Linking employee wellbeing and stakeholder quality of life:

The case of Aged Care

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Abstract

Aged care is a rapidly growing sector in the Australian economy due to an aging population and extended life expectancies. The major challenge currently faced by the sector is to provide quality of care despite staff shortages and budget constraints. In this paper we consider the role of employee wellbeing in supporting quality of life for the various stakeholders including clients, families and the wider community. We suggest that employee wellbeing is directly linked to service quality and overall business performance. We further suggest that HR practices such as recruitment, selection, training, development, and compensation play a significant role in enhancing and maintaining employee wellbeing. To clarify the relationship between employee wellbeing, service quality and quality of life we present a conceptual model and argue that the future success of aged care will depend on a holistic approach to service quality.

Keywords:
Human resource management, employee wellbeing, service quality.

Aged care has become a significant player in the Australian economy and is expected to become even more important as demand continues to grow in response to Australia’s ageing population and extended life expectancies. By 2021 it is estimated that 18% of the population will be aged 65 years and over (Cheek, Ballantyne, Jones, Roder-Allen and Kitto 2003) with many requiring some form of care, including community care and residential aged care (Hugo 2007). A 2009 report (Access Economics) predicted that between 2008 and 2020 the number of people in residential aged care would rise from around 160,000 to over 250,000 with a strong annual growth of 9.5% per annum among the high needs group (aged 95+). However, at a time of increasing demand the aged care sector is characterised by a decline in the number of qualified staff, heavy workloads, ever expanding administrative demands and pressure to provide a high level of service quality despite limited resources (DHA 2002).

To ensure aged care quality, the first and foremost issue is to have an effective and suitably qualified service workforce. Aged care services are considered as transformative services that improve consumer and societal welfare, creating uplifting changes and improvements in the wellbeing of both individuals and communities (Ostrom et al 2010).
Successful service managers pay attention to the factors that drive profitability in this new service paradigm; investment in people, technology that supports frontline workers, revamped recruiting and training practices, and compensation linked to performance for employees at every level. Researchers and managers alike agree that to make a substantial impact on organizational service quality, frontline workers need to be the centre of management concern. In other words, they recognise that HR practices are critical to both corporate performance (Guest 2001) and service quality (Schneider, White and Paul 1998). Yet few studies have examined service quality in the aged care industry (despite the fact that service quality has been one of the central themes in the services marketing literature for the last two decades) nor has there been research into the way in which HR practices impact on employee wellbeing and subsequently service quality and stakeholder satisfaction in such a pressured environment.

In this paper we explore these relationships. First we consider the link between human resource management practices and organisational performance followed by an exploration of the concept of employee wellbeing with a particular focus on the aged care industry. We then review the literature on customer perceptions of service quality and how it impacts on quality of life. Finally we present a conceptual model of the employee wellbeing - service quality link and how it affects quality of life for clients and other stakeholder in the aged care sector.

**HR AND ORGANISATIONAL PERFORMANCE**

The view that people are an organisation's greatest asset and a major source of competitive advantage underpins much of the research into the management of human resources (Guest 2002). Many studies have focused on the relationship between HR practices and organisational performance with a view to identifying those practices that will ensure "excellence and high performance" at the strategic business level (Guest 2006). Whilst not unequivocal the majority of studies have reported a positive relationship between HR practices and overall corporate performance and have supported the use of creative HR practices as a means of enhancing employee productivity, increasing organisational
commitment, and decreasing unplanned and undesired turnover (Huselid 1995; Wright, Gardner and Moynihan 2003). In general, the strategic use of HRM is believed to influence employee attitudes in a positive way. For example, HR practices as opposed to a more traditional union-oriented industrial relations alternative are positively associated with higher levels of satisfaction (Guest and Conway 1999, Ramsay, Scholarios and Harley 2000). Progressive HR practices, in areas such as selection, training, pay for performance and participation, have been linked to organisational commitment which then flows through to higher quality and higher productivity (Gould-Williams 2003; Wright et al. 2003). Various studies in the health care sector in the UK have found that HR practices associated with being a "good employer" are associated with higher levels of worker satisfaction, commitment, motivation and lowered intention to leave (Purcell, Kinnie, Hutchinson, Rayton and Swart 2003; Guest and Conway 2004). There are also indications that employee satisfaction with HR practices may contribute to higher quality healthcare (West, Guthrie, Dawson, Borrill and Carter 2006).

