

What's a Good Job? The Importance of Employment Relationships

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CPRN Study No. W|05

ISBN 1-896703-53-4
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Available from:
Renouf Publishing Co. Ltd.
5369 Canotek Road
Ottawa, ON K1J 9J3
Tel.: (613) 745-2665
Fax: (613) 745-7660
Home Page: <http://www.renoufbooks.com>

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Foreword

Ever since the Economic Council of Canada published *Good Jobs, Bad Jobs* in 1990, we have associated good jobs with a full-time, permanent position, with good pay and benefits. This study gives us a new definition of a good job, a definition based on the social dynamics in the workplace as summarized in the quality of the relationship between employer and employee. The key elements of that relationship are trust, commitment, communication, and influence.

The timing for such a study could not be better. Employers are grappling with a whole new set of human resources challenges these days. After a decade of shedding workers, they are now trying to figure out how to keep them. This study suggests they will have to consider a new kind of workplace bargain where workers have opportunities to develop and use their skills and abilities, are given the resources and tools they need to do a good job, are given constructive feedback on their work, and where communication is good.

Because employees have so little influence over these workplace elements, they really have only one way of protecting themselves against a weak employment relationship and that is to seek a job elsewhere. But weak employment relationships are also associated with low morale and absenteeism. Thus the study demonstrates a strong synergy between job satisfaction and productivity growth.

Graham Lowe conceived this study while Professor of Sociology at the University of Alberta, and completed it on his current assignment at CPRN as Director of the Work Network, with the able collaboration of Grant Schellenberg. They were supported by an Advisory Committee composed of employers, union representatives, and other experts, who helped them to construct the framework of analysis and then to interpret the findings at a roundtable that took place in Ottawa in June 2000. Gisèle Lacelle managed the production of the report and Sylvia Burns did the desktop publishing.

To Graham Lowe and Grant Schellenberg and to all the funders (listed at the back of the report) and advisors, we owe our thanks for these new insights into the importance, and the complexity, of the employment relationship. These relationships play a central role in the quality of workers' lives and in the competitiveness

of Canadian industry. In order to focus more attention on these issues, CPRN is developing www.jobquality.ca – a Web site with one-stop shopping for data on job quality in Canada.

Judith Maxwell
March 2001

Executive Summary

Most recent studies of work in Canada have focused on labour market restructuring, workplace downsizing and re-engineering, and the impact of new information technologies. This structural approach documents how labour markets, workplaces and jobs are being reorganized, often distinguishing between “good jobs” and “bad jobs” or “standard” and “non-standard” employment. Yet this perspective no longer adequately captures the diversity of Canadians’ work experiences or how these matter for individuals and employers.

CPRN’s Changing Employment Relationships (CER) Project offers a fresh approach for understanding Canada’s new work realities, viewing Canadians’ working conditions through the lens of employment relationships. A relational perspective augments the traditional approach to studying work and labour markets, giving policymakers and labour market analysts a new mental map for charting the contours of work in Canada’s emerging “new economy.” Our key contribution is to document why good employment relationships are important for workers, employers and public policy.

The Changing Employment Relationships Project is based on a nationally representative survey of 2,500 employed Canadians undertaken in February-March 2000 and eight focus groups conducted in June 2000.

This report uses these research findings to examine the multi-dimensional character of the relationships that link workers with employers, business clients and other workers. The analysis of employment relationships begins with legal arrangements, then explores the social-psychological dimensions of trust, commitment, influence and communication. The quality of employment relationships is more important to overall job satisfaction than pay or benefits. Good employment relationships are the key ingredient of a “good job.”

A Deeper Understanding of Non-standard Work

We also offer new insights about the nature of “non-standard” work, which has been the main focus of the traditional “structural” perspective on the labour market.

The distinctions between permanent and temporary jobs and between paid employment and self-employment have become blurred.

For example, many temporary help agency workers consider themselves to be permanent, by virtue of an ongoing relationship with an agency. So these workers are not officially counted as “temporary” employees. While the majority of temporary workers want a permanent job, a closer look at their work patterns reveals a sequence of jobs over a longer period of time, often with the same employer.

Distinctions between self-employment and paid employment can also be difficult to make. In fact, 12 percent of self-employed individuals have a high overlap with paid employment – they could be “disguised employees.”

Families and households are integral business resources for Canada’s workers, raising questions about how individuals manage these work-family links. Among self-employed individuals, one in four access medical and dental benefits through spousal benefit plans. Two-thirds have a home-based business. Many rely on family members as employees or business partners. Furthermore, about one in four employees do some work at home, likely as a way of coping with heavy workloads.

While this more finely textured analysis of non-standard work augments the traditional approach to labour markets, it tells us nothing about the underlying relationships. To address this gap, we offer a new relational mapping of work, which begins with the legal basis of employment.

