

**EXPERIENCING NEW PUBLIC MANAGEMENT: EMPLOYEE REACTION
TO FLEXIBLE WORK PRACTICES AND PERFORMANCE
MANAGEMENT**

By

Mr. Dennis Rose
Queensland University of Technology
Brisbane, Australia

Dr. Jennifer Waterhouse
Queensland University of Technology
Brisbane, Australia

Submission to the Industrial Relations in Europe Conference (IREC)
26 – 28 August, 2004
Utrecht School of Governance, Utrecht University
The Netherlands

Please address correspondence to:

Dr Jennifer Waterhouse
School of Management
Queensland University of Technology
GPO Box 2434
Brisbane, Australia. 4001

Telephone: 61 7 3864 2939
Fax: 61 7 3864 1313
e-mail: j.waterhouse@qut.edu.au

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

Performance measurement in the public sector has been problematic compared to the private sector. This is due to the absence of a readily identifiable and measurable single goal. Notwithstanding, better performance and the measurement of it significantly underpins the 'New Public Management' (NPM) philosophy, which has been widely adopted in various forms throughout much of the English-speaking western world. NPM, although amorphous and variously defined, represents broadly a descriptive approach to the adoption of private sector management, reporting and accounting methods in the public sector. The 1980s saw the beginnings of purposeful change in realigning the public sector with NPM philosophies. Hood's (1991) identification of the manifestations of NPM, the 'steering not rowing' metaphor from Osborne and Gaebler's (1992) *Reinventing Government*, and support for NPM through the Thatcher administration and in the Clinton election campaign, gave form to theory, and provided a catch-all for innovation and change more generally occurring (Dunleavy and Hood, 1994; Denhardt and Denhardt, 2000).

The themes of NPM became firmly established within the Australian public sector through the National Competition Policy (Hilmer, 1993). This policy was agreed to by all state governments in Australia stipulating that "all business should be subject to the market unless it constitutes core operations; micro-economic reform; a push for efficiency and effectiveness in the provision of services; and efforts to provide greater choice and more holistic services for clients" (in Chalmers and Davis, 2001: 80). The public sector in Australia therefore adopted various NPM practices including the implementation of hands-on professional management, explicit standards and measures of performance and a stress on private sector styles of management practice (Hood, 1991).

Contemporaneous to the implementation of most aspects of NPM in Australia, the industrial relations system was subjected to increasing decentralisation. A system of enterprise level bargaining largely replaced a central system of national and state awards. The objectives of the new industrial relations system were to address productivity improvements at workplace level. In 1994 the enterprise bargaining framework was implemented in the public sector to provide the institutional means to organise workplace arrangements in which **pay rises** were linked to increased **efficiency and productivity**. This provided the impetus and the environment necessary for the implementation of performance measurement, performance management and more flexible work arrangements.

This paper considers the impact of the implementation of performance management and flexible work practices on quality of work and staff morale within a large public sector agency in the state of Queensland. A review of the public sector and industrial relations environment in Australia is conducted that demonstrates how the institutional arrangements were conducive to the implementation of NPM philosophies. A case study is then presented wherein a survey of innovative HRM

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

practices implementation was administered to a sample of approximately 170 work groups in the participating agency. This was followed three months later by a climate survey of all staff (n=4,300). Detailed analysis using structural equation modelling showed that flexible work practices were particularly important to job satisfaction, quality of work life and stress; incentive practices were positively related to morale; and work design practices were not uniquely related to the outcome variables selected. Concurrently, qualitative data was gathered through a series of interviews and focus groups and analysed in regard to staff's perceptions and experiences of flexible work practices and performance management.

Background: NPM and Enterprise Bargaining

From the early 1980s the shift toward the adoption of NPM practices in Australia was largely politically driven and imposed upon the public sector. Political thought, motivated by prevailing monetarist ideology, economic pressures, and disillusionment with a public sector bureaucracy perceived as inflexible and inefficient, inclined successive governments to implement a raft of reforms using business as its model (O'Faircheallaigh, Wanna and Weller, 1999). Public sector reform has included privatisation, corporatisation, devolution and decentralisation of operational human resource matters, strategic planning, adoption of Human Resource Management principles, performance evaluation and contracting out. Successive governments have shaped implementation, but the general thrust toward privatisation and reform has remained fairly consistent across both Labor and Conservative governments – though often through a process of residualisation, and not without its critics (Dunleavy and Hood, 1994; Fairbrother and O'Brien, 2000; Colley, 2001; Young and MacNeil, 2000).