Critics of HR argue that this approach, with its focus on managerial outcomes and corporate performance, is potentially exploitative and manipulative yet HR practices have been shown to not only increase employee satisfaction but also to enhance employee wellbeing (Marchington 1995). Given the increasing interest in the relationship between HR practices and organisational performance it is surprising that to date there has been only limited research into the associated concept of employee wellbeing. Indeed, much of the research that has been conducted has been from a psychological or occupational health perspective rather than a management perspective. Yet employee wellbeing would seem to be of critical concern to management (regardless of whether it is linked to work or non-work issues) due to its impact on organisational performance, or in the case of service industries, to service quality.

**Employee wellbeing**

The idea of employee wellbeing assumes that worker outcomes are viewed as an end in themselves rather than a means to an end. Research in this area is in its infancy and only a
very small number of directly relevant studies have been reported with researchers yet to reach a consensus on the underlying dimensions that constitute employee wellbeing. While some studies have focused on the simple measures of physical aspects such as alertness, memory and fatigue (Mills, Tomkins and Schlangen 2007), others have emphasised psychological and affective wellbeing using indicators such as job satisfaction, job-related anxiety, emotional exhaustion (Jonge and Schaufeli 1998), depression (Holman 2002), workload, physical demands, psychological demands, job control and job satisfaction (de Jonge, Bosma, Peter and Siegrist 2000; Wilson, DeJoy, Vandenberg, Richardson and McGrath 2004).

Wellbeing has also been described as an outcome of the job itself in terms of work content and work processes (Le Blanc, de Jonge, de Rijk and Schaufeli 2001). For example, Le Blanc et al's (2001) study of wellbeing among intensive care nurses is based around four task categories: operational tasks, organizing tasks, preparatory tasks and supportive tasks. They argue that wellbeing is linked to level of burnout and general job satisfaction in relation to the job demands associated with these tasks and that by modifying job design wellbeing can be improved. Work organization, or the way in which work processes are structured and managed across areas such as scheduling, management, organisational characteristics, and policies and procedures, has also been found to impact on the health and wellbeing of employees and ultimately on the effectiveness of the organisation (Wilson et al. 2004). A study of call centre workers found that employee wellbeing was directed related to job design, HR practices (including training, development, and compensation practices) and team leader support (Holman 2002).

In recent years the changing nature of work and organisation has resulted in greater psychosocial workload, or work stress in many occupations (De Jonge et al 1999). When looking at the impact of privatization on employee wellbeing in the public sector, Cunha and Cooper (2002) included a mix of physical and mental measures for example, occupational stress, physical illness, mental illness, and job satisfaction as contributing factors in employee wellbeing. Other studies have reported high levels of psychosocial demands among service
industry employees, particularly those in the health care sector, where "the pace of work is more and more dictated by patients, clients and so on" (van Vegchel, de Jonge, Meijer and Hamers 2001:129). Jobs with high demands and low control tend to have significant negative effects on employee health and well being (de Jonge et al. 2000:270). Further, jobs that require high levels of physical and emotional input but have rewards that are perceived to be inadequate (such as salary or prospects for career advancement) are also likely to result in adverse health effects (van Vegchel et al. 2001).

Looking beyond work satisfaction, Guest (2002) provided evidence about worker wellbeing establishing a relationship between specific HR practices and aspects of satisfaction at work and in life as a whole. His study suggested a positive association between workers’ reports of certain HR practices and work and life satisfaction. Life satisfaction incorporates health, finances, friends and family and life in general, not just job satisfaction. It was found that longer hours, as well as managerial responsibilities are linked to lower satisfaction both at work and in life as a whole. This implies that the demands of work and work overload are not conducive to general wellbeing. Not surprisingly HR practices were found to have a rather weak relationship with satisfaction outside work, while job design and direct participation were positively associated with life satisfaction. Guest (2002) however argued that that employee satisfaction and wellbeing both inside and outside work may best be linked to HRM in the context of a partnership or mutual gains system. This offers a greater chance of focusing on job design, direct participation and information sharing which should form the core of a more worker-friendly model of HRM.

