

Chapter 9

Personnel Strategies of Public Sector Organisations in Response to a Declining Service Population. A Model and Empirical Evidence

Abstract Transaction cost theory postulates a causal relationship between the organisational structure of firms and human resources management strategies and the characteristics of the production process and type of human capital. In contrast to this thesis, this chapter shows how deeply rooted normative beliefs about the shape of employment systems and the rules governing personnel policy can alter this causal relationship. We analyse strategies of personnel reduction in Polish public schools, which face, as we argue, conflicting premises about human resources management. Since the late 1990s, Polish public schools have been operating under conditions characterised by high environmental uncertainty due to free school choice, low functional flexibility of employed staff as a result of strict qualificatory regulations, a slack labour market because of high unemployment rates and a labour market of an occupational type, which, taken together, facilitate external labour market structures. At the same time we find a strong presence of the normative ideal of a “good employer” and an emphasis on stable employment relations and long tenure. The conflict is resolved by the use of innovative micro-level strategies that seek to maintain job stability despite adverse initial conditions. The delineated strategies include increasing the functional flexibility of staff by further education as well as establishing supra-organisational labour markets across all schools at the municipal level.

9.1 Introduction

In this chapter, we investigate the reactions of public sector organisations to demographic changes in terms of their personnel policy. In what ways do demographic developments put public-service organisations under strain or necessitate change? To the extent that demographic changes result in declining service populations in some parts of the public sector—for example, in the case of schooling—we believe that such changes are likely to put these service providers under substantial pressure to reduce staff. This pressure emerges from a kind of, let us call it, ‘proportionality logic’. In the face of such pressure from changes in the organisational environment that become manifest at the organisational level in the form of a lower demand for

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services, it is interesting to study how public sector organisations respond in terms of adjustments at the level of personnel. We are concerned with personnel matters because they seem to be a crucial element of any organisational change for at least three reasons. Firstly, human labour is (still) a crucial resource in the production process. Goal realisation of any firm will depend to a great extent on how well it manages its personnel (Lutz 1987). Secondly, personnel is a major cost factor in service-sector organisations. Personnel costs account for a large share of overall public spending. In German federal states, for example, they comprise 38% of total public expenditure (Dietz 2004). Last but not least, personnel matters constitute a very sensitive issue as they involve real human beings, their placement in the social structure (Baron and Bielby 1980) and the conditions for the functioning of their reproductive sphere, i.e., the family. Personnel policy therefore seems to be an important condition for successful organisational adjustment to environmental change.

Before we begin our investigation, an important caveat is due on the nature of the connection between the size of the service population and the scope of demand for public services. We would consider this relationship as rather loose (in the previous chapter we have dealt with this issue in detail from an institutional-structural perspective). In the private sector, organisational decline—the major driving force of which is a loss in market share (Datta et al. 2010)—more often than not simply results in personnel cutbacks. In the case of public sector organisations, however, pressures to reduce their workforce are mostly decoupled from organisational performance and subsequent demand for organisational services since these organisations do not operate in a market. Instead, budgetary restrictions resulting from fiscal stress play a major role. Indeed we find much evidence that pressures to downsize in the field of public education are not a simple function of falling demand for schooling in times of low birth rates. Pressures to reduce personnel in education are mostly of a fiscal nature and may have little to do with factual demographic changes. A special issue of *Educational Research* titled “Teacher Education in the Global Financial Crisis (GFC)—Where Has the Shoe Pinched?” (Stephenson and Ling 2012) is devoted precisely to this relationship and analyses the impact of the economic crisis in 2008 on teacher employment. In England, as a consequence of the recession, the number of open teacher positions has fallen significantly in the face of budgetary uncertainties at the school level (Howson and McNamara 2005). Austerity measures in Scotland include a reduction in the number of teachers (which has resulted in high levels of unemployment among newly trained teachers), abandonment of plans to lower class sizes as well as cutbacks in funds available for substitute teachers (Menter and Hulme 2012; Kidner 2011). Similar impacts on teacher employment have been reported for the crisis of the late 1970s (Ginsburg et al. 1988; Murnane 1981).

Taking a demand perspective on employment levels in public schooling, we clearly see that declining enrolments do not automatically result in pressures to reduce personnel. Much depends on educational policy. There is a widespread conviction that there is a necessity to invest more in education as human capital is seen as key to economic prosperity (Gurría 2009). Indeed, in the period 1995–2006, we saw a major rise (by 40%) in mean educational spending in the OECD countries

while student numbers stagnated during the same period (OECD 2009). Many governments see demographic changes and declining student numbers as an occasion to improve educational standards by lowering class sizes, student–teacher ratios and time spent in class (Menter and Hulme 2012; Falch and Rattsø 1996; Andersson and Waldenström 2007). A consequence of such expansionary strategies is that the demand for teachers remains high in spite of falling enrolments. In times of economic pressure, by contrast, demographic changes may be seen as an opportunity to forge a public consensus for lowering costs of education. An illustrative example is West Germany in the first decade of the twenty-first century, in which an actual increase in student numbers until 2004 and a very moderate decline thereafter (Kultusministerkonferenz 2011) was accompanied by excessive hiring freezes (Meetz et al. 2010). The West German case is a perfect example of a demographisation frame in which demographic facts are utilised as a means of reducing aspirations. Under tight budgets there is apparently a strong incentive to take advantage of the decline in student numbers to lower educational expenditure (Baum and Seitz 2003). We therefore conclude that although pressure to reduce educational spending is not a necessary result of population decline, the prospect of a declining population is well suited to legitimise it. Bearing this in mind, we now turn to the topic of personnel reduction in public services.

Retrenchment in the public sector is an interesting field of study because public sector labour markets are generally seen as inflexible when it comes to restructuring employment (OECD 1995; Bach 1999), especially when this involves a downward adjustment of the number of staff (Sackmann and Bartl 2007; Levine 1984; Corby 2000). We know from the literature on public employment that there is a deeply rooted ideal of public employment that is characterised by high job tenure, high job security and internal career paths (Keller 1993; Farnham and Horton 1996). However, this employment model has been developed for a very specific type of public sector organisation—one that is characterised by centralised structures of service provision (either at the state or national level), a fusion of the functions of purchaser and provider of public goods, together with a mode of financing the service-providing agencies that is based on incremental input budgeting. On top of this, the post-war era in which the traditional model of public-service administration gradually emerged was a time of unprecedented economic prosperity. It seems that this specific employment model is rather ill prepared for abrupt change, especially when this change requires a reduction in personnel. It therefore seems fair to ask how retrenchment is processed in such an employment model. We presume that the way that reduction is conducted will depend on three dispositions. Firstly, it will depend on the prevailing ideas about the nature of the public sector (the external flexibility aspect). We consider codified employment rules (e.g., employment protection legislation) to be an expression of these ideas (Lepsius 1995). Secondly, it will depend on the structural and institutional features defining the resources and opportunities. These features include the degree of division of labour (or, in other words, the degree of specialisation) and the size of the organisations granted the power to make autonomous personnel decisions or, alternatively, the administrative

level at which such decisions are made (the internal flexibility aspect). These features further involve the level of uncertainty of service-providing organisations in terms of the operational resources that they can expect to be available to them as a second vital aspect of the institutional structure (the uncertainty aspect).

We test our theoretical framework empirically by looking at teacher employment in Polish public schools. This field of research offers some interesting insights for various reasons. On the one hand, Poland has undergone a major restructuring of its education system in the recent past. One of the major features of this restructuring process has been an extensive decentralisation of the structure of service provision and of the structure of education financing. On the other hand, it is precisely the educational segment of the Polish public sector in which the ideal of public service and the special nature of public-sector employment relations are firmly grounded, both in terms of mentalities as well as institutionally (which is not in the same way true for the entire public sector in Poland) (Kopycka 2013). Moreover, due to changes in fertility behaviour, Poland has witnessed an enormous decline in the school-age population. We expect this demographic situation have posed a ‘demand shock’ to the existing service providers, making personnel reduction more pressing. In line with the theoretical framework of this book, we choose to see demographic changes as a demand shock that may trigger different potential reactions in attempting to come to terms with it. Indeed, we find expansive policies in the Polish school sector in times of declining student numbers both at the national and at the local governance level (see Chap. 7). Even if they are not necessarily motivated by demographic changes, they still have a substantial effect on personnel policy (generally speaking, they reduce the pressure to cut personnel) so that we can speak of them as an emergent strategy (Mintzberg et al. 1999). However, as has already been shown in Chap. 7, most of these expansion strategies are limited to specific educational fields and therefore do not eliminate the need to address the problem of surplus personnel, although they surely alleviate it.

