

Annual ENOP Symposium 2010, Paris, March 25-27, 2010

From Economical Crisis and Job Insecurity to Regeneration of Human Resources

Thursday, March 25, 2010

2:00 pm – 2:15 pm Welcome and introduction to the symposium (Matti Vartiainen & Erich Kirchler)

2:15 pm – 3:15 pm *Topic 1: 'Financial crisis: what went wrong with financial incentives?'*
(Esther-Mirjam Sent, Professor of Economic Theory and Policy at the
Radboud University Nijmegen)

3:15 pm – 4.00 pm Questions and Discussion

4:00 pm – 4:30 pm Break

4:30 pm – 5:30 pm *Topic 2: 'Economic psychology and behavioural economics: contributions to the understanding of financial decision making'* followed by Discussion
(Erich Kirchler)

Friday, March 26, 2010

09:15 am – 10:15 am	<i>Topic 3: 'Incentive systems in business organisations and in the financial market' followed by Discussion (Matti Vartiainen)</i>
10.15 am – 10.45 am	Break
10:45 am – 11:45 am	<i>Topic 4: 'Economic crisis and coping with effects of job insecurity' followed by Discussion (Hans De Witte, Professor of Work and Organisational Psychology, K.U. Leuven)</i>
11:45 am – 12.45 pm	<i>Topic 5: "Sustainable work in contemporary working life" followed by Discussion (Dr. Mari Kira, Aalto University)</i>
12.15 pm - 01:00 pm	Work in small groups (=> speakers)
01:00 pm – 02:00 pm	Lunch
02:00 pm – 04:00 pm	<i>Presentation of small group discussions and final discussion: action points (=> speakers report)</i>

Esther-Mirjam Sent

Esther-Mirjam Sent is Professor of Economic Theory and Policy at Radboud University Nijmegen in the Netherlands. Before moving back to the Netherlands, she taught at the University of Notre Dame in the United States and served as a visiting fellow at the London School of Economics. Her research interests include history and philosophy of economics as well as the economics of science. Her book *The Evolving Rationality of Rational Expectations: An Assessment of Thomas Sargent's Achievements*, which was published by Cambridge University Press in 1998, was awarded the 1999 Gunnar Myrdal Prize of the European Association for Evolutionary Political Economy. She is the editor, with her former colleague from the University of Notre Dame Philip Mirowski, of *Science Bought and Sold: Essays in the Economics of Science*, published by the University of Chicago Press in 2002. Recently, her research interests have expanded to behavioral economics, experimental economics, and economic policy. Esther-Mirjam Sent obtained her Ph.D. in 1994 from Stanford University in the United States under the supervision of Nobel laureate Kenneth Arrow.

2:15 pm – 3:15 pm *Topic 1: 'Financial crisis: what went wrong with financial incentives?'*

Financial crisis: What went wrong with financial incentives? Esther Mirjam Sent



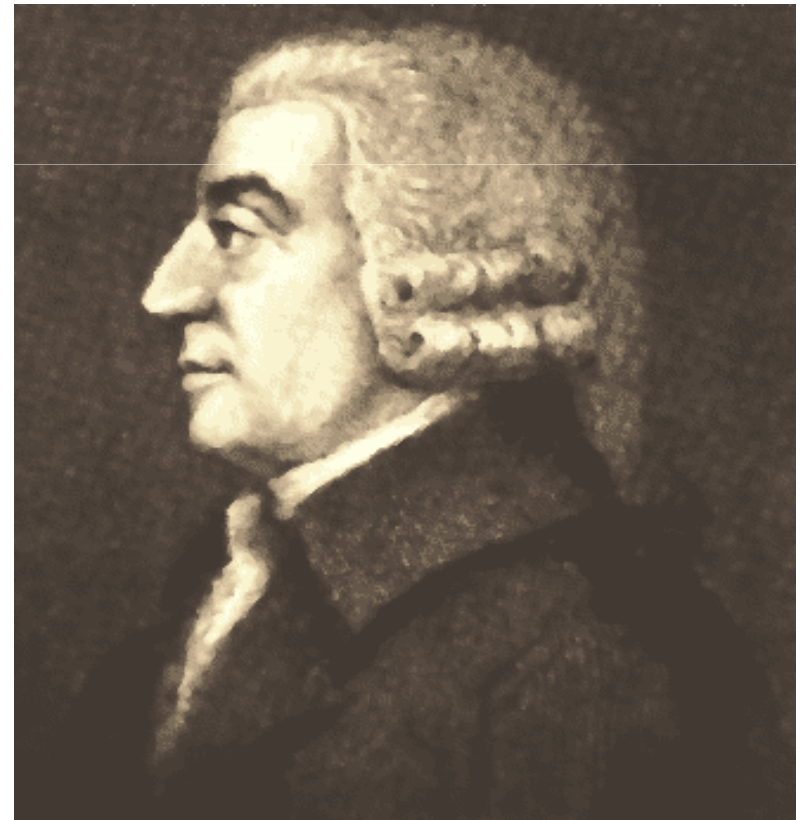
Overview

- Economic Crisis
- Financial Incentives
- Crisis of Economics
- Future of Economics
- Conclusion



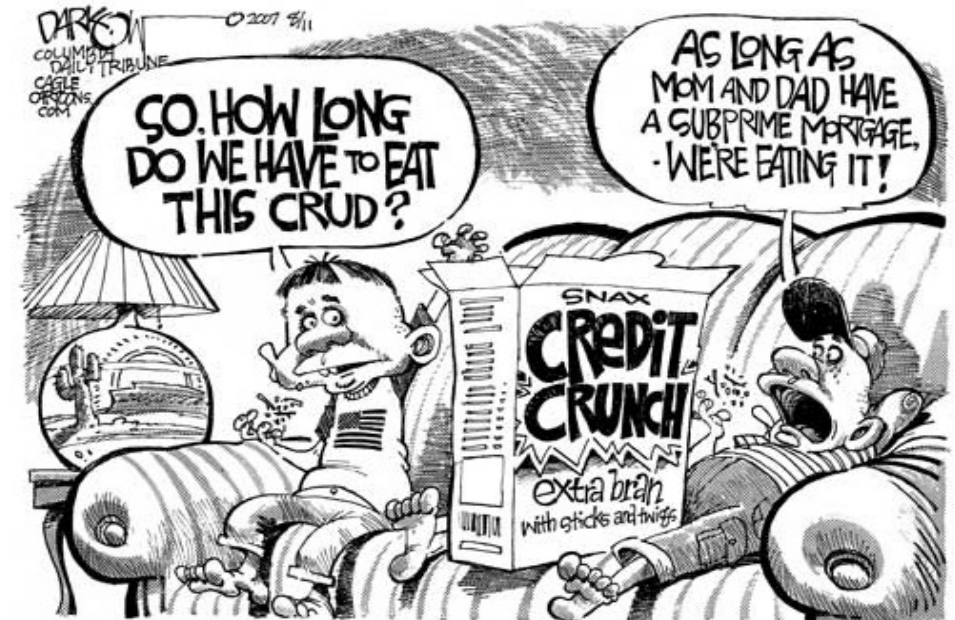
Economic Crisis

- *It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.*
— Adam Smith



Economic Crisis ~ Causes

- Causes
 - The start
 - The credit crisis started on the 'supbrime' market in the US
 - The continuation
 - Intermediaries sold the 'subprimes' to banks and these resold them to other banks



Economic Crisis ~ Blame Game

- Who is to blame?
 - American government
 - Central banks
 - China
 - Home buyers
 - You and I
 - Banks
 - Credit rating agencies
 - Share holders
 - Other governments
 - Media
 - Economists



"Oh, look. There's a new kid on the block."

Economic Crisis ~ Consequences

- Decline in growth
- Rise in unemployment
- Decline in purchasing power
- Rise in budget deficit
- Rise in government debt



Economic Crisis ~ Distribution

- Distribution of the consequences
 - Industry and transportation
 - Restaurants and retail
 - Health and education



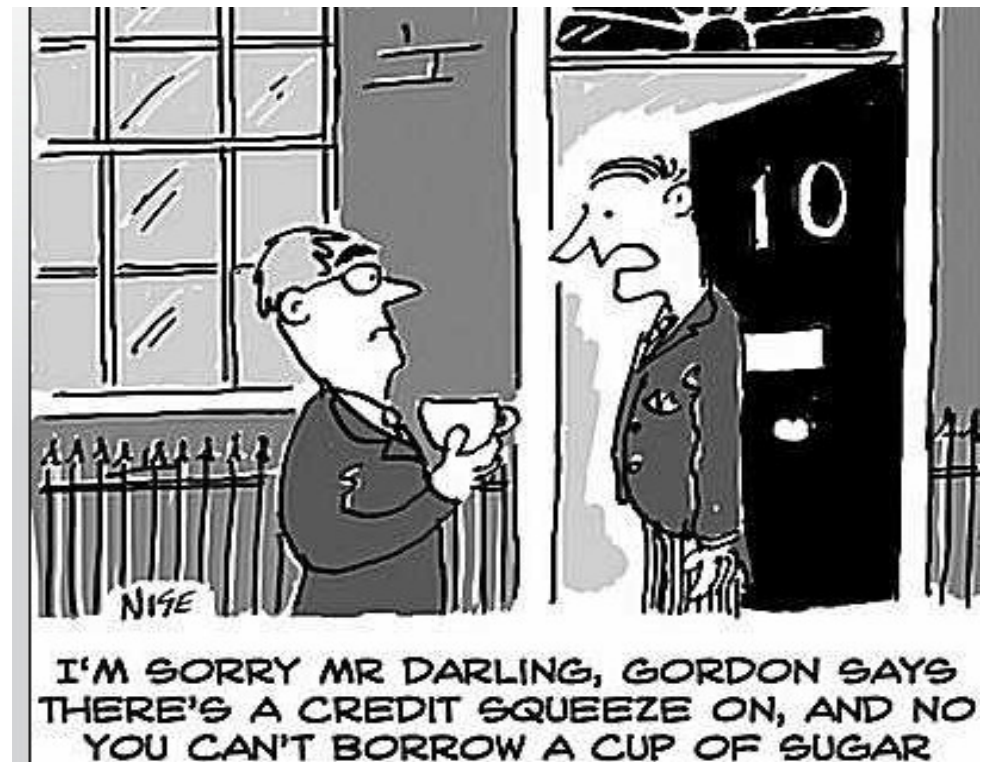
Economic Crisis ~ Policy

- Murphy's Law of Economic Policy
 - *Economists have the least influence on policy where they know the most and are most agreed; they have the most influence on policy where they know the least and disagree most vehemently.*
 - Alan Blinder



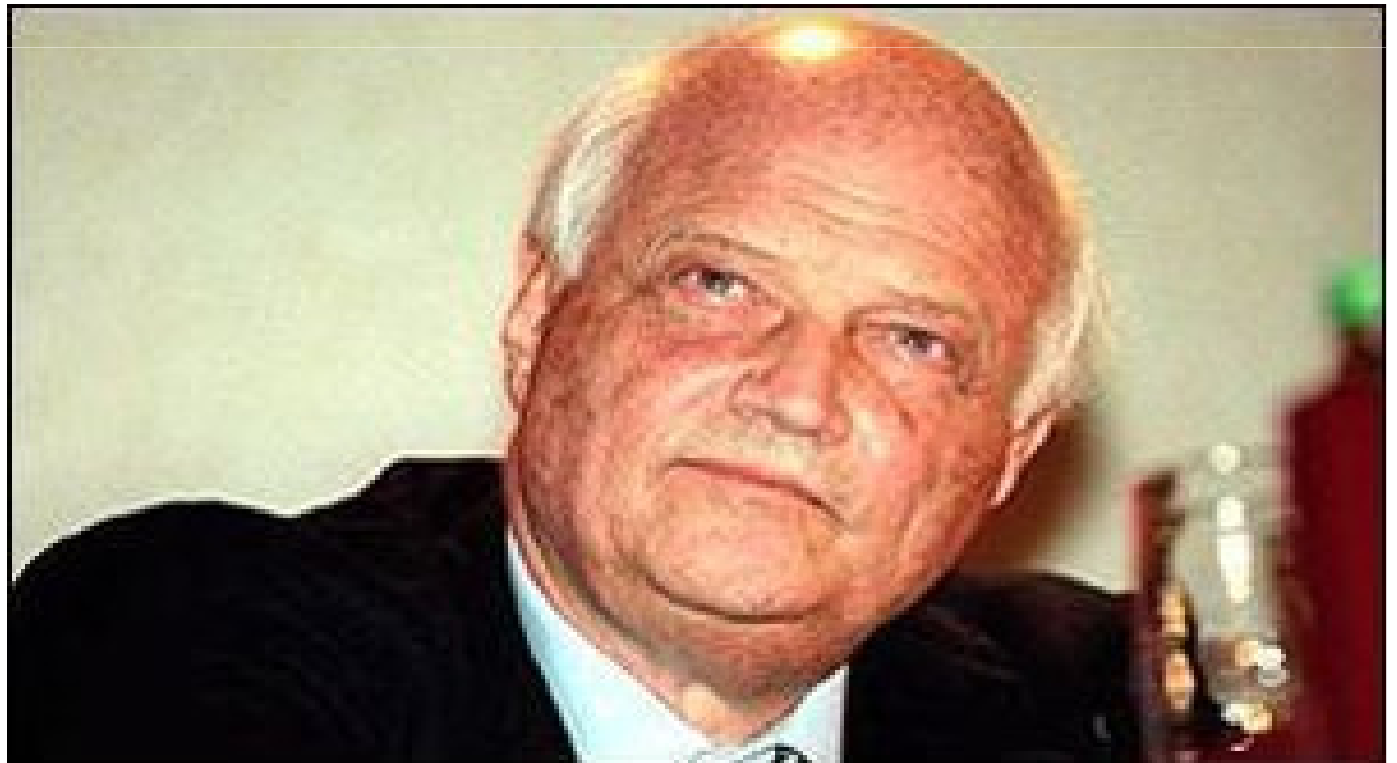
Economic Crisis ~ Policy

- Monetary policy
- Fiscal policy

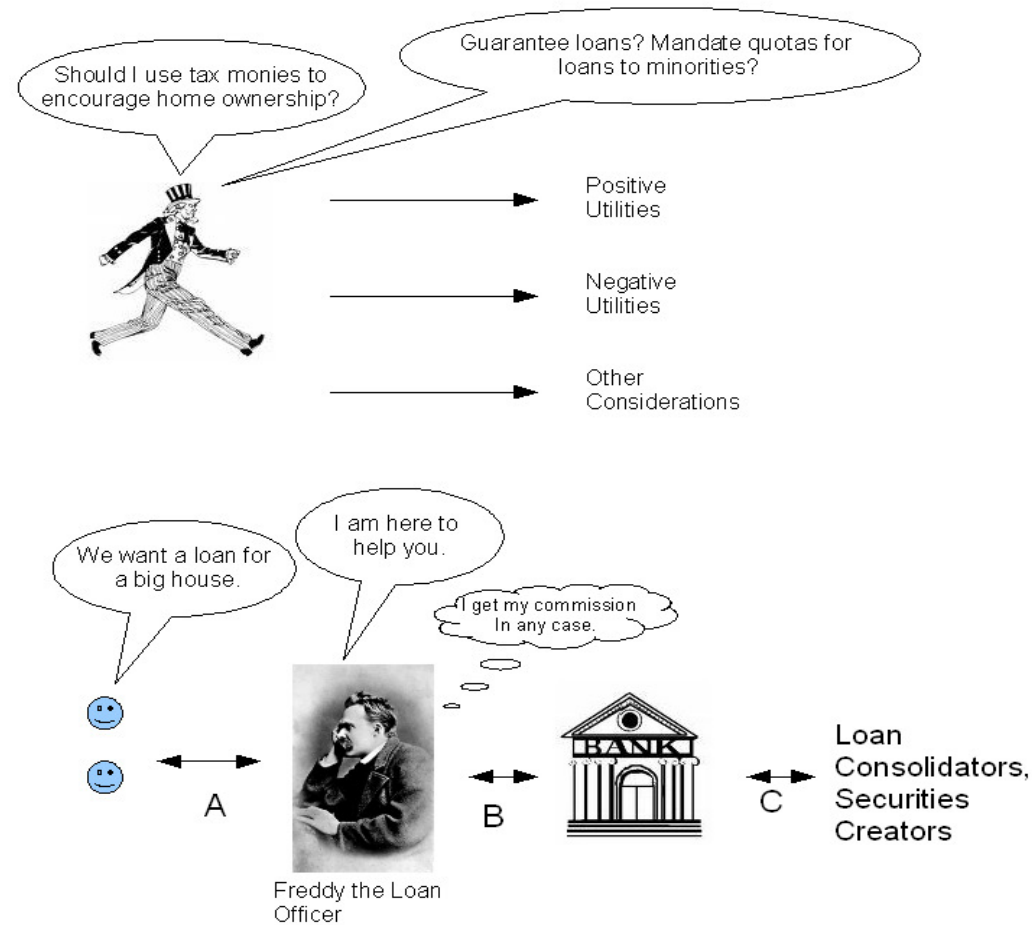


Financial Incentives

- *If you pay peanuts, you get monkeys.*
— James Goldsmith

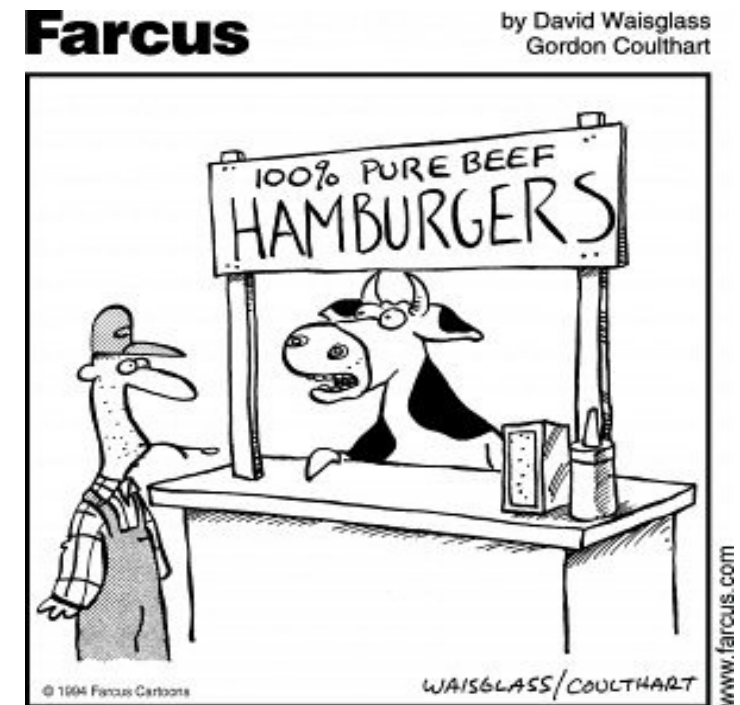


Financial Incentives ~ Financial Crisis



Financial Incentives ~ Problem

- Control
 - Unilateral control
 - Example: bank governance
 - Bilateral control
 - Example: financial intermediaries
 - Reciprocal control
 - Example: social networks



**“What conflict of interest?!
I work here in my spare time.”**

Financial Incentives ~ Solution (?)

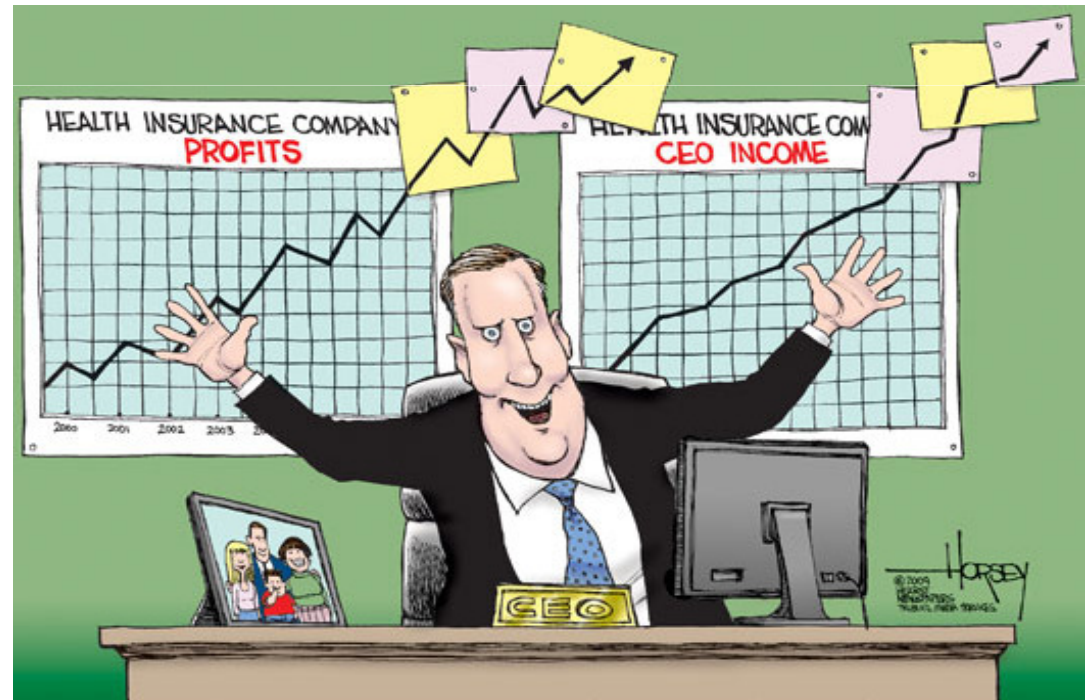
- Controlling incentives
 - Variable pay
 - But ... stimulates self-interested behavior
 - But ... stimulates priming by money



*"No, we're not eliminating your position, Fischer.
We're just eliminating your salary."*

Financial Incentives ~ Prevalence

- Other examples:
 - Home care
 - Primary education

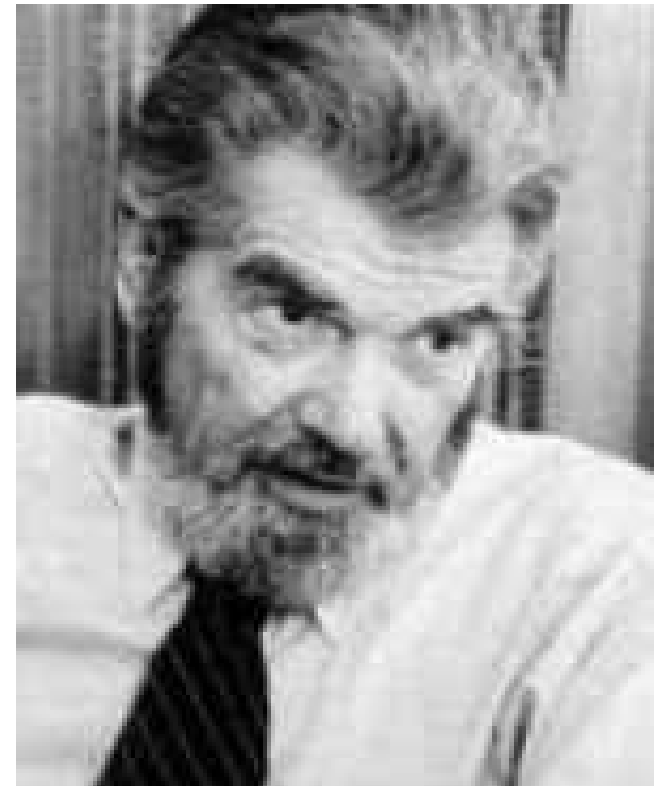


"HEALTH CARE? I SAY, IF IT AIN'T BROKE, DON'T FIX IT!"