The Legal Basis of Employment Relationships among Employees

Legal arrangements governing employment take many forms. About 60 percent of all employees surveyed have a written employment contract that defines the conditions and requirements of their job. However, while virtually all unionized workers have a written contract, this is the case for less than one-half of non-unionized workers, many of whom have only a verbal agreement with their employer.

Employees who have below average earnings or education are most likely to have only a verbal agreement – adding to their vulnerability in the labour market. These individuals rarely have the resources or bargaining power needed to seek redress should a dispute arise. Verbal agreements also tend to be silent on important issues, such as methods for evaluating job performance and terms for layoff or termination. In contrast, written employment relationships tend to be more comprehensive in the issues they cover.

Yet, CER focus group participants expressed mainly negative views about the legal and regulatory frameworks surrounding their employment. Most indicated they would rather not have a formal contract. Nonetheless, they felt a general need to maintain broader legal and regulatory frameworks, especially in the area of health and safety.

Third parties can shape the form and content of employment relationships. However, looking only at the level of union membership in the workforce understates the

forms of collective representation available to employees. While 32 percent of employees are unionized, another 16 percent are non-unionized but belong to a professional and/or staff association. The role of staff and professional associations requires further research, but it seems clear that these organizations contribute to formalized employment relationships, namely through written contracts.

The Social and Psychological Dimensions of Employment Relationships

Going beyond the legal basis of employment relationships, we add the social-psychological dimensions of trust, commitment, influence and communication. Using the CPRN-Ekos Changing Employment Relationships Survey data, we identified the factors associated with lower and higher levels of trust, commitment, communication and influence. Overall, the strength of individuals' employment relationships largely reflects the environment in which they work.

- A **healthy and supportive work environment** is the crucial factor in creating robust employment relationships. This includes physical, social and psychological aspects of the workplace. Individuals with strong employment relationships tend to have helpful and friendly co-workers, interesting work, assess their workplace as both healthy and safe, are supported in balancing work with their personal life, and have reasonable job demands. High levels of employee trust and commitment, in particular, are linked to perceptions that their employer cares about them.
- Receiving the **resources** needed to do the job well is the second most important ingredient of strong employment relationships. The provision of training, equipment and information may signal to employees the firm's commitment toward them, inviting reciprocity. Resources are also likely to make workloads more manageable and enable workers to be more productive.
- **Organizational change** is also an important negative influence. Downsizing and restructuring are associated with reduced levels of trust, commitment, communications and worker influence.

While actual pay is associated with only one dimension of the employment relationship (influence), the **perception of whether the job pays well** is positively associated with all four dimensions. This suggests that perceptions of pay are embedded in workers' views about fair treatment by their employer.

Union membership is associated with weaker employment relationships on all dimensions. This may reflect higher expectations and awareness among union members of relations with their employer. Unions also may add transparency to the conflicts of interest between workers and employers.

These features of the work environment profoundly affect all groups of employees, regardless of their personal background. And for employers, these findings suggest that high levels of trust and commitment depend on them providing a supportive and well-resourced work environment.

In contrast to employees, the self-employed have stronger employment relationships with their clients. Indeed, from the focus groups it was clear that relationship problems with a manager or employer were a powerful motivation to become self-employed.

Our multi-dimensional view of employment relationships offers a fresh perspective on what constitutes a “good job.” We show that standard jobs are not necessarily the ones with the highest levels of trust, commitment, influence and communication. Most crucial is the work environment in which these relationships are rooted. This illuminates the wide diversity of working conditions and job rewards found across the Canadian labour market.

How Employment Relationships Matter

Furthermore, the strength of employment relationships has important consequences for individuals, employers and unions.

To document this, the four dimensions of the employment relationship were collapsed into a single Employment Relationships Summary Scale, using multivariate analysis to assess the independent effect of this scale on various outcomes (taking into account socio-demographic, labour market and work context factors).

- **Job satisfaction:** Strong employment relationships are the key determinant of job satisfaction among paid employees and self-employed individuals. Not only does job satisfaction reflect a person’s overall quality of working life, it also has been linked to a range of outcomes important for employers – including productivity.
- **Skill development and use:** Strong employment relationships are associated with the more effective use of human resources. Employees who have strong employment relationships (compared to workers in weak relationships) have more opportunities in their job to develop and use their skills and abilities. This supports the creation of human capital, which is essential for both individual well-being and a healthy economy.
- **Turnover:** Weak employment relationships contribute to turnover, judging from which employees looked for a job with another employer in the past year. Thus employers facing recruitment and retention challenges competing for talent in a tight labour market need to pay careful attention to employment relationships.
- **Workplace morale:** Workers who have strong employment relationships personally report good morale within their workplace. Morale is an important ingredient in cultivating a healthy and a productive work environment.
- **Absenteeism:** Employees in weak employment relationships report more absenteeism due to personal illness or injury than do employees in strong relationships. Absenteeism is costly to employers, detracts from an individual’s quality of life, and reduces national productivity.
- **Willingness to join a union:** Employees in weak employment relationships are more than twice as likely to want to join a union as those in strong relationships.

