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This is the Author's version of the paper published as:

**Title:** Towards a Tripartite Model of the Employment Relationship: Employers, Employees and Customers in Marketised Varieties of

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**Conference Title: Conference Name:** Varieties of Capitalism: Organisational, Management and Human Resource Implications

**Year of Conference:** 2007

**Conference Location:** Cardiff Business School, Cardiff University, Wales

**Editor:** J. Morris

**Publisher:** Cardiff University

**Pages:** CD rom

**URL:** [http://www.cf.ac.uk/carbs/news\\_events/events/past/conferences/eru2007.html](http://www.cf.ac.uk/carbs/news_events/events/past/conferences/eru2007.html)

**Keywords:** employment relations, employment relationship

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**CSU ID:** CSU289236

**TOWARDS A TRIPARTITE MODEL OF THE EMPLOYMENT RELATIONSHIP:  
EMPLOYERS, EMPLOYEES AND CUSTOMERS IN MARKETISED  
VARIETIES OF UNIVERSITIES**

*For submission to the **Human Resource** theme of the  
Employment Research Unit Conference  
"Varieties of Capitalism:  
Organisational, Management and Human Resource Implications"*

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### **Acknowledgements**

We express grateful thanks to all those who facilitated this research and to Nina, our excellent editor.

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**ABSTRACT**

*There is a need to reframe the underlying theoretical assumptions of the employment relationship. In current models it is assumed that there is a bipartite relationship between the employer and employees. Through a study of Australian higher education, we identify the role of customer power in the employment relationship, with student-customers influencing conditions of employment and the organisation of academic work. We conclude that as universities adopt the 'win-win' paradigm of customer-focused strategies, student-customers are no longer merely the focus of the output of the employment relationship, but rather are actors in it. This warrants the development of a corollary to current models that will identify and explain the phenomenon of the customer acting as a partial-employer in a tripartite relationship between employer, employee and customer. To make sense of employment relations in contemporary service-sector enterprises such as universities, it is necessary to incorporate consumption into theory building. The concept of the student-customer as 'partial-employer' provides an example of how this can be done.*

**THE EMPLOYMENT RELATIONSHIP: THEORETICAL ASSUMPTIONS**

Employment relationship theory is eclectic (Dabscheck 1989; Edwards 2005a); Heneman 1969; Laffer 1974). A single, generally accepted theory remains elusive (Edwards 2005b); Malos, Haynes, Bowal 2003; Rubery *et al* 2002; Schots and Taskin 2005). However, we can infer a range of assumptions from current models.

A first assumption is that, in industrial relations, ideology is a factor in most theoretical frameworks (Dunlop 1958; Teicher, Lambert and O'Rourke 2006). For example, the pluralist framework assumes that the employee-employer relationship is mediated by unions and the state, and that the organisation of work is defined in detailed workplace agreements (Fox and Flanders 1969; Gallie *et al* 1998). A unitarist framework seeks to dispense with the collective and institutionalised nature of the employment relationship, and substitutes managerial prerogative and individual employment contracts (HR Nicholls Society 1986). While the theoretical positions of unitarism and pluralism seem incompatible, the shift to an enterprise focus in Australia has strengthened their interface (Keenoy and Kelly 1998). This has occurred as enterprises have tried to adopt a more strategic approach to becoming more competitive (Slater and Olsen 2001). In such circumstances there is, of necessity, a greater linkage between product markets and labour markets. This can induce a transformation of custom and practice, and a reconfiguration of the power relations which lie at the heart of employment relationships. This is consistent with Bellemare's (2000) notion of customers as end-users of industrial relations who assume the role of actors in the system.

Implicit in all models is the assumption that the employment relationship (including the work organisation and the legal contract) is underpinned by legitimate authority, though the recognition of potential shifts in this authority varies from one model to another (Deakin 2002). This authority is legitimised by institutional arrangements which reflect a particular historical, political, economic and/or social context external to the relationship (Bellemare 2000; Teicher, Holland and Gough 2002). As these contexts change, the employment relationship (regulated by the national industrial relations system) may be changed to reflect varying national imperatives. For example, in the implicitly pluralist Australian system, in addition to the employer and employee, unions and government agencies also play roles. Although unions have held a legitimate role within the practice of industrial relations in many contexts since the early 1900s, that role has been strengthened or undermined by successive governments of different political persuasions.

The post-1996 neo-liberal Coalition Commonwealth Government's legislation (*Workplace Relations Act 1996*) prescribed a stronger unitarist framework of direct employer/employee bargaining, the introduction of individual employment contracts and the reduction of the role of unions and arbitration. The *Workplace Relations Amendment (Work Choices) Act 2005* curtails the legitimate authority of unions and arbitration (Teicher, Lambert and O'Rourke 2006; White 2005). Conversely, the legislation strengthens the legitimate authority of employers in agreement-making and emphasises individual agreements as the principal means of regulating the employment relationship (Sappey *et al* 2006) in what then becomes a more unitarist and individualised industrial relations system.