Crisis of Economics

- *An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.*

— Laurence J. Peter



Crisis of Economics ~ Historical Perspective

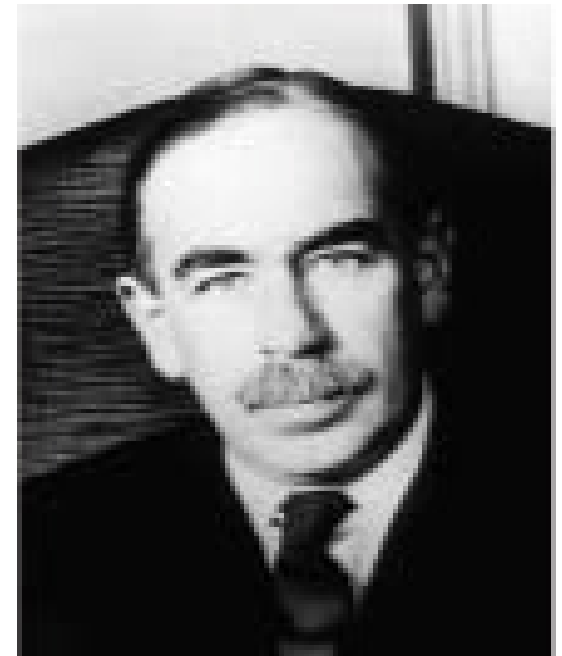
- The Other-Worldly Philosophers
 - From the economy
 - To science



Crisis of Economics ~

Keynesian Macroeconomics

- 1936: *General Theory of Employment, Interest, and Money*
- Aggregate Demand
- Elements
 - Multiplier
 - Demand for Money
 - Expectations



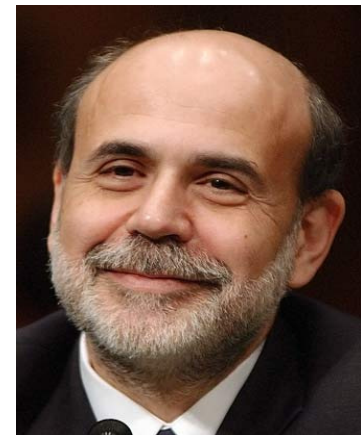
Crisis of Economics

- *If you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three opinions.*
 - Winston Churchill



Crisis of Economics ~ Recent Developments

- New Classical Macroeconomics
(‘freshwater’ economists)
- New Keynesian Macroeconomics
(‘saltwater’ pragmatists)



Crisis of Economics ~

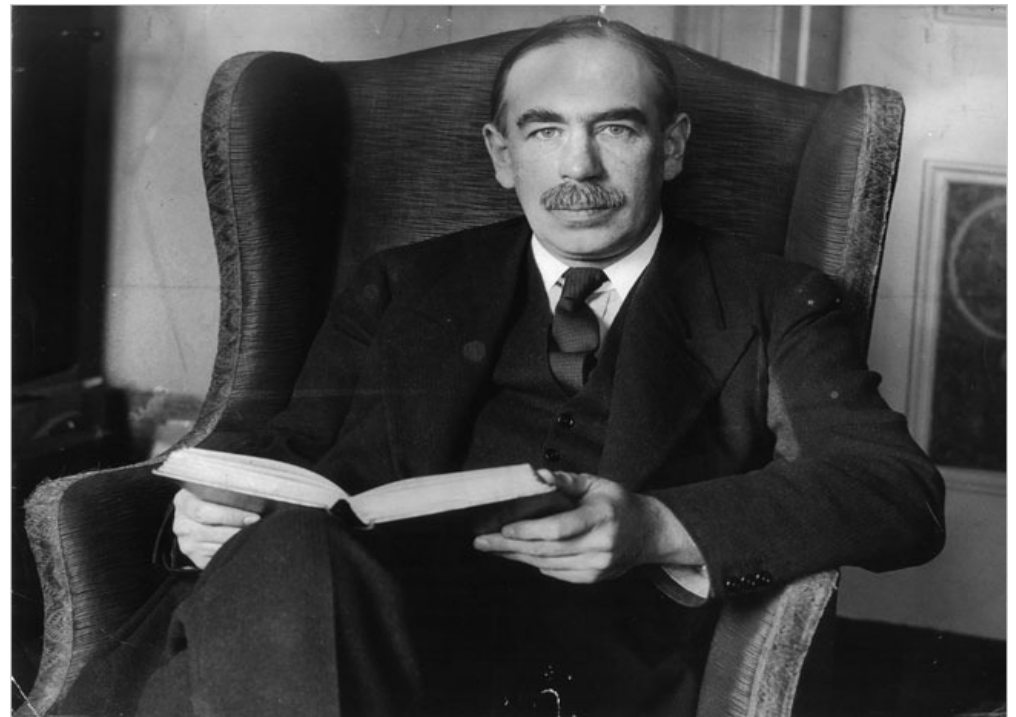
Agreements and Disagreements

- Agreements
 - Markets are complete.
 - Prices are flexible.
 - Institutions do not matter.
 - Insolvencies cannot occur.
- Disagreements
 - The length of the 'short run.'
 - The role of policy.



Future of Economics

- *In the long run, we're all dead.*
– John Maynard Keynes



Future of Economics

- From markets
- To institutions



Future of Economics

- From growth
- To happiness



Future of Economics

- From homo economicus
- To homo psychologicus



Future of Economics

- From compliance
- To integrity



Conclusion

- *Every disadvantage has its advantage.*
— Johan Cruijff



Erich Kirchler

Erich Kirchler is Professor at the Faculty of Psychology. Unit of Work, Organisational and Economic Psychology, University of Vienna, Universitaetsstrasse 7; A-1010 Vienna, Austria.

4:30 pm – 5:30 pm	<i>Topic 2: 'Economic psychology and behavioural economics: contributions to the understanding of financial decision making'</i>
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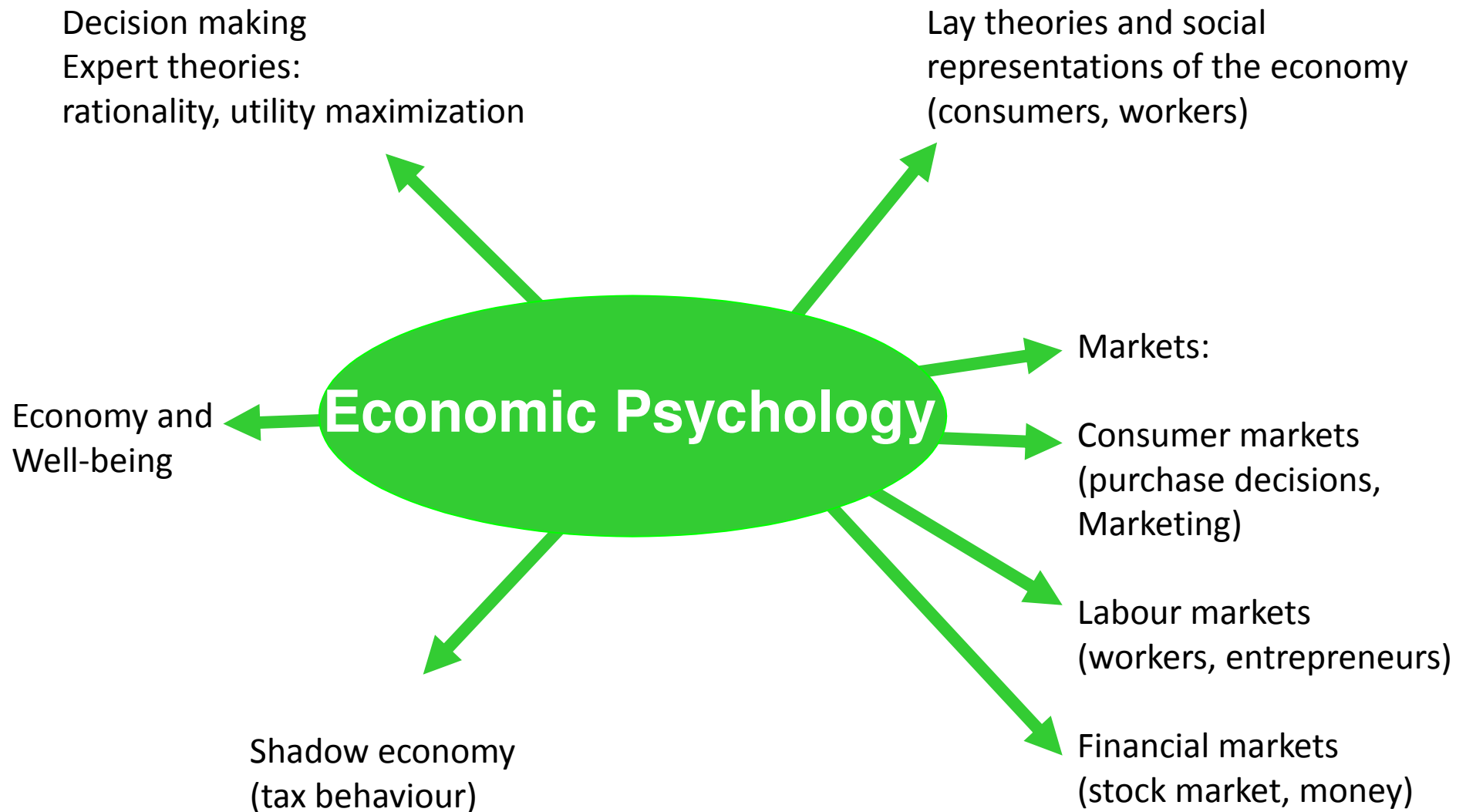
Economic Psychology and Behavioural Economics: Contributions to the Understanding of Financial Decision Making

Erich Kirchler
University of Vienna

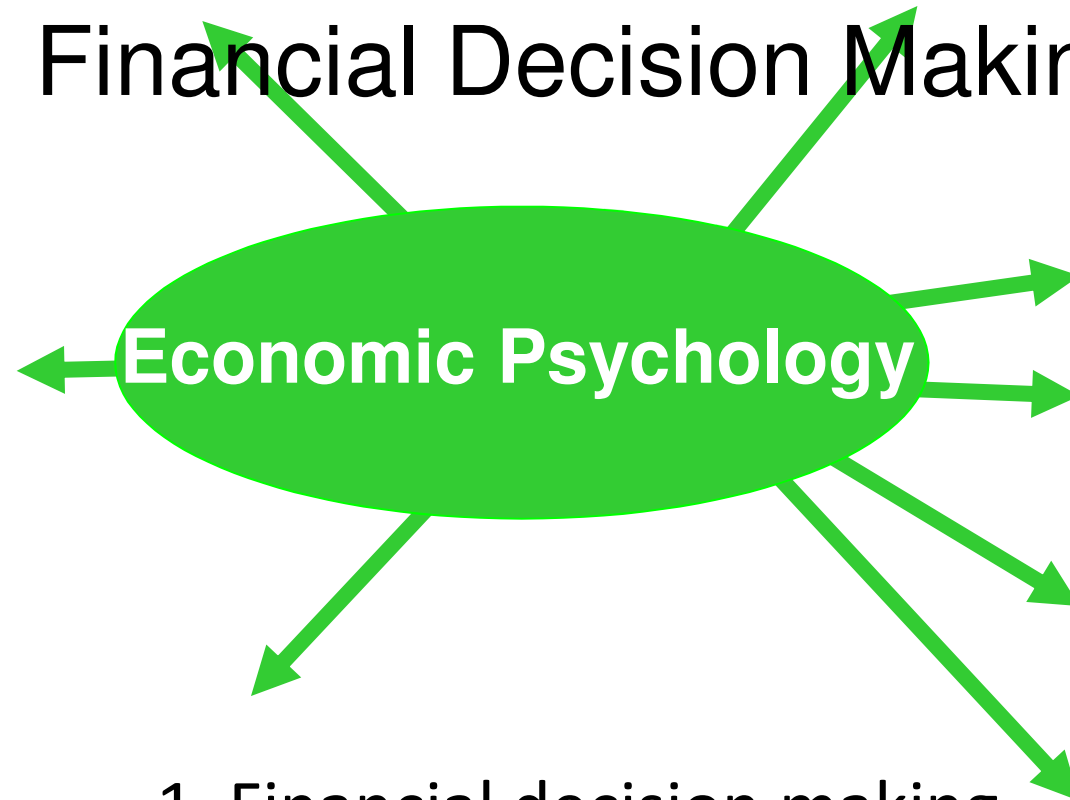
Economics

Economics = science „which studies human behaviour as a relationship between ends and scarce means which have alternative uses“ (Robbins, 1932).

Behavioral Economics and Behavioral Finance are closely related fields making up a separate branch of economic and financial analysis using social, cognitive and emotional factors to understand the economic decisions of consumers, borrowers and investors, and their effects on market prices, returns, and the allocation of resources.

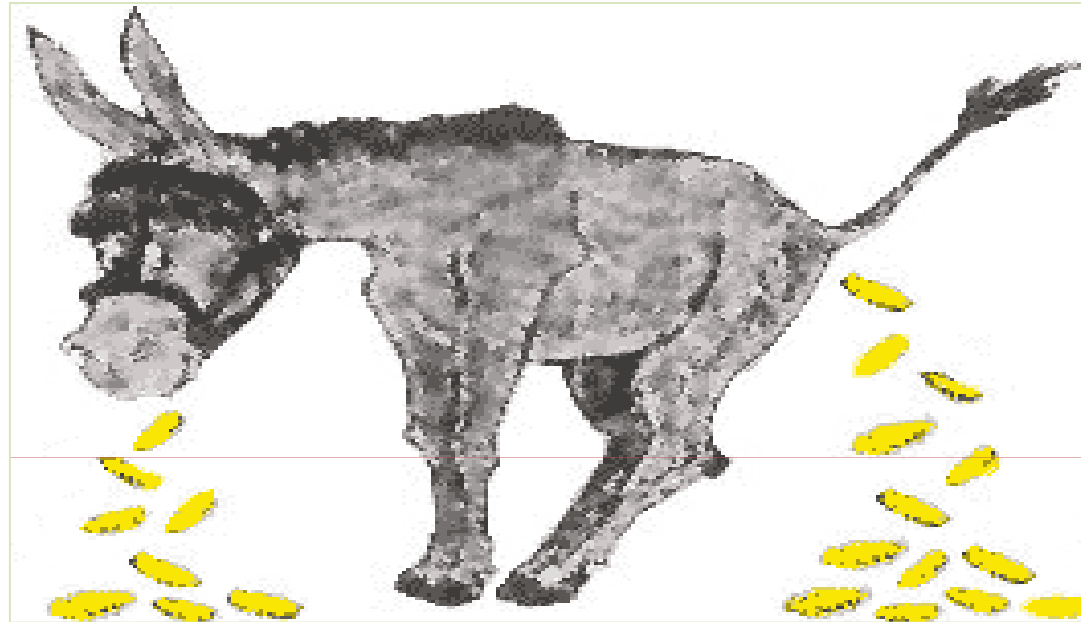


Economic Psychology and Behavioural Economics: Contributions to the Understanding of Financial Decision Making



1. Financial decision making
2. Trust and market regulation

Economics and Psychology of Risky Decisions



Decisions

Exact knowledge about consequences of options

Known probabilities of consequences (risky decisions)

Estimated probabilities of consequences (ambivalent decisions)

Unknown probabilities

Decisions on financial markets are predominantly decisions under uncertainty.

Understanding risk perception is essential to understand

- how individuals and groups decide in risky situations,
- what they do in risky situations, and
- how to communicate with people.

Every risk has its specific risk profile =>

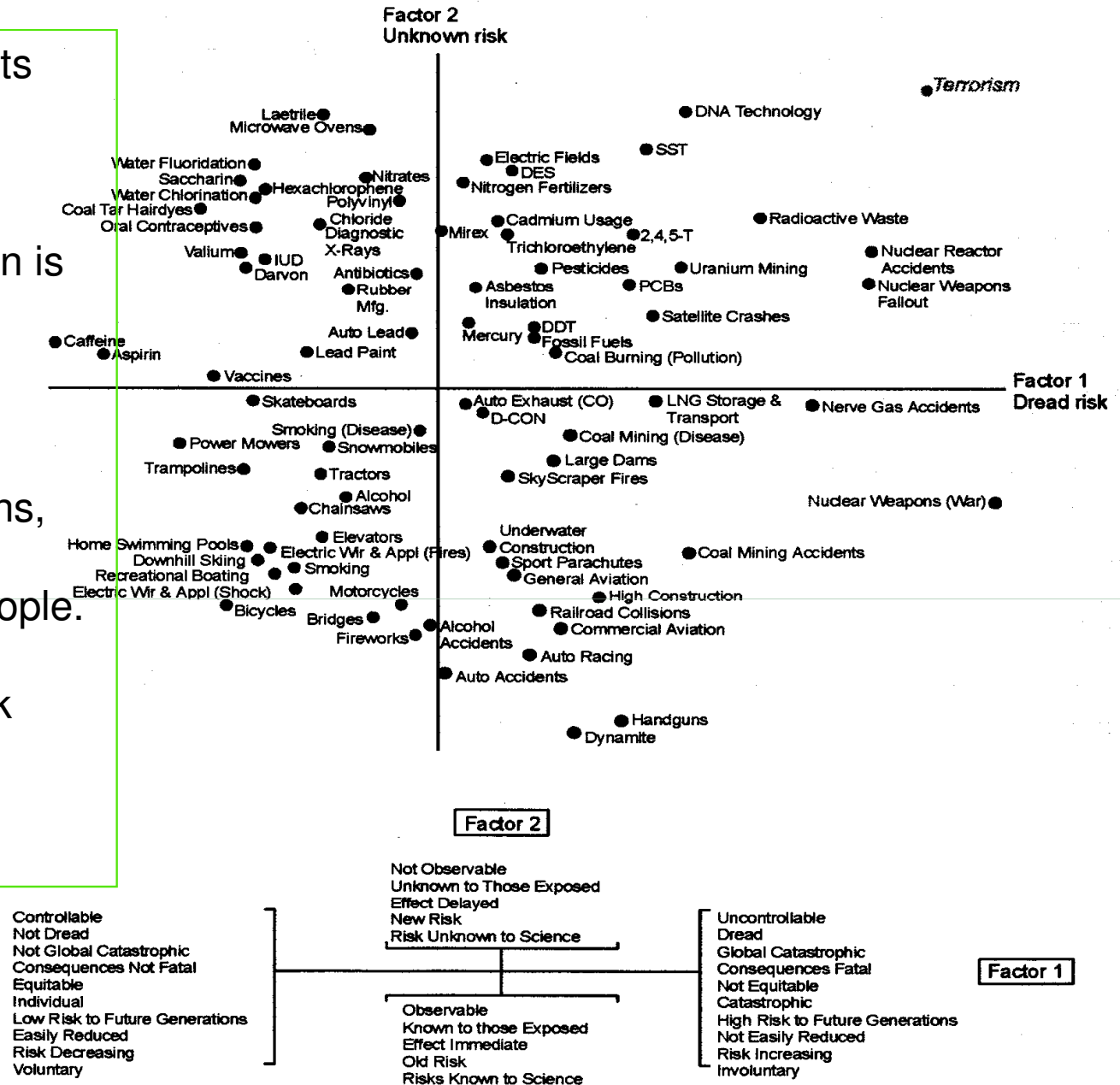


Figure 13.1. Location of 81 hazards on Factors 1 and 2 derived from the interrelationships among 15 risk characteristics. Each factor is made up of a combination of characteristics, as indicated by the lower diagram. Source: Slovic, et al. (1985).

There is no dearth of evidence in everyday life that people apprehend reality in two fundamentally different ways,

one variously labeled intuitive, automatic, natural, non-verbal, narrative, and experiential,

and the other analytical, deliberative, verbal, and rational.

(Seymour Epstein; 1994, p. 710)

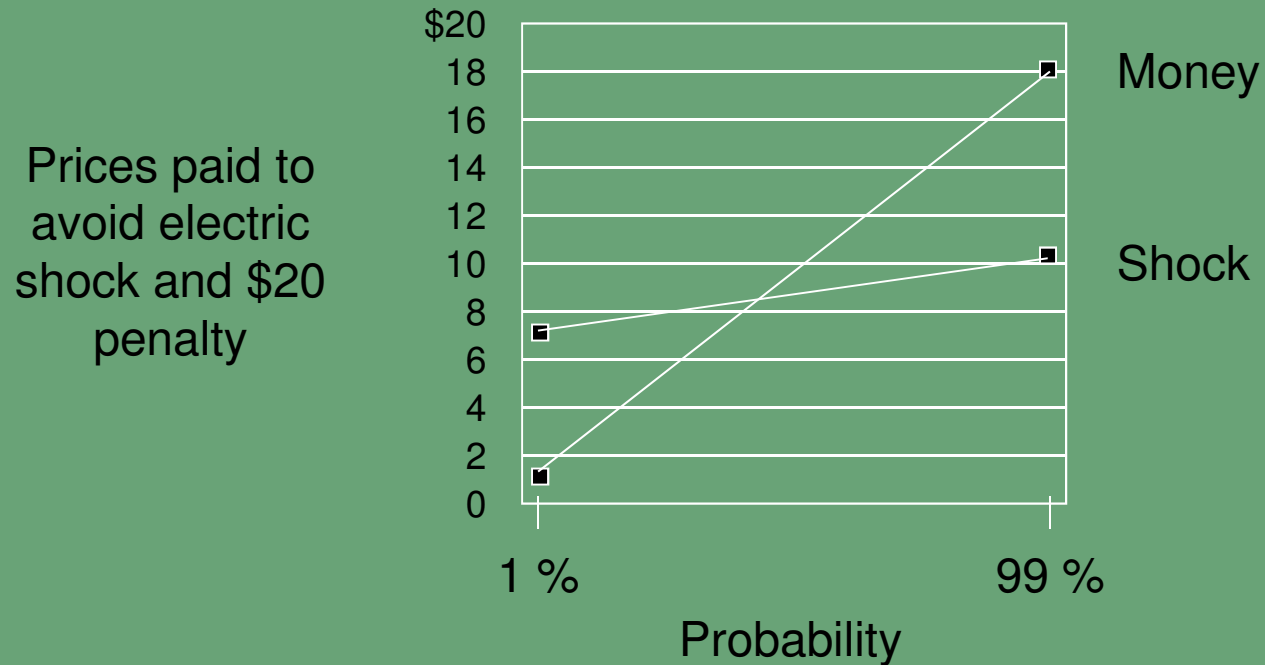
- **Risk as analysis**
- **Risk as feeling**

Two Modes of Thinking: Comparison of the Experiential and Rational Systems

Experiential System	Rational System
<ul style="list-style-type: none">• Holistic• Affective: pleasure-pain oriented• Associationistic connections• Behavior mediated by “vibes” from post experience• Encodes reality in concrete images, metaphors and narratives• More rapid processing: oriented towards immediate action• Self-evidently valid: “experiencing is believing”	<ul style="list-style-type: none">• Analytic• Logical: reason oriented (what is sensible)• Logical connections• Behavior mediated by conscious appraisal of events• Encodes reality in abstract symbols, words and numbers• Slower processing: oriented towards delayed action• Requires justification via logic and evidence

(Adapted from Epstein, 1994)

