enable them to change their working arrangements with varying effects on the education/skills investments already made. They could, for example, move overseas to work as a GP. They may lose their professional and social networks, and may lose a financial investment in ownership of a practice, but would retain the training investment made. A second alternative would be to change to a different medical specialty, which would perhaps involve losing the financial investment in practice ownership, but a substantial part of the training investment would be retained, the network of professional contacts may still be of partial utility, and the network of social friendships may be fully retained. Finally, they could move into a totally different type of work entirely (a GP in Northland has recently opened a brothel for example), which would entail a loss of the training investment, and possibly the professional contacts and any financial investment made, but may enable the social friendships networks to be retained. Perceived alternatives was measured by three self-developed items. ‘I would not consider moving out of New Zealand at this time’, ‘Changing my line of work to another medical specialty is not an option for me at present’, and ‘I am currently considering moving into a line of work totally unrelated to medicine’ were intended to reflect the move overseas, change specialties and change line of work alternatives respectively.
Satisfaction
Satisfaction can be measured either globally, by a single question related to the overall job, or dimensionally. In studies of job satisfaction among GPs that included both types of score global scores were virtually identical to averaged facet scores (Cooper, Rout, & Faragher, 1989; Sutherland & Cooper, 1992). It was decided to use a global satisfaction question, ‘Overall I am very satisfied with general practice as a line of work’ to reduce questionnaire length and potential response fatigue.

Results
All analysis was undertaken using SPSS 13.0 for Windows. Data entry was independently checked to ensure accuracy.

The primary hypothesis was that the affective, continuance, and normative components of commitment would each predict unique variance in intention to leave general practice. Intention to leave was tested at two levels, within six months and within five years. A correlation analysis was performed to confirm that sufficient relationship existed among the variables to support the view that the components of commitment would predict intention to leave. Correlations between the affective and continuance components of commitment and both levels of intention to leave were reasonably strong, ranging from -.424 to -.439. Relationships between normative commitment and levels of intention to leave were weaker, being around -.30. All relationships were, however, significant at p < 0.01 level (see Table 3).

Table 3
Means, standard deviations, and correlations among satisfaction with general practice, commitment, and intention to leave.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with general practice</td>
<td>537</td>
<td>3.67</td>
<td>1.090</td>
<td>.730**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>530</td>
<td>3.96</td>
<td>0.698</td>
<td>.189**</td>
<td>.203**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>530</td>
<td>3.36</td>
<td>0.828</td>
<td>.303**</td>
<td>.425**</td>
<td>.364**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>523</td>
<td>2.80</td>
<td>0.837</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention to Leave within 6 months</td>
<td>536</td>
<td>1.93</td>
<td>1.101</td>
<td>- .438**</td>
<td>- .437**</td>
<td>- .439**</td>
<td>- .281**</td>
<td></td>
</tr>
<tr>
<td>Intention to Leave within 5 years</td>
<td>536</td>
<td>2.72</td>
<td>1.242</td>
<td>- .426**</td>
<td>- .424**</td>
<td>- .435**</td>
<td>- .305**</td>
<td>.669**</td>
</tr>
</tbody>
</table>

Note: Due to missing data, N values for bivariate tests may be different from N values shown. Degrees of freedom are therefore shown on the diagonals (in brackets).
** Correlation is significant at the 0.01 level (2-tailed).

Hierarchical regression analysis was then used to test the hypothesis that the components of commitment would predict variance in intention to leave (Table 4). Demographic control variables were entered at step 1, the affective, continuance and normative components of commitment were entered as steps 2 to 4 respectively, and finally satisfaction was entered as step 5. Affective commitment predicted the greatest amount of variance in both intention to leave within six months (ΔR² = 17.5%) and intention to leave within five years (ΔR² = 16.7%). Hypothesis 1a is therefore supported.
Table 4
Results of regression analysis for consequences of commitment and job satisfaction

<table>
<thead>
<tr>
<th>Variable</th>
<th>Intention to leave within 6 months</th>
<th>Intention to leave within 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta</td>
<td>Change in R²</td>
</tr>
<tr>
<td>Gender</td>
<td>-0.010</td>
<td>0.058</td>
</tr>
<tr>
<td>Income</td>
<td>0.174</td>
<td>0.226</td>
</tr>
<tr>
<td>Current Age</td>
<td>0.000</td>
<td>0.041</td>
</tr>
<tr>
<td>Affective commitment</td>
<td>-0.177</td>
<td>0.175</td>
</tr>
<tr>
<td>Continuance commitment</td>
<td>-0.349</td>
<td>0.114</td>
</tr>
<tr>
<td>Normative commitment</td>
<td>-0.009</td>
<td>0.000</td>
</tr>
<tr>
<td>Satisfaction with general practice</td>
<td>-0.248</td>
<td>0.028</td>
</tr>
</tbody>
</table>

Note: \( N = 504 \). Beta coefficients are standardised coefficients from the final equation (Step 5).

Hypothesis 1b was partially supported, as continuance commitment predicted further unique variance of 11% in intention to leave both within six months and within five years, but normative commitment did not predict further variance at either level.

Hypothesis 2 predicted various relationships between proposed antecedents and the components of commitment. The results of correlation analyses indicate some support for the predicted relationships (see Table 5). Met expectations were positively related to affective commitment, \( r(525) = .372, \ p < .01 \), as predicted, but a significant relationship was also found with normative commitment, \( r(518) = .223, \ p < .01 \) which was not predicted. Hypothesis 2a is therefore partially supported.

Hypothesis 2b predicting that role ambiguity and role conflict would both be negatively related to affective and normative commitment, but positively related to continuance commitment was partially supported. Both role ambiguity, \( r(519) = -.284, \ p < .01 \), and role conflict, \( r(527) = -.138, \ p < .01 \), were significantly negatively related to affective commitment and a significant negative relationship was also found between role ambiguity and normative commitment, \( r(513) = -.111, \ p < .05 \). However, role ambiguity was unrelated continuance commitment and role conflict exhibited no relationship with either continuance or normative commitment.

Hypothesis 2c predicted autonomy would be positively related to affective and normative commitment, but unrelated to continuance. This hypothesis was also partially supported, the predicted relationship between autonomy and affective commitment was found, \( r(527) = .212, \ p < .01 \), but instead of a positive relationship with normative commitment a negative relationship with continuance commitment was also noted, \( r(528) = -.130, \ p < .01 \).

Hypothesis 2d, which predicted a positive relationship between distributive justice and both affective and normative commitment but no relationship with continuance commitment was fully supported.
Table 5
Means, standard deviations, and correlations among commitment, satisfaction with general practice, and antecedents of commitment.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>530</td>
<td>3.96</td>
<td>0.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>530</td>
<td>3.36</td>
<td>0.83</td>
<td>.20**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>523</td>
<td>2.80</td>
<td>0.84</td>
<td>.42**</td>
<td>.36**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction with general practice</td>
<td>537</td>
<td>3.67</td>
<td>1.09</td>
<td>.73**</td>
<td>.19**</td>
<td>.30**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Met Expectations</td>
<td>535</td>
<td>3.10</td>
<td>1.00</td>
<td>.37**</td>
<td>.01</td>
<td>.22**</td>
<td>.38**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role Ambiguity</td>
<td>528</td>
<td>3.20</td>
<td>0.78</td>
<td>-.20**</td>
<td>.06</td>
<td>-.11**</td>
<td>-.30**</td>
<td>-.32**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role Conflict</td>
<td>537</td>
<td>3.91</td>
<td>0.99</td>
<td>-.13**</td>
<td>.07</td>
<td>.11</td>
<td>-.19**</td>
<td>-.17**</td>
<td>-.24**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>537</td>
<td>1.97</td>
<td>0.78</td>
<td>.21**</td>
<td>-.13**</td>
<td>.02</td>
<td>.27**</td>
<td>.27**</td>
<td>.47**</td>
<td>.28**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributive Justice</td>
<td>539</td>
<td>1.63</td>
<td>0.79</td>
<td>.15**</td>
<td>-.01</td>
<td>.15**</td>
<td>.13**</td>
<td>.19**</td>
<td>-.12**</td>
<td>-.13**</td>
<td>.23**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Sacrifices</td>
<td>531</td>
<td>3.03</td>
<td>0.76</td>
<td>.09**</td>
<td>.60**</td>
<td>.26**</td>
<td>.10**</td>
<td>.03**</td>
<td>-.02</td>
<td>.15**</td>
<td>-.11**</td>
<td>-.005</td>
<td></td>
</tr>
<tr>
<td>Perceived Alternatives</td>
<td>530</td>
<td>3.81</td>
<td>0.79</td>
<td>.40**</td>
<td>.45**</td>
<td>.29**</td>
<td>.46**</td>
<td>.24**</td>
<td>-.21**</td>
<td>-.159**</td>
<td>.147**</td>
<td>.112**</td>
<td>.306**</td>
</tr>
</tbody>
</table>

Notes: Due to missing data, N values for bivariate tests may be different from N values shown. Degrees of freedom are therefore shown on the diagonals (in brackets).
* Correlation is significant at the 0.05 level (two tailed). **. Correlation is significant at the 0.01 level (2-tailed).
Hypothesis 2e examined relationships between perceived financial, professional and social sacrifices and the components of commitment. It was predicted that there would be positive relationships between perceived sacrifices and both affective and normative commitment, but no relationship with continuance commitment. The hypothesised relationship with normative commitment was found, $r(521) = .263, p < .01$, however, contrary to prediction there was only a weak relationship between perceived sacrifices and affective commitment, $r(526) = .099, p < .05$, but a very strong relationship with continuance commitment, $r(523) = .680, p < .01$. In order to better understand which elements of the perceived sacrifices scale were having the greatest effect on the individual components of commitment, hierarchical regression analyses were performed. Step 1 in each case included only control variables, the friendship sacrifice element was included next, followed by the professional contacts element and finally the financial sacrifice item. According to the change in $R^2$, (see Table 6) the financial element (23%) and the professional contacts element (20%) predicted the greatest change in continuance commitment while the friendships element predicted no variance in any component of commitment.