We proceed as follows. Firstly, we offer some theoretical considerations on the three conditions of personnel reduction and formulate hypotheses concerning possible courses of action. Then we move on to discuss personnel policies in Polish public schools and explain them by reflecting on the specific institutional structural setting of the Polish school system and the norms governing public service employment. The discussion leads us to conclude that the mixture of internal and external personnel measures found in Polish schools is a consequence of the conflicting nature of the decentralisation of educational provisioning and the prevailing professional norms (e.g., the public sector as a ‘good employer’).

9.2 Theoretical Considerations

Public-sector industrial relations have traditionally been characterised by long-term and stable employment patterns guaranteed by extensive legal regulations. In public services, external personnel measures such as redundancy are either prohibited by law altogether or involve high severance payments. The emphasis on stability and

security of employment in the public sector has its roots in the special role of the state as employer. Public organisations are different from private sector organisations because of special requirements placed on their conduct and output (Christensen et al. 2007). Lane (2005) names three distinctive characteristics of public sector organisations: political involvement, accountability and non-profit purposes. Firstly, public organisations are subject to public scrutiny. That is why governments are interested in ensuring undisturbed service provision (Appleby 1953). The “political contingency” (Ferner 1988) of public sector organisations means that they pursue political goals rather than objectives of economic success as defined by the market. One of the implications for the field of industrial relations is that there is a strong incentive to avoid industrial disputes so as not to disrupt service provision, even if it means greater concessions to trade union demands (Ferner and Colling 1991). Secondly, one of the biggest issues in the management of public service organisations is political accountability (Du Gay 2000). The delivery of public goods is a political matter and as such is subject to political control. The traditional way to achieve accountability of public sector agencies towards governments is via hierarchical work relations within organisations and an extensive body of regulations of due process. In order to realise its policies, the government has to ensure the compliance of public servants. Furthermore, the strict application of rules of conduct is necessary to guarantee neutrality and impersonality in public service provision (Clarke 1998), which are prerequisite to equality—a core value of public service (Lane 2005). Procedures reduce discretion, whereas hierarchical work organisation in the form of long-term employment relations ensures that employees as agents of the state are not prone to looting (Johnston and Romzek 1999). Last but not least, public sector agencies are non-profit organisations; they do not operate in the free market. Their goals are essentially political (as defined by policy) and not economic as they strive first and foremost for equity and fairness and not for efficiency. This has two implications for employment relations in public organisations. First, the absence of the signalling function of markets makes measuring performance considerably more difficult (Lane 2005). The second concerns incentives (Pandey 2010). Whereas the fortunes of employees in a private company depend on the economic success of their firm, so that the goals of employees and management are essentially the same, the principal-agent problem in the public sector is more accentuated (Lane 2005). One way to solve the problem is by having employees partake in the revenues. However, because public sector organisations do not produce output in terms of economic value, greater employee effort does not translate into higher economic gain. Employee motivation in public sector organisations is hence contingent upon the existence of a psychological contract (Coyle-Shapiro and Kessler 2003; Rousseau 1989) in which favourable working conditions (high job security, equitable treatment by promotion, benefits) are exchanged for high commitment (see also Akerlof 1982).

Besides the ‘publicness’ framework to explain the special character of employment relations in the public sector, there is a substantial body of research on this topic stemming from the sociology of professions (Macdonald 1999; Johnson 1972; Wilding 1982; Cousins 1987). According to this literature, the specific type of labour organisation in public services is a product of the public-sector growth in the post-

war era. The state has been a monopoly or near-monopoly provider of an extensive range of services, and the economic growth of the 1960s and -'70s has created favourable conditions for the steady expansion of service provision and public sector employment. Professions played an important role in this process because they possess the necessary expertise to organise service provision, reduce uncertainty as to the scope and scale of services and legitimise the actions of the state. In exchange, the state guaranteed the professions a monopoly position as service providers and institutionalised the demand for professional services, contributing in this way to professionalisation processes in many fields such as education and social work. At the same time, professions were able to negotiate favourable working conditions as well as high professional autonomy with respect to work organisation, goal setting and the allocation of resources.

The special character of employment relations in the public sector therefore makes it difficult to downsize employment because of long-term commitments and institutional guarantees.

With the advent of the neoliberal doctrine in public governance, a view of public sector employment relations as being characterised by a promise of long-term, secure employment and career advancement has been challenged. Emerging in an environment marked by slow economic growth and a perceived need to curb public expenditure (Bach 1999), the neoliberal reform movement has facilitated privatisation or the contracting out of substantial parts of public services (Burgess and Macdonald 1999) along with the downsizing of personnel. Within the framework of new public management, a model of industrial relations has been put forward that adopts human resources management strategies from the private sector, accentuating new forms of flexible employment in particular. This reorientation has been legitimated by two distinct logics: the logic of universalism and isomorphism (Clarke 1998). According to the first logic, all organisations are essentially the same and the alleged specificity of the public sector is merely a myth (see Boyne 2002 and the various examples in Rainey and Bozeman 2000). If this is the case, then the logic of isomorphism (DiMaggio and Powell 1991) would suggest that public sector organisations should look to firms in the private sector for best-practice examples since they are widely considered to have superior performance in terms of efficiency. In the quest for more efficient personnel management in the context of growing state expenditure (Castles 2001), the need has been recognised to lower labour costs and achieve greater flexibility in the use of personnel resources like the private sector does. The new paradigm of human resources management for the public sector (Horton 2009) includes the following: an introduction of performance-related pay at the expense of seniority rules, a decentralisation of the personnel function, which allows for greater diversity in employment conditions across public sector organisations (Coyle-Shapiro and Kessler 2003), and short-term employment contracts and recruitment from outside of the public service instead of long-term employment and internal career paths. These changes reflect the new way of thinking about public governance and a widespread belief that superior performance in the public sector can be achieved by replacing hierarchies with market-based contractual relations as the dominant coordination mechanism (Hood 1995; Pollitt et al. 2007). Accordingly,

employment relations in public sector organisations are seen to be managed more efficiently when they are on a contractual basis with an emphasis on output control (Carter et al. 2010) and not via hierarchical relationships in which performance is motivated by long-term employment promises and favourable work conditions.

The two opposite models of industrial relations in the public sector have consequences for the strategies of personnel reduction. Under the new public management framework, we would expect personnel cuts to be more frequent and to be executed in a more direct manner, i.e., via layoffs of excess workers. In the traditional public administration model, by contrast, a personnel surplus would not be addressed directly since direct measures such as layoffs are not compatible with the ideal of state employment as being fundamentally different from employment relations in the private sector. Instead, we would expect personnel downsizing to proceed as an incremental process in the course of natural turnover, i.e., through retirement of older employees and hiring freezes (Levine 1984). We can therefore formulate the first hypothesis: the commitment to the traditional model of employment relations in the public sector will lead to incremental personnel reductions based on retirement and hiring freezes (*internal labour market hypothesis*).

The extent to which this type of incremental reaction to resource shrinkage leads to a qualifications mismatch and a resulting decrease in service quality increases with the degree of division of labour and falls with organisational size. Let us consider two extreme cases, one in which each position requires unique qualifications (extreme division of labour) and one in which qualification requirements are the same across all the positions within an organisation (no division of labour). In the second scenario, personnel cutbacks via retirement and hiring freezes do not produce any qualifications mismatch as every employee is fully substitutable (ultimate functional flexibility). In the first scenario, by contrast, no one within the organisation can assume the tasks of a retiring colleague without losses in quality because each employee possesses a unique expertise that the others do not (no functional flexibility). In this latter case, personnel reduction via retirement and hiring freezes necessarily leads to a qualifications mismatch unless those who stay acquire new expertise. In real-world systems, functional differentiation is a function of scale. According to Durkheim, a prerequisite for functional differentiation is population growth. In transaction cost theory, high levels of specialisation are to be expected only when there is substantial demand; otherwise specialisation would lead to economic disadvantages (Williamson 1994). In the case of public services, the level of functional differentiation as well as the size of organisational units of service provision do not follow economic logic but are decided in political processes. A result of the interaction of these two parameters, functional differentiation and organisational size, is a certain level of organisational functional flexibility. It is high in internally non-differentiated organisations independent of their size. In differentiated organisations, the level of functional flexibility is negatively dependent on the level of differentiation and positively dependent on organisational size. Given a certain level of differentiation, organisational size alone determines the degree to which positions within an organisation are unique. Therefore our second hypothesis is that in educational systems with higher degrees of functional differentiation and

smaller organisational units, we will observe layoffs and new hires more often than in systems with lower degrees of division of labour and/or larger organisational units (*external labour market hypothesis I*).

