Abstract

Global pressure to increase Australia’s market competitiveness has prompted the government to allow employers more control over the determination of wages and conditions. This change has resulted in concern over increased exploitation of vulnerable cohorts of the labour force, particularly young workers. The circumstances which lead to the breakdown of the employment relationship in young employees and associated violation of the psychological contract have been given little consideration in the literature, despite their growing significance in today's employment climate. This study uses secondary data obtained from the Young Workers Advisory Service in Queensland, comprising 1259 recorded employee complaints regarding their dismissal from work. Content analysis is supported by statistical methods to explore frequencies, themes, trends and variables associated with the circumstances leading to employee dismissal. The results indicate that at least two thirds of the sample experienced a serious betrayal of trust by the employer, however only one in ten successfully received legal redress. These findings expose exploitation within the youth labour market and suggest that more must be done to protect young people’s rights at work.
Introduction

The increased pressures of competition and globalisation have resulted in dramatic restructuring of the industrial relations system in Australia over the past two decades (Bacon and Storey, 1993, Teicher et al., 2006). As direct third party interference in the employment relationship diminishes, a more flexible labour force is being formed. More often, employees are negotiating individual agreements without union representation, and employers have greater control over pay and employment conditions. This workplace flexibility is also reflected in the increased ease of termination of employment, and reduced ability of employees to take action on unfair treatment (Chase and Harvey, 2006, Robbins and Voll, 2005, ACTU, 18 May 2007). For more vulnerable groups of workers, these changes have seen a decline in pay and working conditions, and an intensification of exploitation and precariousness of employment (ACTU, 2003b, Allegretto, 2005, Commission for Children and Young People and Child Guardian, 2005, Office of Industrial Relations, 2005, McDonald and Dear, 2005).

By virtue of their age and experience in the workforce, young people are especially susceptible to workplace exploitation (Young Workers Advisory Service, 2005). Compounding these factors, young people are primarily employed in industries such as retail and hospitality that offer tenuous employment and where working conditions are further exacerbated by very low levels of union membership (ACTU, 2003b, ABS, 2005b). Although workers aged 15-24 represent one fifth of the entire labour force and are clearly a vulnerable cohort, little is known of the internal employment circumstances in which they work (ABS, 2004a). Continued change in industrial relations, particularly the removal of protection mechanisms against dismissal, is likely to exacerbate their situation. These factors demonstrate the salience of research into young peoples’ experience with the employment relationship and more specifically, their expectations of the psychological contract. Psychological contract theory is especially useful in explaining the types of implicit promises made between employer and employee and the outcomes associated when obligations are not met.

Utilising a sample of employment complaints from 1259 young workers received by the Young Workers Advisory Service in Queensland, the following research applies content analysis to suggest categories of types and circumstances of dismissal commonly encountered. This study examines the breakdown of the employment relationship in young people, using psychological contract theory as a lens to explain the results. The findings explain the tendency for employers to betray the trust of young workers and violate the psychological contract leading to dismissal.
Literature Review

A review of the literature has uncovered changes occurring in industrial relations, which affect the employment conditions of Australian workers. It has identified how these changes have affected the youth labour market and increased their vulnerability to exploitation. This short review will present the precarious circumstances in which young people work and describe key trends affecting their employment. It will present psychological contract theory as a lens to view the breakdown of the employment relationship leading to dismissal, with consideration given to the violation of employee expectations and trust.

The Australian Labour Market

Globalisation and the resultant increased exposure to competition in the late 20th century has put pressure on the Australian economy to provide cheaper and more flexible labour (Teicher et al., 2006, Bacon and Storey, 1993). Labour flexibility has increased through the development of more casual, part time and temporary positions, and by reducing the role of institutions in employment negotiations (Gardner and Palmer, 1997). These changes in industrial relations, particularly the recent amendments to employment legislation, have allowed Australian business to compete internationally. However, as business is allowed more freedom within the employment relationship, employees are gradually losing or trading away some of the guaranteed employment conditions of the past century, such as job stability and security, union representation, the eight-hour day and the right to a ‘living wage’ (Teicher et al., 2006).