Table 6
Hierarchical regression analysis of perceived sacrifices effects on components of commitment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Affective Commitment</th>
<th>Continuance Commitment</th>
<th>Normative Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change in $R^2$</td>
<td>Beta</td>
<td>Change in $R^2$</td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.078</td>
<td>-.002</td>
<td>-.076</td>
</tr>
<tr>
<td>Current Age</td>
<td>.016</td>
<td>-.005</td>
<td>.010</td>
</tr>
<tr>
<td>Gender</td>
<td>.107</td>
<td>.013</td>
<td>.013</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friendships</td>
<td>.082</td>
<td>.011</td>
<td>.011</td>
</tr>
<tr>
<td>Step 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Contacts</td>
<td>.068</td>
<td>.005</td>
<td>.016</td>
</tr>
<tr>
<td>Step 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>-.033</td>
<td>.000</td>
<td>.016</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: $N = 522$. Beta coefficients are standardised coefficients from the final equation (Step 4).

Finally, hypothesis 2f predicted a negative relationship between perceived alternatives related to the transferability of education and skills, and continuance commitment, but no relationship with either affective or normative commitment. Significant relationships with all three components were, however, found. The relationships with affective commitment, $r(525) = .408, p < .01$, and continuance commitment, $r(521) = .452, p < .01$, were both quite strong, while that with normative commitment was weaker, $r(520) = .297, p < .01$.

Further hierarchical regression analyses were performed in respect of the perceived alternatives scale and the components of commitment. Again step 1 in each case included only control variables, the option to change medical specialties was included next, followed by the leaving medicine alternative and finally the leaving New Zealand item. The results are shown in Table 7. According to the change in $R^2$, the desire to remain in medicine (14%) predicted the greatest amount of variance in affective commitment while the desire to remain in general practice predicted the greatest amount of variance in continuance
commitment (20%). The possibility of leaving New Zealand predicted minimal variance in any component of commitment.

Table 7
Hierarchical regression analysis of perceived alternatives effects on components of commitment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Affective Commitment</th>
<th>Continuance Commitment</th>
<th>Normative Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta</td>
<td>Change in (R^2)</td>
<td>Beta</td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>.078</td>
<td>.186</td>
<td>.052</td>
</tr>
<tr>
<td>Current Age</td>
<td>.010</td>
<td>-.038</td>
<td>.035</td>
</tr>
<tr>
<td>Gender</td>
<td>-.053</td>
<td>.014</td>
<td>.013</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change specialties</td>
<td>.087</td>
<td>.027</td>
<td>.041</td>
</tr>
<tr>
<td>Step 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leave medicine</td>
<td>.348</td>
<td>.144</td>
<td>.186</td>
</tr>
<tr>
<td>Step 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leave New Zealand</td>
<td>.151</td>
<td>.020</td>
<td>.206</td>
</tr>
</tbody>
</table>

Note: \(N = 519\). Beta coefficients are standardised coefficients from the final equation (Step 4).

Hypothesis 3 predicted that satisfaction with being a GP would be positively related to affective and normative commitment but not to continuance commitment. This hypothesis was partially supported. The predicted relationships with affective commitment, \(r(526) = .730, p < .01\), and normative commitment, \(r(521) = .303, p < .01\), were found but contrary to prediction a significant although weaker relationship with continuance commitment \(r(526) = .189, p < .01\), was also found (see Table 3).

Table 8
Partial Correlations between satisfaction with general practice and intention to leave, controlling for total commitment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Intention to leave within 6 months</th>
<th>Intention to leave within 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total commitment</td>
<td>-0.499</td>
<td>-0.510</td>
</tr>
<tr>
<td>Satisfaction with general practice</td>
<td>-0.433</td>
<td>-0.425</td>
</tr>
<tr>
<td>Satisfaction with general practice (with total commitment controlled)</td>
<td>-0.232</td>
<td>-0.215</td>
</tr>
</tbody>
</table>

Hypothesis 4 predicted that satisfaction with being a GP would be negatively related to intention to leave, but the relationship would be mediated by commitment. The predicted relationships between satisfaction with general practice and intention to leave were supported for both intention to leave within six months \(r(532) = -.438, p < .01\), and intention to leave within five years, \(r(528) = -.426, p < .01\) (Table 3). A partial correlation analysis was undertaken to test for a mediating effect of commitment on the satisfaction with general practice-intention to leave relationship. It was first necessary to create a total commitment score, by averaging the affective, continuance, and normative commitment scores for each respondent. This seemed a valid approach given that Meyer and Allen recommend averaging scale item scores to calculate component scores. For both intention to leave within six months and intention to leave within five years, the relationship between satisfaction with general practice and intention to leave reduced significantly when commitment was
controlled (see Table 8). Thus hypothesis 4a that the relationship between satisfaction with general practice and intention to leave is mediated by commitment is partially supported.

**Discussion**

As with all research studies, there are limitations to this study. The findings are susceptible to common method variance as all measurements were self-reports. No alternative was, however, possible as all variables measured were psychological variables that are generally incapable of measurement by external observation.

The study also predicts intention to leave not actual turnover, which would be a variable of more interest. No study assessing the rate at which intention to leave translates to actual turnover can be identified in respect of GPs or autonomous professionals. To investigate this phenomenon a longitudinal study would be required, and should be undertaken to provide more understanding of the relationship between intention to leave and ultimate turnover in respect of this important occupational group.

The relationships among commitment, its antecedents and intention to leave may be overstated due to the nature of the sample frame. The sample was drawn from a list of doctors having vocational registration as GPs, which implies that they also have permanent registration to practise medicine in New Zealand. The size of the sample frame (2,382 doctors) compared with the estimated size of the current GP workforce (3,411 College members) suggests that there are a considerable number of GPs who either do not have vocational registration or have only temporary registration. Obtaining vocational registration implies greater educational and time investment in becoming a GP. That a large number of GPs have not undertaken this investment suggests that the true value of commitment to general practice if non vocationally registered doctors were included in the sample may be lower than the value obtained in this study. Failure to obtain permanent registration may imply that doctors practising under temporary registration have no intention to remain in New Zealand, even if they intend to remain members of the GP workforce. It may be instructive to repeat the study with a different sample frame that includes both GPs who do not have vocational registration, and those who are not permanently registered to practise in New Zealand.

In responding to two separate calls for further research testing the three-component model of commitment, this study has provided further evidence for the validity and generalisability of the model. Meyer and Allen noted that the model and measure have rarely been tested outside of the U.S.A. This study was undertaken in New Zealand. Although there are many similarities between the U.S.A. and New Zealand cultures, there are also many differences. Thus, this study provides support for the cross-cultural validity and generalisability of the measure.

In one previous test of the measure outside the U.S.A., Snape and Redman examined the generalisability of the measure in a U.K. context utilising a sample of human resource management professionals. In providing evidence of the generalisability of the measure to that group, they noted that it was important to test the measure among other occupational groups, particularly the traditional professions of law and medicine. Human resource professionals are generally employed within organisations but law and medicine professionals may, and many do, work autonomously. This study provides evidence that the
measure has validity and generalisability among autonomous professionals in one of the traditional professions, reinforcing the generalisability of Meyer and Allen’s three-component model of commitment to an occupational focus. Rarely have studies of occupational commitment utilised the three-component measure of commitment, yet the three-component model adds explanatory value over and above uni-dimensional models of commitment. Utilisation of the model and measure in future studies of occupational commitment would therefore add value to this research in this work-related domain.

Specifically, the findings of this study provide support for the multi-dimensional view of commitment using a sample of New Zealand GPs. In line with findings in other studies, affective commitment was found to have the strongest predictive effect in relation to withdrawal intentions, with continuance commitment explaining less but still significant variation. Normative commitment appeared to explain no additional variance in intention to leave. As further evidence of the dimensionality of commitment, relationships between the components of the multi-dimensional model differed. There was a significant but weak relationship between affective and continuance commitment, \( r(521) = .203, p < .01 \), a medium strength relationship between continuance and normative commitment, \( r(516) = .364, p < .01 \) and a strong relationship between affective and normative commitment, \( r(518) = .425, p < .01 \). These results reinforce the view that the proposed components of commitment are separate, but related, dimensions.

Different components of the model also had different antecedents, despite claims that affective and normative commitment are so closely related that they are, in fact, measuring substantially similar concepts. While all tested antecedents showed significant relationships with affective commitment, role conflict and autonomy were unrelated to normative commitment. This provides some support for the view that the concepts do, in fact, differ. Only autonomy, perceived sacrifices, and perceived alternatives were significantly related to continuance commitment, and autonomy was positively related to affective commitment but negatively related to continuance commitment. Again, these results reinforce the view that continuance commitment is conceptually different from the other proposed components of commitment.

The finding that perceived sacrifices were strongly related to continuance commitment and unrelated to affective commitment is somewhat surprising in view of the relationships noted in Meyer and colleagues meta-analysis of organisational commitment studies (Meyer et al., 2002). This may be due to one of two factors. The first is an interpretive one. In formulating hypothesis 2e, it was assumed that term ‘investments’ reflected the sacrifices that would be made if the respondent left the organisation; this assumption may be false. Thus it may, in fact, be impossible to compare the relationships between investments and commitment components in Meyer and colleagues study with the relationships between perceived sacrifices and the components of commitment reported in this study. They may, in fact, be totally different constructs. The second factor is one of measurement. In measuring the perceived sacrifices in the current study respondents were provided with very specific examples of different types of sacrifices. This measurement methodology may be very different from the methodologies employed in the studies reviewed by Meyer and colleagues.

Similar comments apply to the relationships between perceived alternatives and commitment components. Hypothesis 2f was formulated on the basis of averaged mean weighted correlations for the items ‘transferability of
skills’ and ‘transferability of education’ reported in Meyer and colleagues meta-analysis, and very specific examples of where the skills/education could be transferred to were provided. The very specificity of the examples may have affected the responses.