In the 32 years leading up to 1989, the Australian state of Queensland had a conservative government. The change of government at that time was to herald radical changes within the public sector as the new Labor government began to implement a managerialist agenda broadly based on NPM, but stopping short of implementing performance appraisal and performance based pay (Goss, 2001). Permanent tenure, however, for senior public servants was replaced by fixed term contracts and performance incentives; an action considered by some as detrimental to the independence of public service advice (Weller, 2001). There followed a series of departmental restructures, agency reviews, and legislative and administrative reforms to reflect new managerialism and 'new contractualism' through development and funding of programs, strategic planning including mission statements, goals and objectives, increased accountability and individual performance evaluations. New contractualism, based on public choice theory, drove privatisation and downsizing, with the *Policy Guidelines on Corporatisation (1992)* providing the blueprint for structural reform.

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

The shift to managerialism also brought about new forms of Human Resource practices, such as quality assurance programs and business reengineering, and new working conditions – though not necessarily with union involvement (Hall, 1998; Teo, 2000). *The Public Sector Management Program* review led to the introduction of management standards for HRM practices such as recruitment and selection, training and development, job evaluation, and redundancy provisions. The Public Service Board was abolished in 1990 and replaced by the Public Sector Management Commission (PSMC) at which time many personnel functions were devolved to agencies, but without control of finance. Despite the establishment of a Public Sector Consultative Forum, the PSMC has been criticised for its insensitivity, its failure to consult with affected parties and unions, the pace of reform, and sacrificing equity and fairness in pursuit of efficiency and effectiveness (Hall, 1998).

The institutional environment was set for NPM changes by a decentralisation of the industrial relations system through the implementation of the *Industrial Relations Act (1990)* and amendments. An agreement on enterprise bargaining (EB), for agencies, was developed in 1992 and the framework for a core agreement was established in 1994 and approved in 1997. In 1996 the Labor government was replaced by a conservative coalition, who adopted a strong stance on industrial relations issues. The PSMC was replaced by the Office of the Public Service (OPS), who withdrew the management standards, replacing them with directives and guidelines, to be interpreted and administered at agency level. Section 33 of the *Public Service Act 1996* conferred broad powers to the OPS over public sector employees and departments (Hall, 1998; Hollander and Thornthwaite, 2000). The existing *Industrial Relations Act (1990)* was replaced by the *Workplace Relations Act 1997* (Qld) which stripped awards to 20 minimum standards while the *Industrial Organisation's Act (1997)* placed severe restrictions on union intervention resulting in an escalation of industrial disputation. These legislative changes allowed for non-union collective and individual workplace agreements (the latter were not introduced into the Queensland Public Service). The EBs offered much higher rates than the existing awards and by 1998 almost all Queensland's 188,000 public sector employees were covered by workplace agreements, binding until 1999 (Hollander and Thornthwaite, 2000).

In mid 1998, the conservative coalition was replaced in government by the still-current Beattie Labor government. This administration set about restoring a centralised IR system, supported by the 'twin pillars' of statute and award to determine pay and conditions, restoring job security, award conditions, trade unionism, the Office of the Public Service Commissioner (later abolished in 2001), and a tripartite forum for IR change. Determination for remuneration and directives was transferred to the Department of Employment, Training and Industrial Relations. EB was now marked by a swing away from negative cost cutting in favour of quantifiable performance targets and improved practices. At the time of writing, the

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

Labor government continues to re-centralise and expand the range of agencies covered by the core agreement (Hollander and Thornthwaite, 2000).

Managerialism and Performance Management

It was noted above that managerialism in Queensland, as in several other places, was essentially imposed from above by government. While there are many critics, at least of some aspects of managerialism and NPM more generally, the major errors seem to coalesce around the non-reflective and slavish pursuit of mimetic private sector practices; the lack of centrally coordinated planning and evaluation; arbitrary imposition without appropriate consultation with public sector employees, unions and other stakeholders; failure in developing workable performance management processes and a failure to establish central monitoring mechanisms that include both cultural as well as 'performance' data, (Fairbrother and O'Brien, Hall, 1998; Dunleavy and Hood, 1994). This has resulted in tension and role confusion; a decline in job satisfaction and rising occupational stress; an 'uncomfortable and not necessarily stable hybrid of the old and new approaches' (Colley, 2001: 12) and rising industrial tensions (Hall, 1998).

Prior to 1999, performance management had been used by a number of Queensland Public Sector agencies - although principally as a tool for accountability and control. The OPS sought to extend its use as a strategic management tool. Through its 1999 publication 'A Focus on People: Performance Management in the Queensland Public Sector', individual agencies were to adopt performance management systems suited to their individual circumstances within the broad framework set by the OPS. The principle aim of such systems was to concentrate attention on the achievement of objectives set out in each organisation's strategic plans. The performance management system was to 'cascade down through the organisation to individual work units and teams and, ultimately, to individual employees (Office of the Public Service, 1999: 6). However, performance based pay was not incorporated in the performance management agenda.