Thirdly, it is our view that pressures for personnel adjustment at the organisational level in reaction to fluctuations in educational enrolment are greater in cases where the delivery of educational services is financed by educational vouchers as compared to systems where educational funding is based on historical costs and incremental budgeting. Educational vouchers as a way of financing educational services have been introduced within the framework of new public management. This change in the mode of financing public services has been a necessary counterpart to the introduction of quasi-markets in public service delivery and has been a way of implementing market logic in the public sector (Hood 1995). In the new public management model, public agencies compete in the quasi-market for clients. The more clients they serve, the more subsidies they receive. This competition will ensure that underperformers are weeded out of the market because rational clients will choose better over poorer services. Under new public management, the semi-anonymised (Kirkpatrick et al. 2005) public organisations in the traditional public administration model are transformed into autonomous units that are responsible for their own budgets and bid for tenders from the purchasers or compete directly for clients at a given 'price' for their service. The introduction of the market logic into the public delivery of education has two important consequences for personnel policy in this field. The change in the mode of financing education away from incremental budgeting, whereby the size of the annual budget is based on the budgets of previous years plus or minus increments, towards budgeting by student numbers influences how sensitive public agents who are responsible for delivering education will be to fluctuations in the number of students they serve. At the same time, the introduction of quasi-markets for education and the replacement of a district-based system of student allocation by a policy of free school choice changes the scope of fluctuations diametrically. In systems with free school choice, schools face far stronger uncertainty as to the future levels of enrolment and can use data from public registers only as a rough approximation because they have to take into account the placement decisions of parents and students, which are the result of complex decision-making processes by individuals with different preferences and resource structures. By contrast, for schools in district-based allocation systems, data from local resident registration offices presents a highly reliable information source on the size of future cohorts of entrants. Schools in education systems where the funding of education takes the form of a voucher are therefore subject to stronger budgetary pressures to match teacher employment with current levels of enrolment. However, they are also confronted with higher levels of uncertainty with regard to the latter. Given these two conditions, we expect that the more uncertainty about future levels of demand and/or financial resources there is in these systems, the more stress there will be on personnel policy to ensure greater levels of external flexibility in the management of personnel resources by resorting to measures such as layoffs and fixed-term contracts (*external labour market hypothesis II*).

These three hypotheses constitute the point of departure in the subsequent analysis of personnel policy measures in Polish public schools that are confronted with falling enrolment. As is to be shown, the rationale of Polish head teachers' employment practices is to maintain high levels of job security at least for a part of the teacher workforce despite the changed institutional and structural setting of service provision that promotes or rather necessitates high levels of external flexibility in teacher employment. We start by describing personnel practices in Polish public schools. Then we explain them as a strategic response to the flexibility problem in a decentralised structure of service provision.

9.3 Personnel Policy in Polish Public Schools Facing Falling Enrolment

There are a few common elements of personnel policy that we find in Polish schools with shrinking student numbers. Firstly, layoffs of teachers are generally avoided. Instead, teachers are encouraged to retire as soon as possible. Secondly, teachers specialised in more than one subject play a prominent role, and training such teachers is one of the main foci of school personnel policy. Thirdly, there is a higher propensity to use fixed-term contracts. Fourthly, it is common policy for teachers to work overtime. Fifthly, there is a relatively high mobility between schools in the same municipality. We will discuss these observations below using qualitative and quantitative material. Having done this, we will focus on the rationale of these measures and explain them with regard to the three aspects of personnel policy that we formulated in the introduction, that is, the aspects of external flexibility, internal flexibility and uncertainty.

9.3.1 Personnel Policy Measures

9.3.1.1 Layoffs

The analysis of the interviews with head teachers in Polish public schools allows us to conclude that redundancies are a very rare phenomenon there. Certainly one reason for this is that the majority of teachers in full-time employment have the legal employment status of a public servant and can be made redundant only under certain conditions. They can, however, be laid off on economic grounds, for instance, in the case of falling demand. Teachers who do not have a public servant status (as a rule, part-time teachers and those who have not yet reached the third level of the teacher career path, which is generally obtained after 4 years of teaching service) are employed on a contractual basis and their indefinite employment contract can be dissolved according to the rules of the general labour law. They do not enjoy any special employment protection. The existing formal possibilities of layoffs notwithstanding, head teachers are extremely unwilling to use this type of measure to

reduce personnel. A redundancy is perceived as the worst solution to the problem of excess staff because it means a loss of financial security for the person affected. In their view, a layoff is just not the 'right' thing to do.

I never lay someone off who couldn't find any job at all. Usually they were the people who decided to retire, so-called privileged retirement, and thank God, because it is an employer's dilemma, right? To have to lay off a young person right after finishing studies, that is not very nice. It always bugs you later on, even though those are objective factors. (Kołowina GRU: 58–64)¹

Apart from general reservations of an ethical nature, many head teachers find it hard to execute layoffs because they have friendly relationships with at least part of the workforce. Such affiliations are not uncommon since head teachers in Poland have fairly often been former teachers at the school that they currently head.

Unfortunately, in the context of the shrinking of our school and falling numbers of pupils and, along with this, the number of classes, [May is] a very difficult time. I had to lay off some teachers, and as a result of this, I had to make some decisions, which, as I was saying, were personnel decisions concerning the people I have worked with for many years, and that's why I would say for human or psychological reasons they were very difficult. (Goromierz GYM: 47–53)

Unfortunately, our quantitative dataset does not allow us to assess the number of layoffs as it is not possible to discriminate between voluntary and involuntary terminations of employment relationships. However, the qualitative analysis clearly indicates that they are very uncommon.

9.3.1.2 Retirement

At the time of collecting our empirical data (2006), the teachers employed in Polish public schools had the right to retire, no matter how old they were, once they had 30 years of pension eligibility time (which could include the time spent in tertiary education), of which at least 20 years had to be spent actively teaching in educational institutions. Once these conditions were satisfied, a teacher could choose to either retire or continue working until he or she reached general legal retirement age (60 for women and 65 for men). This early retirement scheme for teachers meant that many teachers could claim retirement benefits as early as age 50 (we are assuming that teachers typically completed general education at age 20, entered university and then worked until they were 50). This privilege was abolished in 2008. Although teachers currently also have the right to retire early, they have to accept considerably lower retirement benefits if they choose to do so.

Our data shows that retirement is a very common means of personnel reduction. Among the schools with falling enrolment in our sample, all reported having encouraged older teachers to retire in order to reduce personnel. According to our qualitative analysis, reducing personnel via retirement is universally acknowledged

¹ Note that names of places are pseudonyms in order to protect the privacy of interviewees and to avoid stigmatisation of places. A list of quoted interviews is to be found in Chap. 4 (Table 4.1).

as a more preferable way of adapting to falling demand than layoffs. It is a common view that retirement of older colleagues is a solution to the problem of teacher surplus that reflects the idea of solidarity as it minimises the social costs of the downward adjustment of the number of personnel. Avoiding layoffs and transitioning older workers into retirement is perceived as a success under the given circumstances of necessary personnel cutbacks.

Now, thank God, the issue of redundancies has a bit/because it is a most painful moment for a head teacher, when he is about to make somebody redundant, to pick that person who will be out of job/the situation has calmed down a bit now, but when I started working here in '99 then, practically speaking, until 2003 each year somebody had to leave. One, two, three, four, five individuals a year because of the demographic changes that affected us at that time.[...] Almost half of the workforce [...] had to leave within a couple of years. Luckily, luckily, most of these teachers, more than 90 per cent left for early, so-called teacher retirement (Buciszewo GRU: 77–90).