Alternatively, however, it must be remembered that hypotheses 2a to 2f inclusive were formulated relying on relationships reported in a meta-analysis of studies of organisational commitment, whereas the current study examined occupational commitment. The similarity of direction, strength and significance of relationships between most proposed antecedents and the individual components of the multi-dimensional commitment construct suggest that the target of the commitment may have relatively little effect on the development and management of commitment, with the exception of the perceived sacrifices and perceived alternatives. These factors may be very much more important to those whose main focus is the occupation than those whose focus is an organisation.

In conclusion, these findings are consistent with the theory underlying the three-component model of occupational commitment and with findings in earlier studies. The evidence supports generalisability of the model to an occupation that is important to the economies of all countries, and the individuals that inhabit them. The model has also been shown to affect an important occupational consequence, intended turnover, in a way that is predicted by the theory underlying the model. The discriminant validity and practical utility of the model therefore receive considerable support. Overall, it appears that the three-component model of commitment provides valid and useful insights into the way professionals are attached to their occupation.

References


Leventhal, G. S. (1976). The distribution of rewards and resources in groups and organizations. In L. Berkowitz & W. Walster (Eds.), *Advances in*


The Abolition of Youth Minimum Wages in New Zealand: What Effect will this Have on Teenage Employment?

John Stevenson

Abstract
The effect of increased minimum wages and youth sub-minimum wage rates is currently a particularly pertinent issue in New Zealand. This is due to Sue Bradford’s Member’s bill proposing to abolish the youth sub-minimum wage passing its first reading in Parliament. This article seeks to examine the possible effects this proposed legislation would have on the employment of New Zealand workers aged sixteen and seventeen, who under the new bill would be entitled to the full adult minimum wage. The traditional textbook model suggests that raising the minimum wage for this group of employees will have a negative effect on their employment, with a youth sub-minimum wage somewhat reducing this unemployment effect. Recent research challenges this viewpoint, providing evidence that increases in minimum wages for this group of employees has either a positive or no effect on teenage employment. After consideration of both views, this study agrees with an alternate view that the effect of minimum wage rises has been exaggerated in the literature, and that any effect of minimum wages is very hard to distinguish from other variables that could affect teenage employment. Therefore, this article concludes that the abolition of the youth sub-minimum wage in New Zealand will have a small effect, if any at all, on teenage employment, and should not be of consideration when debating this bill.

Introduction
Questions over whether regions should employ minimum wages and at what levels these minimums should be set have fuelled vast amounts of literature. Much of the interest in this subject has been generated from a dichotomy between economists and policy makers, with New Zealand Business Roundtable writer James Coutts (2004) arguing this dichotomy exists due to economists traditionally arguing that minimum wages have a negative effect on employment, whilst policy makers use the minimum wage legislation as a means of safeguarding workers welfare. Brown, Gilroy, and Kohen (1982) describe the employment/unemployment effect of the minimum wage as a pivotal issue around which much debate is centred. The topic of minimum wages is especially pertinent to the current situation within New Zealand, where legislation is being debated that would result in the youth sub-minimum wage being abolished, entitling sixteen and seventeen year-olds to the full adult minimum wage. In effect, the result of this is an increase in minimum wage for this group of workers. Therefore, this article seeks to explain and apply what the literature suggests could be the possible effects on employment in New Zealand of abolishing the youth rate, and will conclude which option would be best for the New Zealand Government to take. First, this article is going to summarise the different views on how the minimum wage effects employment, and then why
some type of minimum wage is required. Second, an overview of New Zealand’s current minimum wage legislation and proposed minimum wage legislation will be discussed. Following this will be discussions of the different viewpoints and concluding remarks.

During a period of time around the 1980’s there was a consensus within literature that a rise in or introduction of the minimum wage would reduce employment, especially among those low-wage and teenage workers whose wages would have to be raised to comply with the new minimum (Brown et al., 1982; Pereira, 2003). The implementation of a sub-minimum wage was believed to somewhat protect youths from this effect, offering employers an incentive to employ inexperienced youngsters over older, more experienced workers (Neumark & Wascher, 2004; Peireira, 2003). This view has been challenged by a number of recent studies that suggest a rise in or introduction of minimum wages has either a positive or no effect on youth employment (e.g. Card & Krueger, 1994; 1995). These viewpoints will be discussed in more detail further in this article.

There are arguments that minimum wages result in a rise in other wages and therefore amplify negative employment effects, and that they also exclude less skilled workers from employment (Cahuc & Michel, 1996). However, it is this author’s view that New Zealand should have some form of minimum wage, with the following reasons substantiating this. The minimum wage can be seen as providing a measure of social justice through it setting a minimum level that people should work for and that employers are not allowed to pay below (Coutts, 2004). The minimum wage also addresses poverty through ensuring those on low wages are paid enough to meet their individual and family needs (Coutts, 2004). As minimum wage levels are often linked to the average growth in wages across the economy, they are often justified as a means to ensuring workers share in the gains from economic growth (Coutts, 2004). Minimum wages also generate a high relative demand for skilled labour, in turn inducing potential employees to develop their human capital to appeal to employers who are after these high skilled workers (Cahuc & Michel, 1996). This is positive for the economy, as the labour force becomes more skilled, efficient and productive (Cahuc & Michel, 1996). Finally, minimum wages protect vulnerable workers who may get taken advantage of by employers, due to factors such as their lack of necessary skills and information to bargain effectively (Coutts, 2004). This clearly shows there is a need for some sort of minimum wage within New Zealand.

Review of Current and Proposed New Zealand Minimum Wage Legislation

New Zealand has had a legal minimum wage since 1894 and a separate minimum wage law since 1945 (Coutts, 2004). The minimum wage is currently governed by the Minimum Wage Act 1983, with the Minister of Labour reviewing minimum wage rates annually (Coutts, 2004). The current minimum wage level is $10.25 an hour for adults and $8.20 an hour for youths or those on training rates (Employment Relations Service, 2006). The adult rate applies to those aged eighteen and over, while the youth rate applies to those aged sixteen and seventeen. Employees undertaking recognised industry training can also be paid at the youth minimum wage (Employment Relations Service, 2006). In New Zealand the statutory minimum wage applies to all employees except those who
hold an exemption or are on a training rate, with this applying even if they are paid on commission or a piece-rate. Exemptions can be granted by a labour inspector to allow a person to work for less than the minimum wage (Employment Relations Service, 2006). These usually are granted in the case the employee has a disability that significantly slows their work, making them incapable of earning the minimum wage (Employment Relations Service, 2006).

Green Party Member of Parliament (MP) Sue Bradford presented her member’s bill titled ‘Minimum Wage (Abolition of Age Discrimination) Amendment Bill’ on 22nd February 2006, where it passed its first reading (Green Party Website, 2006). Briefly, member’s bills are bills that can be introduced by MPs other than ministers, with bills to be debated drawn from a ballot. Whilst most member’s bills fail to get passed, a select few do (Parliament Website, 2006). Therefore, as the ‘Minimum Wage Amendment Bill’ passed its first reading, it is among the minority and must be considered as having a reasonable opportunity of being passed into law. The proposed bill revolves around the theme that having a minimum wage for sixteen and seventeen year olds lower that the adult minimum wage constitutes discrimination on the basis of age, therefore violating the Human Rights Act 1993 (Green Party Website, 2005). The bill’s explanatory note explains such discrimination as being “arbitrary, inequitable and unjustifiable under the principle of equal pay for work of equal value” (Green Party Website, 2005, p. 1). Therefore, the bill proposes to abolish lower minimum wages for those aged sixteen and seventeen, entitling them to the full adult minimum wage. However, the bill recognises that there is justification for paying apprentices and genuine trainees a lower wage, and that there are occasions where a disabled worker may not be capable earning wages at the minimum rate. In recognition of this, these exemptions remain unchanged in the proposed bill (Green Party Website, 2005). The following sections will now discuss the possible impact of abolishing this youth sub-minimum wage, making reference to previous empirical and theoretical literature.

Effects of Abolishing Youth Minimum Wage
Within the literature, two differing arguments on the effect of minimum wages on employment levels are presented; with these two arguments being diametrically opposed (Dickens, Machin, & Manning, 1999). The first suggests that the introduction or an increase in minimum wages will result in a reduction in the levels of youth employment, with this being supported by numerous authors (e.g. Brown et al., 1982; Neumark & Wascher, 2004; Pereira, 2003). The second argument is in contrast to the first by suggesting that minimum wages have either no influence or a positive effect on youth employment, with Card and Krueger (1995) being among the main influences in this viewpoint. If New Zealand abolishes the youth sub-minimum wage it will essentially be a raise in the minimum wage for this group of workers, so hence literature on both minimum wage rises and the effect of a youth sub-minimum wage can be applied to these arguments. These contradictory theories and the studies supporting them will now be discussed.

Arguments Against Proposed Bill
In general, the majority of empirical studies have found that minimum wages cause employment losses among youths. This is commonly referred to as the
textbook or conventional theory of minimum wages. Neumark and Wascher (2004) concluded from their analysis of wage data from seventeen OECD countries that increased minimum wages reduced youth employment from the period 1975-2000. Brown et al.’s (1982) widely recognized review of previous literature on minimum wages from the United States of America (US) discovered a ten percent increase in the minimum wage resulted in about a one to three percent reduction in teenage employment. Similarly, Wessels (2005) found in his analysis of US data between 1979 and 1999 that a ten percent rise in the minimum wage reduced labour force participation by 1.6 percent. Currie and Fallick’s (1996) US study used a comprehensive sample of the 12,686 people involved in the National Longitudinal Survey of Youth (NLSY), finding that youths affected by minimum wages were three percent less likely to be employed one year later. Yuen (2003) found in his Canadian study that a minimum wage increase of 8.4 percent led to a seven percent decrease in teenagers’ employment. In an Australian context, Mangan and Johnston (1999) concluded that any changes in minimum youth wages relative to adult wages would have a small negative impact on youth employment opportunities. Whilst within New Zealand, Chapple (1997) found that increases in the real minimum wage have a small negative impact on employment rates, and Maloney (1995) concluded that minimum wages have a significant negative impact on the employment of young adults. These results are of relevance to the situation facing New Zealand as they suggest raising youth’s minimum wages will result in a decrease in teenage employment.