Failure in attempting to introduce performance based pay in the Queensland public sector has been attributed to problems with supervisor subjectivity, criteria definition, no clear relationship between pay and performance, individual reward systems impacting negatively on teamwork, different motivations in public servants, and being viewed as a 'bureaucratic exercise' (Goss, 2001; Colley, 2001). The continuation of rigid employee entitlement structures therefore presents limitations for building employee motivation through recognition and reward (Kuhnert and Lewis, 1987). Goss (2001) suggested that macro approaches that include criteria development for goals and productivity, strategic planning and 360 degree feedback, as well as other types of incentives including flexible work arrangements, salary packaging, employment security, professional development, mentoring, personal recognition, study leave, childcare initiatives, and other benefits may be more effective. Goss also

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

suggests that “governments must look to a wider range of options for motivating their employees and ensuring best practice in the public sector “ (p.8).

The changes to the industrial relations environment have provided the means to more easily adopt some of these human resource principles of NPM and these have been espoused through the Enterprise Bargaining Agreements established between both Federal and State governments and their employees. In the United Kingdom, Hoque and Kirkpatrick (2000) found little evidence of a distinct shift to NPM within the British public sector in regard to strategic personnel management, rationalist philosophies, flexible work arrangements, dualist patterns of industrial relations and the public sector as a ‘new mode employer’. In Australia, on the other hand, Anderson, Griffin and Teicher’s (2002) evaluation of the Australian Public Service suggests that some aspects of NPM have indeed had an impact on Australian public sector reform. It was noted, however, that further investigation needed to be made into the extent to which a performance oriented culture had been achieved (Anderson, Griffin and Teicher, 2002).

This paper begins to explore the impact on employees of the implementation of performance management and flexible work practices within the public sector. Flexible work practices are defined as those practices that allow people to balance work and family demands and that increase worker control over how and when work is completed (Lawler, 1996). Both numerical and functional flexibility have attracted criticism, however, because such practices are often viewed as being introduced more for the benefit of organisational outcomes than for the benefit of employees (Legge, 1995). On the other hand, advocates of performance management practices such as direction setting and incentive practices have pointed to the potential benefits to employees through reduced uncertainty, improved morale and job satisfaction (Locke et al, 1974; Locke 1976). Direction setting practices are those implemented to communicate and align organisational and personal goals and directions (Lawler, 1996) while incentive practices are formal incentive practices such as profit sharing and bonus systems (Lawler et al 1993; Lawler et al 1995). However, questions must be raised regarding the efficacy of such practices to employees when they are implemented under the economic rationalist auspices of NPM. It is therefore important to explore whether the implementation of flexible work practices and performance management practices in the public sector results in better outcomes for employees. A case study of a large state public service department was used to investigate these issues.

Performance Management and Flexible Work Practices in a Government Department

The case study organisation considered in this paper has introduced a number of flexible work arrangements and performance management programmes. These have been implemented through organisational change initiatives and a series of Enterprise

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

Bargaining Agreements. The organisation is a large, geographically dispersed state government department of over 4,300 employees, made up of approximately 200 work groups. The gender composition of the workforce is predominantly male (75% approximately). The department is divided in a purchaser-provider arrangement whereby almost one half of the organisation provides services to the other mainly on a commercial basis.

A transformational change program across the entire organisation was implemented in 1999. The implementation process involved “three simple steps ... assessment, followed by diagnosis and setting strategy” (Main Roads 1999, p2). The first step introduced the concept of performance management through an assessment of organisational resources against performance. Human resource performance was a central feature of the assessment phase. Diagnosis involved the identification of blockages and “the creation of mechanisms for mediation and conflict resolution”. The final step in the process set the organisation’s strategy, and sought to align roles to that strategy and implemented a Balanced Performance Scorecard as a means of measuring performance into the future. More recent developments to the change program were specifically aimed at continuous learning “through activities such as ... managing organisational and individual management performance” (Internal document 2000:15).

Methodology

Data collection and analysis used a combination of both qualitative and quantitative methods. The qualitative part of the study involved a program of focus groups and interviews undertaken with a broad cross section of managers and staff. Focus group and interview questions focused on the perceptions of staff in regard to the changes occurring within the department and how these changes impacted on their immediate work environment. Particular attention was paid to identifying how the alignment of strategic objectives was understood throughout the department and how it affected work practices. Given the sensitivity of some of the subject matter, participants were assured of anonymity and that it would not be possible to assign statements to individuals or groups. A timeline of focus groups and interviews is presented at Table 1.