The introduction of WorkChoices in 2006 has further increased the freedom of business to negotiate without the intrusion of unions, allowed greater flexibility of labour, limited benefits and conditions offered and altered wages (Chase and Harvey, 2006). Many Australians have been disadvantaged by these new laws; hundreds of thousands of employees on individual contracts lost previously protected conditions such as penalty rates, overtime, shift allowances and meal breaks; over a million low paid workers have had their wages reduced; and four million have lost protection against unfair dismissal (ACTU, 18 May 2007). Employees particularly affected by these changes are those with little work experience, poor negotiation ability and limited knowledge of their employment rights, relevant legislation and available support systems such as young workers (Commission for Children and Young People and Child Guardian, 2005).

The Youth Labour Market

Young people, as defined by the Australian Bureau of Statistics (2004b), are aged between 15 and 24 and make up 20% of Australia’s labour force. Although the youth labour force represents around 2 million people, their work situation varies dramatically from the general workforce. Current trends show that youth of today are staying in school longer, are more likely to be employed on a casual or part-time basis, and often combine work and education (Office of Industrial Relations, 2005, Commission for Children and Young People and Child Guardian, 2005, ABS, 2005b).

Changes in the Australian political and industrial situation have increased the need for young people to complete secondary school and go on to tertiary studies (McDonald et al., Forthcoming). A small number are able to do so with the financial support of their
family or the government, but most find that part time work is necessary to fund living and study expenses (ABS, 2005b). One in ten youth are unemployed and some are feeling the pressure of high educational expectations for entry level positions (Curtain, 2001). Around half of employed youth are in full time positions and half work part time, with two thirds of these on casual contracts (ABS, 2005b). Many young people have taken part time work out of frustration of unavailable full time positions and some are actively seeking more hours (ABS, 2004a). The overall picture of the youth labour market shows that they are susceptible to changes in the industrial relations climate, they are highly involved in the workforce and their education, and they are employed in predominantly unstable modes of work (ABS, 2004a).

The Vulnerability of Young Workers

A review of the literature indicates that the vulnerable situation of employed youth has been compounded by high casualisation, minimal wages, low unionisation, poor knowledge of employment rights and limited bargaining ability (ABS, 2004a, McDonald et al., Forthcoming, McDonald, 1991).

1. High Casualisation
   Young people are highly represented in casual employment arrangements; two thirds of youth are casual compared to one third of the general population, and young workers occupy 40 percent of the casual labour market (Pocock et al., 2004, ABS, 2006a).

2. Low Weekly Earnings
   Increases in the minimum wage have had little effect on young workers, who typically earn between 30-50 percent of an adult minimum wage (ABS, 2005a). Young people aged 15-19 have the lowest mean weekly earnings of $395 per week, compared to $854 for full-time employees aged 25-34 years (ABS, 2004a). Most young workers are employed in the retail and hospitality sectors, which pay the lowest weekly wage of all industries (ABS, 2006b).

3. Low Union Membership Rates
   Casual, low paid work in the above industries is especially precarious when unionism is low (Lauritsen, 1995, Young Workers Advisory Service, 2005). While one quarter of the labour force have union membership, only 13 percent of youth are members (ACTU, 2003a). Lack of unionisation restricts improvements in working conditions, legislative reform or representation and advocacy against unfair work practices (McDonald and Dear, 2005).

4. Limited Knowledge of Employment and Undeveloped Bargaining Skills
   One study showed that one in four young people did not know if they were casual or permanent and over half did not know the award or agreement under which they were employed (Office of Industrial Relations, 2005). Young people are less willing to challenge unfair practices or terms of employment due to a lack of knowledge of their rights and the support services available, and minimal or no previous bargaining experience (Chase and Harvey, 2006, Young Workers Advisory Service, 2005).