Another change to legitimate authority in the employment relationship is growing consumerism. In advanced capitalist societies, the relationship between production and consumption has changed; consumption is replacing production as the major basis of social differentiation (Burrows and Marsh 1992; Warde 1992). The culture of consumption and its relationship to production in a post-Fordist system confers primacy on consumers over producers and raises the impact of consumers on the organisation of work. Australian universities - the focus of this paper - are no longer merely economic or socialising agents, but are also a means of constituting meaning through consumption. Higher education has become individualised and reconstituted as a relationship between producers and consumers. This represents an ideological shift where education is governed by consumer orientation (Keat 1994). There are also structural and cultural changes to conventional university practices and the academic labour process. Higher education becomes a service encounter between academic labour and student-customers (Marginson 1995).

The literature also identifies the inter-relationship of technology and the employment relationship through work processes and work organisation (Matthews 1994). The mass production technologies of 20<sup>th</sup> century manufacturing, based on largely physical factors of production (raw materials, manpower and capital), were significant in removing workers from direct control of, and in many cases direct contact with, the product (Gallie *et al* 1998). With the decline of mass production, a new medium of work associated with the service sector has emerged (Frenkel *et al* 1999) in which the service encounter is paramount. This change from a physical to an increasingly non-physical information- and knowledge-based economy, is focused on producing services to meet the increasing appetite for consumption (Burton-Jones 1999).

This is consistent with the widespread assumption that the employment relationship is necessary and interconnected to other aspects of organisational life. Increased competition has triggered a stronger focus on managerial strategies (Porter 1991). It is a crucial shift which recognises that an important source of change in the employment relationship derives from developments in management thinking (Gallie *et al* 1998) and strategy (Kochan, Katz, McKersie 1986). Enterprises increasingly see customer service considerations as key determinants of organisational strategy. This challenges the assumption that the employment relationship is implicitly a bipartite relationship between employer and employees (Keenoy and Kelly 1998). Many writers on industrial relations have failed to appreciate the significance of customer relations and seem to have assumed that customers are outside the employment relationship, albeit the focus of its output. It is generally acknowledged that customers are having significant impact on the dynamics of work (customer call centres for example, Bain and Taylor 2000; Knights, Calvey and Odih 1999; Knights and McCabe 2003; Taylor and Bain 1998; Taylor, Mulvey, Hyman and Bain 2002). However, apart from a few exceptions (e.g. Bellemare 2000, Knights, Noble, Wilmot and Vurdubakis 1999 and Frenkel, Korczynski, Donoghue and Shire 1999), most authors fail to link consumer sovereignty explicitly to the employment relationship.

Bellemare's (2000) consideration of 'end-users' (a broader stakeholder concept) as industrial relations actors is a premise of this research. Bellemare's (2000) study of a public urban transit commission revisits Dunlop's (1958) 'actors' to include end-users as co-producers, co-supervisors and co-designers in an industrial relations system. These roles are consistent with the concept of the student-customer as co-producer which is well established in the education literature (Lengnick-Hall, Sanders 1997)), the 'quality' literature (Emery, Kramer and Tian 2001) and the marketing services literature (Manolis, Meamber, Winsor and Brooks 2001), albeit from different conceptual bases. This is reinforced by marketing services literature specific to higher education that argues that students "take on a variety of different roles ranging from customer to end product" (Hoffman

and Kretoivics 2004). In the marketing literature, the co-producer (sometimes referred to as the partial-employee) refers to situations where a customer replaces a more traditional employee role through self-service or situations where the customer provides information critical to service provision (Halbesleben and Buckley 2004). This would also encompass Bellemare's (2000) notion of the end-user as both co-producer and co-designer. We can interpret the literature as recognition of the changing roles of customers in service delivery. This opens the door for interpretation of the customer's role in yet another internal context - the employment relationship.

## EMPLOYMENT RELATIONS IN UNIVERSITIES

The transformation of universities from offering a pedagogical exchange to a service encounter is linked to globalisation, the reinvention of higher education as a tool of economic reconstruction and the move to a market relationship with education as a commodity (Rooney and Hearn 1999). A national emphasis on neo-classical economics and the primacy of socio-economic objectives has seen Australian higher education's primary role change from that of a socialising equalizer to an economic agent with a focus on economic competitiveness (Smyth 1995). This has been accompanied by greater complexity in the academic employment relationship.