Strong Affect Overcomes Probability



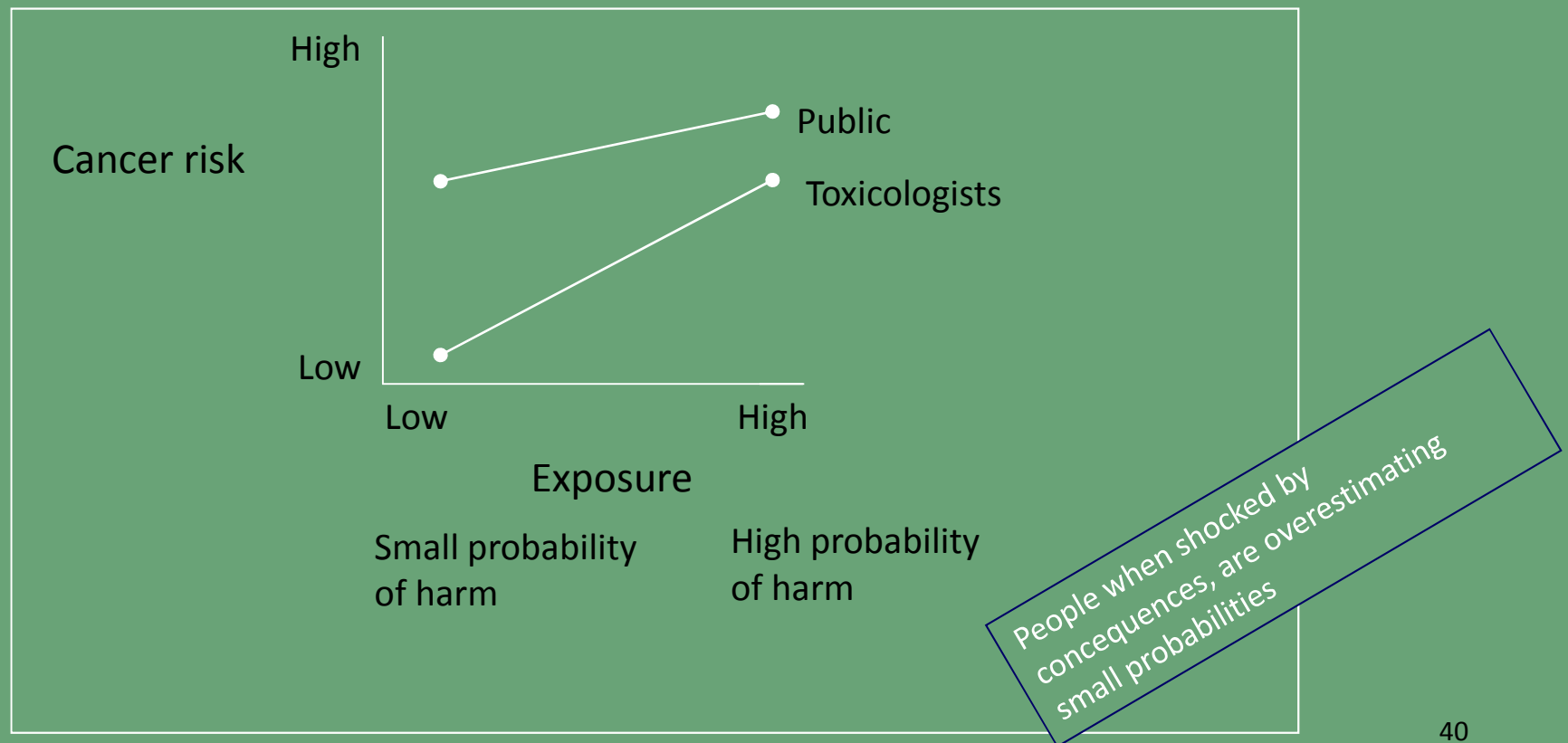
Payment to avoid a chance of electric shock is not much affected by probability

(Rottenstreich & Hsee: Money, Kisses, and Electric Shock: On the Affective Psychology Risk. Psychological Science, 2001)

Intuitive Toxicology – Main Result

Many people lack dose-response sensitivity for exposure to chemicals that can produce effects that are dreaded, such as cancer (high affect).

If large exposures are bad, small exposures are also bad (Slovic et al., 1995)



The Stock Market

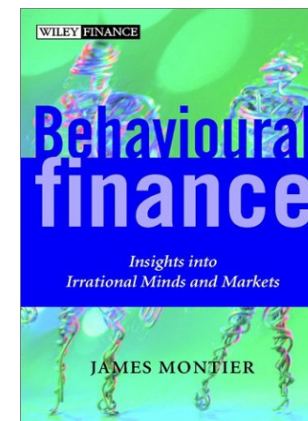
In stock markets, investors trade stock shares. Why do they trade? A rational analysis suggests that investors only trade if they differ from each other, for instance in liquidity needs, risk perception or attitude, or knowledge.

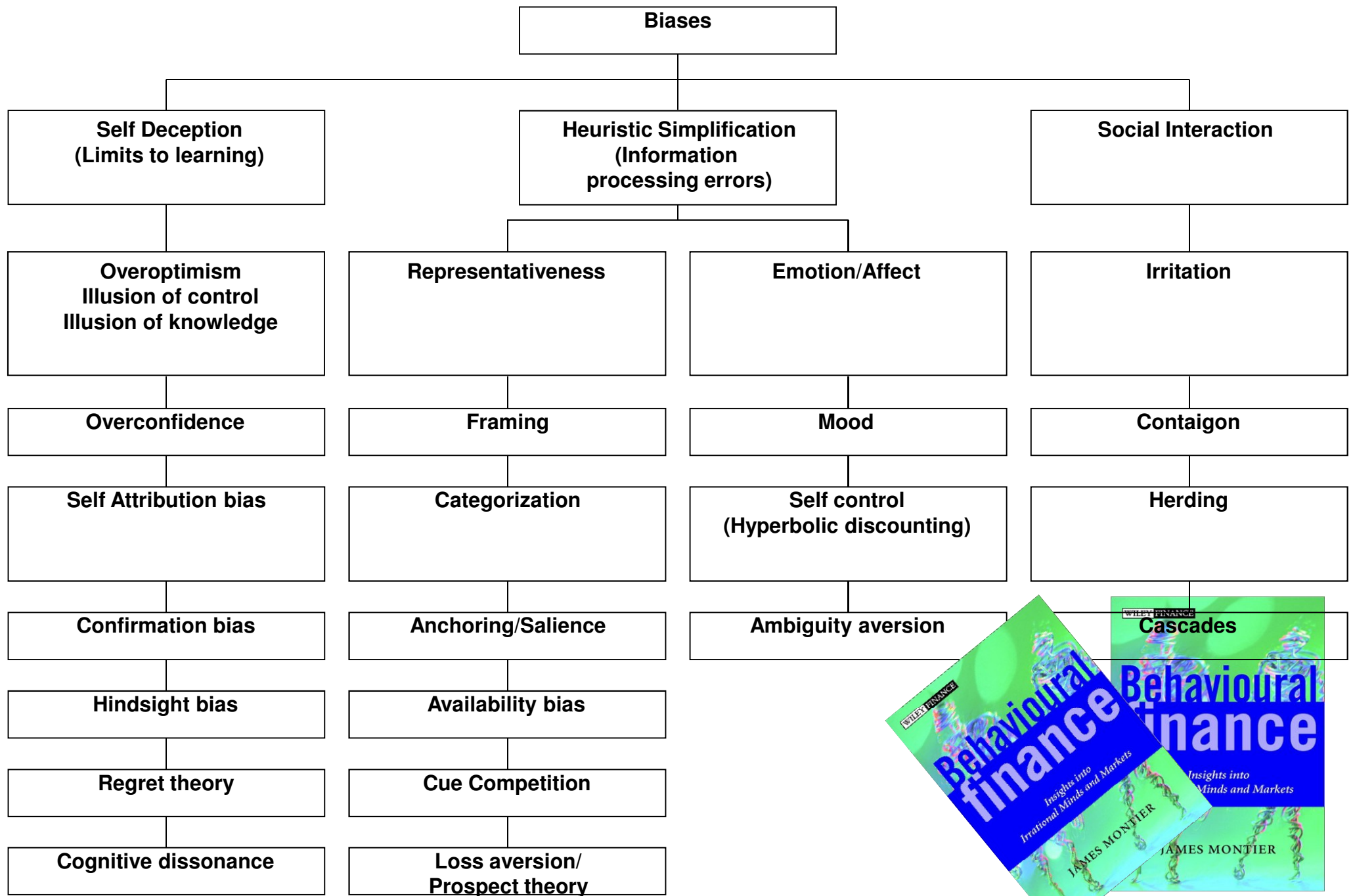
A general belief is however that these differences are not sufficient to explain the high trading volumes generally observed in stock markets (Odean, 1999). A reason may be that stock share prices are too low or too high. **According to efficient market theory proposed in financial economics (Fama, 1970), if the trading prices of stocks deviate from their fundamental value due to “noise” traders, it will increase trading by rational investors whose trading eventually will correct the prices.** This is labelled arbitrage.

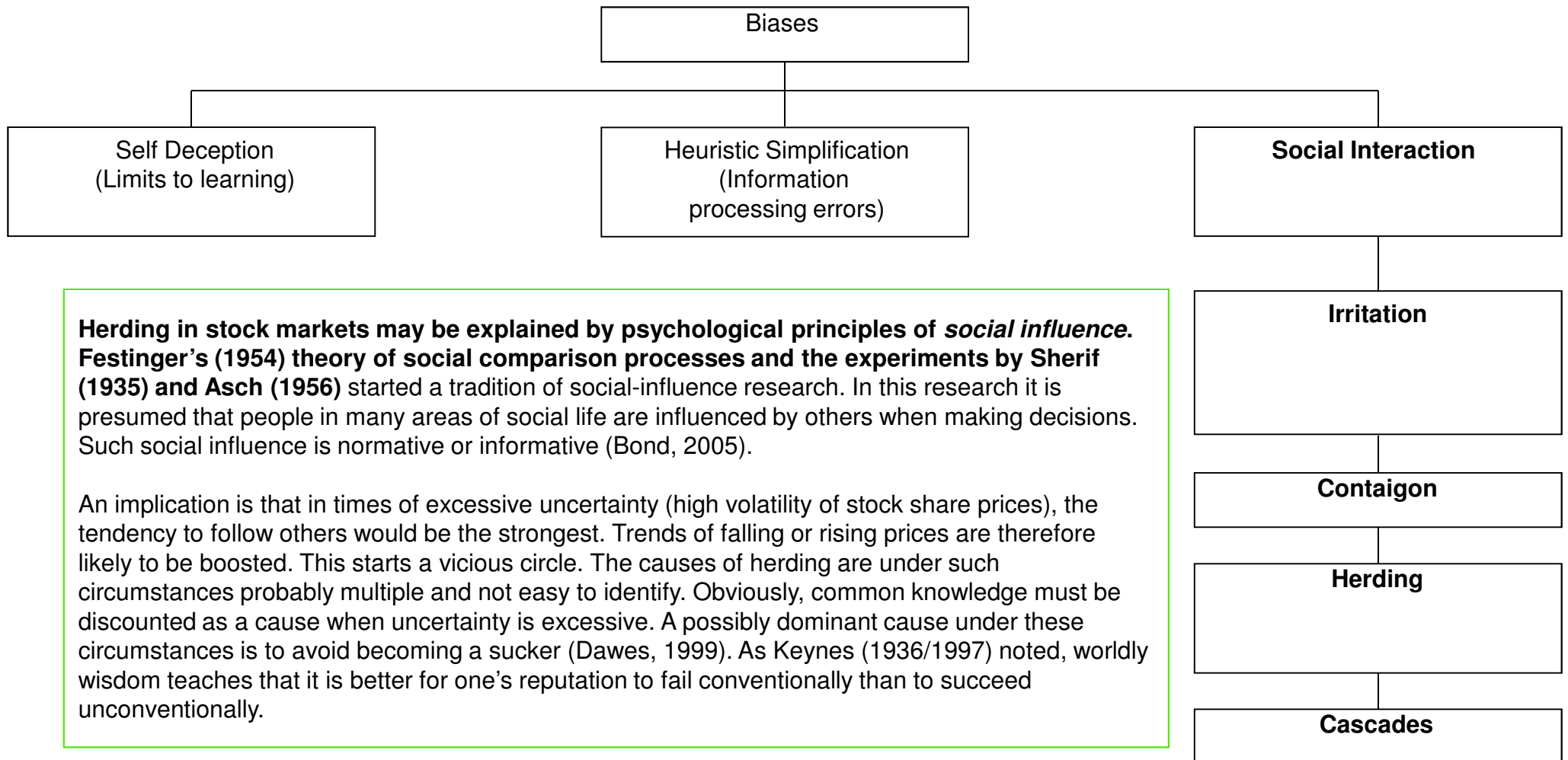
The Stock Market

However, **empirical observations questioning the validity of efficient market theory** include that arbitrage is limited in nullifying the impact of noise traders (DeBondt, 2008; Shleifer & Vishny, 1997). Possible reasons are lack of mispriced, fully substitutable stocks to purchase, uncertainty about fundamental stock values, and, as a consequence, uncertainty about whether price trends will continue. Arbitrageurs may for this reason even follow noise traders in buying “glamour” stocks exhibiting increasing price trends, thereby reinforcing rather than counteracting the price trend.

Some identified market anomalies (deviations from efficient market theory) may possibly be accounted for by **psychological factors** governing individual investor behaviour.







Conclusion

... In reality, people are often unable to process information adequately; decision situations are complex and individuals are often described as cognitively stingy;

... extensive decisions are often taken by using rules of the thumb; people apply heuristics due to time lack;

... consistent decisions can't always be expected, since people consider the framing of a task and are sometimes risk averse and sometimes risk seeking.

Prospect-Theory

Deskriptive decision theory which explains several anomalies in decisions under risk.

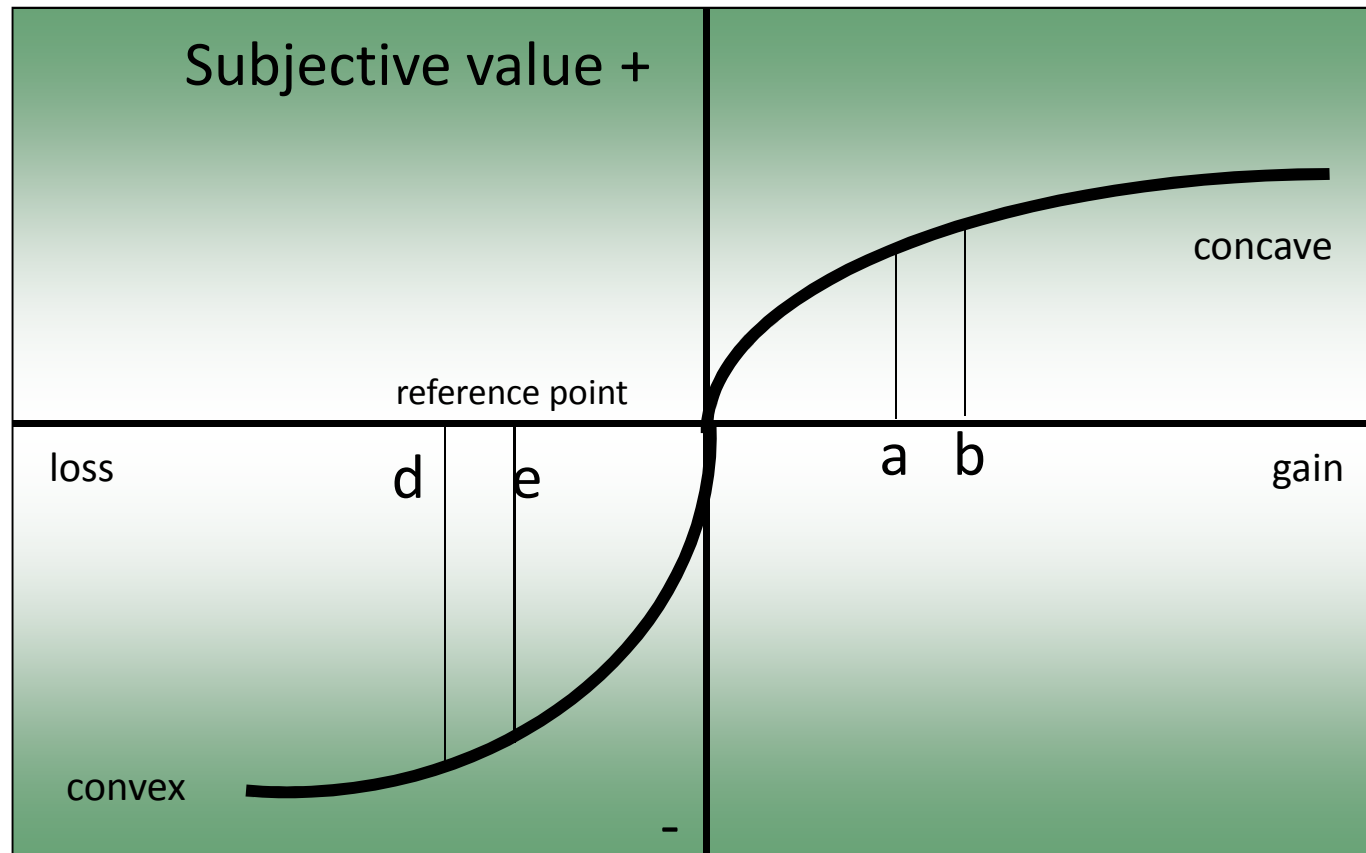
Phase 1 Editing:

Reducing complexity of the decision task:

Phase 2 Evaluation:

Evaluation of alternatives and value function

Prospect-Theory

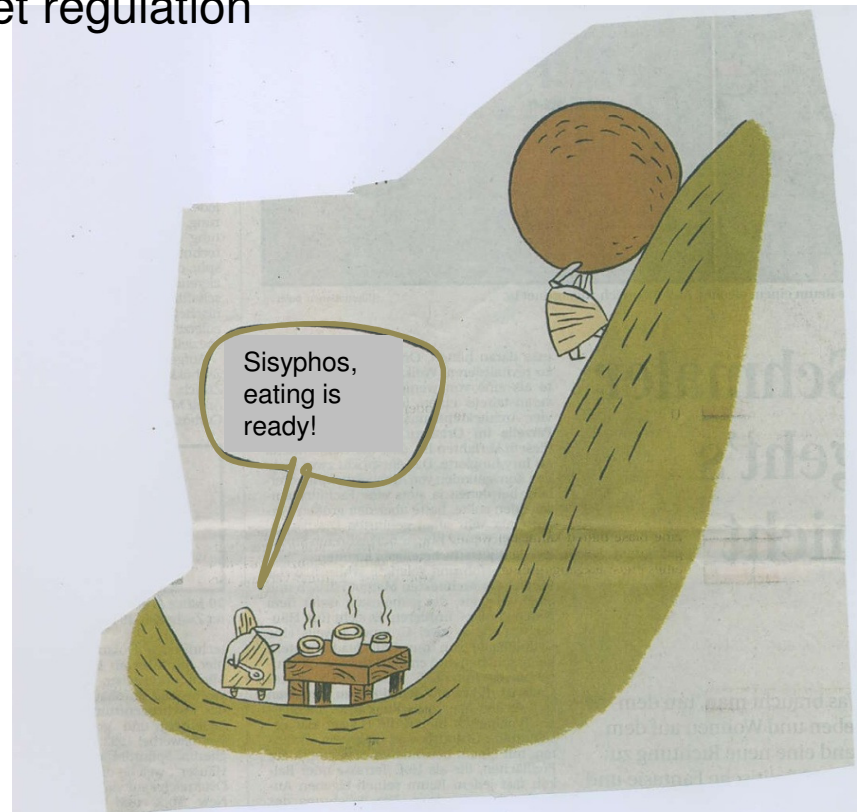


Financial crisis

Effects on real economy:

**Loss of trust in institutions;
job insecurity, job loss, regulation-
control, inflation, etc.**

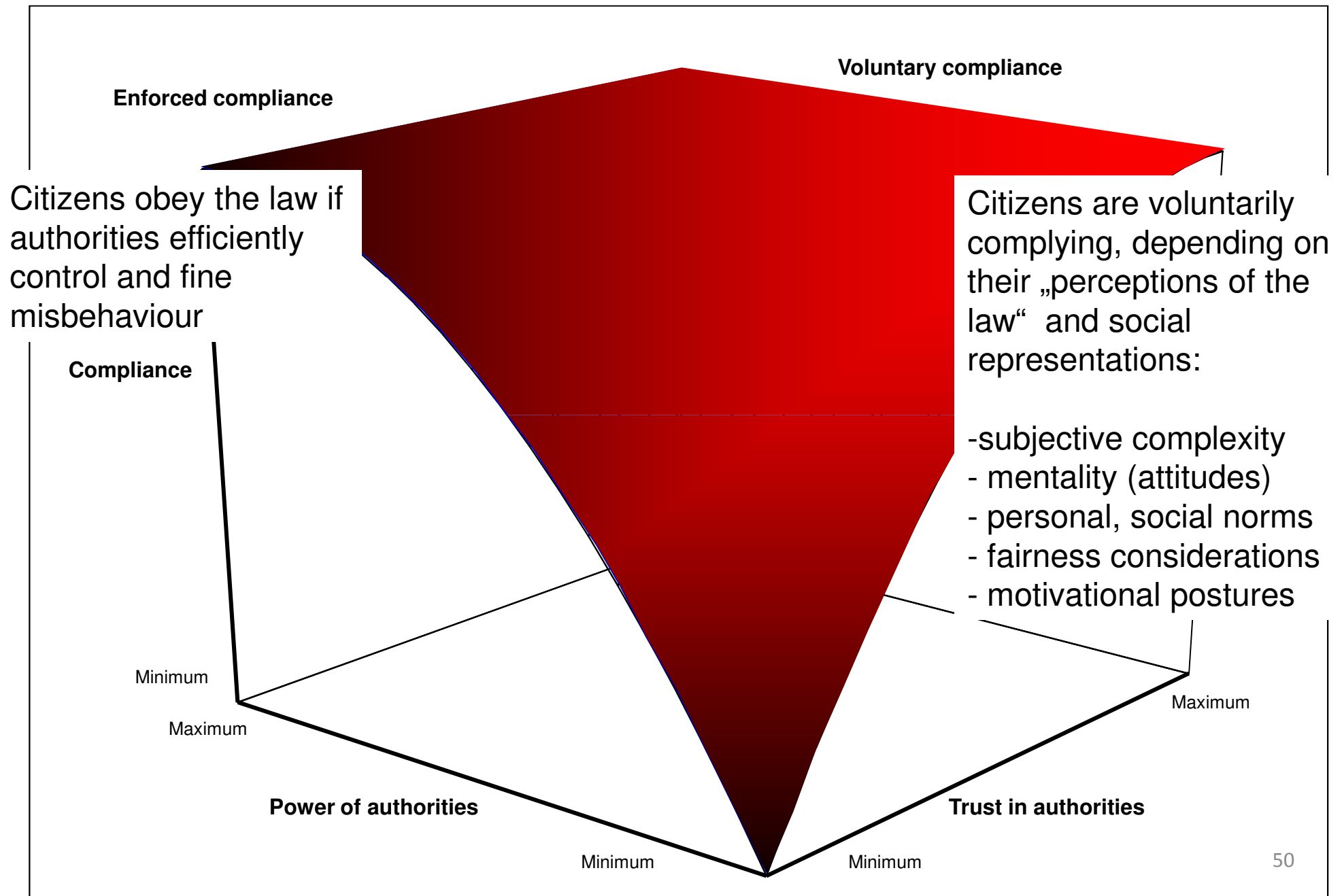
Trust and market regulation



Trust

Trust is crucial for the functioning of the financial system and society (Luhmann, 1979; Mosch, Prast, & van Raaij, 2006).

