

The Effect of Introducing Private Sector Into Public Sector on Public Sector Works under the Model of New Public Management

Mengyan Li^{1, a}

¹Heze Municipal Bureau of Administrative Services, Heze, 274000, China

^a5134076@qq.com

Abstract

The basic trend of contemporary western government reform is to move towards a practical model of new public management, that is, using the methods and technologies of business management and introducing the market competition mechanism to improve the level of public management and the quality of public services. This essay focus on the the effect of introducing private sector into public sector on public sector works under the model of new public management.

Keywords

Private sector; Public sector; New public management.

1. Introduction

Public institutions are an important part of the public sector. Chinese public institutions are responsible for providing public goods and public services to the society. It is one of the important suppliers of social public services and public goods in China. However, In China, personnel management of public institutions has several serious problems. For example, In the process of personnel system reform, the irrational talent structure is an important issue. What's more, under the traditional mode of work, the enthusiasm of employees in public institutions is very low. In addition, Due to the lack of professional human resource management, it also restricts the effectiveness of the reform of the personnel system of public institutions. (Cooke, 2004). The status of public institutions is unable to meet the requirements of the socialist market economic system and the needs of social undertaking development. In China, In order to adapt the public institutions to socialist modernization, after the 3rd Plenary Session of the 11th Central Committee of the Communist Party of China, The China's State Council had approved the reform of Public institutions (Bray & David, 2005). The reform of Chinese public institutions is the application and practice of the new public management model in China. The reform of public institutions broke up the tradition of personnel reform in public institutions. Personnel reform was the primary and important component of the reform of public institutions, because it was related to the efficiency and results of the overall reform (Bray & David, 2005). Organizational reforms usually lead to many changes, including the change of organizational commitment and the breaking of psychological contracts between employees and organizations, especially in the personnel system. The personnel reform of public institutions faces more powerful psychological resistance of employees in China. This essay chooses the reform of the personnel system of Chinese public institutions as a case study, and critically analyses the impact of the reform of the personnel system of Chinese public institutions on employees' psychological contracts.

2. Theories & Concepts

According to the Administration for Industry and Commerce of the people's republic of China (1998), public sector refers to social service organization that is organized by state's

government or other organizations using state-owned assets for social welfare purposes. And it is engaged in education, science and technology, culture, health and any other sectors. Educational institutions, scientific research institutions, medical and health institutions, social public cultural institutions, social public sports institutions and social welfare institutions are all public sectors. They are characterized by public welfare and non-profit (the Administration for Industry and Commerce of the people's republic of china,1998).

The earliest person who used the term 'psychological contract' was an organizational psychologist Argyris (1960). In his book *Understanding Organizational Behaviour*, he used a psychological contract to explain the relationship between employees and employers (Argyris, 1960). Argyris (1960) emphasized that in the relationship between employees and organizations, in addition to the content of the formal employment contract, there are implicit, informal, unpublished mutual expectations. These also determine important factors in employee attitudes and behaviour. If the employer took a positive leadership approach, employees would be very active at work.; If the employer guaranteed and respected the informal norms of the employee (For example, giving employees autonomy right, or ensuring employees have enough wages and stable jobs, etc.), under such conditions, employees would have fewer complaints and maintain higher production (Argyris, 1960). In the early 1960s Schein (1965) defined the psychological contract in his book *Organizational Behaviour* as "In any organization, between each member and the manager of the organization, or between any person, there is always an unwritten expectation" (Schein, 1965). Kotter (1973) defines the psychological contract as an implicit agreement between an individual and his organization that specifies what each expects to give and receive from each other in their relationship. In summary, the psychological contract is a subjective psychological agreement between the organization and the individual. Each expects to give and receive from each other in their relationship. The core component of the agreement is the informal mutual responsibility implied between each other.

Table 1. Differences between Transactional psychological contract and Relational psychological contract (Rousseau and Parks ,1993)

Contract characteristics	Transactional contracts	Relational contracts
Focus	Economic Extrinsic	Economic Social-emotional Intrinsic
Time frame	Close-ended Specific duration	Open-ended Indefinite duration
Stability	Static	Dynamic
Scope	Narrow	Pervasive and comprehensive
Tangibility	Public Easily observable	Subjective understood

Psychological contract is an implicit contract that exists between employees and organizations, and its core is employee satisfaction. Rousseau and Parks (1993) believe that although the characteristics of individuality and specificity of psychological contracts are obvious. But basically, can be divided into two categories: transactional psychological contract and relational psychological contract. Transactional psychological contract: there are detailed tasks,

employers provide short-term compensation. Relational psychological contract: The task is not clear, but the employer provides long-term compensation (Rousseau and Parks, 1993). The two types are different in focus, time frame, stability, scope, and tangibility (as shown in Table 1).