However, perceived problems with pay and job security are more important influences on willingness to join than is the strength of employment relationships.

Employment relationships clearly matter for individuals and employers. Strong employment relationships positively influence job satisfaction, skill use and development, workplace morale, and worker absenteeism. Overall, strong employment relationships contribute to the quality of work life and the performance of the organization. Furthermore, the usual “structural” characteristics used to identify “good” and “bad jobs” – permanent or temporary status, employee or self-employed, full- or part-time hours, firm size, and industry – do not help to explain variations in these outcomes. This highlights the importance of employment relationships in defining a good job.

Implications

The following major implications emerge from the Changing Employment Relationships Project for individual workers, employers and unions, and public policy.

- The strength of employment relationships matters for individuals. This puts trust, commitment, communication and influence on their list of job selection criteria. Yet there is not much that individual workers can do – short of changing employers or becoming self-employed – to improve their work environment.
- Workers in weak employment relationships desire better communication, fairness and respect, recognition, and a more supportive work environment. They want more opportunities for meaningful input and participation. These are the issues they want employers to address first.
- For employers, there is no doubt that creating a supportive and healthy work environment nurtures positive employment relationships. This taps into the physical, social and psychological aspects of the workplace – everything from workloads to respect and the resources needed to do an effective job. Equally important is how work is organized. Low levels of commitment and trust are associated with restructuring and downsizing. Workplaces organized to give more scope for participation have somewhat stronger employment relationships. Job content also is important, especially providing skilled and interesting tasks.
- Employment relationships require balance and reciprocity if they are to benefit both parties. Employers demonstrate that their employees are valued through the quality of the work environment they create. Managers at all levels, but especially those at the front line, need to understand this basic point.
- Work environments, employment relationships, the quality of work life and organizational performance are organically linked. These components are mutually reinforcing in ways that lead to the creation of truly “good jobs” – the kind that people are enthusiastic about doing and in which they can be highly productive.
- Some unions view “new” human resources management strategies that cultivate trust, commitment, and employee involvement as anti-union. Yet this poses a

problem because employees benefit from stronger trust and commitment in their employment relationships. This dilemma highlights how the future of unions in part hinges on their ability to address employment relationship issues.

- It is useful to consider the future role of professional and staff associations in meeting workers' needs. These organizations likely will be attractive to the growing number of knowledge workers who no longer think in terms of standard jobs, careers or employment contracts.
- It may be useful to create distinct categories and measures to distinguish two groups of workers: individuals who straddle the line between self-employment and contract employee; and temporary agency workers. Moreover, based on the importance of employment relationships, it may be more accurate to distinguish between "good and bad workplaces," rather than "good and bad jobs."
- By the same token, that fact that self-employed individuals, in comparison with employees, have stronger employment relationships calls for rethinking the structural model's emphasis on labour market status to identify "good" jobs. Yet, while relational aspects of self-employment may be positive, these workers lack the benefits available to many employees.
- Legislation and regulations governing employment standards, collective bargaining, health and safety, and workers' compensation were designed for the traditional "standard" job. Consequently, the protections they provide are available to a diminishing number of workers. Legal reform must address the diversity of employment relationships within both the standard and the non-standard categories.
- A sizeable number of Canadians do not have a written contract that lays out the terms and conditions of their employment. Legally, verbal and written contracts are equally binding, but in practice it may be more difficult for a worker to enforce a verbal agreement. Given the policy emphasis on productivity, it also is useful to note that formalized employment contracts often contain performance evaluation procedures.
- Some focus group participants expressed the need for more effective health and safety regulations. This echoes calls from occupational health researchers for careful consideration of how best to adapt the occupational health and safety regimes to rapidly changing work situations.
- Policies promoting lifelong learning will need to reach beyond the educated elite of "knowledge workers." If knowledge workers, rather than manual and service workers in routine jobs, are the main beneficiaries of "good" employment relationships, then this raises the spectre of a new source of labour market polarization.

Our comprehensive view of employment relationships attests to their deep roots in work contexts. This is a useful step toward aligning employment policies and practices with tomorrow's work realities. A relational perspective on work points toward the goal of creating cohesive, prosperous, and personally supportive workplaces and communities. So the defining characteristics of a good job – the qualities of trust, commitment, communication and influence – are important means

for achieving broad social and economic ends. At a personal level, robust employment relationships help to meet individuals' work aspirations. Equally vital, Canada's success in today's hard-edged global economy depends greatly on daily human interactions in workplaces.