Trust is related to the future behaviour of persons and institutions and may be considered as the experience of certainty where formally no certainty can exist.



Trust

- A societal consequence of economic crises attributed to financial services provided by banks, pension funds, insurance companies, and intermediaries is the loss of trust that their clients, as well as the public in general, have in their products and policies. Mass media news about products that are not beneficial to consumers, large bonuses to managers, large provisions to salespersons, orientation toward investor value (rather than customer value), bank failures (current examples include Northern Rock and IceSave) and risky takeovers (other current examples are Fortis, Bank of Scotland, and Banco Santander taking over ABN Amro Bank) has undermined the trust of clients and the public at large.
- How does trust in a financial institution originate, and if trust is gone, how can it be regained? Pirson and Malhotra (2008) have distinguished determinants of trust. Four apply to financial-services providers and three others can be found that are relevant to financial-services providers in their relationships with business and private customers. Trust in financial-services providers will thus be influenced by the following seven factors:

Trust

Competence is knowledge of financial products and the competence to communicate this knowledge to customers. Knowledge of customer financial knowledge and risk attitudes are ingredients of competence (Loonen & Van Raaij, 2008). If financial products become so complex that even bank employees do not fully understand them, the evaluation of their competence will be lowered by customers.

Stability is the continuity and solvability of a bank, insurance company, or pension fund. Customers expect that the financial institution will still exist after 30 or 40 years when they want to take out their savings, their investment earnings, pension or insurance claim. Predictability of the financial institution is related to this. People trust an institution more if they perceive that they can correctly predict its future developments. Governmental guarantees are a way to provide stability and thus trust in the financial system. Banks, insurance companies and pension funds are important parts of the national and international financial infrastructure.

Integrity is the honesty and carefulness in procedures and treating all customers in the same way. Integrity also requires that financial institutions act according to a professional or industry code. Integrity may be self-regulated by the industry or forced upon the industry by governmental authorities. Integrity comprises rules and regulations about how to treat customers as well as social and societal responsibility and remuneration of managers. A proposed professional oath of bankers may be part of an integrity program. Customers evaluate integrity positively, but may also experience integrity of their financial-services provider as dispassionate, bureaucratic, and formal.

Trust

Benevolence comprises giving advice and communicating from the client's perspective and the client's interest, and not (solely) from the bank's perspective. Benevolence is visible in customer care and empathy with the client. Benevolence often implies that a long-term relationship with the client (loyalty) is more important than a short-term profitable transaction (Poiesz & Van Raaij, 2007). If banks not only sell their own products but also other providers' products if that is better for the customer, this reinforces the perception that customers and their needs are central. A pro-active approach to clients also strengthens trust. Banks have to warn their clients about changed economic and political circumstances and the consequences of this for their clients.

Transparency is openness and the use of understandable information about products, and offering less complex and therefore understandable products. Transparency also pertains to clear information about liability, rules, procedures, and the consequences of economic changes (interest rate, house prices, and recession). Transparency is an important determinant of trust, although more transparency does not always lead to more trust. Transparency about bonuses for managers and provisions for salespersons is meant to have a preventive effect: More openness should lead to lower bonuses and provisions. If customers know exactly how much a transaction intermediary earns, this may lead to a stronger negotiation power but a lower trust.

Trust

Value congruence is the congruence or agreement of important values and norms of a financial-services provider and its customers. Value congruence creates identification of customers with their financial-services provider. Examples are banks that have sustainability and fair trade as their core values and that do not invest in the weapon industry, child labour, or unsustainable products. These banks attract clients with the same values. Value congruence is a good base for trust, loyalty, and a long-term relationship.

Reputation is the positive evaluation of a financial-services provider based on the performance and communication in the past. “Branding”, that is positioning and the formation of favourable associations by advertising, play a role in the building of reputation. Reputation is also built by personal experiences of clients and “word-of-mouth” of other clients. Reputation may be related to a partial aspect such as low prices, competence, or innovativeness. Low prices may also be associated with low quality and may thus lead to less trust.

Trust

- The first four determinants are mainly necessary pre-conditions or as Herzberg, Mausner, and Snyderman (1959) (see Oliver, 1997) call it, “dissatisfiers.” A provider of financial-services has to comply with certain criteria and requirements of competence, stability, integrity, and benevolence to earn trust. Satisfying these four determinants may bring trust from negative to neutral. If not satisfied, trust is impossible. These four determinants cannot be compensated for by other characteristics. For instance, an advertising campaign cannot compensate for incompetence or a lack of benevolence.
- The last three determinants are “satisfiers.” Satisfying some or all three determinants may bring trust from neutral to positive. Transparency, value congruence, and reputation are desirable and may differentiate a financial-services provider from competitors. A level of competence that exceeds the criterion may also become a differentiating factor. Above a certain level, competence may then change from a “dissatisfier” to a “satisfier.”
- In the aftermath of financial crises with reduced trust in financial institutions, both the institutions themselves and governments need to regain trust. The determinants of trust listed here are factors that should be considered. A longer-term goal is to promote research with the aim of consolidating the empirical base for assessing the relative importance of the identified determinants.

Matti Vartiainen

Matti Vartiainen is Professor of Work Psychology and Leadership at the Department of Industrial Engineering and Management, Aalto University School of Science and Technology, P.O.Box 15500, Otaniementie 17, FI-00076 Aalto. Finland.

09:15 am – 10:15 am

Topic 3: 'Incentive systems in business organisations and in the financial market'

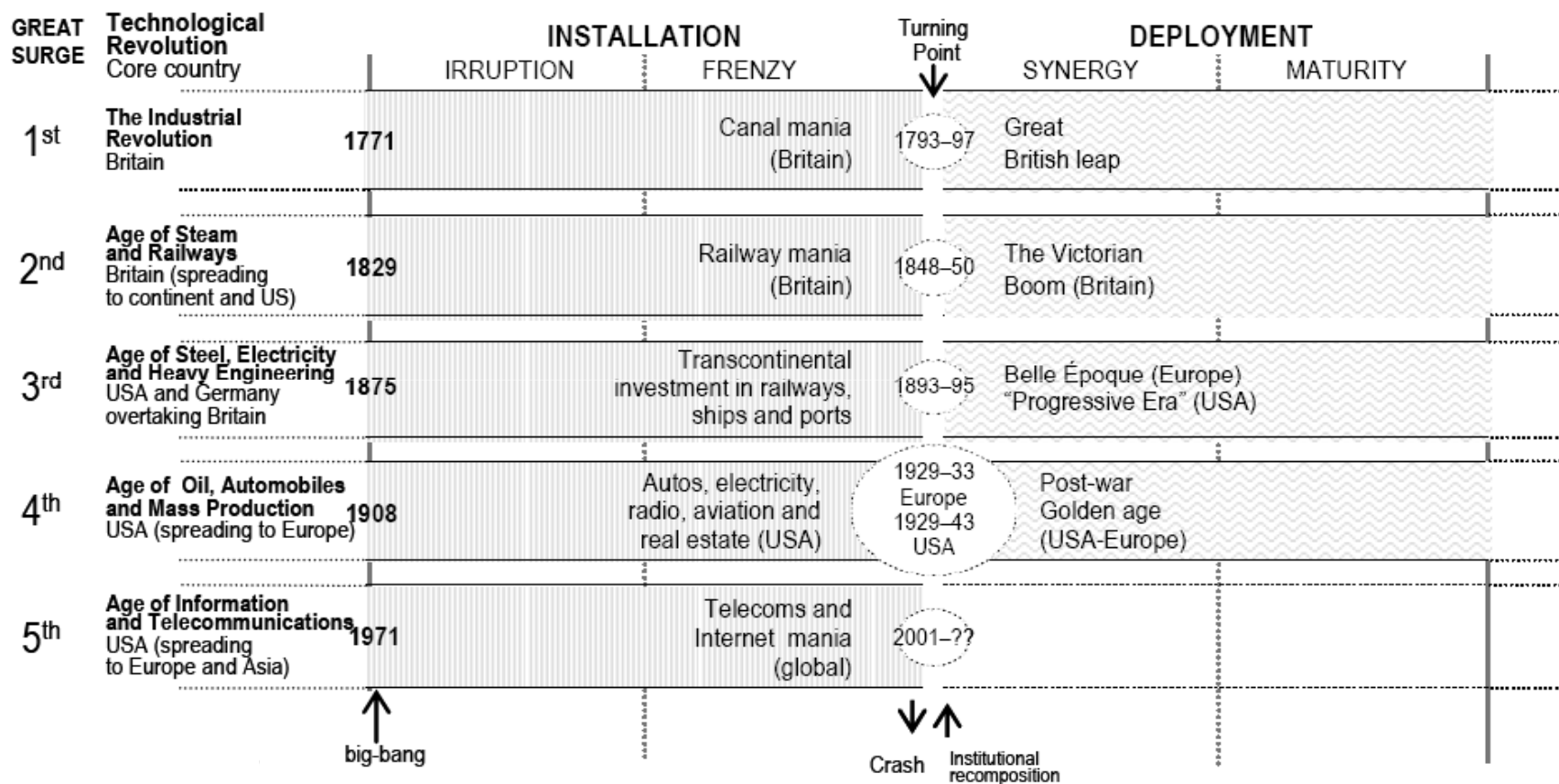
Incentive systems in business organisations and in the financial market

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Presentation at the Annual ENOP Symposium
'From Economic Crisis and Job Insecurity to Regeneration of Human
Resources', Paris, France,
March 25, 2010

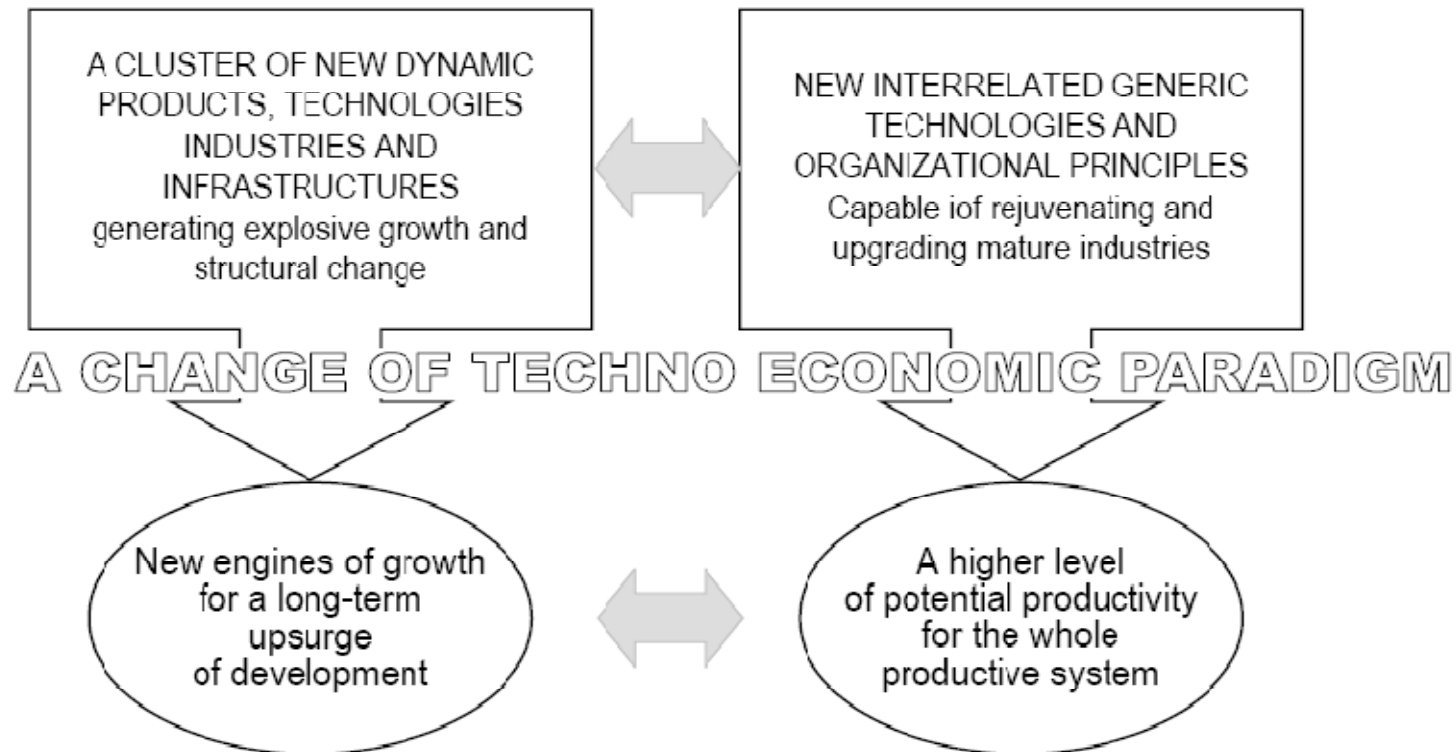
Introduction

Does management systems develop as surges?



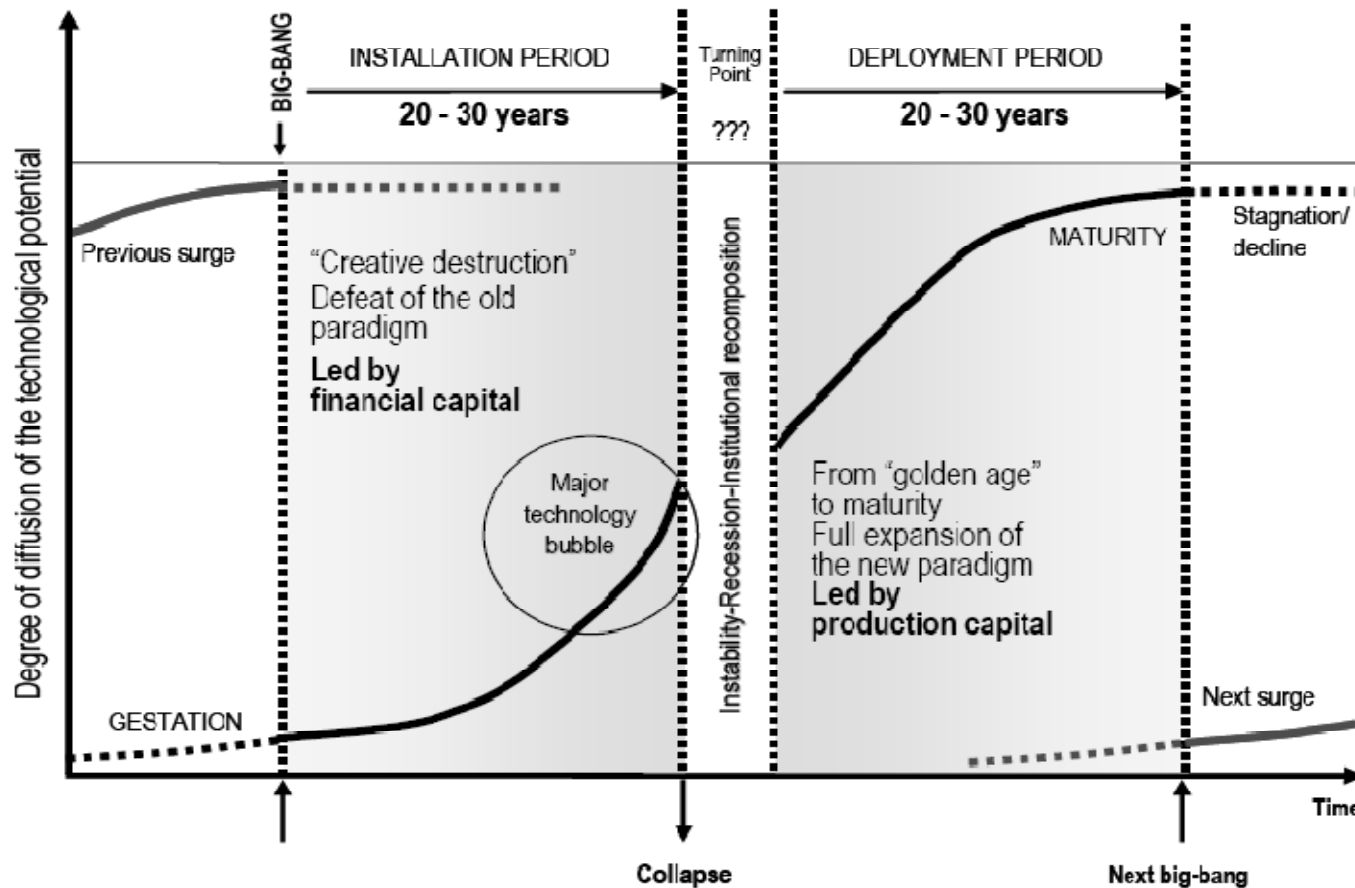
(Perez, Carlota (2002) *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*, Cheltenham: Elgar. p. 57)

Double nature of techno-economical revolutions



(Perez, Carlota (2002) *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*, Cheltenham: Elgar. p. 9)

The social assimilation of technological revolutions breaks each great surge of development in half



(Perez, Carlota (2002) *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*, Cheltenham: Elgar. p. 37)

Rewards systems

Reward systems as unit of analysis and development

- 1 Means of rewards, i.e. compensation and rewards provided by organization to its members,
 - *on which bases (job, performance, result)*
 - *what (total reward system) is divided*
 - *to whom?*
- 2 Principles of distribution,
 - *on which bases distributed?*
- 3 Principles of system development and use,
 - *how the system is built, used and developed?*



Bases of compensation

What is the outcome?

Results/Goal based pay



Result/Goal-achievement of an organization, unit, group and/or individual

- Is based on performance or output
e.g., profit, unit delivery in time,
a number of a team's new customers,
piece rate standard

How?

Person or group based pay



Characteristics and performance process

- Is based on characteristics, knowledge, skills and competencies of an individual or a group and on their development, e.g., initiative, collaboration, communication, development of new competencies

What is done?

Job based pay



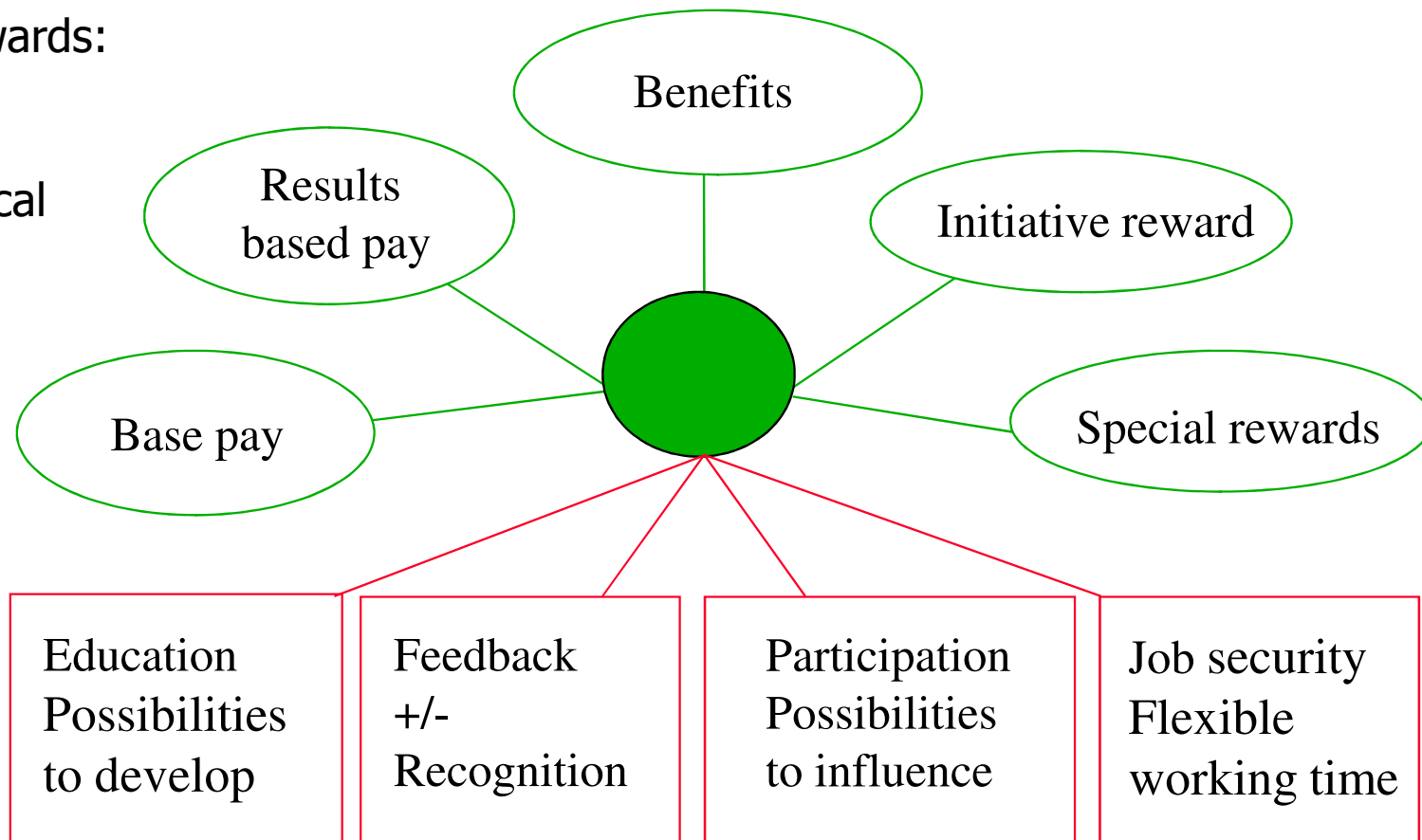
Job demands

- Is based on task requirements, e.g., skills needed, responsibility, work load, working conditions

Practices of Total Rewards

Types of rewards:

- Financial
- Material
- Psychological

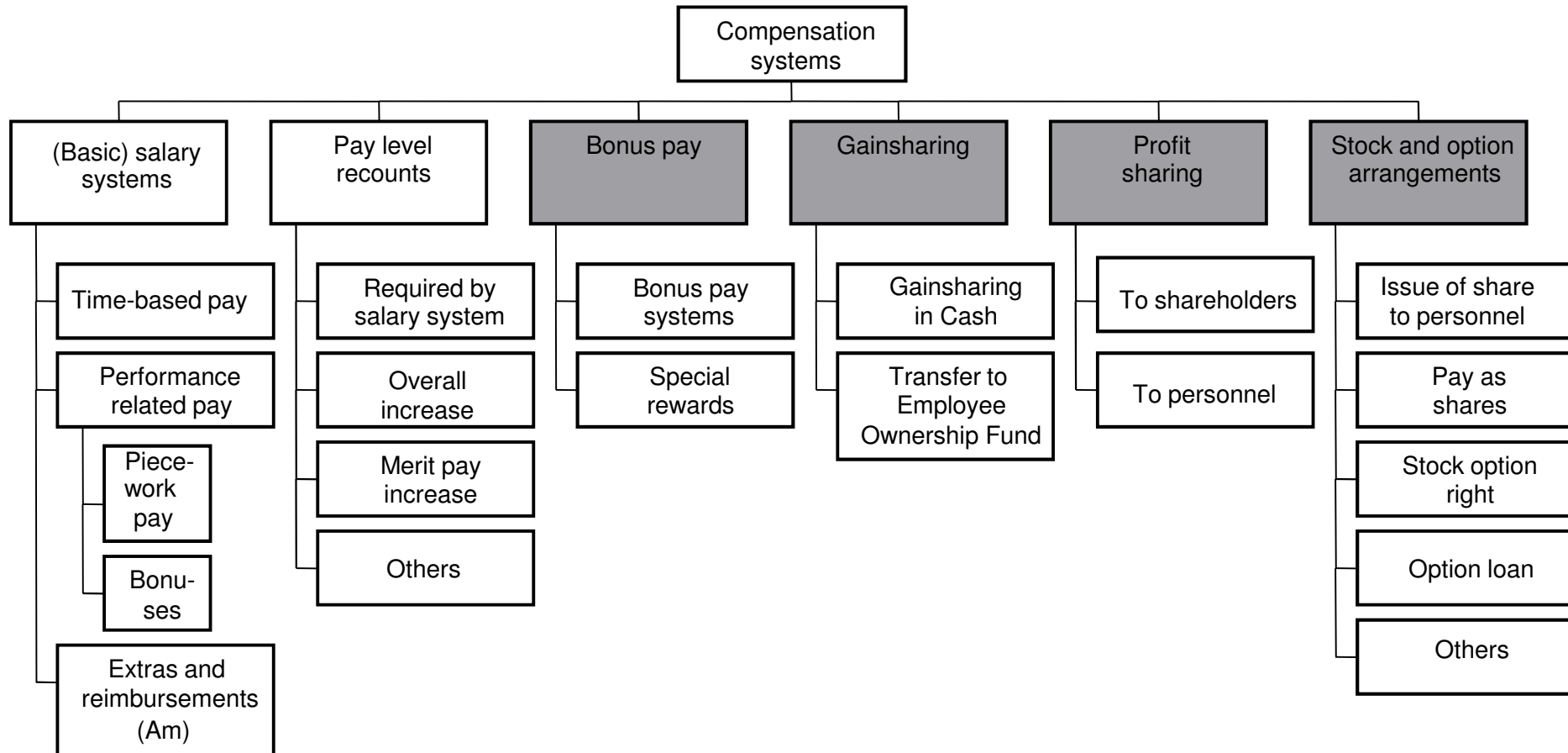


Variety of total rewards

				Some Examples
TOTAL REWARDS	TOTAL REMUNERATION	VARIABLE PAY	FIXED PAY	Base Pay ▶ Direct income <ul style="list-style-type: none"> Base Salary Hourly wage Add-ons
			Short-term variable ▶ Direct income	<ul style="list-style-type: none"> Cash bonuses Commission (Sales) Add-ons (e.g. shift work, overtime)
			Long-term variable ▶ Deferred income	<ul style="list-style-type: none"> Stock (ESOP, Restricted Stock, Performance Shares, Phantom Stock) Stock options Cash
			Perquisites ▶ Income adding ▶ Services	<ul style="list-style-type: none"> Company Car Discounts Meal Vouchers, company restaurant Gifts Sports facilities
			Benefits ▶ Income security	<ul style="list-style-type: none"> Medical and medical-related benefit payments (hospital, disability, accident) Life insurance Retirement plan
			Other non-cash rewards	<ul style="list-style-type: none"> Time <ul style="list-style-type: none"> Flexible working hours, compressed working week (year), additional time off, flexibility in granting time off, possibilities for part-time work Place <ul style="list-style-type: none"> Distance between workplace and home, telework, desk (ergonomics, space, comfort) Learning & development; talent management; coaching <ul style="list-style-type: none"> Training budget, breadth of training entitlement, learning on the job, possibilities of job rotation/promotion Psychic income <ul style="list-style-type: none"> Recognition, accomplishment in the job, interesting work, trust, job title, image of the employer, working atmosphere Company culture Organisational participation <ul style="list-style-type: none"> Being informed about the organisation, autonomy, responsibilities, being able to give input, participation in decision-making Employment security <ul style="list-style-type: none"> Job security, employment guarantees offered by the employer

(Manas & Graham 2002, Baeten 2004)

Results-based pay among compensation types



Components of Pay in Europe

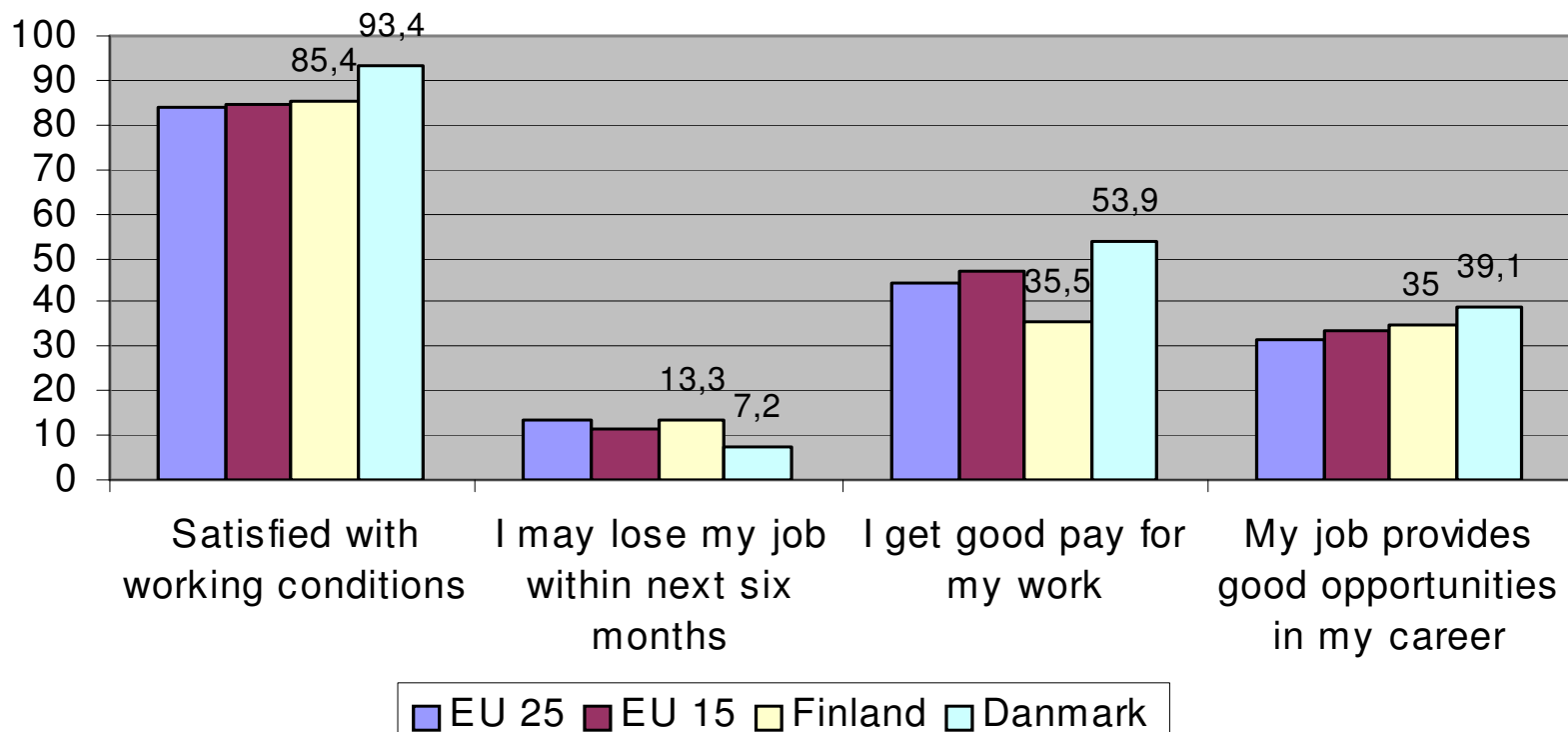


Fourth European
Working
Conditions
Survey 2007

Note: Findings apply to employees only.

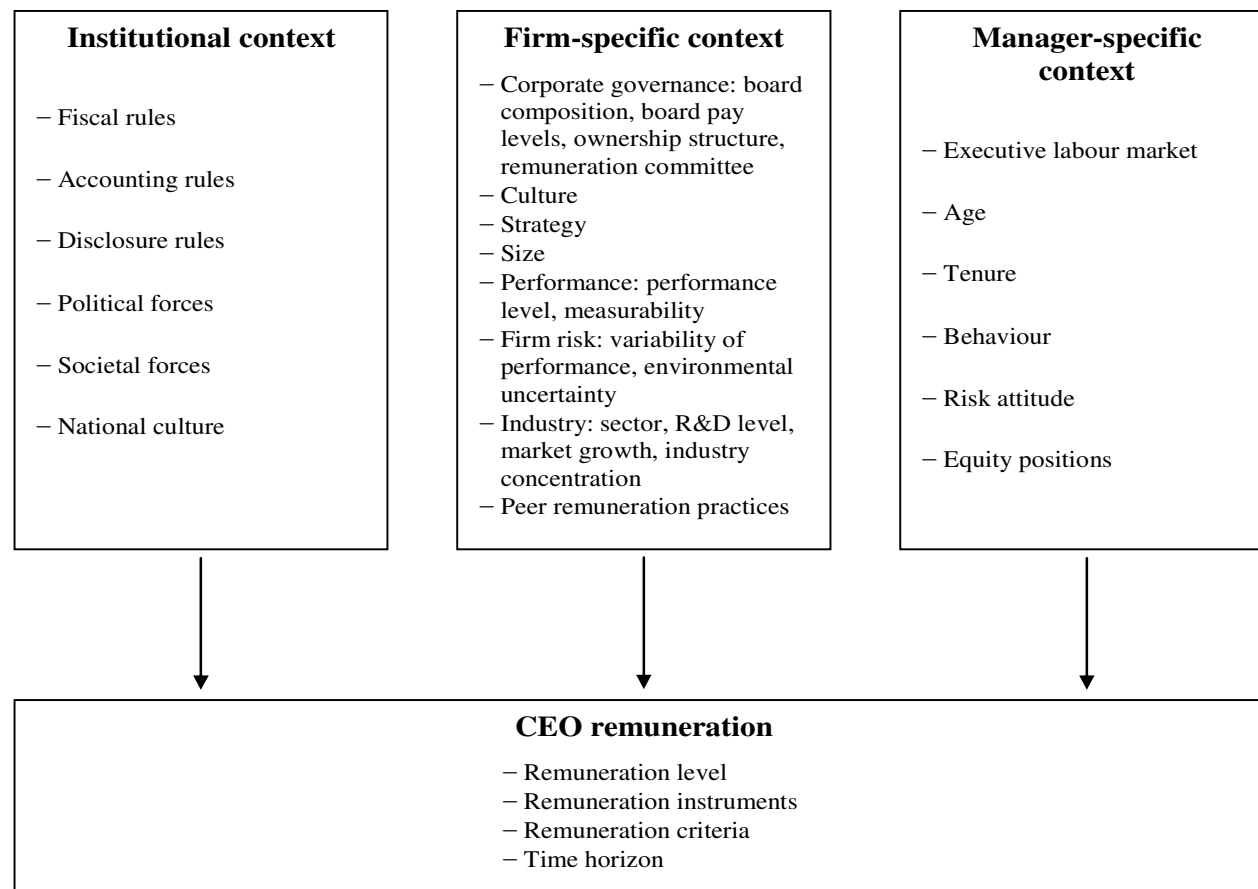
Work and pay satisfaction in Europe

Job satisfaction, EU Working Life Survey 2005 ("Agree fully" and "Agree to some degree" %)



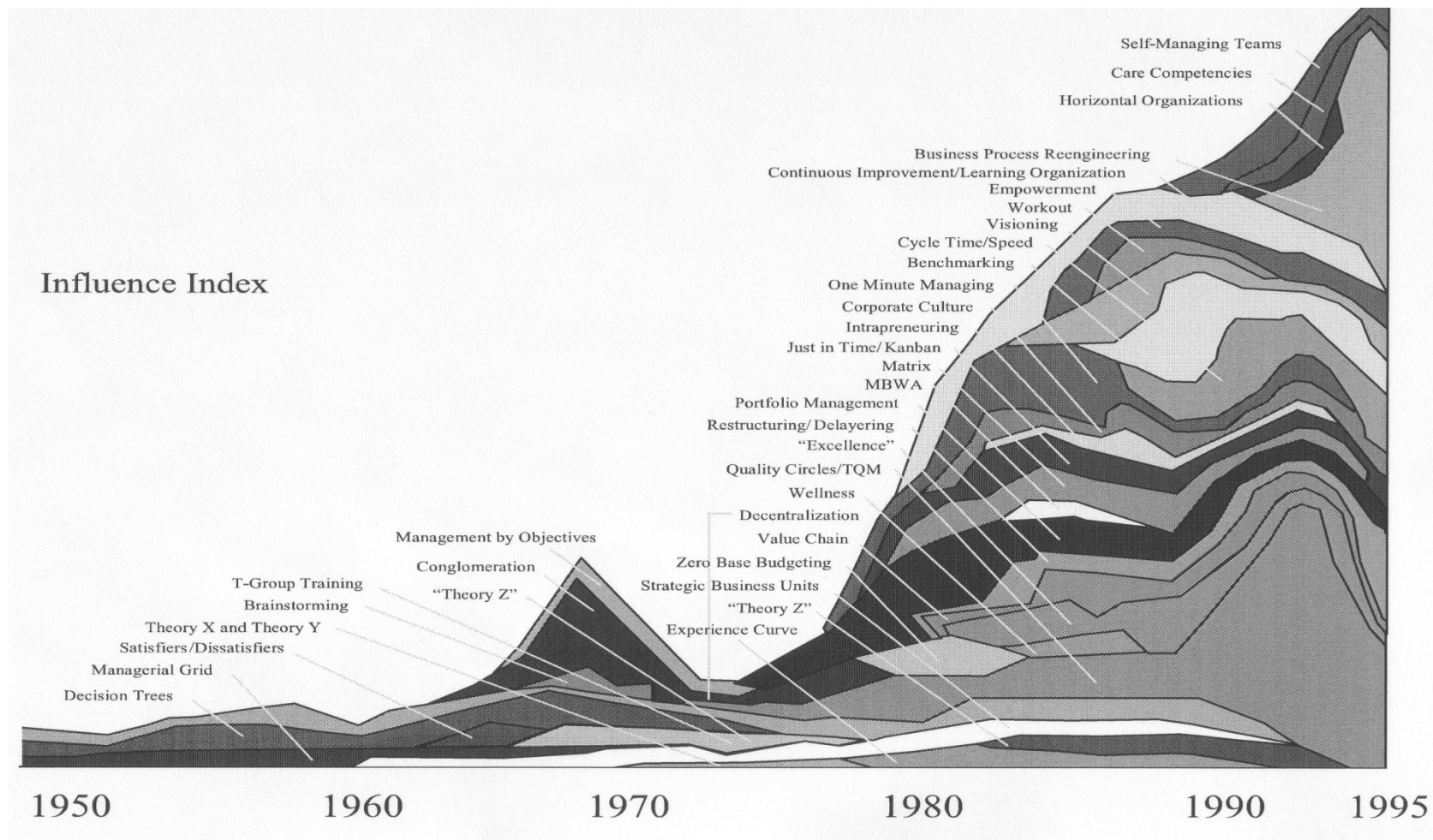
Pay-for-Performance For CEOs

Overview of determinants of CEO remuneration in principle



(Baeten & Van den Berghe, 2008, 133)

The rise of the fashion pay-for-performance



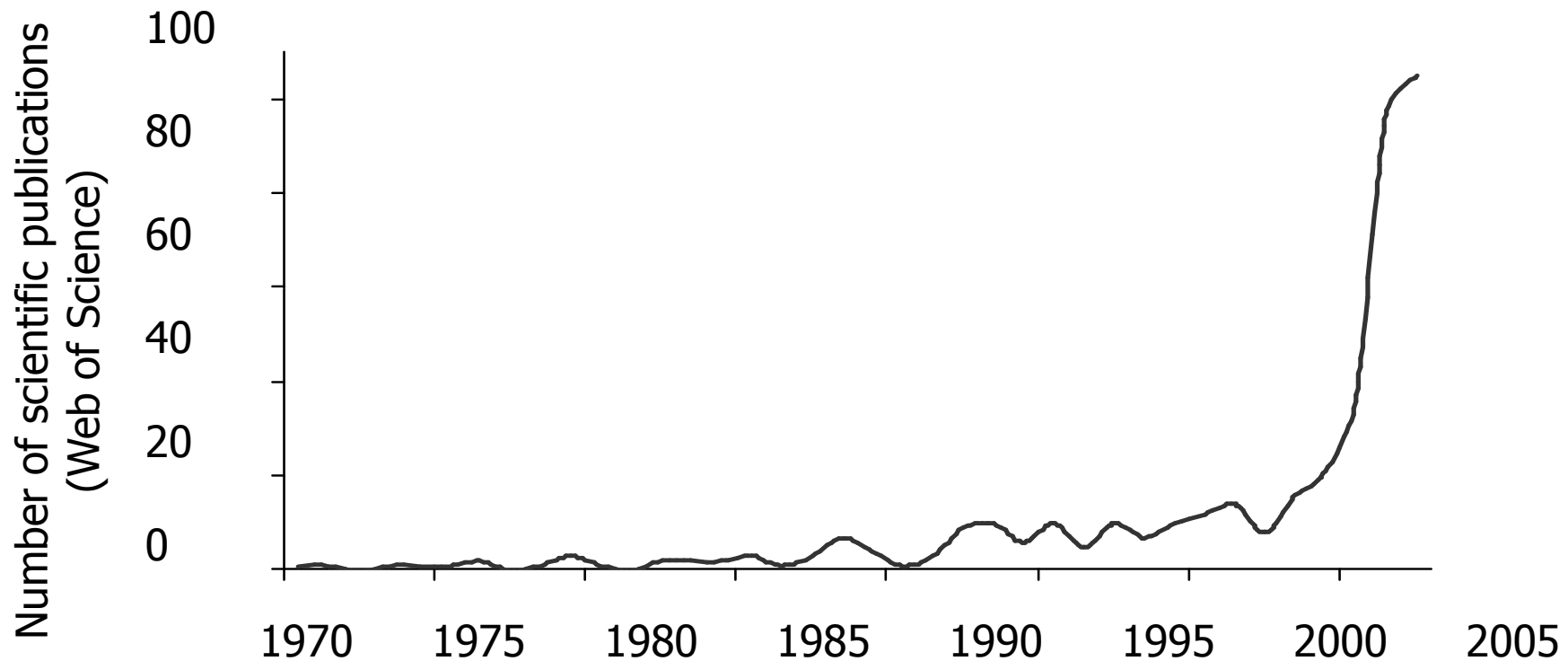
(Ghemawat 2000, 25; see Rost & Osterloh, 2008, 140)

Reason for the rise

- Intends to link the interest of the owner, that is firm performance, with the interest of CEO, that is income.
- The aim is to motivate the CEO to act like the owner even in situation which cannot be monitored, e.g. during negotiations.
- The solution of an acute problem, i.e. the incompetence of the board of directors, that is marginal influence on the decisions.

(Rost & Osterloh 2008, 141)

Increase of publications regarding Pay-for-Performance



(Rost & Osterloh 2008, 141)

Effectiveness of Pay-for-Performance

- Basic idea is 'principal agent view':
 - View of man: self-interested 'homo oeconomicus'
 - "Cash compensation should be structured to provide big rewards for outstanding performance and meaningful penalties for poor performance" (Jensen & Murphy 1990, 141)
 - Interest between the agent (= CEO) and the principal (=board of directors=owners) is aligned via monetary incentives
- Critics: too simplistic to explain human motivation in complex work

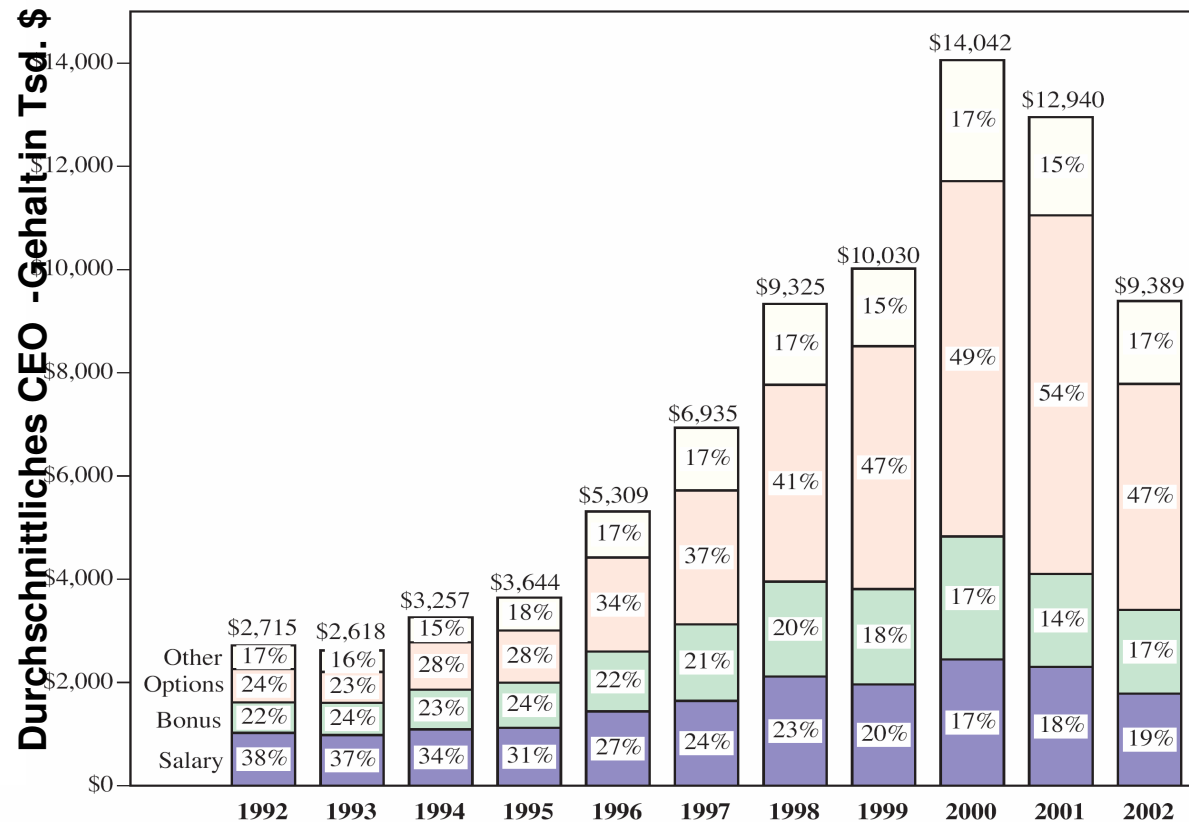
(Rost & Osterloh 2008, 141)

Observations based on empirical findings I

- *No incentive effect.* A considerable number of empirical research papers show that there is actually no relation between the performance-related salary of a CEO, and the performance of an enterprise
- *No market conformity in terms of salaries.* In the United States the average salary of a CEO rose between 1990 and 2005 by 298,2 %
- *Pay-for-Performance as an additional income.* Companies do not replace part of a CEO's fixed income with variable performance components, but instead pay the variable share in addition