Coutts (2004) reinforces this view through asserting that economic arguments against minimum wages are based on the simple supply demand theory; as the price of labour increases the demand for labour will decrease, with Brown et al. (1982) supporting this view. A diagram of this model is shown below (Figure 1), where Wm = the minimum wage; Wc = the equilibrium wage; Nm = the demand for labour if the minimum wage is set above the equilibrium wage; and Nc = the demand for labour at the equilibrium wage.

**Figure 1. The Competitive Labour Market**

*Source: Ghellab (1998, p. 2)*
Coutts (2004) suggests that this may price some low-skilled workers out of the job market, and that with higher wage costs, employers will seek lower priced alternatives. These may occur in the form of reducing the number of employees, substituting employees with machines, or substituting more productive workers for the now more expensive low skilled workers (Coutts, 2004). This effect has been referred to as the “over-pricing” theory, which hinges on the assumption that younger workers are less productive than their older counterparts (Ghellab, 1998). These arguments are particularly pertinent in the case of New Zealand, as, if the youth sub-minimum wage is abolished then teenage workers will be directly competing with their older, more experienced and qualified counterparts, without possessing the benefit of a cost advantage to employers. The result of this may be as Coutts (2004, p. 2) suggests, that, “Those with the least skills – usually teenagers without qualifications – are displaced from the job market by those with more skills.”

Adding to this, arguments identified within the literature suggest workers with wages close to or at the minimum wage are more likely than others to lose their jobs in response to a minimum wage increase (Yeun, 2003; Wessels, 2005). Wessels (2005) discovered that increased minimum wages reduced the value of being in the labour market for many teenagers, eventually driving them out of the labour market. Currie and Fallick (1996) advocate that increases in the minimum wage reduce the employment of workers whose wages would otherwise fall below the minimum. In the case of the proposed legislative changes in New Zealand, sixteen and seventeen year-olds would definitely fall into this category, as their previous market wage would fall below their new minimum wage. Thus, from this viewpoint it could be argued that abolishing the youth sub-minimum wage would reduce teenage employment.

One study of particular relevance to New Zealand’s case is Pereira’s (2003) study into the effect of minimum wages on youth employment in Portugal. Pereira (2003) used a natural experiment to examine the effect of Portugal raising the wage eighteen and nineteen year-olds were entitled to from seventy-five percent of the adult wage to the full adult wage, similar to the proposed case in New Zealand. Other similarities include Portugal having a small open economy (Pereira, 2003), with New Zealand also being described as a small open economy by Chapple (1997). One possible effect of this abolition is that both countries have little possibility of adjusting to such a shock through product price increases, therefore providing reason for a negative employment impact. The shock of a substantial increase in the minimum wage may also cause employers to minimize costs or raise the productivity of their operations to offset the increase in costs (Brown et al., 1982). Employers may also call for an increase in the required effort of employees as well, with all these factors leading to a reduction in the unemployment effect of a minimum wage increase (Brown et al., 1982).

In terms of results, Pereira (2003) uncovered that an increase in the minimum wage significantly reduced the employment of eighteen and nineteen year olds, but interestingly increased employment of twenty to twenty-five year olds. She also found evidence that the abolishment of the sub-minimum wage led employers to substitute younger workers for older workers, with the above evidence supporting this. This appears logical as the incentive to employ younger, less experienced workers over older, more qualified and experienced staff was more or less abolished with the youth sub-minimum wage. Firms in Portugal were also found to reduce the average working time of their teenage employees after the sub-minimum wage was abolished, showing a negative
effect not just in numbers of teenagers employed but also for average hours per week worked by employed teenagers (Pereira, 2003).

Research on the impact of minimum wages in New Zealand is very limited (Coutts, 2004). Consistent with the above evidence from other countries, Maloney (1995) discovered in his New Zealand study that a ten percent increase in the minimum wage results in a 3.8 percent decline in the employment of young adults. Unsurprisingly, this resulted in a significant and comparatively large elasticity of employment of young workers in response to changes in the minimum wage. Chapple (1997) discovered evidence of a small negative impact from increased minimum wages on employment in his empirical analysis within New Zealand, however he concluded that his findings were strikingly non-robust. Even though this New Zealand based evidence is limited, the trend of a negative impact on youth employment of minimum wage rises can be seen. Therefore, from this viewpoint it would be reasonable to expect that the abolition of the youth sub-minimum wage will lead to a rise in teenage unemployment in New Zealand.

The case of New Zealand is unique to much of the work described in the literature, as it involves raising a youth sub-minimum up to the minimum wage payable to adults. Neumark and Wascher (2004, p. 235) strongly assert the presence of such a youth sub-minimum wage should “unambiguously reduce the disemployment effect of the minimum wage”. Neumark and Wascher (1992; 2004) find empirical support for this view in their studies, discovering that the presence of a youth sub-minimum wage consistently reduces the negative effects of the minimum wage, with especially large effects for teenagers. Neumark and Wascher (2004) argue this occurs because the teenage group of workers includes a higher concentration of workers whose market wage would be below the new legislated minimum wage. This evidence clearly supports the view that New Zealand maintains their youth sub-minimum wage rate. Sub-minimum wages for youths are set below adult wages in acknowledgement of the lower skill levels of these workers and also to maintain entry level job opportunities for young workers, and they have been introduced in Australia to tackle chronic youth unemployment (Mangan & Johnston, 1999). Schemes such as these increase youth employment as they reduce the relative cost of employing young workers in entry level jobs (Mangan & Johnston, 1999), and Girardin and Marimoutou (1994) describe the success of such schemes in The Netherlands, France and Czechoslovakia in increasing relative youth employment levels. So again, evidence within this argument suggests that raising the minimum wages of youths will have a negative effect on the employment levels of this group.

Arguments for the Proposed Bill
Juxtaposed to this first viewpoint is the argument that an increase in the minimum wage has either no effect or a positive effect on the employment of teenagers, challenging the arguments of the vast amounts of literature above. As mentioned previously, the argument against youth sub-minimum wages centres on the debate that they are discriminatory (Mangan & Johnston, 1999). Indeed, the explanatory note in the proposed bill focuses on this very issue, reinforcing in the opening sentence that discrimination on the basis of age is prohibited under section 21 of the Human Rights Act 1993 (Green Party Website, 2005). In terms of increased minimum wages effect on employment, Card and Krueger (1995) used different data sets and methodologies as well as re-interpretation of previous studies to find that the minimum wage had either a positive or no effect
on employment. Of particular relevance to this article, Card and Krueger (1995, p. 14) found that contrary to the textbook model of the minimum wage:

...the states with the largest fraction of workers affected by the minimum wage had the largest gains in teenage employment.

Proposed reasons for why this occurs will be discussed further in this article. However, their work has been a great source of controversy, and has sparked a resurgence of work on this topic (Dickens, Machin, & Manning, 1999; Pereira, 2003). Literature and arguments for this second argument will now be discussed.

One particularly relevant study to this article is that by Card and Krueger (1994) into the effect of minimum wages on employment in the American fast-food industry. The fast-food industry is one of the leading employers of low-wage workers (Card & Krueger, 1994), therefore employing large numbers of teenage workers. In New Zealand’s case, teenagers employed at or near the minimum wage levels will be affected by the change in legislation, therefore making Card and Krueger’s sample very pertinent. Card and Krueger (1994) compared previous and current levels of employment in New Jersey and Pennsylvania after New Jersey increased its minimum wage, which caused average starting wages at fast-food restaurants to increase by ten percent. Consistent with Card and Krueger (1995), Card and Krueger (1994) found no evidence that the minimum wage reduced employment among employees in the fast-food industry, whilst also finding that an increase in the minimum wage increased employment amongst the same sector of employees. Katz and Krueger (1992) add further support for this view, finding in their study of fast-food restaurants that increases in the minimum wage also increased employment.

The above evidence has been derived mainly from the US and the work of three authors, so therefore drawing any conclusions of what could possibly happen in New Zealand based solely on this data would be insufficient. Dickens et al. (1999) provide empirical evidence from their study in Great Britain supporting Card and Krueger’s (1994; 1995) view. They discovered no evidence indicating that an increase or introduction of the minimum wage reduced employment, whilst also finding that minimum wages have compressed the distribution of earnings (Dickens et al., 1999). Other studies from outside the US also support this alternate view. Machin and Manning (1994) found from data from the Wages Councils that minimum wages had either no effect or a positive effect on employment. Wellington (1991) concluded from her US study that raising the minimum wage by ten percent reduces teenage employment by less than one percent, and has no effect on the employment of young adults aged between twenty and twenty-four. In terms of overall employment, Turner and Demiralp (2000) discovered from their US study that higher minimum wages increased teenage employment and reduced the probability of idleness among teens after leaving school, as higher minimum wages encouraged teens that leave school into the labour force. The above all displays an array of empirical evidence suggesting that higher minimum wages have either a positive effect or no effect on youth employment.

Interestingly, Turner and Demiralp (2000) also found that an increase in the minimum wage attracted higher skilled teenagers into the labour market, whilst displacing teens with fewer skills. Authors supporting this view opposed to the conventional model theorise many reasons why this may not be the case, and why evidence presented by authors supporting the opposing model may be
flawed. One of the main avenues of criticism used by authors to criticise others is that of their methodologies used to obtain empirical results. There has been much debate about which method is best to research minimum wages, for example many authors support using a time-series approach (e.g. Brown et al., 1982; Neumark & Wascher, 2004), while some have used a panel aspect to examine data (e.g. Currie & Fallick, 1996), and others have used the natural shock of a minimum wage increase to examine its effects on employment (e.g. Card & Krueger, 1994; Pereira, 2003). While this author does not possess the in-depth knowledge to critique these methodologies and the economic aspects associated with them and advocate for one particular methodology, the literature does suggest some interesting arguments.