The effects of globalisation on Australian higher education have included structural change in the marketisation of the sector and promoting competition between universities (Currie and Newson 1998; Coaldrake and Stedman 1998), the commodification of education consequent on marketisation and changing higher education consumption patterns (Usher *et al* 1997) and the rise of managerialism in the administration and management of universities.

In essence, higher education's shift from an educational to a market orientation have led to a reconfiguration of social relations in academic workplaces. The implications are that learning is to be consumed with pleasure rather than discipline. This is at odds with the modernist view of education in which the academic's role was to maintain the profession's status and the discipline's integrity through guardianship of the knowledge. Academics' traditional authority has been their accepted right to define and judge the meaning and value of their product in terms of the standards of their discipline, rather than those of customers. In market-oriented universities, the learners' wishes potentially take over from what educators have in the past dictated as 'needs'. This represents a significant shift in the balance of power between educator and student, with the potential subjugation of traditional academic authority to the power of the consumer in what has become a market relationship. Education is delivered as a service encounter between academic labour and the student-customer.

Work organisation encompasses work relations and employment relations (Frenkel *et al* 1999:789). Work relations is the 'act and medium of work and the social organisation of work activity including relations with customers'. Employment relations is management's vehicle for the regulation of management-employee relations through the implementation of policies designed to secure employee commitment. This definition recognises the imperatives of managerial strategy as a factor in shaping the employment relationship. This is consistent with Burawoy's (1979) concept of the social relations of production being the social structure and patterns of social behaviour associated with production. Under such current theoretical frameworks, the customer may well form part of the relational dimension of work, but is outside the employment relationship. We contend that

in the employment relationship in some Australian universities, a new frontier of control has opened up, with student-customers acting as management's agents of control over academic labour. This is consistent with Bellemare's (2000) concept of the end-user of industrial relations as co-supervisor.

At a basic level the employment relationship between a university employer and an academic employee is bipartite and contractual, although it was not always so. Before 1987 academic working conditions were established centrally by a tribunal which determined conditions for many public sector groups. Following a national wage case (AIRC 1987), two phases of pay rises were offered to university staff: a flat increase and a second tier in 1988, subject to productivity offsets through work restructuring at universities and the introduction of flexible work practices. For the first time the focus was on the management of academic labour (Hudson 1986). First, there was a decision that academics were 'employees' of the universities in which they worked, thereby parties to a formal employment relationship and subject to managerial authority. Before then, academics had seen themselves as their institutions. Decisions were made by senior academics who had been seen as academic peers rather than supervisory managers and whose decisions were made on the basis of scholarship rather than market and performance targets. Second, the productivity offsets included the introduction of probation, dismissal and termination/redundancy procedures together with staff development and review. Such human resource management (HRM) processes had not previously been applied to academic work. Before implementing these processes, it was necessary to define academic work through position descriptions and classifications in the Award Restructuring Agreement 1992. A review of these arrangements by the Australian Industrial Relations Commission (AIRC) in 1995 acknowledged the difficulty in implementing some of the procedures and created the first industrial award in the industry (*Australian Universities and Post Compulsory Academic Conditions Award*). The award was a major step in defining academic work according to the employment contract, and the organisation of work within it, rather than according to academic culture, and custom and practice. It brought a fundamental change to academic culture with its reorientation from scholarship to an employment contract.

Since enterprise bargaining was established under the Labor government in 1993, the employment relationship in Australian universities has been regulated by enterprise bargaining agreements (EBAs). Under the Coalition Government's workplace reform agenda, embodied in the *Higher Education Workplace Reform Requirements 2005* (HEWRR), the funding of Australian universities has been linked to industrial relations workplace reforms such as the introduction of individual workplace agreements (AWAs) as an alternative to EBAs. The tying of an institution's funding to specific industrial relations reforms, coupled with broader financial restructuring, based on a university's outputs as measured by the government's prescribed key performance indicators

(KPIs) - customer satisfaction is a KPI - has had a significant impact on the organisation of academic work. Since 2005 individual workplace contracts (Morris 2006) have facilitated the practice of differential pay rates between academics at the same institution, incorporating bonus systems and reward schemes tied to corporate targets, e.g, in the areas of student satisfaction and research output. Student-customers help to determine KPIs, which are relevant to the new employment relationship. Nevertheless, most observers still seem to assume that student-customers are outside the relationship. The employment relationship provides the context for the organisation of academic work which has at its core the tasks and how to do them, decision making and the wage-effort bargain. This is the minutia as opposed to the contractual and collectivised nature of the employment relationship.