Table 1: Timeline of Focus Groups and Interviews

Round	Date	Number of Focus Groups	Number of Interviews	Number of Focus Group Participants
1	August-September 2000	18	12	150
2	March-June 2001	16	13	120

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

3	October- December 2001	14	17	94
4	April-May 2002	15	12	104

Both focus group and interview participants were purposefully selected and the same participants contributed at each time frame where possible to allow better comparability over time. Rather than achieve proportional representation, focus group participants were selected from volunteers within the department to give as broad a spread of perspectives as possible. That is, the aim was not to achieve proportional representation but rather a horizontal and vertical slice of the organisation with representation achieved at as many locality types, employment levels and across as broad a range of job classifications as possible within the research time frame. Interview participants were selected on their seniority and role in administering changes within the department. Separating management from staff was also useful in gaining more open insights from focus group participants. At least two researchers were present at each focus group and interview. With only one exception, all focus groups and interviews were audiotaped.

A key strength of validity testing, in this research, was that summaries of focus group findings were returned to all participants immediately prior to each return visit. A common method to strengthen validity in many previous studies has been to return full transcripts of interviews to participants. This was not the case here. Instead, the interpretation had already been constructed in summarising focus group findings. In this way focus group participants were able to verify the validity of the interpretation, not just the validity of a transcript. Three reports were also returned to the department and were made available for review and discussion by all staff. Information obtained from various sources within the department indicates these were widely considered as representing a valid interpretation.

The quantitative part of the study sought to identify the flexible work practices and performance management practices implemented in the department, compared at the work group level, and their impact on employee outcomes including morale, affective commitment, turnover intention, job satisfaction, quality of work life, and stress. In total 117 HR practices were identified from the literature. A team of six academic colleagues and the HR management team of the case study organisation reviewed these. Based on the focus for this research and input from the above-mentioned HR experts, the following items appearing below in Table 2 were selected for piloting to employees in two large branches of the case study organisation. A total of 144 surveys were sent out to employees in the pilot sample and 84 were returned for a response

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

rate of 58%. The age range of the sample was 20 to 61, with a mean age of 36.5 years. Mean tenure was 3.82 years. There were 46 males and 38 females in the sample.

Table 1 HR Practice items and grouping definitions – Pilot study

Grouping label and definition	HR Practice
Flexible work practices – Practices implemented to increase personal decision making power and options for balancing work and family responsibilities (Lawler, 1996; Vandenberg et al., 1999)	Flexitime Job sharing Telecommuting Extended leave options Part-time work options On-site childcare Leave for family care Studies assistance Access to the intranet and email
Direction Setting – Practices implemented to communicate and align organisational and personal goals and directions (Lawler, 1986; Vandenberg et al., 1999)	Formal development plans (as part of performance appraisal) Induction processes emphasising the organisational mission and values Procedures that link organisational objectives and personal performance objectives Formal appraisal system
Incentive practices – Formal incentive practices (Lalwer et al., 1993, Lawler et al., 1995; Pfeffer, 1998)	Promotion on merit Bonus on performance Flexible benefits/salary packaging Staff recognition awards

Following the pilot study and contemporaneous to the qualitative study, HR data was collected from work groups and a climate survey was administered within the organisation. The HR implementation survey was sent out to up to 5 people (or more, in very large groups), selected randomly in each of the 200 work groups of the department, and included the group supervisor. Three months after collecting the HR practice data, a climate survey was sent out to all 4,300 employees. Outcome measures included:

- Quality of work life - assessed by three items (Diener 1984);
- Job satisfaction - assessed by three items based on Griffin, Hart, and Wearing (1996);
- Commitment - assessed by three items (Allen and Meyer, 1990).;
- Individual morale – assessed by three items (Hart, et al., 1996);
- Individual distress – assessed by three items (Hart, et al., 1996) and
- Turnover intentions - assessed by three items (Griffin et al., 1996).

Survey items used a Likert scale from 1 to 7, anchored by ‘not at all’ to ‘a great deal’ respectively. The climate survey used 'strongly disagree' and 'strongly agree' as anchors and 5-point Likert scaling. Confidentiality was protected through the provision of return addressed envelope, and by reporting only aggregated data to the

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

case study organisation. Participation was purely voluntary. Participant information for the HR practice implementation survey and the climate survey appear below in Table 3.