These major outflows into retirement at the time of our study were also facilitated by changes in qualification requirements for teachers. In order to improve school quality at the beginning of the new millennium, Polish legislators introduced higher qualification standards for teachers, requiring a university degree. Many, especially older teachers, however, had completed their education at special 3-year teacher schools and not at a university. Once the new legislation entered into force, they faced three options: to take up studies to acquire the required university degree, to accept considerably lower remuneration or, in the case of those who were eligible to draw retirement benefits, to retire before the transition period granted by the legislation for acquiring the necessary credentials expired.

In our quantitative dataset, there is no record of retirement numbers. However, we can use a chart of the age distribution of teachers in public schools as an approximation of retirement frequency at a certain age. We clearly see a major drop in the number of teachers starting among the group approaching age 50 and then declining rapidly so that by the age of 60 almost all teachers have already left school for retirement (Fig. 9.1).

9.3.1.3 Multi-Subject Teachers

Like retirement, the employment of teachers qualified to teach more than one subject is another widely used measure of personnel policy. In many interviews, these 'multi-subject' teachers were even regarded as the most crucial personnel asset, and training teachers in multiple subjects was seen as the most important issue in personnel management. The importance of these teachers in the personnel planning of schools arises from the fact that teacher education in Poland is very subject-specific. After finishing their university studies, teachers are allowed to teach only in the subject they studied. In order to be qualified to teach other subjects, they have to acquire a university degree in these subjects; this can be done in postgraduate studies, which take approximately three to four semesters. These studies have to be financed by the teachers themselves, although in many municipalities they are partly subsidised. In

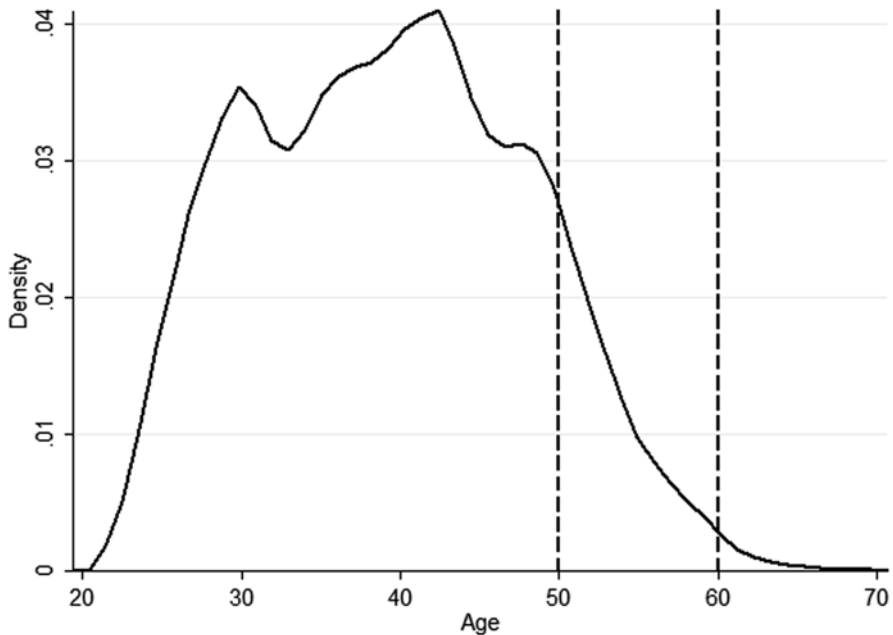


Fig. 9.1 Age distribution of teachers in Polish public schools in 2007. (Source: MEN 2005–2007; our own calculations)

spite of the substantial effort that attaining further specialisations takes, many teachers take up postgraduate studies to expand their qualifications because this increases their chances of full-time employment in times of declining enrolments.

The chemistry teacher now has 19 and will have at least 16 [teaching hours, a full-time position is equivalent to 18 hours of instruction], and this chemistry teacher completed additional postgraduate studies in mathematics, which is a related subject. This is insuring oneself for the future, when the school will have one or two classes fewer [and therefore the number of chemistry hours will drop], so that he does not have to teach in two schools. For I am a supporter of a situation where the teacher teaches at only one school because the teacher should always be available for the pupil. For me the worst kind of teacher is not necessarily the one that teaches poorly but the one that has to leave for another school, he finishes the lessons and leaves. (Mielcz GYM: 568–575)

Head teachers perceive teachers who are qualified in multiple subjects to be very convenient for two reasons. Firstly, as we stated above, Polish head teachers are very uncomfortable with the situation when they are forced to lay off teachers who are not eligible for retirement. If teachers are qualified to teach more than one subject, it is easier to ensure them stable employment. Secondly, employing multi-subject teachers is especially advantageous in small schools in rural areas because many subjects in these schools require only a few teaching hours per week. Instead of recruiting and then employing a large number of teachers on a part-time basis,

Table 9.1 Number of specialisations of Polish teachers, in per cent. (Source: MEN 2005–2007; our own calculations).

Number of specialisations	Percent
1	58.5
2	29.6
3	9.2
More than 3	2.6

school heads prefer to have a smaller number of full-time teachers who are qualified to teach different subjects.

Surely education, [it is welcome] when the teacher continues his education. Because the school is very small and for many subjects there are very few hours, the teacher who completes extra post-graduate studies and acquires additional qualifications is very precious to me. I know that I do not have to employ two or three additional people because one has qualifications to teach three subjects, and I take comfort [in knowing] that I do not have to search for anyone else (Mielcz GRU: 93–97)

Our quantitative data shows the propensity of teachers employed in Polish public schools to acquire further specialisations. We see that more than 40% of teachers are qualified to teach multiple subjects. This percentage has to be considered high given the effort it takes to obtain additional specialisations. As many as 10% of teachers have two additional qualifications (Table 9.1).

9.3.1.4 Fixed-Term Contracts

A fixed-term contract is a common form of employment in Polish schools. First of all, young teachers entering the profession have to be employed on a fixed-term basis by law in the 1st year of employment. During this time, they complete their probation year (which in some cases can be extended to 2 years) and are generally offered an employment contract of indefinite duration thereafter. Secondly, substitute teachers are employed on fixed-term contracts. Thirdly, all part-time employment can initially take the form of fixed-term employment. Moreover, head teachers have the right to offer a fixed-term contract anytime they can prove that the labour demand is temporary. This last issue plays a major role in schools with declining student numbers because such fixed-term employment allows them to cover temporary high demand and avoid dismissals later.

That is why, especially the previous head teacher, who held her position for more than 10 years, in view of the prospect [of the falling number of children] tried to plan employment so that the contract would end at the proper point in time without causing too many problems. So usually those were the fixed-term contracts. So when one knows that there will be no need for so many hours of foreign languages or mathematics/Even though at a given point in time there is a need to employ a teacher, the head teacher would offer a fixed-term contract if there would be no work for the teacher in the years to come (Goromierz GYM: 162–171)

After a young teacher has completed his/her probation year, a head teacher should, according to the intention of the legislator, employ him or her on a permanent contract. In many cases, however, young teachers continue their employment as sub-

Table 9.2 Types of employment contracts in Polish public schools 2007. (Source: MEN 2005–2007; our own calculations)

Type of employment	Percent
Fixed-term contract	19
Open-ended contract	25
Public servant status	56

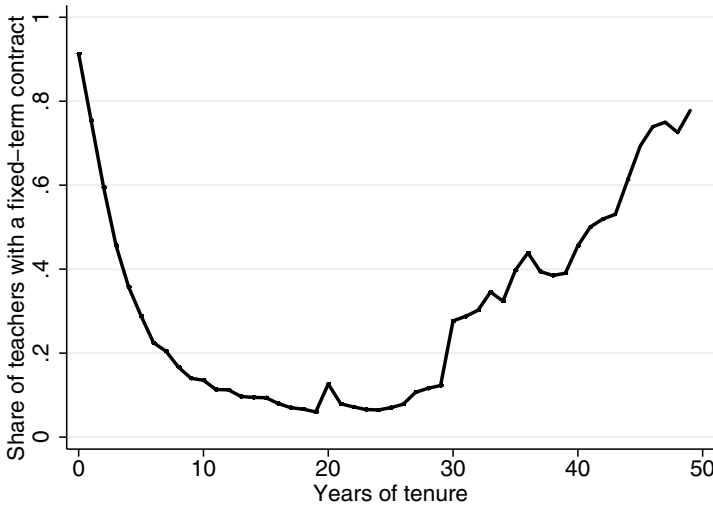


Fig. 9.2 Percentage of teachers with fixed-term contracts by years of service. (Source: MEN 2005–2007; our own calculations)

stitute teachers or on a part-time basis. In these cases they are offered fixed-term contracts for subsequent periods as well.