## METHODS

The data are drawn from an occupational case study of academic labour in Australian universities using the extended case method (Burawoy 1988; 1991). Extended case studies were hallmarks of the Manchester School of Social Anthropology in the 1950s. Through explanation of anomalies, extended cases add value to general models and theories of the labour process. It varies from traditional ethnography in that it does not seek to reject theory outright or induct new theory from the ground up, but seeks to find an anomalous situation which highlights the weakness of current theory to explain, and then seeks to add value to that theory.

The study involved interviews, observation and content analysis of government reports and policy publications as well as publications (e.g. mission statements, strategic plans, other policy documents) found on university websites. Thirty-five interviews were conducted with higher education commentators, business faculty academics and academic managers from four public-sector Australian universities. These universities exhibited characteristics of the commercial-industrial model of universities (Warner and Crosthwaite 1995), (having been developed from colleges of advanced education). Such universities differ from the *universitas* collegiate model (elite 'sandstone' universities), and as such were more likely to exhibit customer focused policies and practices.

## DATA AND ANALYSIS

A common theme from interviewees in all workplaces was the role of central management headed by powerful administrators who had developed customer-focused organisational cultures.

As one academic commented, '*Universities these days are all about managerialism with a focus on the customer*'. A dean added that '*customer-focused strategies are important in the Faculty*'. An example of the common viewpoint from academic labour was: '*The acts to*

*commercialise [the university] by senior management are market driven, driven by students or at least by our perceptions of what students want ... we are pandering to perceptions of student needs ... there is a large amount of construction of the student-as-customer.*

There was general consensus from managers and academics that the marketisation of higher education, with knowledge sold as a commodity, had become an integral feature of the Australian higher education system. As one vice-chancellor (VC) commented: *'diminished funding has led to competition and marketisation ... marketisation is inevitable'*, while another added, *'It would have to be Nirvana to be able to escape and resist the invasion of marketisation'*.

The reconstruction of the academic workplace and the reorientation of academic work towards the market manifest themselves in a university's strategic plan. In all workplaces, their strategic plans focused on sustaining a culture of service which met the educational and service needs of demanding students whose focus was value and quality. For example, at one university the corporate plan identified management priorities as: (a) the achievement of university-wide performance goals including teaching-related performance targets such as graduate satisfaction levels, which were considered a KPI in terms of planning needs as well as a marketing tool to secure a favourable rating in the annual *Good Universities Guide*; (b) the development of a service culture, constructing students as its primary clients, through the implementation of student surveys of academics' teaching, the establishment of one-stop student centres (including call centres), the upgrading of student information systems - each student having access to the intra-net which incorporated on-line student feedback on service quality, the creation of a student ombudsman/complaints officer, focus groups and surveys of students to quantify their attitudes to and expectations of services, and as a direct outcome of such surveys, an extension of core opening hours; and (c) the development of flexible delivery of teaching programs as student-centred modes of delivery based on students' preferences regarding time and place. As acknowledged by a senior manager, flexible delivery brings substantial changes to traditional academic work practices in terms of the nature of the production process, the move to multi-disciplinary teams for production and delivery, and in particular, diminished control by academics over the teaching process. While most of the literature constructs flexible delivery of higher education in the pedagogical framework (Cunningham 2000), we draw on the content analysis of university promotional and policy documents, supported by participant observation to define flexible delivery as a pedagogy, a marketing tool and a form of work organisation. The latter element is largely unrecognised by university managements who do not acknowledge the consequences of this form of work organisation for the employment relationship.

This particular university's corporate plan was a blueprint for other Australian public sector reform with the 'win-win' competitive strategy of customer satisfaction at the core. As in many universities, KPIs and targets such as student satisfaction have been a catalyst for redefining the

criteria for academic achievement from those of professional standards as determined by a discipline, to criteria derived from market indicators.

The link between customer-focused strategies and processes and the reconstruction of academic employees could also be seen in EBAs. As stated in one agreement, to accommodate the increasing competition for students, declining government funding and the continuing and rapid changes in information and communication (ICT) technology, the hours of work arrangements of the university had to be organised in such a way as to meet the changing needs of students. Consequently the university's services in a number of departments were extended to a seven day a week basis.

An EBA at another university, states that bargaining is a strategic tool linked to corporate objectives, *'to strengthen its competitiveness and to achieve improvements in productivity, efficiency, effectiveness, quality, flexibility and equity'*. It was negotiated on the basis of managers' perceptions of the university's internal strengths and weaknesses, its market position, and the espoused strategies needed to achieve organisational effectiveness and survival, including customer focus. Flexibility, quality and value-for-money are key components in the provisions of the agreement which call upon academics to improve their service delivery.