China has long formed a relational psychological contract, which is different between employees and organizations in private sectors. On the one hand, it is expressed in organizational culture. Jacques (1951) identified organizational culture as:

The customary or traditional ways of thinking and doing things, which are shared to a greater or lesser extent by all members of the organization and which new members must learn and at least partially accept in order to be accepted into the service of the firm". (Jacques, 1951, p251).

A widely accepted definition of culture provided by Schein (1984) is that culture is used as the correct way for new employees to behave, thereby, culture can perpetuate organizational survival and growth. Organizational culture has a close relationship with psychological contract. Organizational culture determines how people get along with each other, and their relationship determines the type of contract that exists between them (Schein, 1984). In other words, organizational culture determines the type of psychological contract. Different stages of organization development will result in different cultures, and psychological contract will change with the development of the organization. In the public institutions, due to the influence of the resource allocation mechanism, the relationship between individuals and organizations is extremely close, and the contractual relationship is relatively stable and firm. The organization not only undertakes economic functions for its members, but also undertakes some social functions. Employees are highly compliant and dependent on the organization. This also leads to a "symbiotic" relationship organizational culture between employees and organizations (Chandler & Nick, 2018; Andrew, 1983).

In the general mind of the Chinese people, working in a public sector is equivalent to having an "iron rice bowl" in their life. The "iron rice bowl" refers to a work that is highly stable and has no risk of unemployment. Because in the Chinese context and oral speaking often refers to the work as "rice bowl", and the permanent and stable nature of this work making the work itself hard as iron. So, the highly stable work is called the "iron rice bowl" in China (Lu and Perry, 1997). After the founding of the People's Republic of China, socialist construction was implemented. Private companies had been replaced by state-owned companies, and the government became the country's largest employer. At that time, students would be sent to work in the "unit" directly after graduated from the university, without to go through the job market (Solinger, 1995). "Unit" refers to socialist work unit in China. Strictly speaking, at that time, all workers working in state-owned enterprises were civil servants, and their work in the "unit" was guaranteed for life. In addition to their monthly salary, they can still draw wages from the unit after retirement (Cooke, 2004). This kind of "unit" management takes into account the various stages of life and most of the needs of life for the organization members. Therefore, this management model is more socialized. It is precisely because of the form of the institutions that China has formed for a long time. People thought that there was no fixed identity and life without "units" for a long time in the past. Therefore, in the public institutions, the resignation and job-hopping of employees are quite rare. The behaviour of the organization is generally predictable, and the expectations of employees for the organization of the institution are relatively stable and rarely change. Therefore, Chinese public sector had formed a strong relational psychological contract between organizations and employees, that is, employees and organizations are not only a simple economic exchange relationship. It is a relationship similar to dependence and inseparable. However, the reform of the personnel system in Chinese public sectors changed a lot, it is mainly concentrated in three aspects: employee employment, employee management and employee income distribution. The great changes were the replacement of lifelong employment with contract-based employment and the replacement of government job assignment with the labour market, and the management

system of wages based on working years is transformed into a performance-based income distribution system. These changes have had a huge impact on the psychological contract of Chinese public sectors.

3. Analysis

In exploring the effects of Chinese public institutions, it is necessary to first define that the relationship between employees and organizations. Before this reform, influenced by the mechanism of resource allocation, the relationship between individuals and organizations was extremely close, and the contractual relationship formed was relatively stable and firm in the public sector. In this case, the return of the organization to its members is not only reflected in the economic benefits, but also provides employees with certain social functions. At the same time, employees were organized with a high degree of compliance and dependency (Chandler & Nick, 2018; Andrew, 1983). It can be said that the organization and its members form a relationship of "destiny community". In other words, it means that when the organization is prosperous, the employees prosper, and when the organization declines, the employees decline (Jacques, 1951). Before this reform, Chinese public sector had formed a relational psychological contract between organizations and employees. That is to say, Employees and organizations were not only a simple economic exchange relationship, it was a relationship that members depend on each other. After the reform, the public institutions replaced the lifetime employment system with the contract employment management system, which is more like private sectors, involved in competition between workers. In addition, this reform determined the length of the employee based on the ability of the person (Li & Chen, 2018). Basically, it is easy for employees to feel betrayed if they worked in public institutions for a long time. According to Morrison and Robinson (1997), when the members of the organization feel betrayed, the organizational commitment of employees will reduce, and more serious results can lead to negative behaviour of employees (Morrison and Robinson, 1997). For example, in the past, the public institutions provided housing to employees at no cost or at a low price. After this reform, children's care, welfare services, including medical and material rewards, have been cancelled one by one. The government no longer provided such guarantee for their workers, employees were required to purchase services by themselves according to current market price. The view has been put forward that the reform has reduced the close social relationship between employees and organizations. However, as a result the transactional contract relationship between employees and organizations has become increasingly strengthened. The shift in economic relations between organizations and employees has had a positive impact on the development of political organizations. It is necessary to note that it has reduced the financial burden of the government and enhanced the flexibility of the organization's response to the market, which is conducive to organizational development. However, it still has a negative impact on employees. In fact, this reform brought negative psychological feelings to employees, such as the feeling of losing their original identity and social status, and the feeling of loss of some benefits that can be obtained from the organization (Bray & David, 2005). This kind of psychological feeling can easily lead members to feel betrayed by the organization, in addition, it will reduce the commitment of employees. In some special cases, several workers will choose quit this job to go to private sector (Morrison and Robinson, 1997).