Support and Redress for Young Workers
In response to these issues and in acknowledgement of the relative vulnerability of youth, there have been some positive developments by unions, government and non-government organisations (NGO’s). Unions, including the ACTU, have been involved in promotional activities aimed at increasing youth membership rates, such as developing a website and hotline dedicated to youth employment issues (ACTU, 2003b). In 1980 Job Watch was founded in Victoria, providing advice, referrals and representation to all workers in the state (McDonald and Dear, 2005). In 2002, the Queensland Government funded the establishment of the Young Workers Advisory Service, with the purpose to provide free and confidential information, advice, referrals and advocacy to young people experiencing work related issues (Young Workers Advisory Service, 2006). Young people also have the option of contacting relevant government agencies directly to pursue cases of unfair treatment at work.

The Employment Relationship and Workplace Dismissal

Although we have a picture of the core statistics and trends that define the young workforce, there is a definitive lack of research that investigates and uncovers the situations that young people experience at work. In particular there is no insight into the circumstances that occur in the employment relationship which lead to a young person’s dismissal. Dismissal is fast becoming a major concern for young people, as legislation limits their “choices” at work and allows for ease of termination, particularly where they are on casual contracts (ACTU, 18 May 2007). Furthermore, the threat of dismissal is often used to persuade young people into agreeing to unfair, unsafe or unlawful work practices (Lauritsen, 1995).

Explaining the Employment Relationship: The Psychological Contract

Psychological contract theory provides a useful lens through which the employment relationship of young workers can be examined. The concept of the psychological contract describes the shared expectations of mutual obligations between the employer and employee (Argyris, 1960, Shein, 1965). The psychological contract is constructed as perceived obligations; beliefs held by the employer or employee that the other is bound to fulfill a promise made explicitly or implicitly, regarding their employment (Robinson et al., 1994). The promise can involve expectations surrounding areas such as working hours, privacy, security, promotions or training (Robinson and Rousseau, 1994).

Psychological Contract Violation

When one party fails to deliver on his or her promises a violation of the psychological contract has occurred (Robinson et al., 1994, Coyle-Shapiro and Kessler, 2000, Morrison and Robinson, 1997, Robinson and Rousseau, 1994, Robinson, 1996, Turnley and Feldman, 2000). Studies suggest that psychological contract violations are relatively common and are linked to a host of negative behaviours such as employee turnover and absences, job dissatisfaction, reduced trust and loyalty, decreased performance and retaliation behaviours such as theft, vandalism or complaints (Morrison and Robinson, 1997, Robinson and Rousseau, 1994, Shein, 1980, Robinson et al., 1994, Turnley and Feldman, 2000). The vulnerability of many young workers and the precarious nature of their employment (increasing casualisation, overrepresentation in low paying industries and falling unionisation)
suggests psychological contract violation in contexts where youth are employed may be particularly problematic.

According to Pate, Martin and McGoldrick (2003) the focus of current literature is on the process, frequency and effects of psychological contract violation. This research contributes to the process and frequency, in exploring and explaining the occurrences of particular circumstances related to dismissal. The research will also explore one avenue of outcome of psychological contract violation beyond employee workplace behaviours, by investigating the types of dismissal that occur and the resulting legal action taken. The focus of this research is unique as it investigates psychological contract violations and dismissal in the context of young people’s perceptions and experience across a broad range of employment situations.

**Research Applications**

- Broaden current literature (dismissal, youth employment relationship, psychological contract)
- Provide recommendations for public and organisational policy makers and youth employment advocacy organisations
- Applicable to human resources and industrial relations practitioners in identifying the workplace circumstances that damage the psychological contract and the subsequent type of dismissal occurring
- Provides a pre-WorkChoices glimpse into the youth-employer relationship, creating an ideal opportunity for further research

**Research Methods**

**Research Questions**

In view of the insufficient research into the violation of psychological contract leading to the breakdown of the employment relationship among young Australian workers, the following research questions are posed.

The major overarching research question that guides the study is:

*What are the patterns of internal labour market conditions which lead to a breakdown of the psychological contract and subsequently the employment relationship amongst young people in Queensland?*

The following sub-questions are also investigated and guide the data analysis.