At interviewees' workplaces, two assumptions managers make about their customers' needs and wants underpinned their strategic blueprints. First, student-customers want flexibility. Consequently, flexibility led to changes in the organisation of work, namely the tasks to be done, when and how these tasks would be done, with the pattern of work and conditions of employment negotiated around managers' perceptions of customer wants. This was reflected in EBA processes and outcomes (e.g. negotiation of a tri-semester, working hours for academics were varied in response to intensive modes of delivery, including weekends and off-shore delivery). This was also reflected in the conditions of employment for academics who undertook individual contracts to deliver intensive courses customised for corporate clients (e.g. specified turnaround time on assignments and response times to student enquiries written into the employment contract).

A second assumption that managers made about their student-customers was the customer expectation of value-for-money. Managers incorporated performance and accountability measures into formal organisational processes, targeting customer satisfaction levels. They operationalised the student-customer concept, giving legitimacy to customer expectations of service, and also providing the means by which student-customer expectations and needs could be met. For example, managers introduced: (a) academic performance management systems; a system of student evaluation of teaching which was more extensive than many other employers would administer to their employees, and for which a satisfactory student rating was necessary for tenure and promotion; (b) customer focus groups and surveys; (c) increased micro-management of academics' achievement of KPIs; (d) mechanisms for receiving customer feedback and complaints,

such as the ombudsman and chatboards; (e) curriculum changes to target particular markets (such as internationalisation of the curriculum and fast-tracking degrees); and (f) stronger marketing and quality/accreditation functions.

To achieve a greater market focus, then, university managers have constructed the student-customer and reconstructed employee roles in their light, with a redefinition and reshaping of academic work to fit customer predilections. Having established organisational processes to glean student-customer and prospective student desires, university managers seek to negotiate conditions of employment with academics that are favourable to their perceptions of student-customers' wishes. In this sense, customers exercise **indirect control**.

The effect has been to change the social relations of the higher education workplace, or as one VC put it: *'the employers, employees and students .. the ground rules have changed.'* The question then arises: How are authority and vested interests of academic labour and student-customers reconciled at the chalkface?

What takes place at the level of the service encounter of teaching reflects the inherent tensions in what has become a market exchange (Marginson 1995; Smyth 1995). As one academic commented, *'It's just too hard ... learning is seen as a commodity, a purchase to be made and this has really changed academic work.'* And from another, *'Consumer sovereignty is always "the customer knows best" but is problematic for the teacher'*. From another, *'As far as I'm concerned, students express themselves as customers, demanding services through e-mail ... full-fee paying students in particular identify themselves to put pressure on you. They tell me: "I'm paying for this"... they're more demanding with a focus on results which they think they are entitled to because they have paid money ... it's economic rationalism and it has destroyed education ... students see themselves as purchasing services which puts pressure on you over grades, particularly on junior staff.'* Observation at a different university identified the following incident: It was an MBA course and the young casual lecturer, hopeful of securing permanent employment there stated to a colleague: *'This assignment is appalling, but if I fail him [a full-fee paying international student] he might complain to Dr [X] [the course co-ordinator and the casual staff member's supervisor]. I don't want to stir up any trouble. After all, the students are going to do an evaluation of me in a few weeks time.'*

This research did not directly address the issue of so-called soft marking. The issue, however, was raised by interviewees who saw it as a symptom of the advocacy of academic managers supporting consumer sovereignty, rather than academic autonomy and authority. The inculcation of consumer sovereignty into cultural norms, coupled with labour's experience of conflict with student-customers who had management's backing, led academics either to internalise the value of consumer sovereignty or apply self-censorship. In this way new cultural norms were established which legitimised consumers' sovereignty and integrated them into decision-making frameworks, which directly affected the academic work.

Student expectations of service and quality generated by a university's marketing and quality functions can be incompatible with resourcing. In such circumstances there occurs constant negotiation and conflict at the chalkface between academics and students as the latter try to exert control over the organisation of work to secure their vested interests. *'Students negotiated over consultation hours which are different from what I'm offering, different break times during the class and different tute rooms, changes to assessment, their workloads, the length of assignments, the marking criteria so it has to be laid out exactly ... they want more time to do assessment ... they want more and more detailed information and to be taken every step of the way ... they want you to be available by phone, fax and e-mail every day and weekends ... they negotiate over grades and marks for assignments, resubmissions ... they will want to negotiate over everything.'*

The effort bargain, traditionally the domain of the employment relationship, becomes a negotiation between academic employee and student-customer, opening up a new frontier of control. As the head of one academic department commented: *'Client speak can be rhetoric ... it's not matched by resources. The bells and whistles rhetoric leads to consumer behaviour which changes the nature of work and collegial decision-making ... there are greater resource constraints and performance pressures on staff.'* *'I see my job as a service role so therefore I am affected by the students' perceptions of the goods and services which they are purchasing from me ... all the expectations created by the university's marketing function ... marketing is a source of expectation ... I then have to negotiate at the chalkface as to what I can actually do with the resources available.'*