We can assess the frequency of fixed-term contracts in Polish schools using our quantitative dataset. According to this data, almost 20% of all employment contracts with teachers were fixed-term (Table 9.2).

The probability of fixed-term employment is indeed highly correlated with age. However, we see that the risk of being employed on a fixed-term contract does not drop rapidly in the 2nd year of service (which we would expect as a result of the legal regulations), rather it decreases only gradually. After 4 years of employment, 30% of the teachers are still employed on a temporary basis (Fig. 9.2).

9.3.1.5 Overtime

Overtime is a fairly common element of personnel policy in Polish schools. It should be mentioned here that the student contact time of teachers employed full time in Poland is one of the lowest in Europe, amounting to 14 full hours a week (or 18 teaching hours of 45 min in duration) (Eurydice 2012) and resulting in low salaries. Therefore teachers are generally keen on working overtime so as to increase their

salaries. Our qualitative data shows that there are two distinct and contradictory policies towards overtime. On the one hand, head teachers are generally in favour of teachers working overtime because it gives the school heads more flexibility in responding to fluctuations in labour demand. Especially in schools facing declining enrolment, head teachers are willing to use overtime to escape the need of employing new personnel, which they expect to have to reduce again in the near future. Interesting here is that overtime is also preferred over fixed-term employment. It seems that for head teachers fixed-term contracts are also emotionally binding, even if not to the same extent as open-ended employment contracts that require termination if teachers are to be laid off. Instead, overtime is a rather unproblematic personnel policy measure because it is welcomed by teachers and convenient for the head teacher.

I did such a perspective plan, how many children the school will have in the next 10 years and, as a result of this, how many classes there will be, what kind of instruction hours and subjects there will be and how the number of teaching hours will decrease, how many teachers will be needed [...] Because there are certain pressures, because of the high unemployment rate, mainly from the side of the school inspectorate to employ as many young teachers as possible and not to resort to overtime [...] Yet if I consider that in two years I will have to make somebody redundant.../That is why I try to resist these pressures somehow, because it is very difficult to lay off a teacher, even if you hire them for only a year and this person knows that this is only for a year, they always hope that they will be able to stay longer, that they will be able to hold on to this employment. So I try to resist those pressures quite fiercely because from year to year the number of class units falls, the number of hours falls and this way [resorting to overtime instead of employing new personnel] I do not have to make people redundant (Kolowina GRU: 67–81)

The logic presented in the quotation stands in contrast to the opinion held by some municipalities and regional school inspectorate offices. They consider overtime not in the context of employment stability but rather in the context of active labour market policy. They discourage head teachers from granting overtime for those already employed and encourage them to employ new teachers on fixed-term contracts instead. The idea is to relieve slack municipal and regional labour markets and give young graduates an opportunity to enter employment.

Practically speaking, a teacher wants to work as long as he can for financial reasons, on one and a half times regular hours, or to have 1¼ times regular hours. And this is, so to speak, not entirely in the spirit of the law, that is the first issue. And the second issue is the employment prospects of young graduates/The way we try to do it is that when there is, let's say, more than one and a half positions for teaching one subject in a particular school, for example, then in such a case one teacher gets the full position and the other gets the remaining half and a bit more (Sierowice GEM: 126–131)

Overtime, however, is oftentimes not the result of careful planning but an ad hoc solution to a sudden understaffing problem. Such situations arise when actual school admissions deviate considerably from the predicted numbers. Personnel matters are planned in May of each year and rely on predicted enrolment. However, the exact student and hence class numbers remain unknown until the first days of September when the school year begins, not least because of the policy allowing freedom of school choice. Formally, parents have to register their children by the end of April if they choose to send their children to a school outside of their district. It is com-

Table 9.3 Overtime in Polish public schools, 2007. (Source: MEN 2005–2007; our own calculations)

Overtime	Percent
None	45.98
Up to 5 teaching hours	37.62
More than 5 teaching hours	16.40

mon practice, though, that parents fail to keep this deadline and register their children late. Yet being ‘late’ never bears negative consequences since every school is interested in maximising its number of students. Such discrepancies between the deadline for decisions in personnel matters and the effective deadline for student admissions may result in curious situations in which a school head decides to reduce personnel only to realise soon thereafter that the school’s labour demand will be higher than expected after all.

So, luckily, it somehow turned out that while I had to reduce working hours and lay off teachers [in line with the predicted enrolment numbers in planning for the next school year], we succeeded in opening two additional classes after all, and, as a result, some of my teachers are now working substantial amounts of overtime (Goromierz GYM: 826–830)

According to our quantitative dataset, overtime is indeed frequent. It occurs in more than half of all employment relationships in Polish public schools (Table 9.3).

9.3.1.6 Teacher Mobility Between Municipal Schools

An important issue in personnel policy in Polish schools is also teacher mobility between schools. We treat it as a part of personnel policy because this mobility pattern is not simply an aggregation of individual employment decisions. To the contrary, it is the result of strategic action by head teachers and municipalities in the area of teacher employment. Mobility between schools takes two forms. Firstly, a rather small proportion of teachers teach in more than one municipal school. Some of these teachers combine their working hours in two or more schools into one full-time position. Such arrangements are often a result of falling enrolment, reductions in class numbers and, consequently, fewer teaching hours. Many teachers, however, take up additional part-time jobs on top of their full-time employment at one school. Using the information from our quantitative dataset, we can assess the magnitude of these phenomena. Teachers working in two or more schools simultaneously amount to 10% of all teachers employed in Polish public schools of general education. Over 30% of them have to combine employment in more than one school in order to maintain their full-time job. These small numbers are due to the fact that head teachers are rather sceptical towards employment of teachers in more than one school.

Exactly, such an ‘hourly teacher’ does not interest me, and the second thing is that an ‘hourly teacher’ will not do anything extra at the school because he runs from one school to another. By contrast, a teacher who I have here and has the same qualifications, I know that he will do his job well and will also perform other activities connected with other tasks at school, like preparation of a ceremony, the school’s newspaper or extra work with children. (Mielcz GRU: 102–108)

Table 9.4 Teacher mobility in Polish public schools, 2007. (Source: MEN 2005–2007; our own calculations)

Mobility pattern	Percent
Termination (voluntary, layoff, retirement)	8.39
Change to a school in the same municipality	8.14
Change to a school outside the municipality	0.88
No change	82.60

Secondly, many teachers move to another school within the same municipality when they lose employment at their previous workplace due to the closing of class units. This movement is facilitated by head teachers who are directly involved in the search for work opportunities on behalf of those whom they have had to lay off. As we have described above, school heads feel most uncomfortable in a situation where they are forced to lay off teachers. Indeed, they go to great lengths to ensure employment for the teachers whom they have had to make redundant.

By the end of the school year it looked really bad. I did not have enough teaching hours for the math teacher, so together with this teacher and our ZOPO, which is the municipal education administration unit, we looked for vacant teaching hours at other municipal schools for the teacher to combine them and maintain full-time employment (Sierowice GYM: 69–72)

Our quantitative data for the years 2006 and 2007 show the frequency of intra-municipal mobility in the context of other mobility patterns. We clearly see that mobility within the municipality is almost as frequent as the termination of employment in Polish public schools altogether and amounts to 8%. Termination of employment has a straightforward age pattern. We found a bimodal age distribution with the first modeling in the later years of a teaching career (which can be attributed to retirement) and the second mode at approximately 27 years of age (indicating higher exit mobility, both voluntary and involuntary, among younger employees). By contrast, mobility between schools is only slightly more frequent for the younger teachers, and hence the majority of those changing schools within the same municipality are middle-aged teachers (Table 9.4).

9.3.2 Personnel Management Strategies

Having discussed the individual personnel policy instruments in detail, we will now consider them in the light of the three hypotheses we formulated in the theoretical part of this chapter. We start with the problem of external flexibility.

9.3.2.1 Retirement as a Strategic Response to the External Flexibility Problem

External flexibility in industrial relations can be defined as the ease with which personnel can be hired and fired. In the vast majority of organisations, these pro-

cesses are institutionalised to a greater or lesser degree, thus restricting the freedom of action. Apart from formal legal regulations, there also exist normative rules that, although informal, can be perceived as binding. If an employer perceives the termination of an employment contract to be costly due to existing restrictions of a formal or informal kind, that employer will search for alternative solutions to the problem of overstaffing.