It is also important to note that, for a long time in China before the reform, public institutions have implemented a lifetime employment system. The institutions were responsible for the entire life stage of the members of the organization. For example, children's issues, medical care and pensions of workers were all solved by the "unit". It can be inferred that, for workers, the "unit" is not only a work organization, it is more like a big family. It is benefit for the whole

society that to encourage employees to devote themselves to “unit” work. (Solinger, 1995; Cooke, 2004). However, according to Yerkes and Dodson (1908), The Yerkes–Dodson law is an empirical relationship between arousal and performance. The process is often illustrated graphically as a bell-shaped curve which increases and then decreases with higher levels of arousal (Yerkes and Dodson, 1908). The reform of post management to replace identity management has completely changed the original unclear positioning of the organization's role. Employees were required to quickly understand and perform their job duties well. At the same time, because the “unit” involved the layoffs, as a result, organizations and employees were being asked to increase productivity quickly. Even employees were being asked to change the way they have been working for a long time. The psychological and behavioral changes brought about by the reform have caused tremendous psychological pressure on employees (Bray & David, 2005). To some extent, this pressure can stimulate the efficiency of the members of the organization. However, if it is too urgent, it may lead to a decrease in efficiency. Employees will form informal organizations to resist the inadequacies between their large-scale groups, which will hinder reforms and even leads reforms to failure. (Yerkes and Dodson, 1908).

When it comes to expectation of psychological contract, in the past, people believed that there was no stable identity and life without working in “unit”. It is precisely because of the form of the long-established public sector in China. Therefore, in the public institutions, the resignation and Job hopping of employees are very rare. In general, the behaviour of the organization is predictable. So that the expectations of employees for the organization of public sectors are also relatively stable and rarely change (Argyris, 1960). Before the reform, stability expectation is an important component of the psychological contract of employees (Rousseau, 1989). However, reform undermined stability expectations and the behaviour of the organization became unpredictable. There are various uncertainties in the process of reform. Such as the time of reform, the detail of content and the areas of reform, which are all related to workers' expectation. These reasons further increased the psychological anxiety and imbalance of employees, not only in work but also affected their daily life. Psychological anxiety and imbalance of employees would make workers conduct a sense of distrust of the organization (Rousseau, 1989).

4. Conclusion

Organizational reforms, especially in the personnel system in public institutions, caused many changes, including the change of organizational commitment and psychological contracts breach between employees and organizations. The implementation of the personnel management system reform in China is the practice of adopting new public management model followed in Chinese characteristics. Due to the relational psychological contract breach, it is a normal reaction that the employees, in psychology and behaviour aspects, of the institutions feel uncomfortable and resistant of to the reform. After the reform, several of the public institutions cancelled the lifetime employment system determined work time of the employees based on the performance, at the same time, the social connection between the employees and the organization were weakened and the organizational commitment of the employees were reduced. What's more, the reform of Chinese public institutions has been too radical in some aspects of certain places, which has brought tremendous psychological pressure on employees. The huge psychological repression has led to the decrease of staff efficiency, and even the departure and job-hopping. These negative effects have caused large-scale groups of employees to not adapt to work. In addition, as reforms undermined long-standing stability expectations, organizational behaviour became unpredictable. In turn, employees had a sense of distrust of the organization.

To sum up, it is necessary to further optimize the advantages of the traditional psychological contract and adopt corresponding strategies to respond to the psychological changes of employees in public sector. First of all, In the early stage of the reform of public institutions, public institutions should carry out large-scale publicity so that everyone can recognize the problems of the institutions and the importance of reform. At the same time, enhance the sense of organizational involvement of employees. Secondly, making efforts to guide employees to actively participate in the reform, it is very beneficial to give employees sufficient information and make decisions actively in the process of reform. In addition, when the reform affects the interests of employees, it is necessary for the organization to support employees in a specific situation. As a result, employees' trust in the organization will be further enhanced. A major obstacle to the reform of public institutions is the psychological resistance of employees. This is mainly due to the long-established fixed psychological contract that is not easy to change. It is important to note that this traditional psychological contract has been difficult to adapt to today's rapidly changing society in China. China's society needs more flexible organization of public sector, it is worth mentioning that the reform of public institutions also needs to be flexible. Therefore, only the psychological contract of workers that maintains a dynamic balance can reduce the cost and maintain the vitality of the organization in the future reform.

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