Card, Katz and Krueger (1994) critically examine Neumark and Wascher’s (1992) article on minimum wages, which has been widely cited as supporting the conventional view. On analysis of Neumark and Wascher’s (1992) methodology, Card et al. (1994) found some large failings. For instance, critical to their finding was the exclusion of any teenagers who worked but were enrolled at school, referred to as the critical school enrolment variable. However, Neumark and Wascher (1992) treated these two events as being mutually exclusive when evidence suggests that teenagers can both work and be enrolled at school, so therefore this complete variable should have been discarded. When it is discarded, Card et al. (1994) used the same data and equations to find that an increase in minimum wages has no significant effect on employment, and even may lead to a possible increase in teenage employment. Card et al. (1994) display a number of other criticisms towards Neumark and Wascher’s (1992) study, such as problems with the minimum wage measure and specification, the coverage variable and actual use of the youth sub-minimum wage. Criticisms similar in nature to the above are used by many authors to justify the use of their method to study the effects of minimum wages on employment, also making comparability of minimum wage studies an issue.

Card et al. (1994) bring up an important but often overlooked point in minimum wage studies when they question how many employers actually take advantage of the youth sub-minimum wage. This is crucial because if teenagers are already getting paid more than the youth sub-minimum wage, then the abolishment of this segregated wage should have a minimal effect on employment, as employers will not need to raise wages and lay-off staff as a result. Overwhelming evidence that US employers do not take advantage of the youth sub-minimum wages is prevalent within the literature. Katz and Krueger (1992) discovered that only 4.8 percent of Texas fast-food restaurants used the youth sub-minimum wage in 1991, while Katz and Krueger (1991) found only 1.8 percent of fast-food restaurants took advantage of the sub-minimum wage. Because the introduction of a youth sub-minimum wage is often accompanied by a rise in the adult minimum wage (Cahuc & Michel, 1996), the majority of restaurants in these studies just kept their pay for teenagers at the same rate, which fell just below the adult minimum wage, but well above the youth sub-minimum rate. Similar results from studies conducted by the National Restaurant Association and the US Department of Labor are cited in Card et al. (1994). Even though these studies are predominantly based in the US, so is much of the empirical work done on minimum wages. Therefore, from this it can be asserted that studies from the US claiming that youth sub-minimum wages protect teenage employment lack much credibility, as the literature suggests a large majority of US employers ignore the youth sub-minimum anyway.
Higher minimum wages or the abolition of a youth sub-minimum wage generally cause pay increases for at least some of an employer’s workers. This effect is exacerbated in industries such as fast-food outlets that employ large numbers of low-wage, teenage workers (Card & Krueger, 1994). However, employers may take a number of options other than to reduce employment in response to these higher wage bills. As previously mentioned, Brown et al. (1982) suggest that employers may respond to a minimum wage increase by raising the efficiency and productivity of their operation to offset the increase, thus reducing the unemployment effect. They also suggest that employers may undertake other cost cutting methods, such as asking for an increased effort from employees (Brown et al., 1982). Card and Krueger (1994) suggest employers can offset the effect of increased wages by reducing non-wage compensation, such as the fringe benefits of employees. For example, if a fast-food company reduces its fringe benefits of reduced price or free meals to employees by the amount of the minimum wage increase, then employment costs will remain unchanged and therefore so should employment (Card & Krueger, 1994).

One further example of how employers can offset the cost of a minimum wage increase is through reducing training and promotion opportunities (Card & Krueger, 1994). As abolishing the youth sub-minimum wage will result in somewhat of a pay rise for some teenage employees in New Zealand, companies may well reduce opportunities for promotions associated with length of tenure, as well as keeping training to a minimum. Card and Krueger (1994, p. 786) found evidence of this in their study, with one manager stating:

... that her workers were foregoing ordinary scheduled raises because the minimum wage was about to rise, and this would provide a raise for all her workers.

One does have to wonder what sort of effect measures such as these will have on employees. Even though measures such as those in the above may help employees keep their jobs, the consequences often involve their work conditions worsening, with employers essentially passing on the extra wage costs to employees. For example, less training or opportunities for promotion negatively affect the employee, as does reduced fringe benefits and asking employees to work harder.

Similarly, literature also suggests one of the most logical ways for employers to absorb the extra cost of wages associated with a minimum wage rise without having to cut employment is to pass on the extra costs to consumers (Card & Krueger, 1994; 1995). Card and Krueger (1994) found some evidence of this, with prices rising four percent faster in the state with the minimum wage increase than in the state with no increase in minimum wage. Indeed this seems to be the case in many corporations; one only has to look around to see examples of oil companies passing on increased oil costs to consumers, and transport companies also passing on increased costs of petrol to consumers.

**Alternative Views**

All of the arguments above suggest that a reduction in youth employment caused by higher youth minimum wages would be a bad thing. However, there is the argument that this may not necessarily be negative in terms of a country’s overall employment. As previously mentioned, younger workers are assumed to
be much less productive than their older counterparts (Ghellab, 1998). Therefore
having a larger proportion of older workers in the labour force may actually be
better for New Zealand’s overall production. Also, younger workers are generally
referred to as being more enthusiastic than their older counterparts, so this
enthusiasm may help them seek and acquire employment more rigorously and
successfully than their older counterparts. With New Zealand being a welfare-
state, older unemployed citizens can often be satisfied with the generous
unemployment benefits they receive, and therefore be less motivated to seek
new employment (Lindbeck, 1994). Conversely, it seems much less likely a
teenager out of school would be happy to go straight onto the unemployment
benefit instead of actively seeking employment. Therefore, increasing the
chances of employment for older unemployed people by displacing teenage
workers may be good for New Zealand as a whole. However, this author still sees
youth employment as being critical to a country’s growth, as if young people do
not have a high chance of being employed, they may too fall into this trap of the
welfare-state.

However, in light of all the evidence above, this author supports the view
presented by Dolado et al. (1996, p. 319), who found from their in-depth
analysis of Europe that there was:

… no general evidence that minimum wages reduced employment, except
for perhaps young workers. The (good or bad) effect of minimum wages
has been exaggerated.

Arguments supporting the views that minimum wages have either a
positive or negative effects on employment have rarely found a large effect of
minimum wages on employment. Card and Krueger (1994; 1995), whilst sure an
increase in the minimum wage has no negative effect on youth employment,
seem much more tentative to conclude that it has a positive effect on youth
employment. Even though Neumark and Wascher (2004) found a general effect
that minimum wages reduce employment rates among youth populations, they
state the effect on employment differs substantially across countries in their
sample. They found that the effect of minimum wages on employment was least
in countries with strong employment protection policies and low unemployment
(Neumark & Wascher, 2004). From this it can be asserted that the effect of
minimum wages on youths in New Zealand will be minimal, as we have strong
employment protection policies that make it difficult to lay workers off for no
reason, and little unemployment therefore there are fewer applicants to
substitute youth workers for.

Other studies that have supported the conventional view have based their
conclusions on fragile findings. For example, Mangan and Johnston (1999) only
found a small negative relationship between youth wages and youth employment
opportunities, whilst Chapple (1997, p. 2) concluded that “it is difficult to isolate
a robust significant negative impact of minimum wages on employment”. Other
studies that have found small negative effects in the range of a 1-3 percent drop
in youth employment per ten percent increase in minimum wage include Brown
et al., (1982), Currie and Fallick (1996), and Wessels (2005). These results
suggest that the actual negative effect of minimum wages on youth employment
may actually not be that significant, and in some cases it may not exist at all.

Indeed, one problem inherent within all of the studies discussed is that
there are many factors other than teenage minimum wage levels that can effect
youth employment. Chapple (1997, p 2) lists the following factors that could
positively affect teenage employment levels in response to increases in the minimum wage:

... low coverage of the minimum wage, low compliance with minimum wage regulations, minimal substitution possibilities for workers covered by minimum wages, shock effects on productivity of minimum wage increases, and offsetting cuts in non-wage parts of the remuneration package.

Variables such as these make the real effect of changes in the minimum wage very difficult to measure, with Card and Krueger (1994) being one of the only authors to measure these variables in their study. They found no significant effect of these variables on employment, proving the validity of their results, however most other studies have failed to do this. Therefore, the most logical suggestion to make to the New Zealand Government is that any effect of abolishing the youth sub-minimum wage will probably be minimal, therefore it would be advantageous to do so.

Conclusion
The effect of minimum wages on employment has been a pivotal issue around which much debate has centred. The catalyst for this article was the success of Sue Bradford’s Member’s bill passing its first reading at Parliament. This bill proposes to abolish the youth sub-minimum wage, therefore entitling sixteen and seventeen year-olds to the full adult minimum wage. The traditional viewpoint within literature is that an increase in the minimum wage would result in a decrease in youth employment levels. This view was supplemented by the opinion that a youth sub-minimum wage would protect teenage employment through offering employers an incentive to employ younger, less skilled employees over older, more skilled employees. The abolition of the youth sub-minimum wage in New Zealand would be in effect increasing the minimum wage level for sixteen and seventeen year-olds, hence literature describing the effects of increasing minimum wages was used to supplement literature on the effects of abolishing youth sub-minimum rates. Contrasting this traditional view was the theory that increasing the minimum wage had either no effect or a positive effect on youth employment.