Employee wellbeing in the aged care sector

Aged care is currently experiencing significant pressures as a consequence of work intensification, high resident-nurse ratios, a shift in care from highly qualified nursing staff to less qualified carers and ancillary staff, increasing administrative responsibilities, and growing complexity of care as clients present with more chronic needs (Access Economics 2009). The sector’s demographic profile shows a highly feminised workforce with one estimate suggesting that around 94% of its workers are women (Richardson and Martin
It is also an aging workforce. In 2008 the average age of an aged care worker was 50 years, a statistic which suggests that in the near future many aged care workers will retire potentially creating a critical skills and labour shortage. An ageing workforce also has implications in relation to currency of skills, particularly in an environment where those requiring care are becoming more in need of high level, modern nursing treatments (Hogan 2004). Although there is high demand for both qualified and unqualified employees the attraction and retention of aged care workers has become a major problem due to factors such as lower wages than in other nursing specialisations (Hogan 2004) and the physically and emotionally demanding nature of the work leading to high rates of burnout (Tuckett, Hughes, Gilmour, Hegney, Huntington and Turner 2009). As a consequence turnover tends to be high with a quarter of PCs (personal carers) and a fifth of nurses needing to be replaced annually (Richardson and Martin 2004). One suggestion for dealing with an ageing aged care workforce is the implementation of “age management” strategies that facilitate work-life balance across different phases of life and support a phased transition from full-time employment to retirement (Barnett and Spoehr 2008). These strategies may not only enhance employee wellbeing but also increase employee retention rates.

However, the age profile in the aged care workforce is only one part of the problem. In recent years external factors have added to the stresses under which the sector operates. For example, government regulations have improved standards of care but have also imposed new financial and administrative burdens on an industry that already operates on tight budgets and lean staffing models (DHA 2002). In such an environment carers are often over-stretched by the multiple demands placed on them (both work and non-work) and by their lack of control over many aspects of work such as caring and administrative workloads, client expectations and the expectations of client families (Stack 2003). The longer-term effects are reported as absenteeism, burnout (physical and emotional), and turnover, all indicative of low levels of employee wellbeing. Importantly, these effects not only impact on employees but also on the organisation, clients, and client families through service quality in the delivery of aged care.

Customer perceptions of service quality
Service quality is a well established construct in the service marketing literature. Perceived service quality is defined as an overall attitude towards the service (Parasuraman et al. 1988). Over the past two decades, the theory and practice of service quality has received considerable attention from academics and practitioners alike because service quality in many service firms is considered as a competitive advantage. Service quality is not a singular but a multi-dimensional phenomenon. To measure service quality Parasuraman et al. (1988) developed a generic 22-item instrument, recognised as SERVQUAL. It is based on the notion of a gap between what customers expect in terms of service quality from the providers of the service and their assessment of the actual performance of that particular service (Bebko, 2000). The SERVQUAL instrument items capture how consumers differentiate performance on five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy.

In the past decade, researchers and companies have also sought and found evidence about the profit consequences of service quality. Service quality is known to contribute to market share and customer satisfaction (Zeithaml 2000). The impact of service quality on profit and other financial outcomes of the organization has received much interest and attention (Rust, Zahorik, and Keiningham 1995). One of the key interests on service quality for both academics and practitioners has been because of the positive relationship between service quality and consumers’ behavioural intentions. This fact was supported by several studies (e.g., Bitner 1990; Fornell 1992; Parasuraman et al., 1991). Bitner (1990) suggested that a high level of service quality will lead to service loyalty while Parasuraman et al. (1991) found a positive and significant relationship between customer’s perceptions of service quality and their willingness to recommend the company. Fornell (1992) noted that high quality leads to high levels of customer retention which in turn are strongly related to profitability. Olorunniwo, Hsu, and Udo (2006) found service quality to be an important driver of behavioural intentions.