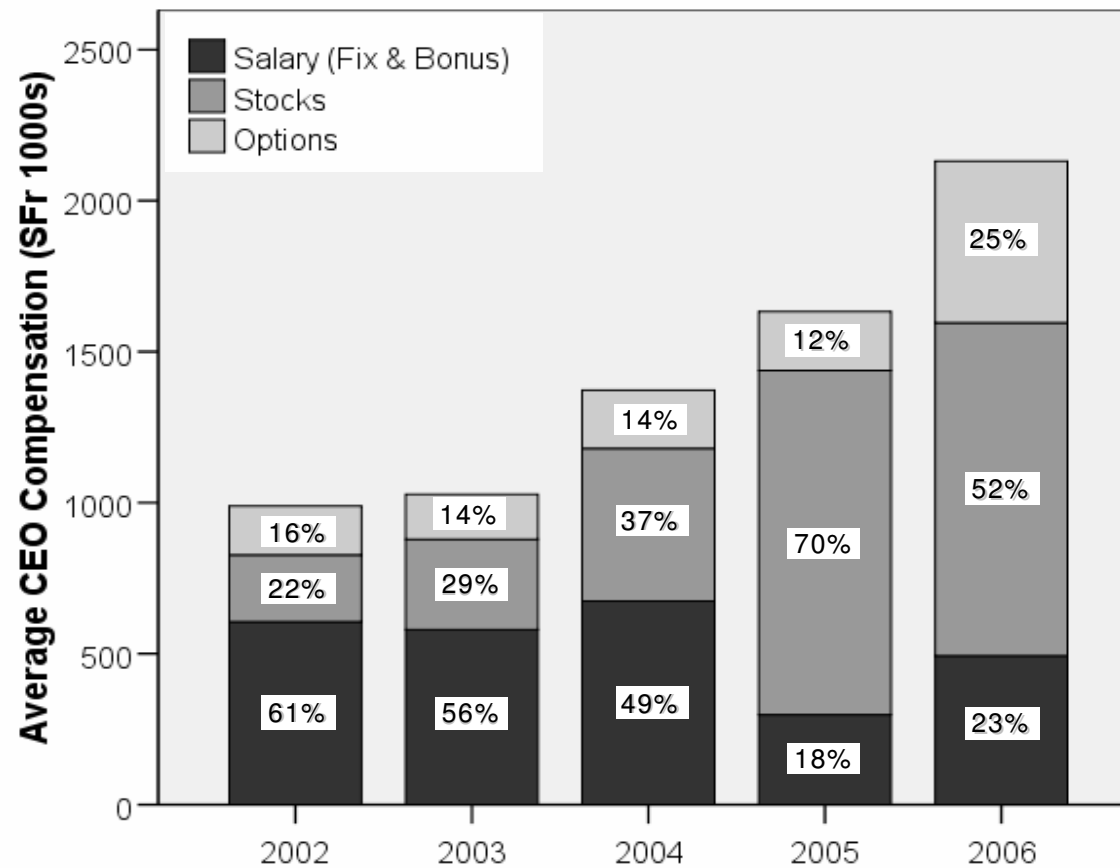
(Rost & Osterloh 2008, 141)

P-f-P and increase of salaries of CEOs in USA



Pay-for-Performance and increase of salaries of CEOs in S&P 500 enterprises in USA (Jensen, Murphy, & Wruck 2004a, p. 31)

P-f-P and increase of salaries of CEOs in Switzerland



Pay-for-Performance and increase of salaries of CEOs in 200 SPI enterprises in Switzerland, Rost & Osterloh, 2007a, p. 47

Proportions of basic pay and short- and long-term incentives in USA

Salary Level (in thousands, USD)	Salary	Annual Incentive	Long-term Incentives
Senior Executives			
More than \$750	18%	16%	65%
\$550-\$750	29%	20%	51%
\$450-\$550	28%	17%	55%
\$350-\$450	32%	18%	51%
\$250-\$350	34%	17%	49%
Middle Management			
\$200-\$250	41%	17%	43%
\$165-\$200	45%	16%	40%
\$135-\$165	52%	15%	33%
\$105-\$135	59%	15%	26%
Exempt employees			
\$65-\$105	70%	11%	18%
\$35-\$65	76%	8%	17%

(ACA Journal)

Observations based on empirical findings II

- It may be that external incentives, particularly money, under certain circumstances have a negative effect on the performance. Intrinsic motivation is eliminated by external incentives displaying a controlling character (Deci 1975)
- In psychological economics it has been introduced as “the crowding-out-effect” (Frey 1997). The crowding-out-effect basically consists of four sub-effects:
 - the over-justification-,
 - the spill-over-,
 - the multi-tasking- and
 - the self-selection-effect.

All four effects are based on the distinction between extrinsic and intrinsic motivation.

(Rost & Osterloh 2008,)

- *Over-justification-effect.* If intrinsically motivated persons are caused to act according to external control their intrinsic motivation is reduced
- *Spill-over-effect.* If previously intrinsically motivated persons are rewarded monetarily for a certain task, the intrinsic motivation is not only reduced for the task in question, but is also transferred to other domains
- *Multi-tasking-effect.* Pay-for-Performance promotes strategic behavior of people; in other words they only concentrate on tasks with monetary rewards and neglect anything else
- *Self-selection-effect.* Pay for performance attracts extrinsically motivated persons more than intrinsically motivated individuals

(Rost & Osterloh 2008,)

P-f-P, time and performance

- *Hypothesis:* Pay-for-Performance reduces performance over the course of time, i.e., today a high pay-for-performance compensation for CEOs is not correlated with firm performance and can even reduce firm performance.
- *Data:* The final sample comprises of 75 empirical studies with n= 123,797 firms. These studies document 259 statistical correlations between CEO-pay and firm performance with n= 486,422 observations. Regression analysis.
- In the models, it was investigated how Pay-for-Performance affects the market-based value of a firm or rather the accounting-based value of a firm. Additionally we have determined the overall correlation between Pay-for-Performance and average performance.

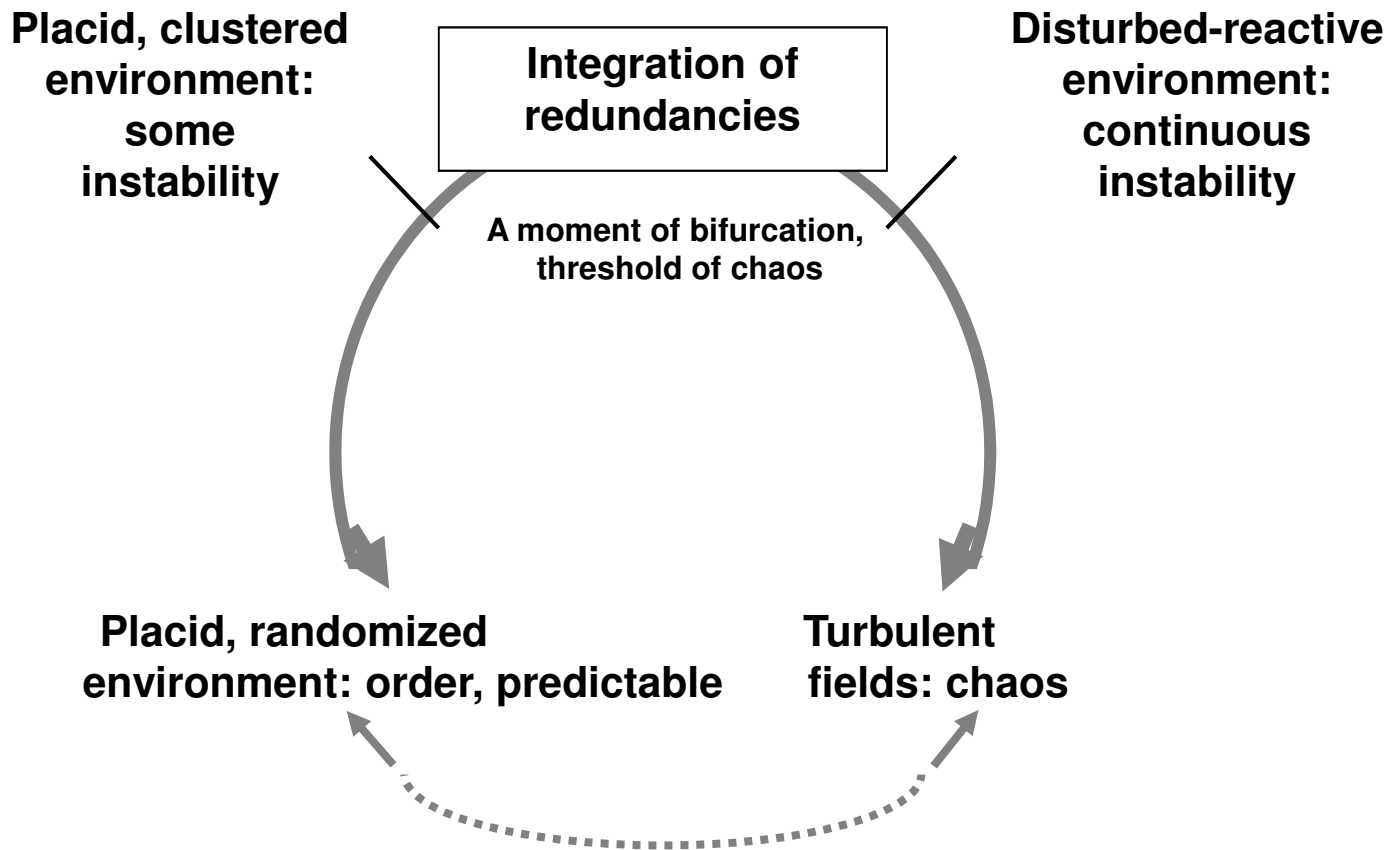
(Rost & Osterloh 2008,)

Findings

- An overall **correlation** between **CEO salary and performance** of $d=.08^{***}$. According to this the variable CEO income contributes 0.64 % to the increase of the firm performance, in other words a negligible amount.
- The **development** of the incentive effect of Pay-for-Performance **over the course of time** (1950- estimated 2025):
 - The effectiveness decreases over the years ($\beta=-.003^{***}$).
 - In 1950, a variable CEO income increased the firm performance – according to regression results - after all at $d=.21$. This is a statistically moderate correlation.
 - Nowadays, salary and performance are only linked to each other at $d=.05$; a close to non-existing link.
 - Extrapolating these results into the future means that in 2025, according to this estimate, a variable CEO salary and firm performance will not be linked at all anymore ($d=.00$).

**Needs to develop
reward systems**

Activity environment determines the needs of development



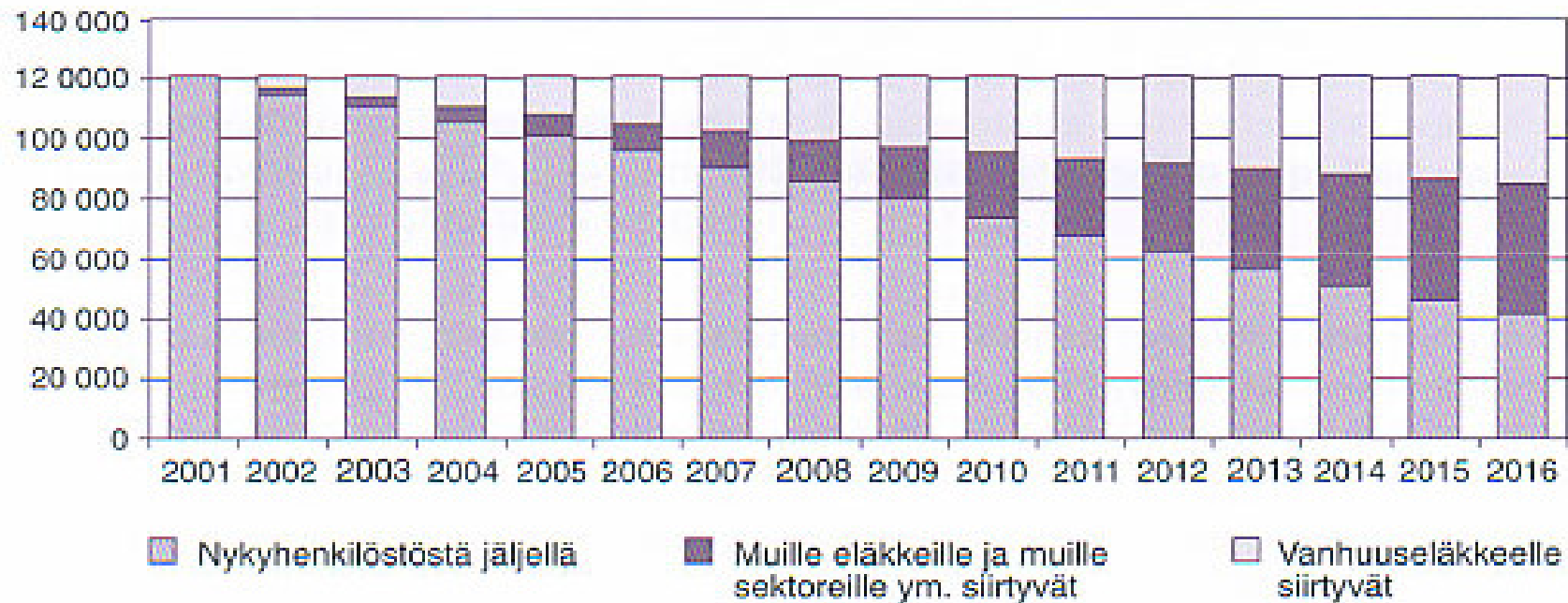
General challenges

Getting retired

New forms of work

Globalisation

Increasing retiring 2002-2016 in Finland (state)



→ **Competition for workforce!**

(Tuottavuuskehitys ja kilpailukyky tavoitteiksi. Valtionhallinnon kilpailukyvyn ja tuottavuuden parantaminen –hanke. Valtionvarainministeriö, Julkaisuja 1/2003, s. 27)

Globalisation and europeanisation

- **Pay level:** minimal wage (dollar/h) v. 2001/2002 (C&B, vol. 34, no 3, 9): Luxembourg 8.59, USA 5.15, EU 5.08, Japan 5.05, Portugal 1.89, Poland 1.12, Brasil 0.37, Vietnam 0.20, Russia 0.06
- **One or several systems in a global company:** for example, Finnish companies employ abroad about 400 000 employees that is about 20 % of total workforce!
- **Pay comparisons:** The pay level of psychologists (Psykologi 4/03, 4): e.g. West and North-European psychologists in public sector 3 600 eur/month, private sectors 4300 eur/month, in Finland in public sector 2 400 eur/month and in private 3 200 eur/month

Changing nature of work

- **Changing nature of products, services and work**
 - Knowledge intensive knowledge products (= product + service) ----> increasing meaning of competences
 - Knowledge work: multi-tasking, time pressure, abstractness, information excess, complex tasks, variety of tools, self-regulation, co-operation, less physical activities in work
- **Outsourcing**
 - Not only of out an enterprise but out of country - cutting costs, concentration on core competences

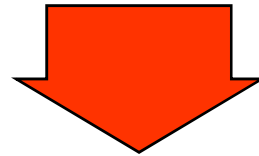
Working in multiple places in Europe 2005

Fourth European Working Conditions Survey (European Foundation for the Improvement of Living and Working Conditions 2007) was conducted from September 19 – November 30, 2005. The survey asked respondents their places of work.

- 1) work only in **company premises** (51% of EU workers);
- 2) work **both at company premises and outside** (13%);
- 3) work only **outside** (10%);
- 4) work outside and from **home** (2%);
- 5) work **only from home** (2%);
- 6) work at **company and** from **home** (5%);
- 7) work a significant amount of time **in all locations** (4%);
- 8) do not work a significant amount of time in any of these categories; it can be assumed that they work **in some other place** (13%).

■ **New forms of organizations**

- Networks and virtual organisations - trust, common interests
- Interorganisational teams and groups, e.g. distributed product design
- Project work, multiprojects
- 'Flexiwork', contingent employees, core employees, telework (telework about 16% of work force 2007 in Finland)



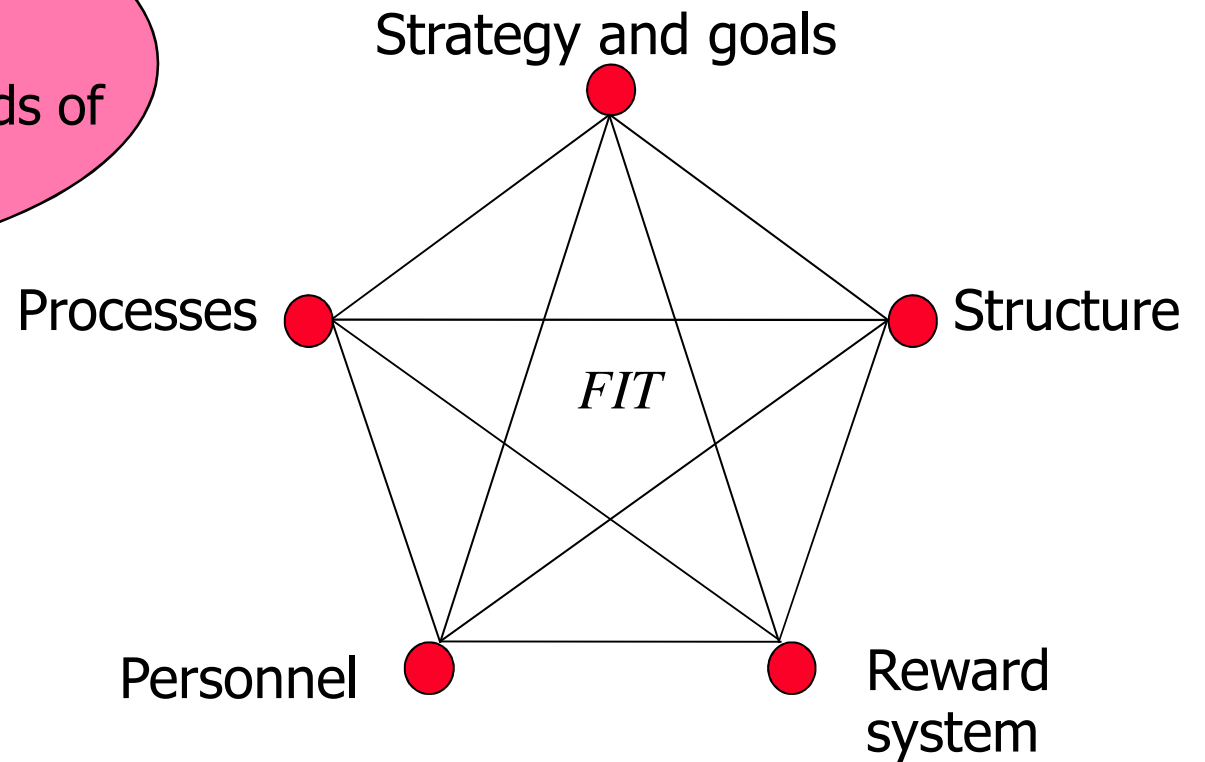
**Increasing meaning of learning,
competences and knowledge!**

Building reward strategy and policies

Bases of Functionality: Fit of System Components

Strategic Contingency Theory

Reward system should fit
with strategy,
processes, structure and needs of
personnel



WorldatWork Total Rewards Model

Strategies to Attract, Motivate and Retain Employees



Bases of Functionality: organisational procedures

Democracy on the organisational level is shown as



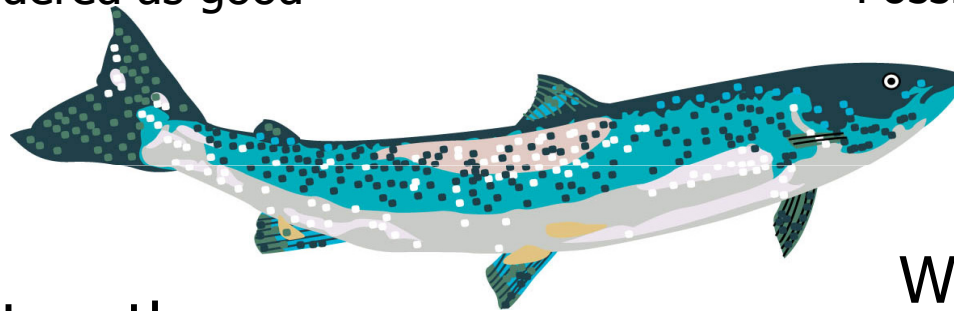
Implications: Co-ordinates of the King Salmon System

Functions well - competitive

- Improves quality and effectiveness
- Improves co-operation and climate
 - Considered as good

Fit with Strategy

- Fit with goals
- Supports goals
- Possible to change in need

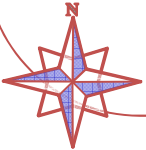


Planned together

- Personnel may influence on goals
 - Considered as fair
- Is evaluated regularly

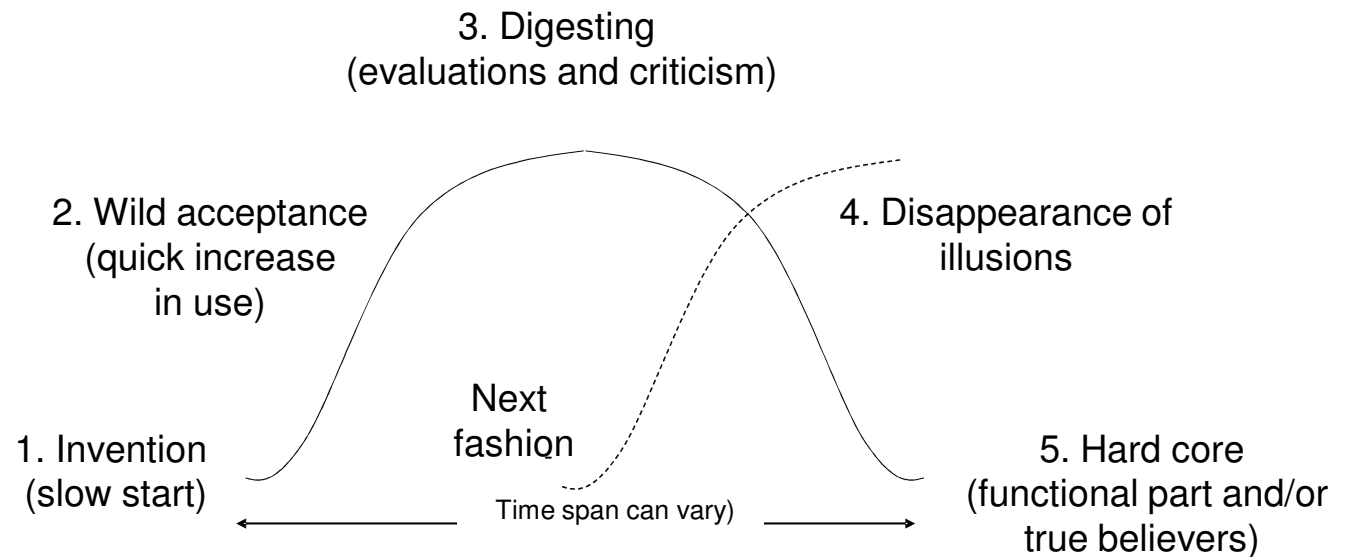
Well informed

- Acts as means of feedback and development
 - Is well-known
 - Two-way communication
- Common mental model of system goal



Is there really surges?

- Is there really surges in the development of reward systems?
 - Working life is changing and new forms of organisations are emerging
- **Compensation systems are not mature yet! Turning point of the reward system surge in 2015?**



From Jussi Kulla's licentiate thesis,
based on Ettorre 1997, p. 35)

Some literature

- Antoni, C.H., Baeten, X., Emans, B.J.M. & Kira, M. (Eds.) (2007) Shaping pay in Europe. A stakeholder approach. Brussels:P.I.E. Peter Lang S.A.
- Vartiainen, M., Antoni, C., Baeten, X., Hakonen, N. & Thierry, H. (Eds.) (2008) Reward management – facts and trends in Europe. Langerich: Pabst Science Publishers.