Both arguments were strongly supported within the literature, with both parties critically examining factors such as the methodologies used by the other. Very few studies found startling evidence pointing towards one viewpoint, with most finding either a small negative or small positive effect on employment resulting from a minimum wage change. Although literature did point towards youth sub-minimum wages reducing the unemployment effect on teenagers of a rise in minimum wages, most of this literature resided from the US where evidence suggests that very few employers actually make use of the sub-minimum wage, rendering this data inapplicable. In particular, evidence from Card and Krueger (1994; 1995) clearly showed the minimal effect that changes in the minimum wage had on the employment of youths, with these articles sparking the considerable resurgence of interest in the economics of the minimum wage (Dickens et al. 1999).

It was decided upon analysis of the literature that evidence pointed towards there being either a small positive or negative effect on youth employment from minimum wage changes, and that this could be expected in
the case of New Zealand. This author agreed with the conclusion of Dolado et al. (1996), who concluded that the good/bad effect of minimum wages has been exaggerated. Thus this author recommends that the Government support the proposed new bill. However, to get an accurate idea of whether this should be the case more empirical research needs to be carried out in New Zealand, especially in the area of youth sub-minimum wage rates. If Sue Bradford’s Member’s bill becomes law it will offer a unique chance to examine the shock effect of the abolition of a youth sub-minimum rate in a natural experiment. But as with most empirical studies on the minimum wage, it will be difficult to isolate whether any changes in teenage employment are due to the change in minimum wage levels, or whether it is due to a number of other factors.

References


Collectivisation to Individualisation: Factors Contributing to this Recent Change in Employment Relations

John Stevenson

Introduction
It is evident from the literature that there has been a sharp decrease in the use of collective bargaining between trade unions and management in deciding employment agreements for employees (e.g. Milner, 1995; Poole & Mansfield, 1993). Many authors argue that a shift towards the individualisation of employment relations is replacing the traditional collectivist approach, with the individual negotiation of personalised employment agreements becoming increasingly more favoured over the collective negotiation between trade unions and management (Milner, 1995; Welch & Leighton, 1996). Indeed, as Brown, Deakin, Nash, and Oxenbridge (2000, p. 612) describe:

This reduction in the procedural role of trade unions in determining the content of employment contracts has been called ‘individualisation’ in the industrial relations literature.

This entails a substantial shift in the field of industrial relations, as collective bargaining has been the principle means of governing the employment contract for most of the twentieth century (Brown et al., 2000). One can see the relevance of an essay on this topic within New Zealand at the moment, with the current industrial dispute between Progressive Supermarkets and their employees, initiated by management shifting employees from collective contracts onto individual contracts. This essay will discuss this shift towards individualisation in the employment relationship, the causes for this shift, and the implications of this shift on all parties.

Within this essay, individualism and collectivism mainly revolve around the employment agreement, which is described by Welch and Leighton (1996) as being the main legal mechanism for establishing the rules of work for the employer and individual employees. Brown et al. (2000, p. 616) define the employment contract as being the outcome of a transaction that encompasses both the entitlements and the obligations of the employee. These entitlements encompass commonly associated factors such as pay and fringe benefits, however, what is commonly forgotten is that contracts also regulate the obligations placed on employees such as workloads and job descriptions (Brown et al., 2000). These are elements that can be either negotiated collectively or individually. Gunnigle, Turner and D’Art (1998, p. 565) define collectivisation as follows:

Collectivism in industrial relations incorporates the extent to which management acknowledges the right of employees to collective representation and the involvement of the collective in influencing management decision-making.
Collective bargaining differs from individual bargaining in that it introduces a significant element of negotiation to the process, which does not usually occur under individual negotiation (Welch & Leighton, 1996). Instead, such individual contracts are usually not the product of individual negotiation but policy dictated by the employer (Welch & Leighton, 1996). Collective agreements also differ in that a trade union of specialised and experienced negotiators usually negotiates the same contract for a large number of employees, with these agreements occasionally being negotiated and applied across whole industries (Poole & Mansfield, 1993; Purcell, 1993). However, literature suggests that this trend has also decreased markedly (Purcell, 1993).

**Review of New Zealand Union Regulation**

Legislation within New Zealand has had a particularly large influence on trade union membership in this country (Foster, Laird, McAndrew, & Murrie, 2005). It has been posited that the fortunes of New Zealand’s unions have been tied to the legislative environment, with Geare (1979) suggesting that New Zealand’s state sponsored legislative system operated in stark contrast to other industrialized countries. Initially New Zealand employment agreements were governed by the Industrial Conciliation and Arbitration Act 1894, under which unions gave up the right to strike in exchange for a regime of compulsory arbitration (Epstein, 2001). In 1936, New Zealand’s first Labour government made union membership for most groups of workers compulsory (Epstein, 2001; Evans, Grimes, Wilkinson, & Teece, 1996). 1973 brought with it the introduction of the Industrial Relations Act, which distinguished between “disputes of interest” and “disputes of right”, allowing for strikes only over disputes of interest (i.e. economic issues) and not for disputes of right (i.e. interpretation of individual contracts) (Epstein, 2001). It was not until 1983 that voluntary unionism was introduced, however in 1985 the newly-elected Labour government reintroduced compulsory unionism, and between 1987 and 1990 they introduced other legislative changes such as outlawing unions of less than 1,000 members (Evans et al., 1996).

However, in 1991 the newly-elected National government passed the Employment Contracts Act 1991 (ECA), which introduced voluntarism into union membership (Foster et al., 2005). This almost immediately halved union density (Foster et al., 2005). More specifically, the ECA removed the distinct legal status of unions and posited that that employees could choose to negotiate their employment agreement either individually or collectively, whilst employers could choose to negotiate with either unions or employees (Evans et al., 1996; Foster et al., 2005). Therefore, the bargaining method chosen basically came down to which party was strongest. Harbridge and Crawford (2000) state that the result of the introduction of the ECA was a general decollectivisation of employment relations, with a reduction in union membership from 610,000 in 1990 to 337,000 in 1997; a reduction in collective bargaining coverage from 720,000 in 1990 to 420,000 in 1998; and the collapse of multi-employer bargaining with a shift to bargaining at the enterprise level. This thus paved the way for the individualisation of employment relations in New Zealand.

The introduction of the Employment Relations Act 2000 was more supportive of collective bargaining and trade unions; encouraging trade unions employees and employers to act in “good faith” (Epstein, 2001). However, trade union membership is still voluntary and trade union density is still low. As there is minimal literature on the shift away from collectivism in New Zealand, this essay is going to draw on literature from a global context.
The Rise and Decline of Collective Bargaining

Purcell (1993) described collective bargaining as emerging in the late 1800’s in response to employees getting exploited in a free, unregulated labour market. Dunlop (1970) described the traditional system of industrial relations as being held together by collective beliefs amongst all the actors. Purcell (1993, p. 6) further reinforced industrial relations origins and strong traditional links with collectivism through the following quote:

The study of industrial relations grew out of a recognition that principles of wage fixing in industry, the pursuit of industrial citizenship, and the determination of conditions of employment were most obviously, and best, achieved through collective bargaining between employers and representatives of the workforce.

Therefore, it can be stated that the original system of industrial relations had strong links with collectivism. Gunnigle, Turner and D’Art (1998) stated that the extent of collectivism in industrial relations may be accurately gauged through trade union penetration; which includes trade union density, recognition and reliance on collective bargaining. Therefore, the following empirical evidence of the rise and decline of collective employment agreements and trade unions will demonstrate trends in collectivism.

Milner (1995) collated and explained data of collective pay-setting institutions in Britain from 1895-1990, providing good data for the percentage of the workforce covered by collective bargaining throughout this period of time. In 1910, 15 percent of Britain’s workforce was covered by collective bargaining. This steadily rose to reach 42 percent by 1933 and 51 percent by 1939, peaking at 73 percent in 1973 (Milner, 1995). When the percentage of employees covered by collective bargaining is combined with those affected by trade boards and wage councils (statutory machinery), Milner’s (1995) data shows the overall coverage percentage peaked after World War Two at 89 percent in 1947.

Brown et al. (2000) discovered that the proportion of all employees covered by collective agreements in British workplaces fell from 70 percent in 1984 to 54 percent in 1990, and further to 41 percent in 1998. Brown et al. (2000) also cite that the traditional form of multi-employer, industry-wide or national collective bargaining has significantly reduced from 43 percent in 1980 to 14 percent in 1998. Poole and Mansfield (1993) discovered in their study of managers who were also members of the British Institute of Management that the proportion of managers actually involved in collective bargaining dropped from 20 percent in 1980 to 17.4 percent in 1990, which is a minimal drop when compared to the findings of other studies. However, Poole and Mansfield (1993) interestingly found that informal meetings between managers and union representatives had substantially declined, with 48.5 percent of managers engaging in such practices in 1980 whilst only 31.3 percent did in 1990. This trend of union membership rise and decline in Britain is clearly typified by Figure 1, extracted from Disney, Gosling and Machin (1995, p. 404).
Although the above data is only from Britain, it is clear from the literature that the decline in trade union membership is not isolated to Britain. Harbridge and Crawford (2000) cite evidence that virtually all OECD countries have experienced negative or reduced employment growth, and that throughout the 1980's union density fell in all OECD countries except Finland, Iceland and Sweden. Many factors have been suggested in the literature to have caused the once very strong collective nature of the employment contract to fade (Poole & Mansfield, 1993), and these will now be discussed.