Table 3: Participants for HR Practices Implementation Survey and Climate Survey

Survey	Sent out	Returned	Age Range	Age Mean	Tenure Mean	Gender
HR Practices	745	601 (81%)	16-66	38.7	6.48	428 (m)* 173 (f)
Climate Survey	4,300	3,245 (75%)	16-69	40	11.85	2,401 (m) 819 (f)

* Reflects the approximate 75% male population of the organisation.

Findings from the Qualitative Study

Evidence obtained from focus groups and interviews indicated a fairly hierarchical understanding of the alignment of roles with strategic objectives. More senior personnel within the department stated they had a clear understanding of how individual performance fed into the strategic objectives and outcomes of the organisation. More junior staff reported difficulties associating their roles with the strategic objectives and organisational outcomes. The strategic plan had been distributed to all staff and participants in focus groups stated they understood the direction the organisation was taking but were often unable to make the link between this direction and what they actually did at the workplace. There was evidence to suggest however, that staff were generally eager to be able to see where their roles fitted into the overall strategy and how their work contributed to performance outcomes. This inability to link work with strategic outcomes was said to be due to a failure to fully implement performance appraisal systems. Performance reviews of management were to be aligned to the organisation's goals but the process lost impetus and was not routinely applied in the lower levels of the department. Staff considered that by the time performance management and appraisal systems flowed through to their level the organisational objectives would change. A re-assessment of strategies would then be undertaken commencing, once again, from the top, but never quite reaching the bottom. One focus group commented:

The underlying message behind the strategic direction is often difficult to interpret and therefore it is not always clear on what is required or needs to be implemented at the grassroots level.

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

There was, however, a significant exception to the hierarchical understanding of performance management within the department. Many of the focus groups conducted within the commercial arm of the department reported clarity in respect to the financial imperatives facing their half of the organisation. The commercial part of the department had implemented the balanced scorecard to a much greater extent than the corporate side. While clarity in regard to financial targets was reported there was, however, tension reported in balancing financial outcomes, quality of production and stakeholder expectations. Employee understanding of performance requirements altered over the period of research. At time 2 the focus in the commercial side of the department appeared to be largely directed at meeting financial objectives. Tensions in meeting other performance-based criteria increased over the last two phases of data collection causing a lack of clarity in regard to organisational expectations. This appeared to be related to three issues. Firstly, more bureaucratic processes to measure performance were introduced across the department causing a decrease in staff morale (see below for further discussion in this regard). Secondly, professional ethics to produce a superior product were contradictory to the need to produce a profitable outcome. Thirdly, government directives aimed at achieving greater public satisfaction, including public consultation and community engagement requirements, were considered to adversely affect the ability of this half of the organisation to achieve commercial success.

Across the department the seemingly constant change of strategy led to some cynicism among lower level staff regarding the contractual arrangements under which senior management were employed. It was considered that these contracts required senior management to take a short-term performance view of the organisation and that the organisation was increasingly being benchmarked against the performance of the private sector. To achieve their objectives it was considered senior management had been required to change and the organisation was therefore required to follow suit. By round three of data collection staff reported that closer monitoring of performance was being undertaken through the implementation of systems that timed and computed individual activities. The system was intended to identify lost time, but the miniscule recording and reporting of work processes was resented by staff, in particular those in the commercial side of the organization.

Incentive practices were not extensively discussed in focus groups and interviews, probably due to privacy issues relating to bonuses, flexible benefits and salary packaging. The exception to this was promotion, which emerged as a significant issue on three levels. Firstly, from a broad system perspective, opportunities for promotion in the public sector were generally considered to be shrinking. This view was caused by a general opinion that the public sector itself was shrinking. Secondly, at an organisational level, the purchaser/provider split within the department was considered detrimental to career progression. Opportunities for transfer between the purchaser and provider parts of the department were extremely limited thereby

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

effectively halving employee career prospects. This was particularly evident within the commercial side of the department where it was considered that external applicants were increasingly filling positions and that a flatter organisational structure had caused an erosion of career opportunities. Thirdly, at an individual level, promotion on merit was not considered to be uniformly applied. Furthermore, it was thought that what constituted ‘merit’ was unclear and that the promotion process was therefore not transparent. Considerable angst was expressed when it was considered that promotions did not occur on merit thereby evidencing the entrenchment of this form of incentive within the organisation.

Findings from the Quantitative Study

HR practices were subjected to a ML factor analysis in SPSS 10.0, with oblique rotation due to the correlated nature of HR practices. The pattern matrix is shown below in Table 4.