1. What types of dismissal are most commonly reported to the Young Workers Advisory Service?
2. What is the nature of the circumstances which led to these dismissals?
3. How are the types and circumstances of dismissal related?
4. Are the types/ circumstances of dismissal gendered?
5. What is the frequency of dismissal of young people across industries and occupations?
6. Which categories of circumstances and types of dismissal are more likely to progress to seeking redress?
7. Is the level of financial compensation received affected by the type/circumstance surrounding the dismissal?
8. Are the circumstances leading to the dismissal of young workers representative of violation of the psychological contract?

Research Approach

Data Collection - Young Workers Advisory Service (YWAS)

Data were derived from information pertaining to cases of workplace dismissal reported to YWAS. YWAS is a state government supported service that assists young people in Queensland to gain information, advice, referral and representation on work related issues. YWAS operates via their Brisbane based office, with the majority of clients serviced via a free helpline and supported by the organisation’s website. YWAS employees comprise of volunteer and paid employees who come from an industrial relations, law or social science background. Employees assist clients via email, phone and walk-in service, and record details of their client interactions in an electronic, text-based database.

All calls of more than five minutes made to the service are recorded in text based form in the organisation’s database. All enquiries are categorised according to subject matter. Data used in this study have been obtained solely from the dismissal category.

Sample

- 1259 cases
- 64% female, 36% male
- aged between 15 and 24 years old
- reported to YWAS over the period of March 2002 to February 2005
- Callers resided in urban, regional or rural Queensland
- Consistent with ethical and privacy requirements, data were de-identified

Procedure

Stage One – Data Acquisition and Refining

The sample originally consisted of 1500 cases of dismissal. Cases were then sorted according to their suitability for the study and approximately 15% were discarded. For a case to be complete enough for inclusion in the study it needed to include information on key variables: (1) Gender (Male or Female), (2) Type of dismissal (either stated or implied by the data), and (3) Circumstances surrounding the dismissal. Additionally, some cases included data regarding further variables: (4) Position title, industry or Company (42% of cases), (5) Follow up case action (53%) and (6) Amount of compensation received from case action (12%). This data was included in the study and added to the depth and quality of the findings.

Stage Two – Content Analysis
Categories were determined through content analysis. Most categories developed through an iterative process of reading and reviewing the data and capturing recurrent categories. Content analysis was primarily used to determine appropriate categories for the types and circumstances of dismissal, and the creation of themes within each circumstance. (Marshall and Rossman, 1995, Cavana et al., 2000).

Types of Dismissal: Based on previous research indicating distinctions between types of termination in employment (e.g., Job Watch, 2003; Lawlink, 2007; Wageline, 2006), types of termination were coded as:

(i) actual  
(ii) threatened  
(iii) constructive  
(iv) resignation  
(v) redundancy

Circumstances of Dismissal: Given the absence of a single, established framework in relation to the breakdown of the employment relationship in previous literature, the following categories were developed:

(i) bullying and harassment  
(ii) alleged discrimination  
(iii) leave or personal circumstances  
(iv) alleged poor performance  
(v) alleged theft, misconduct or fraud  
(vi) operational reasons/ other or a pay related issue or complaint

Stage Three – Data Sorting and Validity Test

Following stage two when coding categories had been developed, 100 randomly selected cases from the raw data were provided to an independent researcher to validate the emergent themes initially developed. The researcher, who was ‘blinded’ to any coding categories developed previously, was asked to read the cases and devise a framework which adequately summarised the types of circumstances which led to dismissal. The categories were highly similar and could be meaningfully collapsed to be directly consistent with the researcher’s framework. These categories suggest a resulting framework with substantial validity.

Stage Four – Analysing the Data

The final stage of the methodology was to organise the data so that it could be presented in such a way as to answer the research questions. The majority of this work was undertaken using Excel to perform comparisons between categories of data such as the type and circumstance of dismissal.

Frequencies and statistical significance of some relationships between variables were measured via cross tabulations and chi-squares, using SPSS Version 14.0. The large size of the sample and associated statistical power in this study resulted in a number of significant results; therefore the findings were interpreted by adjusting residuals of +/-
2.0 and were only reported when the percentage differences across categories were meaningful.

Results

The following results include frequencies measured using SPSS and relationships tested by cross tabs and chi-squared analysis.

Type of Dismissal

In the majority of cases (66%) the employee was “actually” or instantly dismissed from their position.