In addition, Bolton and Myers (2003) investigated the determinants of price elasticity and concluded that service quality influenced price elasticity. The results of the study
indicated that customers who receive more responsive service are less price sensitive than customers who receive less responsive service. Also, customers are more tolerant of price changes and less apt to defect to alternative suppliers when they experience highly reliable service. Customers who receive more assurance or empathy from service representatives over time are less price sensitive than customers who receive less assurance. Zeithaml et al. (1996) offered a conceptual model of the impact of service quality on particular behaviours. Their study found that service quality is positively associated with willingness to pay more. Regardless of the debate over the order of service quality and satisfaction relationship, researchers generally agree that service quality is closely linked with customer satisfaction. Considerable scholarly effort has been devoted to improve our practical understanding of such important services constructs as service quality and satisfaction (Cronin and Taylor 1992; Brady and Robertson 2001).

The aged care industry differs in many ways from other service industries. Initial choice of provider is constrained by availability of places, whether in aged care facilities or community care packages. Ongoing client loyalty is similarly constrained by lack of alternatives and by cost issues, particularly for older clients with limited assets and incomes. In this context service quality may not have a significant impact on price elasticity in comparison with other sectors. Yet, service quality and client satisfaction are important dimensions for aged care, reflecting social norms and expectations with regard to the wellbeing of clients, their families and the community in general.

**Customer quality of life**

The recent service marketing literature recognises the centrality of quality of life to marketing. Lee and Sirgy (2004) suggested that quality-of-life marketing is a new paradigm following a succession of previous paradigms including sales and profit, competition, customer satisfaction, and relationship marketing. Dagger and Sweeney (2006) argued that it is in the services context that quality of life may be most relevant as an outcome of the consumption process. Customer evaluations of service encounters, of technical and functional service quality, and of service satisfaction may well affect the quality of life experienced by
individuals. Quality of life is defined as the wellbeing, happiness, and life satisfaction of individuals. That is, quality of life is a subjective, individual, experiential concept. In the limited marketing and HR literature quality of life is often used interchangeably with that of life satisfaction, utility, and wellbeing (Endres 1999) and can be conceptualized as an overall measure or as a measure based on experiences in a variety of domains, such that the greater the satisfaction with various life domains, including personal health, consuming, work, family and leisure, the greater the satisfaction with life in general (Lee et al. 2002; MacFadyen 1999; Sirgy 2001). Thus, at the global or overall level, quality of life reflects the culmination of an individual’s subjective evaluation of his or her current life circumstance. Given the aged care context of the present study and the identification of health as the most significant component of quality of life (Giles 1987), we define quality of life as a sense of overall wellbeing.

THE EMPLOYEE WELLBEING – CLIENT QUALITY OF LIFE LINK

To date employee research has examined the relationship between employee wellbeing and performance from a managerial perspective but the service-profit chain developed at Harvard Business School proposed that employee satisfaction and client satisfaction are directly related. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to clients. Employee satisfaction is derived from workplace design, job design, employee selection and development practices, and the way in which employees are recognized and rewarded. The model proposes that satisfied employees will stay with a firm longer, will be more productive and will contribute to the satisfaction of clients. Traditional measures of the losses incurred by employee turnover concentrate only on the cost of recruiting, hiring, and training replacements but in most service jobs, the real cost of turnover is the loss of productivity and decreased client satisfaction. Further, service employees shape the moment of truth, not only by the task they perform but also the way they look, act, and interact with the clients or fellow workers. Employees’ behaviour therefore should be carefully orchestrated and managed. Employee behaviour during a service provides powerful clues that contribute to client perceptions of service quality (Berry and Bendapudi 2003). Client assessment of employees’ effort and
service performance has been found to have a strong effect on satisfaction and switching 
behaviour (Mohr and Bitner 1995). The role of client perceptions of service quality as an 
antecedent of overall satisfaction has been extensively researched and is widely accepted in 
the services marketing literature (e.g. Anderson, Fornell, and Lehmann 1994). More recently, 
evidence has emerged supporting the existence of a causal connection between service-quality 
perceptions and patient-satisfaction judgments, which in turn enhances quality-of-life 
perceptions in the healthcare context (Dagger, Sweeney and Johnson 2006).