**Factors Contributing to Decline in Collectivisation**

One of the major and most complex factors literature mentions as contributing to the decline in collectivisation relates to the corresponding decline in trade union membership and hence trade union power. Harbridge and Crawford (2000) support this through asserting that without trade union membership, collective bargaining cannot occur. Purcell (1993) explains that membership fees are the most important way for trade unions to collect their revenue, and from this it can be extended that if membership declines, then so does the trade unions income and hence power and financial ability to protect its members. Trade unions are the collective force that drive collective bargaining within employment agreements, and the weaker they get, the weaker the influence of collective bargaining. Brown et al. (2000, p. 612) support this link between the strength of trade unions and collective bargaining, and suggest factors that may have contributed to the recent decline in both areas through the following statement:

*During the previous two decades the membership of trade unions and the coverage of collective bargaining had contracted substantially, battered by competitive, legal and structural change.*
One of the main influences driving this change consists of secondary institutions, and they have been shown to have had a great deal of power over trade unions and collective bargaining. The main secondary institution is governments and their decisions on legislation, with these having a massive influence on trade unions power in the workplace. Purcell (1993) asserts that there was large institutional support provided by the state, employers and unions when trade unions and collective bargaining were at their strongest. One example of this is the compulsory union membership legislation introduced in 1936 to New Zealand (Evans et al., 1996). Employers showed their support through their willingness to recognise trade unions and their preparedness to combine to form employers associations, whilst trade unions showed their support by creating joint institutions of bargaining and by supporting bargaining outcomes (Purcell, 1993).

However, literature suggests that the state and employers strong support for trade unions has diminished. Within New Zealand, one explicit example of the state removing legislation protecting trade union membership occurred when the introduction of the Employment Contracts Act 1991 categorically removed compulsory union membership (Evans et al., 1996). Additionally, Purcell (1993) cites a number of legal changes in Britain that have contributed to the decline in the power and influence of trade unions and collective bargaining. These include abolishing the closed shop, requiring balloting for strike action, and making unions vicariously liable for a wide range of industrial action contemplated or conducted by union representatives or their members (Purcell, 1993). Actions such as these that limit the trade unions propensity to use industrial action severely disadvantage unions, as industrial action is one of the main tools trade unions can use to gain power over employers (Welch & Leighton, 1996). As a result many employees leave trade unions or see no practical sense in joining them because the unions do not have the capacity to represent their views in an effective manner; they are effectively paying union dues for no particular benefit (Purcell, 1993; Welch & Leighton, 1996). In Britain, where a large proportion of the literature originates from, Tuckman and Finnerty (1998) contend that UK governments of all complexities promoted collective bargaining until the mid-1980s. The first clear indication of a change in Government attitude towards trade unions and a move to the process of union derecognition in the UK occurred in 1984, when the government decided to rid Government Communication Headquarters (GCHQ) in Cheltenham of trade union members for supposed national security reasons (Tuckman & Finnerty, 1998). Derecognition of trade unions refers to the marginalisation of trade unions in the workplace, with the state and employers being shown to increasingly exclude trade unions from collective relations (Tuckman & Finnerty, 1998).

Factors undertaken by employers can also contribute to the derecognition of trade unions, leading to the individualisation of employment relations. Indeed, it is usually in the employer’s best interests to derecognise unions and push for individual contracts. Tuckman and Finnerty (1998) argue that without trade unions employers are able to expose individual employees to extreme pressure to accept reforms, almost amounting to the level of intimidation in some cases. Similarly, Welch and Leighton (1996) claim that individual employees are involved in a very low level of bargaining in negotiations over their terms and conditions of employment, with there also being low levels of employee involvement in change within organisations where personal contracts are in place. Purcell (1993) concurs through his assertion that moving to single employer bargaining enables firms to more easily bring in new payment systems.
and grade structures, whilst also enabling the firm to link the management of labour more to the product market than the external labour market. Welch and Leighton (1996) reinforce this negative employee view towards individualisation, asserting that it is an ideological cloak for managerial control. Opposite to the view that individualisation takes on an insidious form of managerial control is the view that individualisation can be good for employees. This view revolves around the argument that individualised contracts allow employees to negotiate terms and conditions specific to their needs as they are directly involved in the negotiations, especially in terms of negotiating factors such as performance related pay (Tuckman & Finnerty, 1998).

Managers have also been postulated to prefer this unitary system of industrial relations within the workplace compared to a pluralist system (Poole & Mansfield, 1993). This unitary approach is linked to individualisation of the employment contracts, with employers and employees negotiating together to discuss the terms and conditions of employment contracts. In contrast the collective approach is viewed as being very pluralist in nature due to trade unions from outside the workplace being brought in to negotiate employment conditions or advocate for employees rights. Purcell (1993) asserts that employers have changed their tactics concerning trade unions to reflect this change to unitarism by deciding to compete with trade unions rather than confronting them, thereby reducing the need for employees to contemplate union membership. Purcell (1993, p. 7) succinctly summarises the effects described above in the following quote:

If this support (for the traditional system of industrial relations) is withdrawn by the state or by employers the strength of trade unions recedes and the secondary institutions of collective bargaining wither.

The widespread introduction of the system of Human Resource Management (HRM) has been postulated to be a large contributor to the above move away from trade unions and collective bargaining towards unitarism and individualised contracts, and this will now be discussed.

**Human Resource Management**

Many authors within the literature make a link between the introduction of HRM and the decline in trade union membership and collectivisation (e.g. Poole & Mansfield, 1993; Welch & Leighton, 1996). Guest (1987) presents HRM as a model that is very unitarist and individualistic in focus, and asserts that within this model trade unions are unnecessary or at best marginal. Welch and Leighton (1996) link this with the previous section through asserting that current government thinking and HR theories and strategies converge in that they both emphasize the individual at the expense of the collective. Indeed, this unitarist model presents a fundamentally different approach than the traditional approach towards labour relations (Welch & Leighton, 1996). More evidence of this can be drawn from the British Donovan Report, which reflected a consensus in 1968 between the state, employers and unions that collective bargaining system was crucial to effective employee relations (Turner, 1969; Welch & Leighton, 1996). As described previously, this has changed dramatically. McKersie (1987) describes this move towards non-unionism in the US, stating that this new system of employment relations drew heavily on the concepts of HRM. Therefore,
the influence of HRM on the move towards non-unionism and individualisation will now be discussed.

British authors strongly assert that HRM has developed from personnel management. This author suggests that personnel management is very encouraging of a pluralist, collective system of employee management, whereas HRM encourages a unitary and individualistic approach to employee management and therefore reflects the shift from collectivisation to individualisation. Table 1, sourced from Guest (1987, p. 507), clearly shows an idealistic view of the comparisons between the two.

<table>
<thead>
<tr>
<th>Time and planning perspective</th>
<th>Personnel management</th>
<th>Human Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological contract</td>
<td>Short-term</td>
<td>Long-term</td>
</tr>
<tr>
<td>Control systems</td>
<td>reactive</td>
<td>proactive</td>
</tr>
<tr>
<td>Employee relations perspective</td>
<td>ad hoc</td>
<td>strategic</td>
</tr>
<tr>
<td></td>
<td>marginal</td>
<td>integrated</td>
</tr>
<tr>
<td>Preferred structures/systems</td>
<td>Compliance</td>
<td>Commitment</td>
</tr>
<tr>
<td>Roles</td>
<td>External controls</td>
<td>Self-control</td>
</tr>
<tr>
<td></td>
<td>Pluralist</td>
<td>Unitarist</td>
</tr>
<tr>
<td>Evaluation criteria</td>
<td>collective</td>
<td>Individual</td>
</tr>
<tr>
<td></td>
<td>low trust</td>
<td>high trust</td>
</tr>
<tr>
<td></td>
<td>Bureaucratic/mechanistic</td>
<td>Organic</td>
</tr>
<tr>
<td></td>
<td>centralized</td>
<td>devolved</td>
</tr>
<tr>
<td></td>
<td>formal defined roles</td>
<td>flexible roles</td>
</tr>
<tr>
<td></td>
<td>Specialist/professional</td>
<td>Largely integrated into line management</td>
</tr>
<tr>
<td></td>
<td>Cost-minimisation</td>
<td>Maximum utilization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(human asset accounting)</td>
</tr>
</tbody>
</table>

Under this British view it can be seen that personnel management is very dictatorial; with management emphasizing compliance, external control systems and a formal and centralized structure. Employee relations are also viewed as being pluralist, collective and low trust (Guest, 1987). In contrast HRM emphasizes commitment, self-control, and a flexible and decentralised structure with unitary, individualistic and high trust employee relations. The effect of the decentralization of management is something that Purcell (1993) discusses in depth. As opposed to traditional head office management within large companies, HRM encourages local managers to adopt greater freedom in deciding how to achieve profit requirements, including decisions on the management of labour (Purcell, 1993). Purcell (1993) argues that individualisation is associated with this decentralisation to local unit levels, and empirically established that well over fifty percent of British workers had their pay determined at the establishment level. McKersie (1987) concurs that similar trends are prevalent in the US, with the decentralisation of contract negotiations from the industry to the company level within industries such as steel; and from the company level to the economic unit in many other situations. In terms of whether decentralisation is effective in increasing a country’s economic performance, Calmfors and Driffill (1988) assert that extremes work best. For optimal economic performance a country should either employ a highly centralised system with national bargaining, or a highly decentralised system with wage setting at the individual firm level (Calmfors & Driffill, 1988). It is clear from evidence throughout this article that employers and the state alike have decided to move towards the decentralised management system in order to increase economic efficiency.
HRM advises employers to undertake a raft of ‘soft’ employment policies that are closely linked to the business strategies of firms (Purcell, 1993). These policies emphasize factors that were generally shunned under the old model of industrial relations, such as team work, commitment, quality, employee empowerment and employee development (Purcell, 1993). These initiatives were designed to introduce some quality of work life to employees (McKersie, 1987). This commitment by employers to positive employee relations makes it very difficult for unions to grab a ‘toe-hold’ within workplaces, as employers are looking after employee’s best interests (McKersie, 1987). For example, within a commitment system employees’ welfare is emphasized in an effort to increase productivity and reduce costly labour turnover (Kontoghiorghes & Bryant, 2004). Agreeing, Guest (1987) asserts that committed employees will be more satisfied, more productive and more adaptable. This contributes to individualisation through unions being made superfluous and through managers encouraging a unitary system of industrial relations, which has been previously shown to be linked with individualisation. Indeed, Guest (1987, p. 519) explicitly states his British view that trade unions are unnecessary and irrelevant in an HRM system through the following statement:

To obviate any desire for collective representation through a union, a company practising human resource management will normally pay above the average rate and will have excellent communication and individual grievance systems.