Hans De Witte

Hans De Witte (1957) is full professor at the Department of Psychology of the Katholieke Universiteit Leuven (K.U.Leuven). He teaches Work (and Organisational) Psychology and is member of the *Research Center Work- Organizational and Personnel Psychology* (WOPP) of his Department. His research includes the study of the psychological consequences of job insecurity, unemployment, temporary employment and downsizing, as well as mobbing and stress versus engagement at work. Other topics include attitudes towards work, participation in trade unions and the impact of job characteristics on social attitudes (such as working class cultures and political attitudes). He is involved in (national and European) research regarding temporary contracts, restructuring of plants, mergers of banks, mobbing at work and well-being at work. He is also involved in comparative research with South Africa regarding the consequences of unemployment and job insecurity.

10:15 am – 11:15 am

Topic 4: 'Economic crisis and coping with effects of job insecurity'

Economic Crisis and (Coping with) Job Insecurity

Prof. Dr. Hans De Witte

WOPP-Department of Psychology
University of Leuven (Belgium)

*Presentation at the Annual ENOP Symposium
'From Economic Crisis and Job Insecurity to Regeneration of
Human Resources', Paris, France,
March 26, 2010*

Content

- *What is it?* Definitions
- *Are workers insecure?* Prevalence
- *What 'causes' insecurity?* Antecedents
- *Is it a problem?* Consequences for individuals and organisations, and theoretical explanations
- *What to do?* Interventions
- *Where to go?* Hints for future research

1a. What is 'job insecurity'?

An employee's...

- “...expectations about continuity in a job situation”
(Davy, Kinicki & Scheck, 1997)
- “...concern about the future permanence of the job”
(van Vuuren & Klandermans, 1990)
- “...perception of a potential threat to continuity in his or her current job”
(Heaney, Israel & House, 1994)
- “...subjectively perceived likelihood of involuntary job loss”
(Sverke, Hellgren & Näswall, 2002)

Subjective definition of Job Insecurity

1. *Subjective*: perceptual phenomenon

-> *Different* perception of same 'objective' situation

2. *Uncertainty* about the *future*

-> Not 'certainty of dismissal' ('*I don't know*')

3. *Involuntary*

-> *Discrepancy* between experience
and preferences

4. *Cognitive* ('probability') and/or *affective*
('worry')

5. Quantitative or qualitative?

Concern about the continued existence of:

Quantitative = the job 'as such' (global, overall concern) -> dismissal

Qualitative = valued job features (aspects, multidimensional) -> lower pay, new colleagues, higher workload,...

(cf. Hellgren, Sverke & Isaksson, 1999)

1b. Why study job insecurity?

1. Important, **actual social phenomenon...**

-> *Transformation* of economy: automatisatisation,
restructuring, downsizing, mergers,
privatisation,...

-> Increase in *temporary* contracts

2. ... With **important consequences** for individuals and companies

2. Prevalence: Do workers feel insecure ?

Obviously *yes*...

But *it depends*...

- Measure (cognitive versus affective, short term versus long term,...)
- Point-scale (neutral midpoint?)
- When? (fluctuations; e.g. unemployment)
- Where? (Europe or specific countries)

- Cognitive item: “My job *is secure*” (Erlinghagen, 2007)
 - European Social Survey 2004-2005
 - 17 European countries
 - Average: 14% ‘not at all’ (*‘insecure’*)
 - Distribution between 8.9% (Austria) and 26.3% (France)
 - Eurobarometer 1996 & 2001: very similar %s

- **Affective** item: “Do you *worry* about the possibilities of losing your job?”

(Anderson & Pontusson, 2007)

- International Social Survey Program, 1997
- 15 OECD countries
- Combination of ‘to some extent’ and ‘a great deal’: around 20-25%?
- Distribution between 11% (Norway) and 54% (Spain)

3. Antecedents: Why do people feel insecure?

a. *'Subjective'*: personality traits

-> **internal locus of control**: perceive less threat/strain (e.g. van Vuuren et al., 1991; Sverke et al., 2004)

-> **negative affectivity**: perceive more negative emotions (e.g. Sverke et al., 2004; Hellgren et al., 1999)

-> many more... Trust in people, self-esteem, positive affectivity, self-efficacy,...

But: clearly not 'just' personality!

b. *'Objective': Individual* characteristics

-> weak/disadvantaged position on the labour market

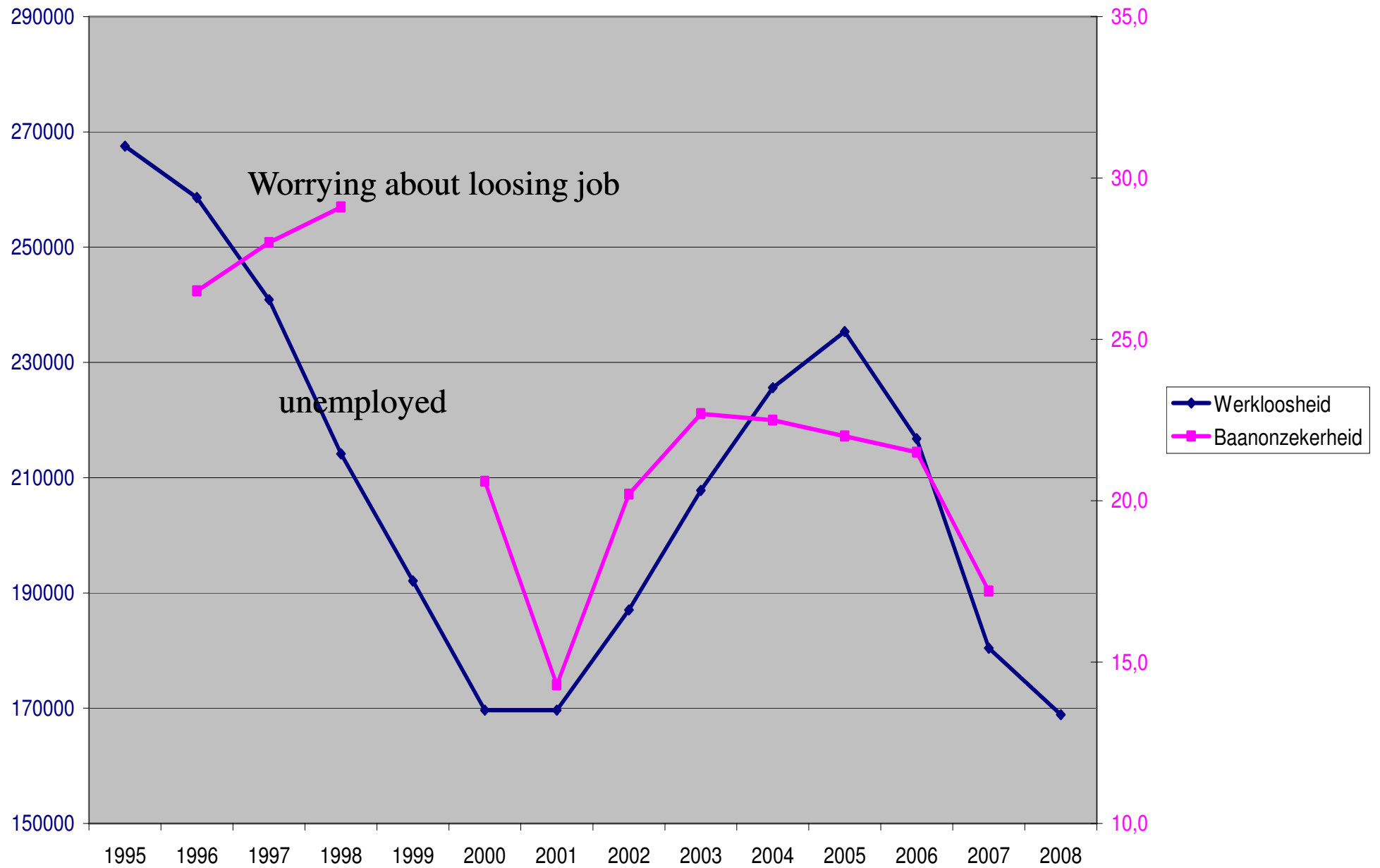
- Blue collar workers, low skilled workers & industry (e.g. Ferrie & Martikainen, 2007)
- Temporary workers (e.g. Näswall & De Witte, 2003; De Cuyper & De Witte, 2007)
- Bad health (Erlinghagen, 2007)
- Private sector employment (e.g. Anderson & Pontusson, 2007)
- P.S.: Age and gender unclear
 - Sometimes younger workers (Anderson & Pontusson, 2007), sometimes older workers (Erlinghagen, 2007)
 - Gender: mostly non significant

Characteristics of the *environment*

- Huge country and regional differences
- High unemployment in region/country (+)
- Evolution of unemployment in region or country (+)
- Rate of temporary employment (+)
- Employment protection legislation (-)
- Generosity of unemployment compensation (-)

(e.g. Anderson & Pontusson, 2007; Erlinghagen, 2007; Munoz de Bustillo & de Pedraza, 2007)

Evolutie werkloosheid en baanonzekerheid



Discussion: how important are both kinds of variables as antecedents?

- **‘Objective’:** outline or border of perception?
- **‘Subjective’:** inter individual variation within these ‘borders’ ?

‘Subjective’ does *not* mean ‘unrelated to reality’

4. Consequences

Job insecurity is a *stressor*...

-> reduction of *well-being*

-> also negative *organisational*
consequences

Meta-analyses

	<i>Sverke et al, 2002</i>	<i>Cheng & Chan, 2008</i>
Job satisfaction	-.40	-.43
Job involvement	-.38	-.20
Org commitment	-.36	-.35
Trust	-.51	-.49
Performance	(-.17)	-.21
Turnover intention	.30	.32
Physical health	-.16	-.23
Mental health	-.24	-.28

4a. Consequences for individual health and well-being

- Anxiety & depression (Orpen, 1993)
- Mental and physical health (De Witte, 1999)
- Burnout (Dekker & Schaufeli, 1995)
- Life dissatisfaction (Lim, 1996)
- High blood pressure (Burchell, 1994)
- Use of medical services (Roskies & Louis-Guerin, 1990)
- Occurrence of ischaemic heart disease (Siegrist et al., 1990)

But how problematic is job insecurity really?

- Are insecure workers *unsatisfied* and *unhappy* ?
- One of the *most important* stressors?
- As problematic as being *unemployed*?
- Impact upon broader '*life*' outside 'work'?

Unsatisfied and *unhappy*?

Probability of becoming unemployed in the near future ::	'Very satisfied' with the job (%) (1)	'Very satisfied' with life (%) (1)	'Very happy' (%) (2)
Very small/impossible	88,3	84,0	53,3
Rather small	89,0	91,3	51,1
Nor large, nor small	73,4	77,2	33,9
Very/Rather large	61,7	63,3	35,8
Eta (2)	.29***	.29***	.19***

Source: Data of the 'European Values Survey' (Belgium; De Witte, 2003).

(1) Score equal or larger than '7' on a scale ranging from 1 to 10.

One of the *most important* stressors?

Predictors	Standardised regression coefficients	
<i>Job characteristics</i>	Job satisfaction	Mental well-being (1)
Skill utilisation	.45***	.13*
Workload demands	-.32***	-.19***
Job insecurity	-.19***	-.10*
Autonomy	.12**	.04
Responsible work	.17**	.07
Varied work	.05	.02
Physical burdening work	.00	.08
F-value	41.85***	4.35***
df	(7,451)	(7,473)
R	.63	.25
R ²	.39	.06

As problematic as *unemployment*?

Is the anticipation of unemployment as traumatic as unemployment itself?

Cf. Lazarus *“the anticipation of harm can have effects as potent as experiencing the harm itself”*

Job insecure employed: GHQ-12 = 12.2

Short-term unemployed: GHQ-12 = 12.7

($t = -.78$; $df = 564$; n.s.) -> need for matching ?

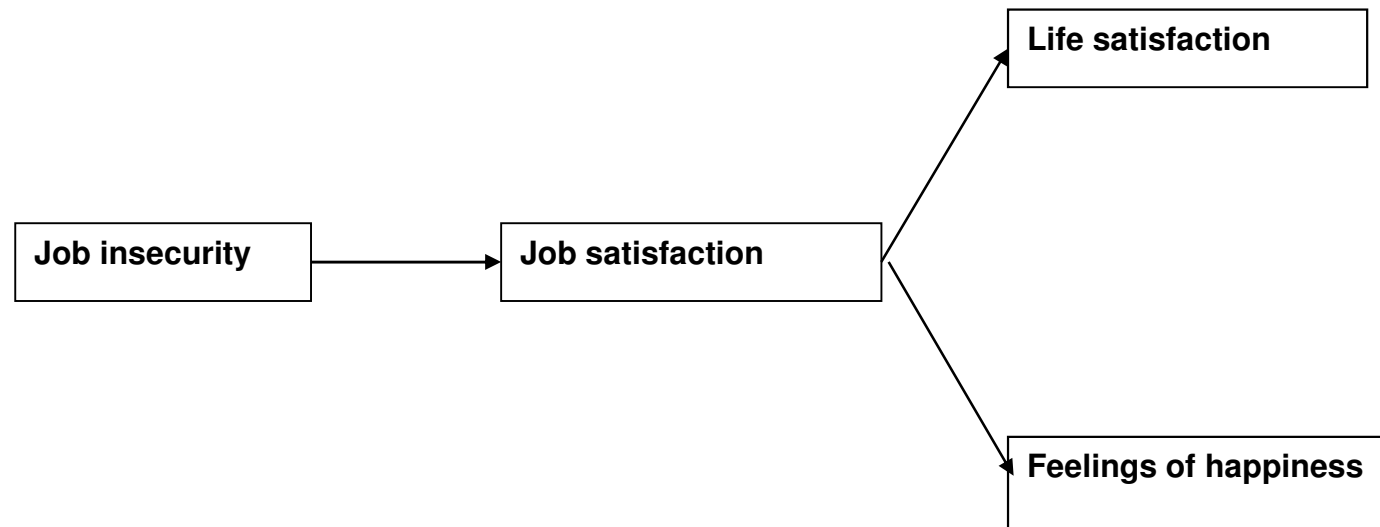
Source: De Witte (1999)

Consequences for *life outside work*?

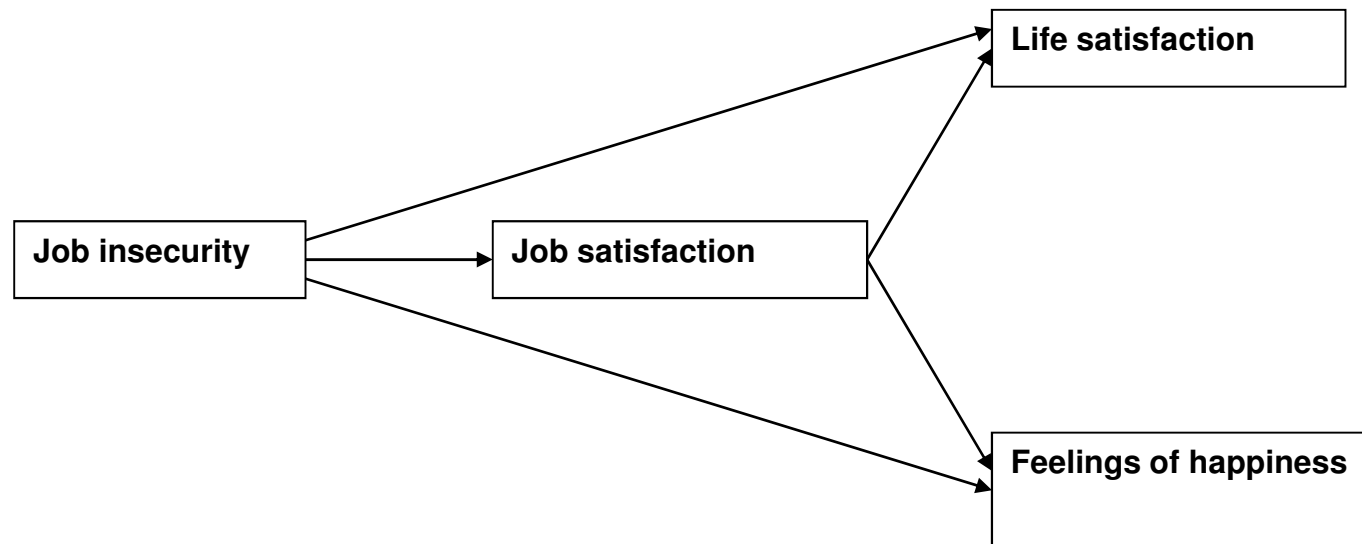
- Work–family conflict (Kinnunen & Mauno, 1998; Voydanoff, 2004)
- Crossover to partner (Westman et al., 2001)
- Marital dysfunctioning (Barling & McEwen, 1992)
- Effects on children's work beliefs and attitudes (Barling et al., 1998) and school performance (Barling & Mendelson, 1999)

Consequences for '*life outside work*'? Take 2

Effect on 'broader aspects' 'just' mediated by job satisfaction?



No: direct effects after controlling for job satisfaction



Source: De Witte (2003)

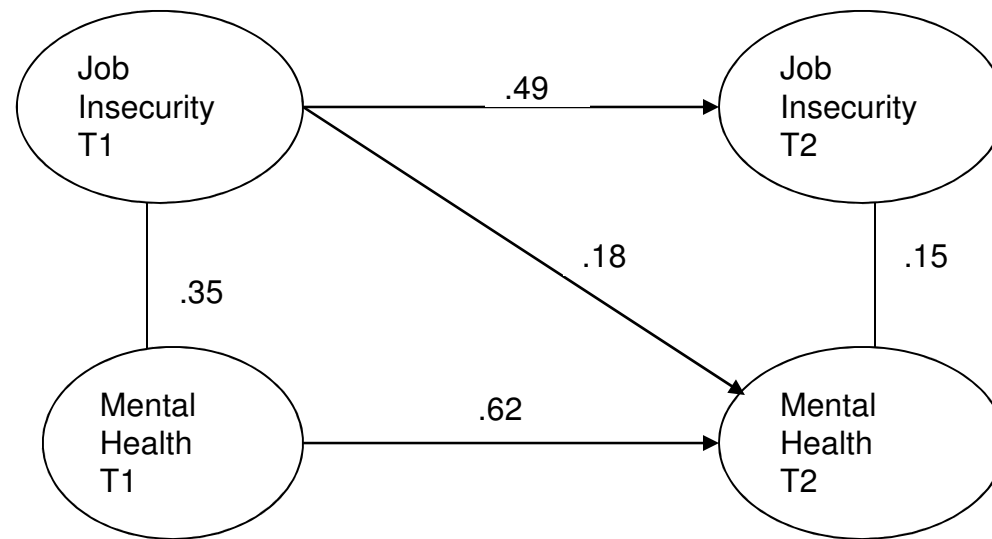
4b. Consequences for organisations

- Job satisfaction (Ashford et al., 1989)
- Job involvement (Kuhnert & Palmer, 1991)
- Organizational commitment (Armstrong-Stassen, 1993)
- Trust in management (Borg & Elizur, 1992)
- Turnover intention (Hellgren et al., 1999)
- Performance (Rosenblatt et al., 1999)
- Safety behaviour (Probst & Brubaker, 2001)
- Absenteeism, tardiness (Probst, 1999)

Causal mechanisms

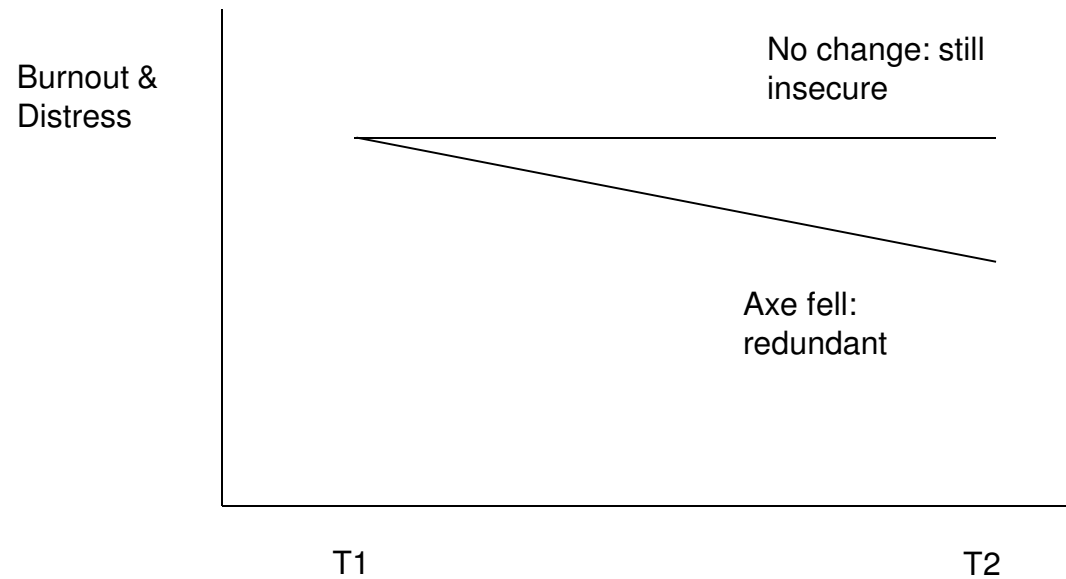
- Job insecurity predicts “outcomes” after controlling for *initial levels* (Hellgren, Sverke, & Isaksson, 1999)
- Job insecurity affects well-being negatively over time – *chronic stressor* (Garst, Frese, & Molenaar, 2000)
- Cross-lagged analyses show that job insecurity predicts subsequent mental health complaints rather than vice versa – support for the *direction of causality* (Hellgren & Sverke, 2003)

Job insecurity reduces well-being (and not vica versa)



Source: Hellgren & Sverke (2003)

Certainty about dismissal is *better* than prolonged job insecurity



Source: Dekker & Schaufeli (1995)

4d. Why is job insecurity a problem?

Three positions of 'job insecurity' within (recent) work psychological theories: (a) ignored, (b) marginalized, or (c) hidden within a broader dimension, but (d) almost never a 'separate treatment'

a) Simply *ignored*:

Job Characteristic Model (Hackman & Oldham, 1975)

b) *Marginal* position

- *Michigan Job Stress model* (Katz & Kahn 1978):
'empty boxes', 'insecurity about the future' as a stressor leading to strains (and health complaints on the long run)
- *Job Demands Control model* of Karasek (1979):
demands, control (and later also) social support
After a while: also job insecurity, but a bit as a (not integrated) 'additional bonus'

c) Part of a **broader dimension/concept**:

- *Two-Factor (or Motivator-Hygiene) Theory* (Herzberg, 1966)

Security = *hygiene* need -> when absent (e.g. *insecurity*) -> dissatisfaction

When present -> 'neutral'

- *Effort-Reward Imbalance model* (Siegrist, 1996)

Security as part of the '*reward*' dimension (high efforts & low rewards -> strains)

- *Vitamin model* (Warr, 1987):

lists 9 'features of the environment' ('vitamins')

(In)security as part of '*environmental clarity*'
(together with feedback & role ambiguity)

Main conclusion:

Little theory about *insecurity as such*:
why is it harmful?

4e (*again!*) Why is job insecurity a problem?