Academics identified consumer behaviour from students who sought to negotiate directly with academics over a range of issues which impacted on the organisation of academic work, the effort bargain and the formal conditions of employment such as hours worked. Several academics related incidents in which students negotiated over the timing of when lecture and learning support materials would be available in different modes. Student-customer preference was usually for all materials (full lecture notes if available, PowerPoint slide presentations) to be available at the start of the semester, thus obviating the need for them to attend lectures. In terms of the organisation of work, this posed a major intrusion into what would normally be non-teaching weeks and a trough in academics' work cycle, an opportunity for research or holidays free of the direct service encounter with students. *'They demand it ... that everything be on PowerPoint and don't give us anything extra.'* And, *'PowerPoint has changed the teaching process in that students demand slides before that lecture and that takes away their responsibility for note taking.'* The timing of the release of copies of lecture materials was an point of dispute between academics and students at one institution and something which academics felt was reflected in the formal student-customer surveys.

Interviewees also reported that students negotiated over value-for-money. At one institution students started walking out of lectures while they were still in progress. The manner of their departure was designed to express to the academic and fellow classmates their judgement as a consumer about the worth of the material being presented. This was also expressed by persistent, intrusive conversations between students in the lecture room, which interfered with the teaching/learning process. Walkouts and talking were overt consumer behaviour which was directed at the authority of the academic. *'There's an expression of disrespect and their opinion about value-for-money through walkouts in lectures, coming late or not attending ... it's rude behaviour and an explicit presumption of students being customers.'* *'Walkouts are more prevalent.... There's an aggressive approach by students over marks, talking in lectures and there have been ...students claiming that lecturers had to comply because they were paying our wages ... consumer behaviour affects you but you become hardened to it.'* On the issue of value-for-money, students would also complain if classes were cancelled or ran under their allotted time. In this sense the teaching/learning process was driven by market criteria rather than by academic authority over the learning.

Interviewees at several workplaces identified that student-customers accessed academics as they wished, irrespective of the consultation hours and response times formally set by the academic through either face-to-face consultation or via ICT. Academics reported that student-customers had an expectation of immediate service. Academics viewed this as an intrusion into their time, an interruption to their workflow and a disrespectful challenge to academic authority. As one academic put it: *'Consumer behaviour is stronger since [I started]. Any consideration that academics are people with reputations that should be respected, or status, or people with any authority has gone ... students want what they want ... they don't see us as having a place in the hierarchy ... we are just someone here to deal with their issues.'*

The data confirm that the anomaly of customer influence and power in the employment relationship is evident at the level of the service encounter where student-customers may seek to control the organisation of academic work, thereby reconstructing academic labour to fit customer expectations of service. While negotiations over work organisation between employer and academic employee continue (particularly in regard to securing academics' commitment to customer service through the development of customer-service skills as measured by performance appraisal processes), a new frontier of control has opened up with student-customers seeking to negotiate directly with academic labour to foster student-customers' interests. Where resourcing is inadequate to meet student-customer expectations of service, student-customers seek to secure value-for-money by negotiating directly with academics about the employment relationship: the tasks and how and when they will be done (workload, task scope, timeframe and process); decision-

making; and the effort bargain. In effect, student-customers seek to exercise **direct control** over the labour process.

We do not suggest that academics are powerless in this employment relationship. Academics are increasingly constrained, monitored and evaluated but they nevertheless develop forms of resistance. However, these are beyond the scope of this paper.

The anomaly of customer influence and power in the employment relationship are evident in both aspects of the relationship, namely in the conditions of employment and in the organisation of work. Although not homogenous throughout the sector, there are nevertheless pockets within institutions where there is an intersection between customer service and employee behaviour moderated by managerialist KPIs geared to customer satisfaction. Student-customers become a partner in management's strategy-making and control systems over labour. This presents an anomaly which the traditional bipartite employment relationship between employer and employee is unable to capture and which denotes a significant shift in the social relations of the workplace, with its new emphasis on the "cult(ure) of the customer" (du Gay and Salaman 1992).

### **Towards a Tripartite Model of the Employment Relationship**

The tripartite-employment-relationship notion is about student expectations in a consumer society: expectations created by aggressive marketing strategies in which customers' wants and needs become paramount. Such expectations are legitimised by marketing campaigns, which build-up the customer's subjective perception of quality; and increase the consequences for academics when customer expectations cannot be met, due to inadequate resourcing and consequent service failure.

Many people have long assumed that managers wielded the legitimate authority, in most organisations. However, with economic, social and political change, consumers wield authority. By instituting customer-focused strategies which directly and indirectly incorporate customers into formal organisational processes, customers have, in effect, been empowered with legitimate authority over some aspects of the employment relationship.