Table 4: Pattern Matrix of HR practices (N=601)

Factor	1	2	3
Flexitime		.621	
Extended leave options		.583	
Part-time work option		.566	
Leave for family care		.663	
Studies assistance		.529	
Formal development plans	.911		
Induction emphasises organisational mission and values	.443		
Link org objectives and personal objectives	.795		
Formal appraisal system	.860		
Promotion on merit			.359
Bonus on performance			.620
Flexible benefits			.487
Staff recognition awards			.552
Access to intranet & email		.434	

Removing the less-influential items (as shown above) produced 3 factors, explaining 57.85% of the variance, with no item cross-loading above 0.3. The provisional grouping names of flexible work practices, direction setting and incentive practices were retained.

Between-groups differences

Between groups differences calculated by ANOVA are shown below in Table 5.

Table 5: Between-group differences for HR practices (N=156)

Scale	F Value
-------	---------

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

Flexible work practices	F (1,155) = 3.46, p = < .001
Direction setting practices	F (1,155) = 2.22, p = < .001
Incentive practices	F (1,155) = 1.74, p = < .001

Scales showed small but significant differences between work groups.

HR practices and outcomes

The data from the HR Practices Implementation Survey and the Organisational Climate Survey was combined into a single file and the descriptive data; correlations and standardised Cronbach alpha (appearing in brackets on the diagonal) appear below in Table 6.

Table 6: Descriptive data, Correlations and Reliability Coefficients for 2001

Variable	Mean	Sd	flex	direct	incent	morale	commit	toi	satisf	worklife	stress
flexible work	3.95	0.96	(.75)								
direction setting	3.71	1.06	0.45**	(.88)							
Incentives	3.01	0.99	0.43**	0.61**	(.70)						
Morale	3.49	0.46	0.22**	0.21**	0.27**	(.82)					
Commitment	3.35	0.40	0.12	0.17*	0.12	0.74**	(.77)				
Turnover intention	2.16	0.41	-0.06	-0.08	-0.13	-0.33**	-0.35**	(.78)			
Job satisfaction	4.98	0.57	0.24**	0.16*	0.21**	0.73**	0.60**	-0.43**	(.89)		
Worklife	4.63	0.66	0.34**	0.21**	0.23**	0.71**	0.57**	-0.39**	0.86**	(.91)	
Stress	2.76	0.46	-0.29**	-0.26**	-0.25**	-0.68**	-0.58**	0.42**	-0.58**	-0.67**	(.91)

** Correlation is significant at the .01 level (2-tailed)

* Correlation is significant at the .05 level (2-tailed)

The data demonstrated significant correlations between the three HR practices scales and outcomes of interest as shown above. To test the unique influences of scales, the data was tested by structural equation modelling in LISREL 8.54. Scale scores were used and all constructs were assumed to be measured without error. The results appear below in Figure 1. For simplicity, only significant paths are shown.

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

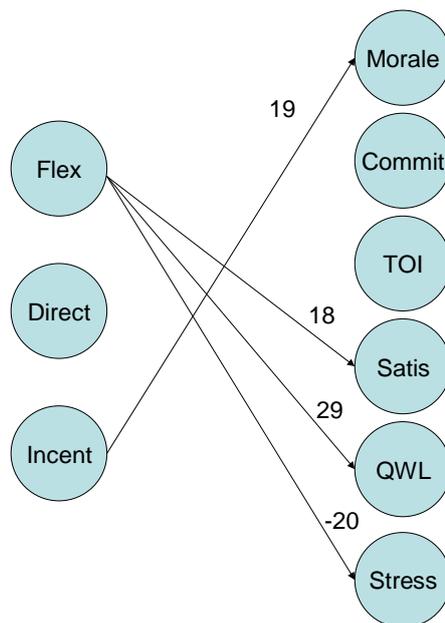


Figure 1 Structural model of the relationships between HR practices and outcomes 2001

This model provided a reasonable fit to the data [$\chi^2 = 48.02$ (3), $p = .001$, GFI = .95, NNFI = .52, CFI = .96, RMSEA = .28]. Examination of the modification indices suggested that model fit could be greatly improved by allowing morale to relate to other outcomes. However, this path did not form part of the theoretical investigation and so was not estimated. Flexible practices were uniquely and positively related to job satisfaction, quality of work life, and negatively related to stress. Incentives were uniquely related to morale.

Discussion and Conclusion

An examination of legislative reform in Australia, and more specifically Queensland, has suggested that the industrial relations system has enabled EBAs to be negotiated with government agencies to bring about public sector reform, in line with the principles of NPM. Various practices have been introduced through this arrangement in attempts to improve efficiency and manage performance. Some of these practices are acknowledged to have been particularly harmful to employment relations within the public sector. For example, the privatisation of public services, particularly through contractual arrangements, has had serious implications for security of tenure and working conditions. Notwithstanding, this paper has concentrated on performance management and flexible work practices that may have more positive outcomes.