As we have just shown, there is a strong tendency in Polish schools to avoid laying off surplus personnel. This is firmly grounded in the professional affiliation of head teachers who first and foremost perceive themselves as teachers.

Above all, I am a teacher and have been since 1985. I became a head teacher on the first of September 1999. I have a rule that you can be a head teacher from time to time, but you always are a teacher (Buciszewo GRU: 20–21)

In the face of the strong inclination to avoid redundancies—a propensity resulting from high professional solidarity between the head teacher and the teaching staff—school heads tend to turn to retirement as a functional equivalent to layoffs. Encouraging retirement provides a possibility of reducing personnel without the negative externalities involved in the involuntary termination of an employment contract. One of the major issues of concern in the case of layoffs is their adverse effect on the morale of the “survivors” (van Dierendonck and Jacobs 2012; Coyle-Shapiro and Kessler 2003). A redundancy is perceived as a breach of the psychological contract between the parties in which high commitment on the side of the employee is exchanged for the promise of long-term employment by the employer. In a situation of inevitable personnel reduction, retirement is therefore the option of choice because of its higher social acceptability. For one, the status of retirement is perceived to be preferable to the status of unemployment (Casey 1992). Furthermore, those retiring are entitled to retirement benefits and in this way are socially more secure than those who must turn to the labour market upon losing their job.

We were quite lucky in this respect. When there was a need, and practically every year there has been such a situation due to organisational changes, which means that the number of class units has been decreasing, so the number of teachers would also have to decrease [...]. So it would always be that the teachers who were leaving were usually retiring. This was an accomplishment of the head teachers and the teachers themselves. They were aware that they could retire and now they could choose to do so while their colleague who taught the same subject and had only ten years of tenure could stay. They would think, I will retire because I have the means to live. I have a pension and the younger colleague can continue to work. So that is how it was usually done with the retiring of the teachers; painless, I would say. I am thinking right now, trying to remember if we had such case when we had to lay off a teacher who remained... no, no we didn't ever have such a case that someone remained without a job because of organisational changes (Buciszewo GEM: 166–180)

So, and we have merged these schools. [...] And it has been a fortunate merger because it took place without victims [...] so that nobody lost their job, including the school administrative personnel. It turned out that some of these people retired and so nobody has fallen victim, of course metaphorically. So nobody has lost their job, to say it clearly (Goromierz GEM: 188–195)

Retirement as an instrument of personnel reduction has a long tradition in developed economies. It was widely used as a measure to restructure personnel during the period of economic slowdown in the 1980s and 1990s (Casey 1991) and as an answer to pressures arising from globalisation and the automation of the production process (Blossfeld et al. 2006). One of the most prominent examples of the use of early retirement schemes on a large scale is the East German labour market in the early 1990s (Lutz 2000). The many advantages of retirement as a solution to the problems of overstaffing have led scholars in the fields of life-course analysis and labour market research to conclude that this measure would prevail against concurrent instruments such as part-time arrangements or sabbaticals and to proclaim that it is “the way to go” (Kohli et al. 1983). However, personnel reduction through retirement has disadvantages as well. Putting arguments of sustainability and the exploitation of retirement systems aside (Ebbinghaus 2005; Casey 1992), we concentrate on the organisational level. Firstly, hiring freezes, which are a necessary counterpart to retirement as a means of reducing personnel, destabilise the organisational age structure (Wiekert 2002) and result in increasing labour costs per employee (in seniority-based remuneration systems, see Stewman 1988). Furthermore, hiring freezes are thought to have a negative impact on an organisation’s innovation potential, further perpetuating organisational decline (Pfeffer 1983). Secondly, the availability of retirement as a means of staff reduction depends on the demographic structure of the workforce (Budros 2001). There has to be a reservoir of potential early retirees in a given organisation that can be encouraged to exit the organisation in order to retire. In relatively ‘young’ organisations there are few or no potential retirees.

So I can say that there were very few retiring teachers [...] because from the very beginning we were a very young school, also with regard to teaching personnel (Goromierz GYM: 181–187)

Thirdly, a strategy of workforce reduction based on early retirement and hiring freezes often leads to significant losses in service quality as exits into retirement do not necessarily occur in the areas of labour surplus. If open positions are reoccupied in the course of an internal reallocation of employees, then the quality of service decreases as a result of qualifications mismatches, unless employees are offered retraining programmes, which take time and are costly. For a personnel reduction strategy based on retirement to be practicable, it therefore depends on a high level of internal flexibility in the organisation of labour. This brings us to the next issue.

9.3.2.2 Multi-Subject Teachers and Municipal Internal Labour Markets as a Strategic Response to the Internal Flexibility Problem

There are two facets of internal flexibility that facilitate workforce reductions by means of induced retirement. One is the degree of the division of labour. In organisations where the division of labour is high, position holders are required to possess specialised knowledge and qualifications. In the case of an extreme division of labour, each position would require unique expertise. In organisations of this kind,

the transfer of employees between positions is difficult and leads to losses in productivity and service quality. High degrees of division of labour are therefore a major obstacle to the internal mobility of the workforce. If qualification requirements for certain positions within the organisation are institutionalised on the basis of legal requirements, then such internal reallocation of staff without acquiring additional qualifications is virtually impossible.

With respect to teacher qualification, the Polish education system has to be considered highly rigid. On the one hand, teachers in Poland are initially trained for teaching one subject only. On the other hand, there are strict qualification requirements concerning the allocation of staff to particular fields of instruction. After finishing 5 years of university studies, graduates are qualified to teach in Polish schools only the very subject that they have trained for and no other subject whether related or not. This circumstance is a source of complaints from the head teachers.

I am against these qualifications, that is, this rigorous treatment of qualifications. Because when a teacher comes along who has received pedagogical training and when he is qualified to teach mathematics and informatics, then why for God's sake can he not teach domestic science, these two hours at this little school? These subjects have a great deal in common and are similar, one can certainly find something. Or, what I have already said, teachers who have a degree in integrated instruction [grades 1–3], they had so many hours in arts since this university course involves lectures on the history of art and practical exercises and didactics. Can't we say that such a teacher is qualified to teach arts? Do we really need a graduate in arts? (Mielcz GRU: 206–214)

The situation in Poland is very different to what we find in Germany, for instance. Although there are strict rules regarding teacher qualifications in the subject of instruction, teachers in Germany are certified to teach in three subjects upon graduation, not just in one. In Sweden, on the other hand, students are taught by the same teacher in the first 6 years of instruction; there is no division into several subjects (Andersson and Waldenström 2007). In England, by contrast, there are no strict regulations concerning the allocation of teachers to subjects. Teachers are basically allowed to teach other subjects and other age groups than the ones for which they have been trained (Howson and McNamara 2012).

The other aspect of internal flexibility influencing the degree of internal mobility of staff is organisational size. One could speculate that as an organisation grows in size, the functional flexibility of the workforce (what we have described as the degree of division of labour) becomes less crucial in the process of reducing personnel by means of retirement. Given a normal age and skills distribution in an organisation and given that the labour surplus is not skill-specific, we can hold that the bigger the organisation, the more probable it is that the labour surplus and retirements will even out. We can therefore conclude that the size of an organisation can alleviate the problem of low functional flexibility.

The Polish educational reform of 1999 decentralised the organisation of teacher employment. Presently teachers are employed directly by the school, and head teachers are the ones responsible for personnel matters. As a result, every school constitutes a separate organisational labour market. Teacher mobility between schools therefore requires an additional coordination effort. The small size of organisational units together with the low functional flexibility of initial teacher qualifications in

Poland are unfavourable conditions for the internal mobility of teachers and for personnel reduction strategies based on natural outflow of older employees. A head teacher of a lower secondary school spoke about the negative effects of dividing one large school into three separate organisations:

Now that three gimnazja [lower secondary schools] have been opened, the head teacher of each one is responsible for his school; and now we have a situation that in town X there are only four teaching hours in chemistry, so now what? Where should this chemist come from? (Mielcz GYM: 186–188)

Conversely, a head teacher of a school that combines primary and lower secondary school under one roof reported positive effects of scale on personnel planning and improved opportunities to mitigate frictions between supply and demand.