Delivering quality aged care services in a sustainable manner is a national priority yet 
there is growing evidence that aged care is facing a "care deficit" (Fine and Mitchell 
2007:157). Added to this is the reality that in order to remain financially viable, aged care, 
which in the past was operated primarily by not-for-profit organisations, is now moving 
towards a more competitive model. Employees are thus under increasing pressure to meet the 
expectations of varied stakeholders, including management, government funding bodies and 
client families, to provide quality care, and to do all this using limited resources, a situation 
that will undoubtedly exacerbate the stress under which employees are already working and 
thus impact negatively on employee wellbeing. Based on, and going beyond the service-profit 
chain, it is logical to argue that employee wellbeing in transformative services could be even 
more important than employee satisfaction and commitment in linking with the wellbeing of 
clients, their families and the wider community. To explore these relationships we propose the 
conceptual model shown below. The model supports two underlying objectives. The first 
objective is to explore the relationship between an organisation's HR practices and employee 
wellbeing in the aged care industry. We suggest that employee wellbeing is directly related to 
an organisation's HR practices in terms of recruitment and selection, training, development, 
compensation and manager/supervisor support. When these practices are a good match for the 
organisation and its employees then they should not only increase levels of employee 
satisfaction, commitment and engagement but should also enhance overall employee 
wellbeing. The second objective is to explore the effect service evaluation, and in particular 
service quality perceptions and service satisfaction, have on social as well as economic
outcomes. We propose that employee wellbeing may directly influence client perceptions of service quality and their quality of life. That is, when aged care employees offer high quality technical and functional services then the quality of life, in terms of wellbeing, happiness, and life satisfaction, is directly enhanced for clients and their families.

Figure 1: The HRM – employee wellbeing - organisational performance link

At an organisational level the link between employee wellbeing and stakeholder quality of life could be expected to impact on overall business performance. Aged care organisations that provide a high level quality of life would be more likely to have a positive image in the community and thus be able to attract and retain better qualified and experienced staff thus reducing staff turnover costs. It is also likely that they will be able to attract additional discretionary funding from government sources and to charge a higher fee-for-service. As the aged care sector becomes more profit driven then competitive advantage will be a major determinant of business performance and long-term viability.

Implications and conclusions

The implications of this research are highly relevant to the aged care industry and society in general. By linking employee wellbeing with service quality, this research examines the higher order constructs of employee wellbeing and stakeholder quality of life, suggesting that the pursuit for employee wellbeing is an imperative factor to improve quality of service delivery for service organisations, and particularly those providing transformative services. Several questions are of particular importance:
1. Which HR practices carry more weight in contributing to employee well-being?

2. Does employee wellbeing influence service quality from a client’s perspective and improve quality of life for the client and relevant stakeholders? If it does, what are the moderators (e.g. the client’s health status, family support) of this influence?

3. How does the client’s perception of service quality relate to their quality of life?

4. How does the client’s quality of life influence employee wellbeing?

We anticipate that the wellbeing of service employees in the aged care sector will facilitate functional service quality, enhancing stakeholders’ quality of life. This important link seems to be missing in the current literature. These higher order constructs also broaden the perception of quality within the health sector. Any emphasis placed on social outcomes and improving the quality of life of the stakeholders should consider the impact of employee wellbeing. To improve wellbeing a holistic approach is needed in terms of HR practices such as compensation, training and development, flexible work hours and family-friendly policies. Recruitment and selection processes also need to reflect the dual concerns of employee wellbeing and service quality. This holistic approach has significant implications for the health care sector and for policy makers but may well be the only way to meet future demand in an ageing population.

References