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

Prior studies have suggested limitations in the extent to which such practices are embedded throughout all levels of public sector organisations and the case study presented here suggests that implementation, particularly of performance management practices, were not consistent. Significantly, the case demonstrates that performance management practices were most successfully implemented to lower organisational levels when they were tied to commercial imperatives as in the commercial unit of the case study organisation. This suggests that, even given a favourable institutional environment, the public sector continues to have difficulties in implementing performance management practices unless they can be tied to a single identifiable goal. In the example of the commercial part of the case study organisation for a short time the single, clear goal was profit. Interestingly, as the hybrid model of both industrial relations and a combination of both old and new public management took hold, other goals such as citizen satisfaction and professional standards began to interfere with the effectiveness of performance management processes.

The case study demonstrates that the alignment of work roles to strategic objectives was inconsistent. Furthermore, as has been demonstrated in prior studies, the development of a single, clear goal was difficult to achieve and maintain. It is significant to note, however, that despite these deficiencies these more strategic forms of performance management were appealing to staff. More bureaucratic forms of performance management, however, came in for particular criticism. This indicates that, carefully managed, the implementation of strategic objectives and the alignment of work roles to those objectives may meet with some success in the public sector. Such a conclusion is supported in the quantitative results in the positive correlation between direction setting and morale. Importantly, these findings indicate some success in engendering a performance culture within a public sector department. What is particularly significant is that this has been achieved despite the sub-optimal implementation of performance management in this case.

An investigation of innovative HR practices suggests that many have successfully been implemented in this case and that the findings in terms of work outcomes suggest that employees may also benefit. Specifically, flexible work practices related to morale, job satisfaction, quality of work life, and reduced stress. Direction setting practices were positively related to affective commitment, morale, job satisfaction, quality of work life, and reduced stress. Incentive practices showed the same pattern as flexible work practices.

Structural modelling suggested unique relationships between incentive practices and morale, and flexible practices and job satisfaction, quality of work life and reduced stress.

There are limitations to the study in terms of cross sectional data and the survey measures used however, the case presented here is an improvement on the current

Experiencing New Public Management: Employee Reaction to Flexible Work Practices and Performance Management

empirical literature in that it separates the collection of HR practices from climate measures, and allows time for HR practices to have an impact before measures of attitudes and behaviours are collected. Previous studies have determined the implementation of HR practices through administering surveys to management and HR practitioners. Few prior studies have determined whether such practices have been generally implemented throughout public sector organisations or considered their impact on general staff. This study has examined the impact of performance management and flexible work practices at group level across a large public sector organisation. Another refinement is that HR data is collected from multiple sources and measured by Likert scaling, rather than traditional dichotomous measures that determine the presence or absence of particular practices. This approach has shown that HR implementation may vary across work groups even in a single organisation. The size of the organisation and the evidence obtained across geographical, professional and hierarchical levels suggests some generalisability. Validity is further aided by the matching of qualitative and quantitative findings.

The research presented in this paper indicates that the implementation of NPM practices has been enabled through a more decentralised system of industrial relations. At the work group level the study demonstrates some success in implementing a performance culture within a public sector department and that these findings may be more generalisable. Areas for future research and consideration are in assessing the implementation of performance management processes and flexible work practices over a longer period of time and across agencies. Difficulties associated with such a broad study are in achieving access to a very large number of employees. Reliability of the findings of this study would also be assisted through further triangulation of data through the organisation's HR information system. The case at present demonstrates positive outcomes for public sector employees through the implementation of flexible work practices and performance management practices.

Experiencing New Public Management: Employee Reaction to Flexible Work
Practices and Performance Management