[I asked] the biology teacher to finish nature studies, and so we have nature lessons in primary school and biology [in lower secondary school]. If there are no hours to give [the teacher] here [in primary school], I have some there [in lower secondary school] (Starów ZS: 342–343)

In a situation of low functional flexibility and a high fragmentation of the units providing education services in the Polish educational sector, there is little internal flexibility potential, which is necessary for the successful implementation of personnel reduction by means of retirement and hiring freezes. As we have seen in the description of the individual personnel policy instruments, Polish head teachers still tend to refrain from turning to external solutions such as layoffs under these circumstances. Instead, they develop strategies to raise the internal flexibility potential and avoid redundancies. The strategic response to the problem of high degree of specialisation paired with the fragmentation of the personnel function is the development of teaching staff with multiple specialties on the one hand and establishing municipal teacher labour markets on the other.

Although costly for a teacher in terms of money, effort and time, more than 40% of Polish teachers acquire further qualifications allowing them to instruct in another subject. As the head teachers indicated in the interviews, teachers mostly take up postgraduate studies for subjects where they expect vacancies to open up in the near future because older colleagues are on the verge of retirement. In this way, instead of employing new personnel, teaching hours are distributed internally, and those already employed are able to keep their full-time positions in spite of declining class numbers.

I was so lucky that precisely because of this specialisation in more than one subject that all of my teachers have/ [the necessity to lay off a teacher] has not occurred in my school for the last 5 years or so. They all have/if I employ anybody new, then [it is] only because of longer sick leave or maternity leave [...] And such a teacher knows that he is employed for the duration of the leave. Therefore it is immensely helpful in my school to have multi-subject teachers. So that I can scrape these full-time positions together, right? Because everything has to be/everybody has to be employed according to his/her qualifications, but then I put together these 18 hours [of instruction time, being equivalent to a full-time position] out of informatics and integrated instruction [school instruction in grades 1–3] or arts plus something else, right? And I then I have a full position. So I did not have to reduce anybody [their working hours]/. Well, parallel to the reform/I took it into consideration, and I have simply said that we would not survive if we were to stick to our one subject. We need to have something else so that we can combine hours to secure full-time positions (Dobroniec GRU: 203–215)

We have fewer children in school than was the case six, seven years ago, but we have managed our personnel in such a way that some retired and we automatically refrained from employing anybody new in their place. By contrast, if we had part-time teachers, these people would acquire further qualifications to teach other subjects, and they would take the place of a retiree. Let me give a recent example. A lady has been teaching informatics at our school part time, and a physics teacher was going to retire. And I had already talked to this lady two years ago [...], because I knew that this gentleman would retire at the age of 60; and I proposed to her that she take up post-graduate studies in physics. She agreed and completed these studies, and when this gentleman retired, she took his place as a fully qualified physics teacher and we did not employ a new person [...] So this is how we try to manage the teaching staff by thinking ahead. So that we try to painlessly construct these full-time positions (Sierowice ZS: 234–247)

The quotations give a good account of the personnel management strategy employed to increase the functional flexibility of the teaching staff in order to avoid layoffs in the face of declining enrolment. By planning for the retraining of staff in fields where openings are expected in the future, head teachers are able to cover most of their personnel demand internally and therefore do not need to employ new teachers.

This strategy is supplemented by another one, which is directed at circumventing the disadvantages of small organisational units. As we have seen above, head teachers in Polish public schools very often cooperate in personnel matters and exchange teachers. This leads to the emergence of municipal labour markets for teachers, and the coordination of human resources is moved from the school to the municipal level, at least partly. In this way, the effects of scale can be used to additionally facilitate filling vacant positions internally and thus minimise new entries. Such cooperation in personnel management may take on various degrees of formalisation. At the most basic level, it is simply an exchange of information between head teachers, which is not binding. At this level, offering employment to a teacher who lost his job at another school is considered doing a favour for the head teacher who had to lay him off. In many municipalities, however, such cooperation between schools is coordinated by local municipal administrations. In these cases, head teachers are expected to accept teachers from other schools without exception despite the still informal character of this arrangement.

So we have this unwritten agreement between all the head teachers [...] that if for reasons of natural turnover a position at one school becomes vacant while there is a surplus resulting from those organisational changes at another school, then none of the head teachers will employ an employee from the outside until we have solved our matters here. [...] So it really makes our job easier here; it gives some kind of stability, a feeling of stability for the teachers, which we are happy about because there is less conflict (Buciszewo GEM: 291–6)

Such arrangements may also take an institutionalised form, as in the case of Dobroniec, another municipality in our sample. There, as a result of pressures from local teacher union organisations, a formal agreement with the city hall was signed that compelled the municipality to give those teachers who have reached the third level of the teacher career path priority when filling a vacant position in any of the municipal schools.

In practice, however, the situation is such that in the city, I do not deny it, there are very powerful labour unions, powerful because of their centralised structure, which proposed

an agreement to the mayor that guarantees employment to tenured teachers should organisational changes occur; for example, when schools were being closed, we were first of all obliged, because of this agreement, to find a job for those teachers. So to be able to keep the agreement we have to practically oblige our head teachers to consult us on every decision they make in matters of employment. So firstly they have to inform us that they have a vacancy. When we have a teacher in such a situation [that he is threatened with redundancy] we propose this teacher [for a vacancy] and our proposition, as a rule, so to speak, obliges the head teacher (Dobroniec GEM: 58–73).

Along the same lines, schools cooperate in situations when teachers face the threat of reduced working hours due to fewer classes or, correspondingly, if there are teaching hours to fill, but they do not amount to a full position. In such cases, which are indeed very common in shrinking municipalities, teachers may work at two or even more facilities and combine working time so as to maintain aggregate full-time employment. In case of such an ‘aggregated position’, as we call it, teachers remain employed by their original school or by the school at which they teach the most hours and are ‘lent out’ to another school for the remaining hours under one full-time employment contract. As in case of teachers transferring between schools, here municipalities also assist in coordinating the components of such aggregate positions.

To sum up, encouragement of teachers to acquire multiple specialisations and cooperation between schools in personnel matters within a municipality facilitates a personnel reduction strategy based on retirement and hiring freezes. As a result, internal labour markets for teachers emerge, which are isolated from the external labour market both at the school level and at the level of the municipality.

9.3.2.3 Fixed-Term Contracts as a Strategic Response to the Problem of Uncertainty

Apart from the diminishing potential of internal flexibility in the wake of smaller organisational units, decentralisation paired with the marketisation of schools along the lines of new public management also results in higher uncertainty toward future levels of labour demand. In planning their personnel requirements years ahead, head teachers use the population records for their school district to assess future demand. However, predicted student numbers allow only a very rough approximation of personnel needs. We could distinguish three such elements that intervene between population statistics and the demand for teachers. Firstly, allowing parents to choose a school outside of their district creates uncertainty regarding the number of students that can be expected to enrol each year. A head teacher in one of the municipalities in our sample assumes that actual enrolments can deviate by up to 50% from predictions derived from population statistics.

You never expect that if population statistics say there are 220 students that 220 will come because it never is like that, so that in most cases 50 per cent come at best. The rest are children that are in the register but, for example, in reality live somewhere else. [...] These are also children who decide to attend another school, right? [...] So we base our plan, as mentioned, on approximately 50 per cent of what there should be (Goromierz GYM: 345–360)

This is due to inaccurate municipal population records and, far more importantly, parents choosing a school outside of their district. The basic mechanism driving these student flows is school reputation, which is a highly contested issue considering the lack of reliable parameters of school quality. Apart from reputation, avoidance strategies by parents who fear that their child might come under the negative influence of some unfavourable peer group also play a role in the municipal educational markets. A head teacher reported that his school in a small city in Silesia regularly falls victim to these mechanisms:

This is in part a complex problem. On the one hand, it is demography; on the other hand, according to our education act, parents have the right to choose a school. [...] I am unfortunately in such a position that the area where my school is in, let's say, is not one of the best in terms of the social setting. [...] Right in my school district there are, firstly, social housing projects, secondly, an orphanage and, thirdly, a residential estate of an infamous coal mine plagued by diverse [social] pathologies. In consequence, there has been a flight [...] there has been an outflow of students to the neighbouring school (Sierowice GYM: 264–277).