- Latent Deprivation Model (Jahoda)
- Job Stress Theory
- Psychological Contract Theory
- Disinvolvement Syndrome
- Consequences of stressors
- *Please, suggest many more! ☺*

(I do collect them...)

Clearly a 'missing issue' in research...

In search for theoretical explanations

a) *Anticipation of deprivation*

-> '*latent deprivation model*' Jahoda (1982)

Work is 'key' to social integration and participation, because it offers e.g. income, social contacts, individual development, social recognition and status,...

-> prospect to lose all this is 'frightening'

b) *(Job) stress theory*: job insecurity is ‘a stressor’,
and leads to strains

Especially:

- *Unpredictability*: “do not know *whether* I will loose my job”
- *Uncontrollability*: “do not know whether I can *prevent* dismissal/job loss”

c) *Psychological contract theory*

Traditional employee-employer relationship:

- Employer offers *income* and *security*
- Employee offers *effort* and *loyalty* in exchange

-> job insecurity is perceived as a *violation* of the psychological contract with the employer -> negative consequences, in an attempt to 'restore the balance'

Additional explanations for organisational consequences

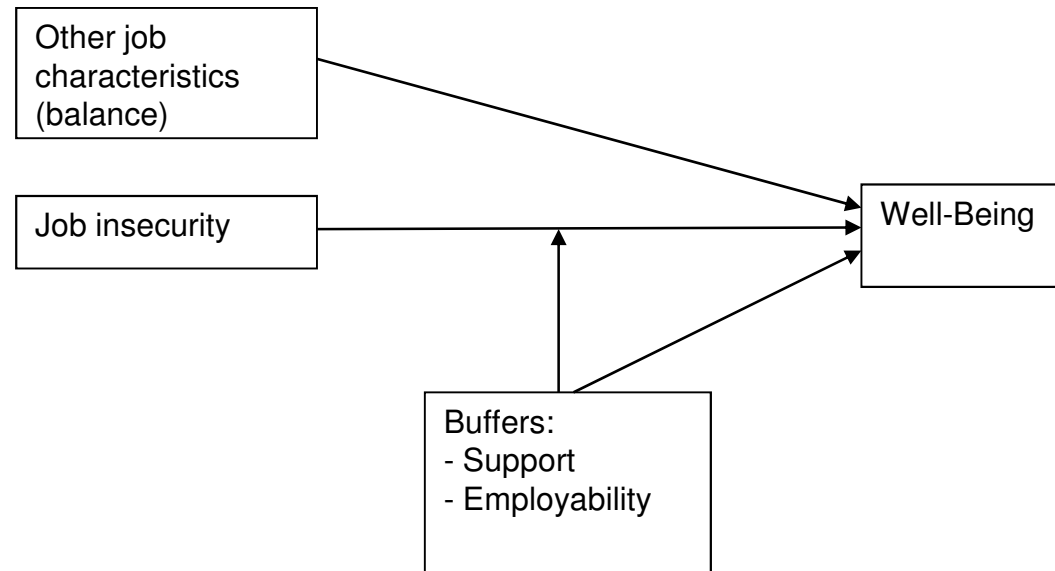
d) *Disinvolvement syndrome* (Greenhalgh, 1979):

= reducing the psychological impact of an eventual loss by *withdrawing* from the organisation
(passive coping strategy)

e) Stressors induce *strains* (see 'b')

- > burden -> preoccupied & loss of energy
- > immobilisation & loss of time
- > reduction of adaptability

5. What can we do?



1. *Reduce* job insecurity and its harmful components:
unpredictability & uncontrollability

a. *Communication*: full, open, immediate, honest &
personal

cf. Longitudinal research Schweiger & DeNisi (1991)

- Short term: increase of stress reactions
- Long term: better scores in 'informed company'

Treated with respect, restore control over life

b. *Participation* in the process:

restore control

better acceptance of actions taken

c. (Organisational) *Justice*:

-> *procedural*: fair (use of) criteria?

-> *distributive*: fair 'outcome'

restore predictability and controllability

2. Try to *buffer* the negative impact of job insecurity on work wellness

- > *Social support* (but not support from the source itself!): mixed findings
- > *Union support* : mixed findings
- > *Employability*: Increase/strengthen relevant...
 - *occupational* skills (e.g. language,..)
 - *interpersonal* skills (e.g. coping with changes,...)

3. *Restore* the *balance* between efforts and rewards (Siegrist, 1996), by:

- Adding additional aspects to the *reward*-side: e.g. wage, status..
- Reducing the *efforts* (e.g. less work load)
- '*Compensation*' of job insecurity by more positive job characteristics: autonomy, skill utilisation, variation, ...

However: probably not very realistic...

6. Further research

'We need more research on this topic'...

so... let's:

- a) *Broaden* our focus
- b) *Gain more in-depth knowledge*
- c) *Let's get practical*: what to do?

a) Broaden our focus:

- Impact of *different measures* of job insecurity (e.g.: objective-subjective; cognitive-affective; quantitative-qualitative; short-long term, ...)
- Impact of job insecurity on *'forgotten' outcomes*:
 - consequences for *families* (partner, children,...)
 - consequences for *companies*: performance, absenteeism
 - *union* attitudes and participation
 - consequences for *society* (attitudes, political,...)

- *Cross-national comparisons:*
 - *generalise* previous findings?
 - compare *prevalence* levels of insecurity: JI due to the 'objective situation'?
 - explore country specific characteristics as e.g. *antecedents* (e.g. multi-level analysis)
 - check whether countries *moderate* the relationship insecurity – outcomes (social protection)

b) Gain more *in-depth* knowledge

- Elaborate and test **theoretical explanations** regarding:
 - Antecedents
 - Consequences
- Relative impact of job insecurity compared to other work-related stressors and life outside work
- Impact of **moderators**:
 - On antecedents of JI
 - On consequences of JI

-> see new Special Issue of *Economic & Industrial Democracy*, edited by Sverke, De Witte, Hellgren & Näswall, 2010
- Who suffers more from job insecurity?
- Longitudinal analyses: causation?

c) *Develop ways to*

- *reduce job insecurity and*
- *to cope with it*
- Develop and test *interventions*
(e.g. communication, participation,...)
- Will workers adjust to “constant turmoil”?
- Can insecurity at all be avoided?

Mari Kira

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11:15 am – 12:15 pm

Topic 5: “Sustainable work in contemporary working life”

SUSTAINABLE WORK IN CONTEMPORARY WORKING LIFE

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***March 26th, 2010
ENOP Meeting***



OUTLINE OF THE TALK

- The **worldview** of sustainability: new inspiration for working life studies.
 - Key concepts: sustainable work that promotes employees' ability to work in a sustainable manner.
 - Why is sustainable work important?
- A **case** illustration: Grounded-theory approach to sustainable work.
 - **Conceptually:**
 - Sustainable work.
 - Promoting sustainable work in practice.
 - **Conclusions.**

SUSTAINABLE WORK?!?



THE WORLDVIEW OF SUSTAINABILITY

- **VALUES**, e.g. John Elkington (1999):
 - “At the heart of the emerging sustainable value creation concept is recognition that for a company to prosper over the long term *it must continuously meet society’s needs for goods and services without destroying natural and social capital.*”

*Ability
to operate,
to function,
but with
responsibility!*

- **Implications to working life studies:**
 - A sustainable work system:
Achieving business/operational goals by supporting the development and thriving of economic, ecological, social, and personal resources (Docherty et al., Eds., 2009).
 - A sustainable employee: Able to cope with work and sense of general well-being at work, but also ability and willingness to contribute through working.

THE WORLDVIEW OF SUSTAINABILITY

- **PERSPECTIVES**, e.g. Pim Martens (2006):
 - Multiple domains (economy, ecology, humans, society).
 - Multigenerational (long-term consequences of decisions).
 - Multi-scale (local, regional, global; employee, group, organization, community).
- **Implications to working life studies:**
 - Sustainable development in employees and work systems necessitates **regarding them as wholes**, by taking into account their various intertwined aspects in the long term.

Against fragmented views!

THE WORLDVIEW OF SUSTAINABILITY

- **DEVELOPMENT of potential in action, with technology:**
 - “...fostering adaptive capabilities and creating opportunities” (Holling, 2001).
 - “...a process of achieving human development (widening or enlarging the range of people’s choices)...” (Gladwin et al., 1995).

*Promoting
potential!*

- **Implications to working life studies:**
 - Sustainable work fosters an employee’s potential to keep on working and contributing through work.
 - Work as a source of positive development in a human being!

RESEARCH QUESTIONS

*Ability
to operate,
to function,
but with
responsibility!*

- What do we want to achieve in terms of human development at work: What does **sustainable work ability** mean?

*Against fragmented
views!*

- Whole systems view to people at work: **What kinds of personal and professional resources** promote employees' ability to work in sustainable manner?

*Promoting
potential!*

And in practice...?

- **How to design sustainable work**, i.e. work that promotes and strengthens employees' sustainable ability to work?

SUSTAINABLE EMPLOYEE IS ABLE TO...

- **cope** when facing changing demands.
 - Adapting to situations. Impacting situations.
 - Cf., learned helplessness, burnout (Maslach & Leiter, 1997): No energy or will to function in psychological or physical sense.
- experience work in energizing rather than depleting manner (the **well-being** aspect).
- **contribute** through work.
 - Wider ecological, economic, and social impact of an employee's work.
 - Positive also to the employee: Contributing increases e.g. sense of meaningfulness (Pratt & Ashforth, 2003), health (Boyatzis et al., 2006), and productivity (Grant, 2008) at work.

WHY SUSTAINABLE WORK?

- Personal development needed in contemporary world:
 - Rapid changes at work.
 - Non-standard ways of working and non-standard careers.
 - Increasing work intensity.
 - Aging workforce.
 - Work can satisfy the need for action, self-expression, social connectedness, social and ecological contribution!
- Ecological and social challenges:
 - Ecological and economic development depend on all people (see Docherty et al., Eds., 2009).

AN ILLUSTRATIVE CASE STUDY



AN ILLUSTRATIVE CASE STUDY

- **Setting:** An organization producing art exhibitions and related program.
- **Context:** Social and organizational changes:
 - Social changes: General expectations to art exhibitions, competing with other medias.
 - Internal changes: From preservation and presentation of art to offering art experiences, intellectual challenge to customers. Goal: increase in customers → new ways of working and collaborating needed (~ professionalism).
- **Research methods:** In-depth interviews with 20 employees (beginning of a longitudinal study).

**WHAT KIND OF PERSONAL
RESOURCES UNDERLIE
SUSTAINABLE WORKING IN THE
CONTEMPORARY CONTEXT?**

ENERGY RESOURCES

- Authentic working:
 - Work corresponds to one's identity:
 - The way one perceives oneself corresponds to work's demands.
 - Succeeding in work:
 - Being able to realize one's ideas in exhibitions.
 - Being able to work with such tasks and in a way that makes sense.
- Meaningful work:
 - Respect for art. Working with art. Sharing art.
 - Shared goals with colleagues.
 - Sharing the general, transforming values and norms concerning art exhibitions.

RESOURCES FOR COPING AND CONTRIBUTING



Interior world

Consciousness:

- *Cognitive complexity*

Culture:

- *Knowing people, organizational practices*

Exterior world

Behavior:

- *Using one's skills in versatile manner*

Social:

- *How to present art*
- *How to cope with external collaborators*

Autonomous individual

Socio-cultural being

**HOW IS SUSTAINABLE WORK
PROMOTED IN PRACTICE?**

CRAFTING SUSTAINABLE WORK

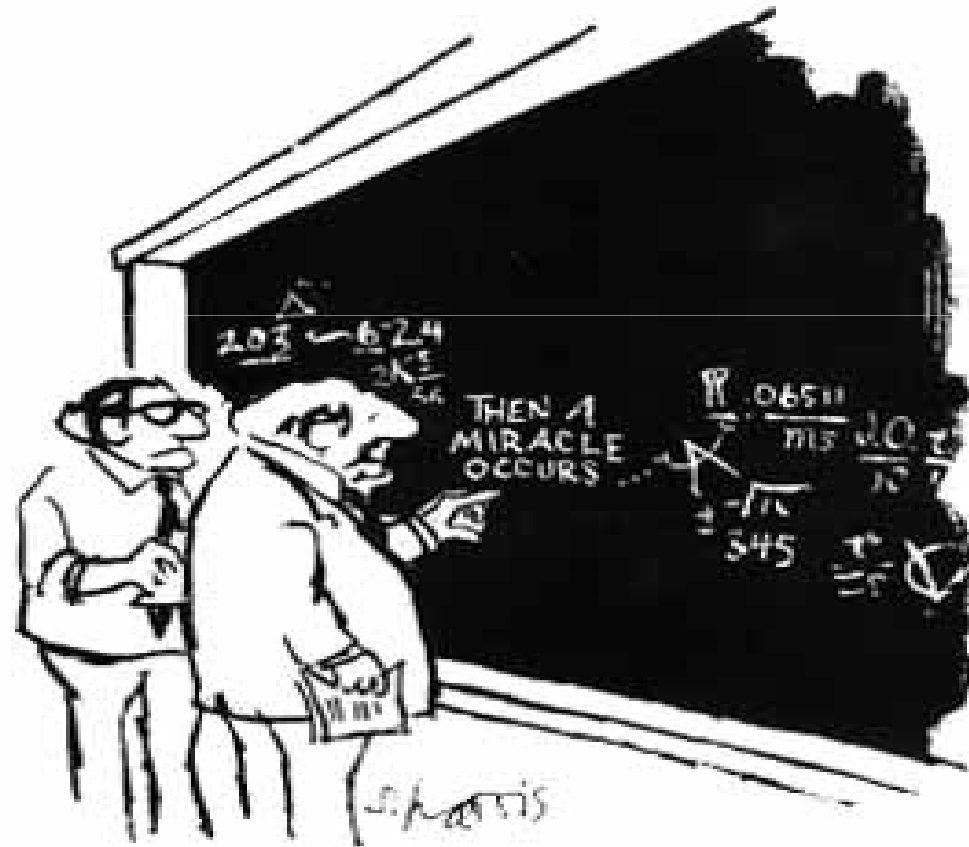
- Authentic and meaningful working:
 - Instead of job descriptions, regular development discussions and collective 'retreats' are used in order to:
 - fit employees' changing identities to their changing work.
 - provide space for self-reflection and transformation of identity.
 - Organization's structure is drawn and re-drawn to clarify authority and responsibility structures.
- Competent working:
 - Workplace learning takes place and is perceived as the main source of professional development.
 - Learning from others in and outside the organization is an important source for competence, *especially when it comes to coping with one's work.*

CONCEPTUALLY...

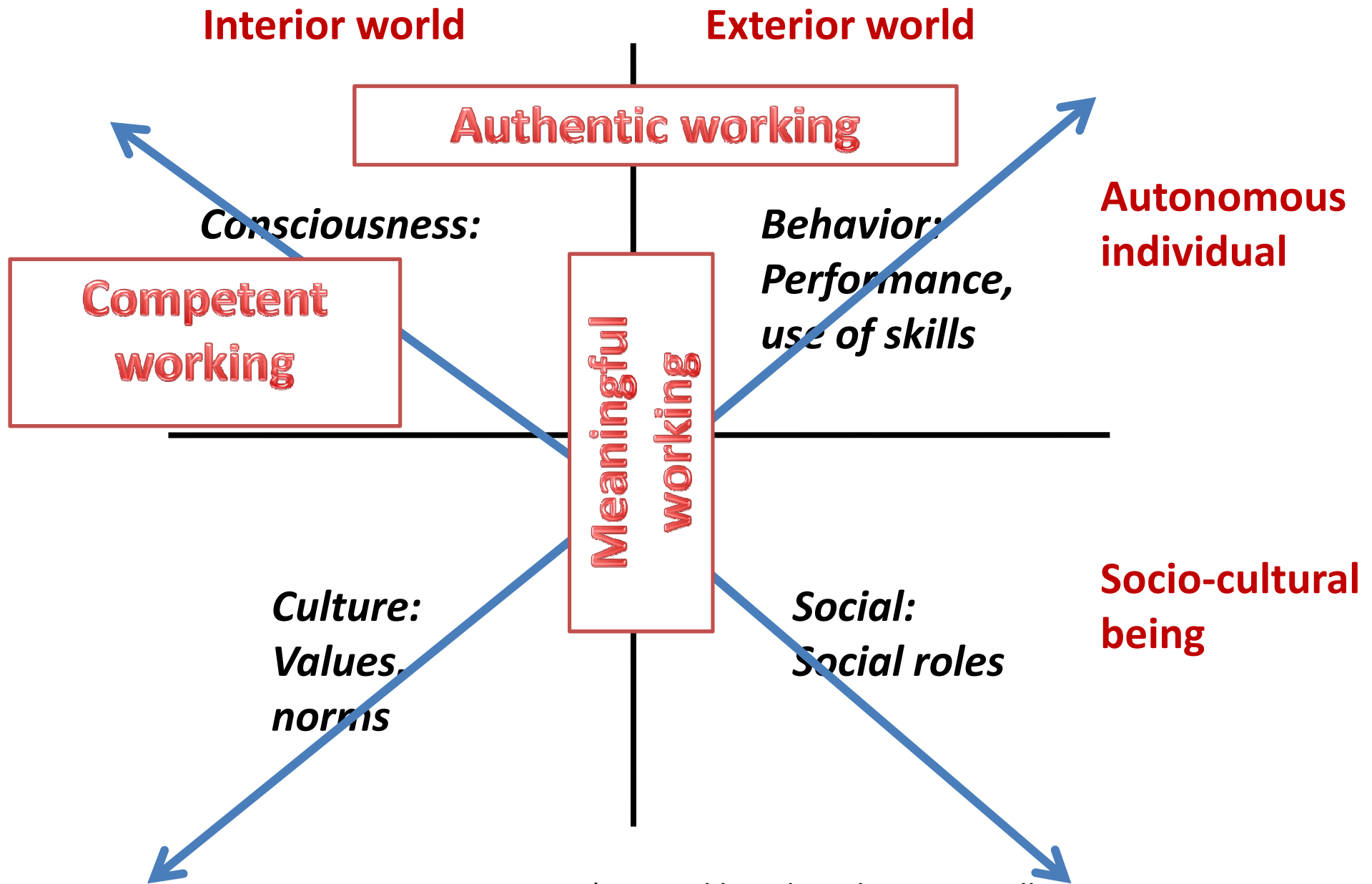
RESOURCES FOR SUSTAINABLE WORK ABILITY: WHOLE SYSTEMS VIEW TO PEOPLE

- **Personal resources:** valuable to an individual as such and in obtaining other things that are of value. Resources are acquired beforehand to cope with challenges (Stevan Hobfoll, e.g. 1989).
- Theories recognize a **plethora of resources** (e.g. Antonovsky, 1987; Deci & Ryan, 2000; Ryff, 1998);
 - ‘inside the head’: cognition and affect, energy, and worldviews.
 - in actions (managing with work).
 - of being an individual (autonomy).
 - of being a social being (relatedness, values).
- E.g. Edwards (2005): Optimal health requires **balance** in:
 - Agency (individuality) and communion (social relatedness).
 - Interior (interpretable) and exterior (observable).

AND WHEN WE PUT THESE IDEAS TOGETHER...



"I think you should be more explicit here in step two."



(inspired by Edwards, 2005; Wilber, 1996;
see also Kira & Van Eijnatten, 2008)

WHY IS AUTHENTIC, MEANINGFUL, AND COMPETENT WORK “SUSTAINABLE WORK”?

- **Authentic work** (e.g. Kahn, 1990; 2007):
 - Coping & contributing: Development as *ME!*
 - Making a unique contribution from one's own starting points.
 - Energizes people physically, emotionally, and cognitively.
- **Meaningful work** (e.g. Antonovsky, 1987; Pratt & Ashforth, 2003):
 - Coping: Personally meaningful work is experienced as worth the effort and supports coping.
 - Contributing: Sense of meaningfulness of work depends also on social valuations of work. Meaningful work is contributing work and also supports making a contribution.
 - Personal and social meaningfulness of work provides reasons and energy to keep on coping and contributing.
- **Competent work** (e.g. Deci & Ryan, 2000):
 - Energy from self-appreciation and self-efficacy (the basic need for competence).
 - On-going development of various resources for dynamic coping and contributing.

SUSTAINABLE WORK: LOCAL, DYNAMIC SOLUTIONS

Job design theory (e.g. Singh, 2008):

- Predesigned jobs to satisfy needs.
- Designing jobs that can become occupied by employees.
- Hedonic approach: Pleasure, satisfaction, motivation. To be.

Sustainable work:

- Dynamically transforming work to develop personal resources.
- Crafting work (Wrezesniewski & Dutton, 2001) to fit the worker's needs, identities, values, and skills, and to seek ways for further development.
- Eduaimonic approach (e.g. Deci & Ryan, 2008): The use and development of one's resources, opportunity to make a contribution. To become.

BASICS OF COLLABORATIVE WORK CRAFTING *)

- **Crafting boundaries** of work:
 - Cognitive boundaries: Thoughts about work.
 - Task boundaries.
 - Relational boundaries: With whom and how, but also authority issues and shared interests.
- People craft their work spontaneously and alone/collectively to satisfy their needs.
- Indications on that **work crafting is also used collaboratively and formally** to shape work:
 - Replacing formal job descriptions.
 - Seeking to develop work to fit the person.
 - Seeking to encourage the development in the person.

*) Elaborated based on Wrezesniewski & Dutton (2001).

CONCLUSIONS

SUSTAINABLE WORK...

- ...allows an individual to develop as a whole being, use different resources and develop them.
- ...allows thinking and doing, feeling and acting.
- ...allows individuality and communality.
- ...is continuously crafted since both work and the worker change!

Unsustainable work...

- ...allows only partial development (single leverage for development).
- ...promotes doing at the expense of thinking and feeling.
- ...focuses only on individuality, separates the individual from the community.
- ...is not developed, and often has not been even designed.

*Thank you for
your attention!*

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Questions to discuss

- How can we encourage work and organisational psychologists and economics to engage in effective collaborative research about important aspects of behaviour in the workplace?
- How to become a partner for economics (and oth.) to solve the problem of financial crisis? That our voice count
- How to change the system? Or in other words: how can we ensure that psychologists' opinion can be heard?
- How can W/O psychology contribute to understanding and addressing the economics recession and aiding recovery?
- What are appropriate incentives and incentisation strategies to motivate decision makers in policy, economics and businesses to engage in positive outcomes in the long run?
- Financial rewards: What do we know about the relation between Gini-index in the organization and its performance?
- How to measure the effects of a crisis? And on what level (individual or collective/societal)?
- What are positive influence of economic crisis for personality development?
- Different strategies of behavior in situation of economic crisis?

- Job insecurity: what do we know regarding job insecurity and competition between employees for the job?
- How do job insecurity affects life after 50 years old?
- Perception of job insecurity on individual, micro and macro levels and integrating various factors and how to measure it?
- How same notions are applicable for different categories of workers? Insecurity → position in the labour market, age, career and sustainability, quality of the job, level of development of economy?
- Steps to take from worker protection to worker self-assuredness. What can w&O psychologist do without losing basic protection standards?
- Is sustainable work productive on company level?
- Job design and sustainability: management perspectives and economic crisis perspective?
- Is the sustainability perspective useful to support the difficulties of worker representatives in crisis?
- What kinds of social processes are needed to promote a more responsible and sustainable working life?
- Is it possible to organize work in a way which benefits the individual, the organization and society at large?