Figure 1: Frequency of Types of Dismissal

Circumstances Leading to Dismissal

The most frequently occurring circumstance leading to the breakdown of the employment relationship was bullying/harassment and leave/personal circumstances, together accounting for over one third of all cases.

Figure 2: Frequency of Dismissal Circumstance Categories
Details of Circumstance Categories

Within each category of circumstances, cases were sub categorised into a number of distinct themes. Themes were tested for their relationship to gender using cross tabs and chi squared analysis ($\chi^2 = 114.2$ (31), $p < .001$).

1. **Leave or Personal Circumstances** – 244 Cases: This category mainly included cases where employees had been dismissed following sickness or an injury (most often work related).

2. **Bullying and Harassment** – 233 Cases: Sexual harassment was the most common theme, affecting one quarter of all clients who were bullied or harassed. An overwhelming majority (85%) of sexually harassed clients were female. Other callers experienced bullying, verbal and physical abuse.

3. **Alleged Theft, Misconduct and Fraud** – 228 Cases: The most common occurrences in this category were of misconduct, accounting for 57% of cases. Misconduct involved assault, disobedience, drug and alcohol related incidents, inappropriate behaviour, misappropriation of funds and property damage. Half of all callers in this category were men, compared to the overall sample which was made up of only 36% males, indicating that they are more likely to be involved in dismissal due to misconduct.

4. **Pay or Contract Related Issue or Complaint** – 179 Cases: The most frequently occurring cases in this category were those involving a direct cancellation or change to the employees’ contracts (44% of cases in this category). Another quarter of callers were dismissed following an inquiry regarding unpaid money, such as superannuation, wages or annual.

5. **Alleged Poor Performance** – 151 Cases: Of the cases regarding performance, the majority (72%) did not provide specific data describing the details of the performance issues. Those cases that did provide some indication described attitude, communication and accuracy based performance issues.

6. **Alleged Discrimination** – 120 Cases: Most cases in this category involved types of discrimination which are prohibited under current legislation. By far the most common theme accounting for half of these cases was pregnancy based discrimination. Females experienced a higher frequency of dismissal due to discrimination than males.

7. **Operational Reasons/ Other** – 106 Cases: The least frequently occurring circumstance was dismissal due to business reasons outside of the employee’s control. Some clear themes emerged from these cases, with the most frequent being less work or hours available for employees, followed by change in management or ownership, redundancy, financial problems, closure or liquidation and organisational restructure.

Types and Circumstances of Dismissal

A cross analysis of the types and circumstances of dismissal uncovered the following data. The relationships have been tested using cross tabs and chi squared analysis ($\chi^2 = 432.2$ (24), $p < .001$).

Alleged theft, misconduct and fraud cases were overrepresented in actual dismissals; 81% of callers were actually dismissed, however there were no redundancies and few constructive dismissals. Bullying and harassment showed a lower number of actual
terminations, a significantly high proportion of constructive dismissals, and a higher percentage of threats and resignations than the overall sample. In fact, 69% of all constructive dismissals and 39% of all resignations were related to bullying and harassment. Dismissals for operational reasons showed a very high frequency of redundancies. Pay and contract related issues and complaints included a high number of threatened dismissals.

Employee Occupation

Of the entire sample, 531 callers reported their occupation to a YWAS advisor. From this data, 475 (89.4%) cases provided adequate information about their position to classify it within the Australian Bureau of Statistics Standard Classification of Occupations (ASCO) (ABS, 1997), as follows:

![Bar chart showing the distribution of caller occupations by major category.](image)

Figure 3: Breakdown of caller occupation by Major Category ABS Classifications

Positions requiring a high level of skill, qualifications and experience were represented least in this sample of young workers. Around ten percent of the sample was comprised of Tradespersons and half of these worked in food related trades. Seventy-six young workers were employed as apprentices and trainees. The majority of the sample (55%) was employed as Elementary and Intermediate Clerical, Sales and Service Workers. Of the 106 Elementary level workers, most were employed as sales and service workers and the remaining as clerks. Intermediate level employees represented 159 callers, the majority (92) of whom were employed as hospitality workers, some as carers and aides, sales and service employees, clerks and receptionists.