References

- Allen, N.J. and Meyer, J.P. (1990). The Measurement and antecedents of Affective, Continuance and Normative Commitment to the Organisation, *Journal of Occupational Psychology*, 63, 1-18.
- Anderson, E., Griffin, G. and Teicher, J. (2002) Managerialism and the Australian Public Service: Valuing Efficiency and Equity? *New Zealand Journal of Industrial Relations*, 27:1 pp. 13-31.
- Bass, B. M. (1985) *Leadership and performance beyond expectations*, New York: Free Press.
- Chalmers, J. and Davis, G. (2001) Rediscovering Implementation: Public Sector Contracting and Human Services. *Australian Journal of Public Administration*, 60:2 pp. 74-85.
- Colley, L. (2001) The Changing Face of Public Sector Employment. *Australian Journal of Public Administration*, 60:1 pp. 9-20.
- Denhardt, R. B. and Denhardt, J. V. (2000) The New Public Service: Serving Rather than Steering. *Public Administration Review*, 60:6 pp. 549-559.
- Department of Main Roads (1998) In ICM Strategic Planning Conference Unpublished, Canberra.
- Diener, E. (1984). Assessing Subjective Well-Being: Progress and Opportunities. *Social Indicators Research*, 31, 103-159.
- Doyle, M., Claydon, T. and Buchanan, D. (2000a) Mixed Results, Lousy Process: the Management Experience of Organizational Change. *British Journal of Management*, 11:Special Issue pp. S59-S80.
- Doyle, M., Claydon, T. and Buchanan, D. (2000b) Mixed Results, Lousy Process: the Management Experience of Organizational Change. *British Journal of Management*, 11:Special Issue pp.
- Dunleavy, P. and Hood, C. (1994) From Old Public Administration to New Public Management. *Public Money and Management*, 14:3 pp. 9-17.
- Fairbrother, P. and O'Brien, J. (2000) Introduction: Changing Public Sector Industrial Relations in the Australian State. *Australian Journal of Public Administration*, 59:4 pp. 54-59.
- Goss, W. (2001). Managing for Results - Appraisals and Rewards. *Australian Journal of Public Administration*, 60(1): 3-8.

Experiencing New Public Management: Employee Reaction to Flexible Work
Practices and Performance Management

Hall, R. (1998). More Queensland Exceptionalism: Public Sector Industrial Relations from New Labor to Old Coalition. *Australian Journal of Public Administration*, 57(2): 74-82

Hart, P.M., Griffin, M.A. Wearing, A.J. and Cooper, C.L. (1996). QPAS: Manual for the Queensland Public Agency Staff Survey, Brisbane, Public Sector Commission.

Hilmer, F.G. (1993). *Independent Committee of Inquiry into Competition Policy in Australia*. Canberra, AGPS.

Hollander, R. and Thornwaite, L. (2000). The Queensland Public Sector: Recent Developments in Employment Relations, *Australian Journal of Public Administration*, 59(4): 76-83.

Hood, C. (1991) A public management for all seasons? *Public Administration*, 69:1 pp. 3-19.

Hoque, K. and Kirkpatrick, I. (2000) From Traditional People Management to New Public Management: Evidence from the 1998 Workplace Employee Relations Survey. *Management Research News*, 23:87-88.

Kuhnert, K. W. and Lewis, P. (1987) Transactional and Transformational Leadership: A Constructive/Developmental Analysis. *Academy of Management Review*, 12:4 pp. 648-657.

Lawler, E. E. I. 1996. *From the ground up*. San Francisco: Jossey-Bass.

Lawler, E. E. I., Ledford, J., G. E., and Chang, L. 1993. Who uses skill-based pay, and why. *Compensation and Benefits Review* (Mar/April 1993): 22-26.

Lawler, E. E. I., Mohrman, S. A., and Ledford, J., G. E. 1995. *Creating high performance organizations: Practices and results of employee involvement and total quality management in Fortune 1000 companies*. San Francisco: Jossey-Bass.

Legge, K. (1995) *Human Resource Management: Rhetorics and Realities*, MacMillan Press Ltd., London

Locke, E. and Whiting, R. J. (1974). Sources of satisfaction and dissatisfaction among solid waste management employees. *Journal of Applied Psychology*, 59(2): 145-156.

Locke, E. (1976). The nature and causes of job satisfaction. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology*: 1297-1347. Chicago: Rand McNally College Publishing Company.

Main Roads (1999). "Annual Report." Queensland Government Printer

O'Faircheallaigh, C., Wanna, J. and Weller, P. (1999) *Public Sector Management in Australia - New Challenges, New Directions*, South Yarra: Macmillan Education Australia Pty Ltd.

Experiencing New Public Management: Employee Reaction to Flexible Work
Practices and Performance Management

Office of the Public Service (1999). *A Focus on People: Performance Management in the Queensland Public Service*, Queensland Government Printer.

Osborne, D. and Gaebler, T. (1992) *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading, MA: Addison-Wesley Publishing Company.

Scott, R. (2000) In APSA 2000.

Teo, (2000)

Weller, P. (2001) *Australia's Mandarins: The Frank and the Fearless?*, Crows Nest: Allen and Unwin.

S. Young and J. MacNeil. (2000). When performance fails to meet expectations: managers' objectives for outsourcing. *Economic and Labour Relations Review*, Vol. 11 No. 1, pp. 136-68.