There is a new frontier of control between these employees and customers, as customers channel their consumer sovereignty (legitimised by management), into their role as an actor in the employment relations of the university workplace, with customers assuming the role of partial-employer. The services-marketing literature has identified that the student-customer has already transcended traditional academic and administrative university structures to take greater control of

the purchase experience (Mieczkowska, Hinton and Barnes 2001). It follows that the student-customer's role has been transformed from the receiver of services to be an instigator and enforcer, aligned with managers. The concept of the student-customer as partial-employer goes beyond Bellemare's (2000) conceptualisation of the end-user as co-supervisor. The concept of the customer as partial-employer identifies customer power in the two aspects of the employment relationship: the conditions of employment and the organisation of work.

As agents of control, customers have the potential to influence the employer-employee bargaining agenda. Managers strive to achieve customer satisfaction and loyalty through securing delivery standards and flexible working arrangements which meet assumed customer preferences for flexibility and value-for-money. Managers also seek to control and reward academic labour through performance management systems geared to consumer satisfaction. Student-customers legitimately participate in employee performance management through formal organisational processes.

As agents of control, student-customers also have direct access to and surveillance of academics through electronic communication. They seek to negotiate directly with academic labour to enforce management imposed service standards and policies, in themselves an outcome of organisational strategy which has been significantly determined by customer predilection. Customers are thereby legitimately empowered as actors within the employment relationship between an employer and labour, rather than external to it and merely the focus of its output.

The anomaly of customer power in the employment relationship between academics and employing universities therefore warrants further theory development.

We conclude provisionally:

(a) that the intersection of customer relations and employment relations in strongly customer-focused universities potentially has unintended consequences for the employment relationship between universities and academic labour - consequences not previously recognised.

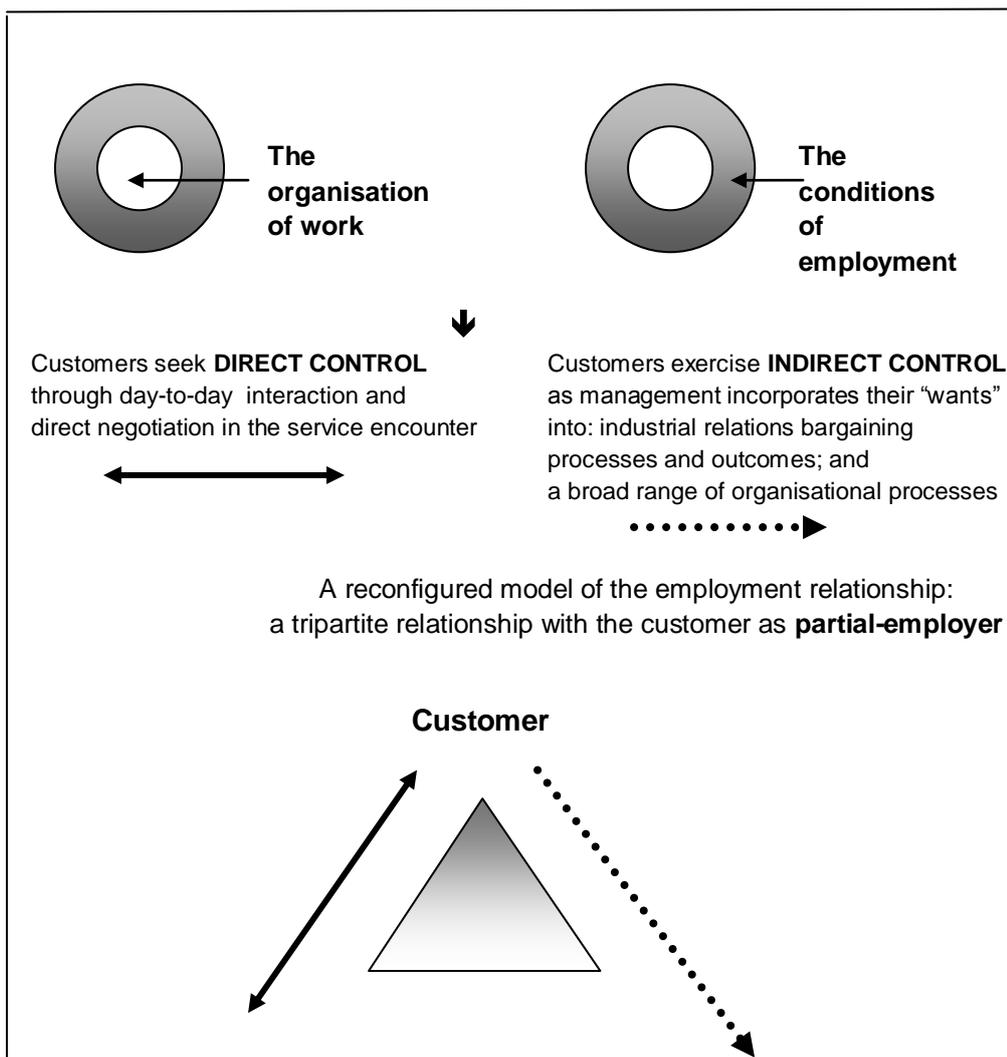
(b) that where customer service culture is strongly espoused but where resources are inadequate to meet customer expectations, the anomaly of customer power in the employment relationship may occur as customers seek to negotiate and secure their interests (consumer sovereignty).