However, in contrast to this is the view that without trade unions there will be no average union wage for HRM influenced employers to pay above. Hence, employers will not know what average wage level to pay above, at or below, therefore highlighting the need for at least some trade unions in terms setting an average wage for employees.

Guest (1987) implies that HRM accentuates commitment to the organisation and to work, creating a very unitarist atmosphere where everybody is working towards the same goals. One of the main mechanisms through which HRM attempts to align employees’ goals with the organisations is through the use of performance-related pay. McKersie (1987) asserts that HR practices such as performance related pay generate high commitment as they seek to maximize joint gains. Individualised firms are more likely to pay higher wages than average (Guest, 1987; Purcell, 1993), with individualised pay being shown to be linked with high levels of worker motivation and productivity (Jenkins & Klarsfeld, 2002). Gunnigle et al. (1998) affirm that performance-related pay has a crucial influence on individualism, and they use it in their study as the key indicator of the extent of individualisation of the employment relationship. They also link the process of determining the level of performance-related pay with performance appraisals (Gunnigle et al., 1998). Performance-related pay is explicit in its individualisation effect, as it rewards the individual for increased effort and production and not the collective. It seems intuitive that performance appraisals encourage individualisation instead of collectivism, as performance appraisals are typically one-on-one meetings directly between managers and staff as opposed to collective negotiations. Beer, Spector, Lawrence, Mills, and Walton (1984) agree that this encourages individualisation, stating that performance appraisal is essentially an individualist management tool and that it may be used to either replace collective bargaining or to reduce its significance in the determination of pay. The increase in popularity of managerial techniques such as performance-
related pay is driven by management, with Gunnigle et al. (1998) concluding that the introduction of such techniques is indicative of increasing employer attempts to individualise the employment relationship and to exclude trade union penetration. Because the levels of performance-related pay are usually contingent on the employees performance (Gunnigle et al., 1998), most employees salaries and contracts will be different with standardised contracts becoming a thing of the past. Indeed, Brown et al. (2000) discovered a widespread use of performance-related pay from their previous case studies within Britain, finding that when linked to individual performance it caused a high differentiation between employees. This again represents HRM’s contribution towards aiding the shift from collectivism to individualism in employment relations.

Another core aspect of HRM that also encourages individualisation is employee empowerment. Wilkinson (1998) explains that empowerment is focused on increasing employees task-based involvement and attitudinal change, and was originated in efforts to overcome Taylorised and bureaucratic workplaces that were stifling workers creativity. Empowerment schemes are very direct and individualistic in nature, essentially giving employees more authority to make decisions in the workplace. This individualisation is exacerbated by the previously described trend towards decentralisation in that local unit managers and line managers have far more control and authority over all aspects of labour relations than they did previously (Guest, 1987; Purcell, 1993). Making decisions over pay levels is one example of an area where managers are increasingly exercising their prerogative, displaying the increased empowerment of managers. Employees are also more empowered, often having the ability and authority to make decisions and take action where they would not have been able to under the more traditional ‘control’ system (Walton, 1985). This therefore takes us full circle, as empowerment has been shown to be indicative of individualisation (Guest, 1987; Purcell, 1993).

Many other techniques considered part of HRM also encourage the individualisation of employment relations, with these being touched upon by many authors. Poole and Mansfield (1993) cite that a focus on HRM practices such as employee involvement, profit-sharing and employee shareholding schemes contributes to individualisation. These practices are similar to employee empowerment and performance-related pay in that they attempt to align employees goals with those of the organisation through maximizing joint gains (McKersie, 1987). Gunnigle et al. (1998) label many HRM practices that have been suggested to positively contribute to individualism. These consist of flexible working arrangements for employees, enhanced quality initiatives, a comprehensive employee development emphasis, a focus on management-individual as opposed to management-union interactions, and systems to facilitate higher levels of individual employee involvement, and autonomy at work (Gunnigle et al., 1998). Again, like the majority of other HRM initiatives, these are reflective of a change in emphasis from controlling the employee to attempting to develop the commitment of employee, ultimately contributing to the shift from collectivisation to individualisation.

Other Contributing Factors
Factors other than those discussed previously have also been postulated to have contributed to the individualisation of employment relations. Guest (1987) supports this through his view that the changing economic and political climate
USA and the UK has resulted in some reduction in trade union pressures on management. As previously discussed, the substantial decline in trade union membership has been correlated to the decline in collective bargaining. Welch and Leighton (1996) suggest that trade union decline is not just due to the change in attitudes by governments and employers as described previously, but also to economic and structural factors. Mass unemployment has had an adverse effect on trade union membership levels, with this being compounded by the growth in jobs in the service sector and the shift from manufacturing to services (Disney et al., 1995; Welch & Leighton, 1996). Trade unions have been traditionally weak in the service sector, with this being exacerbated by the fact that within the service sector part-time, temporary and casual working has become the norm (Welch & Leighton, 1996). Harbridge and Crawford (2000) assert that these casual employees are difficult for unions to find let alone persuade to join, therefore further aiding trade union membership decline.

There is also evidence within the literature that the size of the employing organisation also affects individualisation. Welch and Leighton (1996) assert that large employers are far more likely than smaller employers to recognize trade unions. Brown et al. (2000) support this empirically, finding that the level of unionisation within a firm is significantly associated with the size of the employing organisation, as is the formalisation of the employment agreement. Within a New Zealand context, Harbridge and Crawford (2000) maintain the collapse of multi-employer bargaining has caused small employers to be largely ignored by trade unions, with trade unions finding the transactional costs of attempting to negotiate too high. Recruiting from small employers has also been shown to be considerably more difficult than recruiting from large employers. Harbridge and Crawford (2000) also assert that large employers have found it difficult to remove themselves from trade unions generally and collective bargaining specifically. In terms of unions recruiting members, small organisations represent more effort per member than large organisations, with this being especially applicable to small organisations in remote locations. This may also contribute to the disparity in unionisation between large and small organisations. Therefore since union membership has been linked to collectivisation, it can be stated that organisation size is an important determinant of the decollectivisation process (Harbridge & Crawford, 2000).

One prominent factor within the literature was the difference in union membership between employees in the public sector and the private sector. Purcell (1993) found that multi-employer bargaining remained dominant in the public sector in Britain, whereas it had fallen away considerably in the private sector. Purcell (1993) also asserts that this trend was evident across the overall figures for union membership and the use of collective bargaining, with there being a higher percentage in the public sector in both areas. This trend is reflected throughout the literature, with Welch and Leighton (1996), Poole and Mansfield (1993), Milner (1995) and Disney et al. (1995) all finding that union membership and collective bargaining were much higher in the public sector than the private sector.

Purcell (1993) asserts that an increased emphasis on performance and more competitive pressures are also aiding this shift towards individualisation. Purcell (1993, p. 21) asserts that this is:

... forcing companies to develop ‘organisationally specific labour policies’ based on the internal labour market, in order to develop firm specific, more highly skilled, labour practices.
Indeed it is clearly evident that the trend of globalisation, with its key functions of exporting and importing has increased the competition that local companies have to face, forcing them to increase their efficiency and undertake practices such as focussing on their core competencies. Purcell (1993) argues that this has led to a greater emphasis on individuals in terms of their competencies and capabilities, leading to a far more rigorous process of recruitment and selection. Hence, competitive pressures are another contributor to the increase in individualisation.

**Individualisation: Who Benefits?**

The last question to be answered is who benefits from this undoubted trend towards individualisation. Whilst evidence pertaining to this question has been described previously, the answer has not yet been clarified. There is some evidence that individualisation in terms of personal contracts is beneficial for employees. This revolves around the view that employees will be able negotiate for themselves their own pay increases and other contractual terms and benefits (Welch & Leighton, 1996). However, as previously described, this usually has negative effects for employees, as without the trade union representing them there is often a disparity of bargaining power, and as a result they often get bullied and have minimal say in the formulation of their personal contracts. In contrast to this, the practices derived from HRM that are introduced into the workplace often benefit employees as they focus on increasing employee commitment in contrast to controlling employees (Walton, 1985).

However, in light of the previous discussions, this author believes that management gains the most benefit from individualisation. Under individualisation they no longer have the pressure and inherent conflict associated with the pluralist relationship with trade unions, and they have a more unitarist relationship with their employees. These employees are motivated to work towards managements goals of increased efficiency and productivity because they are motivated by HR practices such as performance-related pay and empowerment, further emphasizing managements benefit. And if there is disagreement within the workplace, management is more likely to take advantage of its disparity of power in an individualised firm compared to a collectivised firm, as employees are less likely to band together. Purcell (1993) supports this through his findings that non-union firms experienced virtually no strikes and other forms of industrial action yet they had twice the dismissal rate of unionised firms and were much less likely to have formal grievance procedures.

**Concluding Comments**

The above article has investigated and described the shift in employee relations from a collective approach to an individualistic approach. It is clear from the literature that this trend is substantiated, with evidence from many different countries supporting a global trend towards a reduction in collective bargaining, trade union membership and overall collectivisation. Collectivisation is posited to have been replaced by individualisation, with structural and political factors such as the changes in legislation and the introduction of HRM being argued to be main contributors towards this. These factors often resulted in a reduction of trade union size, whose demise was posited to largely contribute to
individualisation. Other factors such as organisation size, whether the organisation is in the public or private sector, and the increased competitiveness of the global marketplace were discovered to also aid this trend of individualisation. In terms of who benefits from this trend, employees were found to be vulnerable in individual contract negotiations without the protection of a trade union, with management commonly exploiting this disparity of power. In conclusion, this article has succinctly found that the shift from collectivisation to individualisation in employment relations somewhat reflects the British view of a change in management theory from personnel to HRM, with the emergence of HRM being posited by both British and American authors to be critical to this trend. Additionally, various other institutional and economic factors have compounded this shift in employee relations from collective to individualist.

References