Referral of Cases for Further Action
Of the total sample, YWAS staff referred 53% of callers to pursue further action based on their dismissal complaint. The most frequently referred organisations were the Department of Education and Training, the Queensland Industrial Relations Commission and Anti-Discrimination Commission of Queensland (ADCQ) and Wageline. Cases of bullying and harassment and pay related issues were most heavily referred. Constructive dismissals and resignations were most likely to receive a referral.

Compensation of Dismissal Cases

Of the total sample, 152 cases (12%) reported to YWAS that they had successfully received remuneration after taking further action on their dismissal case. The average level of compensation received was $1,588. Resignation cases showed the highest average amount of remuneration, constructive dismissal and redundancy received the lowest average value of compensation. Bullying/harassment and leave/ personal circumstances categories reported the highest value and largest number of cases to successfully receive compensation.

Discussion

The large number of dismissal related calls received by YWAS over the three year period suggests both a high frequency of dismissal related incidents and a critical need for cost-free advice and advocacy for young workers. Overall, the results indicate a concerning tendency for employers to breach fundamental legislative requirements and employee expectations which comprise the psychological contract.

Of the sample, two thirds of the clients who contacted YWAS were women. This reflects the greater number of women in precarious industries and unstable employment arrangements. The findings uncovered particular situations exacerbating the vulnerability of young women. The results showed a high proportion of sexual harassment and discrimination cases involving women. This indicates a serious situation for young female workers, where employers are not meeting their obligations of the psychological contract.

The results showed that referrals to take further action were made to over half of all callers, indicating that many callers have a prima facie valid legal case against their employer according to the YWAS representative. However, only one in ten received a successful legal outcome. Cases most likely to be successful were unfair or unlawful dismissals involving issues such as termination following an injury at work, sickness or harassment. Many cases were not pursued by young employees, reflecting their lack of confidence and knowledge of the employment relationship and legal constraints which may prevent them (such as being casual). These results also reinforce the importance of providing advice and support for young people treated unfairly at work.

These findings also suggest that employers of young people are exploiting their employees and are likely privy to the fact that there is a low possibility that their misdemeanours will ever be acknowledged or challenged. Sometimes, when circumstances arise which are inconvenient to the usual flow of work and business, or
threaten maximum productivity, such as injury, pregnancy or a complaint of bullying, the simplest method of dealing with the issue is to terminate the employee. The reactions of employers to circumstances such as bullying, harassment, leave requirements and discrimination represent a disturbing violation of the psychological contract.

This study established that serious violations of the psychological contract are common in employers of young workers. It discussed the betrayal of trust and expectations which often occurs, leading to the breakdown of the employment relationship. It also acknowledged that prior violations of trust by the employer can lead to deviant employee behaviours such as theft, misconduct and poor performance at work.

Due to their age, consequent lack of knowledge, confidence and experience in work situations, young people often showed unwillingness to take action when violations occurred. Many cases described employees who had tolerated circumstances such as discrimination, bullying and underpayment of wages for an extended period of time but were hesitant to complain for fear of dismissal, which unfortunately was a likely outcome. Violation of the psychological contract between young workers and their employers often leads to instant dismissal and rarely involves complaint or action on the part of the employee. Further research in this area could explore psychological contract violation by including the measurement of effects of serious violations such as those mentioned. Research could also measure typical variables such as trust, loyalty, job satisfaction and intent to stay amongst samples of young workers, to provide further insight into the differences in the psychological contract between adults and young people.

Limitations

- Secondary data – case variability, some missing and ambiguous data
- Unable to follow up callers due to privacy constraints
- Study only represents those youth who choose to complain

Future Recommendations

- Provide support to young workers pursuing cases independently
- Ensure availability of YWAS (and similar) advocates
- Provide employment information in child-friendly terms
- Reconsider effects of employment legislation restrictions on young people
- Ensure continued protection of casuals from unlawful termination
- Create new youth specific services interstate
- Education for employers and employees
- Awareness at school and at home
- Limitations of the Study
Reference List

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