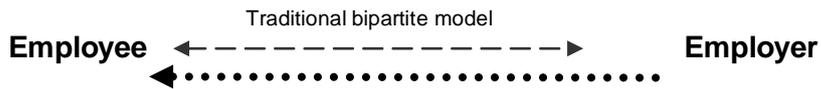
(c) that where the anomaly of customer power in the employment relationship does occur, customer relations is no longer merely an output of the employment relationship but a process within it.

(d) that where the anomaly occurs, there is a *tripartite* employment relationship between employer-employee-customer. This is not instead of the employer-employee *bipartite* relationship, but in addition to that relationship. Many customers seek to secure their interests via interactions with the employer. This then flows indirectly to employees via changed management practices and conditions of employment. Customers also seek a direct relationship with academic labour through negotiation over the organisation of work.

(e) the outcome is a reconfigured model of the employment relationship: The Tripartite Employment Relationship between employer, employee and customer - the customer becoming a partial-employer as illustrated in Figure 1.

**Figure 1: Towards a Tripartite Model of the Employment Relationship**





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## CONCLUSIONS

In summary, the research findings question the current management paradigm of customer focus as a 'win-win' situation, suggesting that management's preoccupation with customer relations has undermined the traditional employment relationship between employing institution and academic. Although not homogeneous throughout the higher education industry, or even within an institution, there is evidence in Australian higher education the anomaly of customers exercising significant influence over the organisation of work. Customer relations have been introduced into the workplace with the conditions of employment (legal contract) and the organisation of work (tasks to be done and how; control and decision-making; wage-effort bargain) re-shaped to meet managers' perceptions of customer wants. The legal contract/conditions of employment and the organisation of work are still negotiated between the primary parties of employer and employee (or their representatives). However, many of the criteria for negotiation (flexibility, value-for-money) are outcomes of student-customer wants, as perceived by management's marketing and customer relations functions and significantly, articulated directly by students through formal organisational processes. Student-customers will also seek to exercise control directly over academic labour at the chalkface when resourcing is inadequate to meet their expectations. In such circumstances the customer becomes an agent of control for the employing institution's and as such, is an influential actor in industrial relations processes and outcomes. The customer assumes the role of a partial-employer in a tripartite employment relationship.

With the weakening of industrial relations institutions, the importance of the organisation of work (the day-to-day negotiation over the tasks to be done, how and when) with its organisational focus is likely to increase, compared with the more formal aspects of the employment relationship, the conditions of employment traditionally bargained through industrial relations processes. To a greater extent, management wants its staff to perform at a higher level in a variety of ways. One way is through flexibility, namely the re-organisation of work (and as this paper argues, re-organisation in line with perceived customer needs and wants as the basis of functional flexibility). Another is by designing different workload/productivity measures and targets which are reinforced

through HRM systems with their focus on the measurement of individual performance and achievement. This fosters competition between labour and facilitates the individual employment contract negotiated between individual workers and employers, at the expense of more traditional forms of collective bargaining. For this reason promotion becomes a key concern for academics, especially in the less secure environment of fixed-term contracts and the demise of strong tenure arrangements. Flexibility can also be achieved through numerical flexibility. If employees want to focus on promotion, then they will seek to attain the criteria set by HRM systems which are linked to corporate strategic objectives, customer focus being one.

The realities of the service encounter, reinforced by individual employment contractual arrangements mean that labour internalises the values of customer service as its own survival strategy in a working environment that offers less job security and relies more heavily on individual performance and competitiveness. Internalisation, or at the very least self-censorship, when it comes to management's customer focus 'win-win' strategy is integral to achievement of personal career goals. This is to be expected. As labour markets are opened up and more responsive to the forces of supply and demand in the product market, labour is much more responsive to management's corporate strategies and its customers' demands.

This paper contends that to make sense of employment relations in the 21<sup>st</sup> century, it is necessary to incorporate consumption into theory building. The concept of the customer as partial-employer provides a possible point of departure. However, there remains much potential for more theorising in this field.

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