The second aspect that fuels uncertainty toward the future demand for teachers is the fact that the number of teaching positions does not directly depend on student numbers but on the number of class units. How a given number of students is divided into class units may, however, vary according to the will of municipal officials and the argumentative powers of head teachers because Polish educational law does not define standards on maximum and minimum class sizes. The allocation of students to classes is instead subject to bargaining between head teachers and the municipality. The municipality promotes fewer and larger class units, whereas head teachers tend to opt for more and smaller ones. As the outcome of this bargaining (and hence the number and size of classes) is unknown beforehand, it creates uncertainties in terms of personnel demand. One of the interviewed head teachers accentuated the magnitude of the differences in demand that such shifts in class numbers may produce.

But if, for example, two, these two classes [an extra class unit in the lower secondary school and an extra class unit in the primary school that the head teacher managed to open in the year of the interview] had not been opened, then, if the mean lies at approximately 28 hours [of instruction] per class [...], hence 56 [instruction hours] so then actually 3 teacher positions [would have been obsolete] (Kolowina ZS: 749–753)

The third source of uncertainty is changing school curricula due to both national and municipal educational policies. In particular, additional educational programmes supported by municipalities are a source of uncertainty as municipalities are not compelled to finance them and might withdraw funding in times of financial shortages.

Head teachers respond to this uncertainty mostly by means of fixed-term employment. This allows them to create an externally flexible workforce that can easily be laid off without producing extra costs in the form of redundancy payments but also emotional costs in the form of belying hopes of stable employment. The result of such a policy is a school labour market split into a stable core and an insecure periphery—that is, two separate segments with low employee mobility between them.

Head teacher (HT): I have employed a lady for the day care centre. I am afraid that [next year] there will be less children in the first class and that this will come to result in, well, unfortunately, next year one teacher will have to switch from primary instruction to day care. Interviewer: And what are you going to do with the person who now works at the day care centre? HT: She is just a beginner. She is on an internship [the first level of the teacher career path with an obligatory fixed-term contract for the first year] and I, while hiring her I told her that such an eventuality may occur, I haven't given her any/because for the time of an internship there is a fixed-term contract; so here, this intern teacher, she is aware/yet it would really be a pity, and I will do everything I can so that she can stay because she is really/ [...] I am really happy that at last there is a person who brought so much energy and passion to the job (Kolowina ZS: 378–381; 717–724)

If there is, for example, an English teacher, and I know that in this school within the next, say, 10 years three English teachers will be needed and he/she is this third person, then he she gets an open-ended contract. If this is, for example, a physical education teacher and he has/at the moment there are two positions and not even an hour of instruction more than that, then I once again give him a fixed-term contract because I am not sure what [the ministry] will come up with. Will this fourth hour of instruction stay or not? Will there be a fifth?/ so that I do not have to reduce his working hours in the future (Mielcz GYM: 491–498)

Indeed, we do not find fixed-term contracts among the explicit instruments used in managing personnel in schools that are less exposed to fluctuations in demand. The head teachers of these schools employ staff on a fixed-term basis only when they are required to do so (such as for teacher interns) and do not use it strategically. Low fluctuation of demand primarily concerns small rural schools. In rural areas, there are large distances between schools, and therefore even small schools with one unit at each educational level are maintained. In these cases, inaccurate predictions of enrolment numbers do not produce uncertainties since there are no class units to reduce any more. The question is rather at which point the municipality decides to close the school completely. At this point, however, the organisation would cease to exist and personnel considerations would no longer reside with the head teacher. We encountered such a situation in a small rural school in Silesia, which at the time of data collection had only 103 students on six educational levels. Fixed-term contracts play no part in the head teacher's personnel policy.

Fixed-term contracts, well, I don't know; I rather try to give an open-ended contract as soon as possible, when the person has the necessary tenure [as a rule, completion of a one year internship]. I do not extend fixed-term employment (Mielcz GRU: 115–119)

Secondly, schools enjoy greater certainty in planning for their future demand for teachers when they are less exposed to competition. This is the case in rural areas where the distance to the next facility is considerably longer. In such schools almost 100% of children in the district enrol in their district school.

We have figures from the municipal register. We get such figures for some years ahead of time as to what the predicted number of children in our district is. Of course, they are not always correct because there is always migration and people change their residence. But in such countryside districts as ours, one can more or less predict the number of children for a given year. As a rule, children stay in their district up until gimnazjum [lower secondary school] (Sierowice ZS: 250–254)

In this rural school in Silesia, the head teacher was able to avoid employing new personnel. The necessary reduction was achieved by teachers retiring and the remaining teachers being reallocated internally—the typical solution to the overstaffing problem in Polish public schools. However, in most cases, this strategy has to be supplemented by external flexibility measures, such as fixed-term contracts. Here, because of the comfortable situation in planning future demand, there was no need for fixed-term employment.

Well, there were no serious personnel changes, there were only people retiring. [...] There were no other changes. In principle, since we employed teachers in 1999, we have already hired in view of the demand to come in the years ahead. Because in 1999 we did a detailed analysis of the future cohorts of children, and we have an outline more or less up to the year 2008, what it would look like, and the prediction has been correct so far, as far as the number of classes is concerned and hence the number of teachers necessary (Sierowice ZS: 97–102)

9.4 Discussion

In this chapter, we looked at personnel policy strategies in schools facing falling enrolment. We were especially interested in personnel reduction strategies since public sector labour markets are widely regarded as being less flexible in the downward adjustment of their workforce than private sector companies. Theoretically we discriminated between two types of explanations of personnel practices. First, we discussed issues concerning corporate culture and group norms and practices. There is a large body of literature on the specificity of employment relations in the public sector that we built on to support the notion of distinctive reactions of public sector organisations to problems of overstaffing. The main concern in this literature is what can be called the ‘public sector identity’ of personnel managers in public agencies. This identity derives from the perceived specific character of services that are delivered by the state as well as from professional affiliations of most of the personnel managers in the public administration. The beliefs about the specific character of public sector employment are currently being challenged by neoliberal reforms along the lines of new public management. New public management, apart from the deep remodelling of the structures of public service provision, has aimed to change the corporate culture of the public sector in order to induce change in common practices (Hood 1995; Du Gay 1997). Issues of identity, norms and beliefs and their role in shaping personnel policy are addressed by our first hypothesis. We expected personnel reduction strategies to depend on personnel managers’ concepts of public employment. Those adhering to the traditional ideals of public administration, public ethos and the public sector as a ‘good employer’ will be less willing to use external personnel measures such as layoffs in the face of labour oversupply (*internal labour market hypothesis*). The second type of explanation that we studied concerns external constraints upon personnel policy. This type of explanation assumes that personnel managers are maximisers and their objective is organisational efficiency. Personnel policy is then the result of optimisation processes under the

given external constraints of a structural, institutional and market nature. Following this line of thought, we formulated two further hypotheses regarding personnel measures used in Polish schools that are confronted with declining enrolment. On the one hand, we considered the degree of internal flexibility of Polish teachers under the circumstances of (a) a strong subject specificity of teacher training paired with a strong division of labour within schools (according to subjects taught), and (b) the decentralisation of service provision resulting in a fragmentation of personnel administration. We expected that the low degree of internal flexibility of personnel would lead to a greater propensity to use external instruments of personnel management such as layoffs and hiring new personnel (*external labour market hypothesis I*). On the other hand, we addressed uncertainty toward the levels of future demand for teachers resulting from the decentralisation and marketisation of public schools. We expected that high perceived uncertainty would result in restructuring the workforce by substituting fixed-term contracts for stable, long-term stable employment relations (*external labour market hypothesis II*).

Our results show, first of all, a strong support for the first hypothesis. Indeed, among the head teachers of Polish public schools there prevails a strong professional identity, and their views on personnel policy are congruent with the notion of the public sector as a 'good employer'. Accordingly, they display a very strong reluctance to dismiss teaching personnel and go to great lengths to avoid layoffs even in situations of a major teacher oversupply. With a similar degree of certainty the second hypothesis could be rejected. Instead of turning to external personnel policy (hires and fires), head teachers react to a situation of initially low internal flexibility of their teacher workforce by resorting to strategies directed at increasing its functional flexibility as well as by cooperating with other schools in the municipality. As for the third hypothesis, the results are mixed. We could indeed find more fixed-term employment in schools that are exposed to a greater degree of competition and in which the uncertainty toward future levels of personnel demand is also greater. However, fixed-term employment is not considered an equivalent to open-ended employment contracts. Rather, fixed-term contracts act as a buffer that stabilise the internal workforce and shield it from demand fluctuations. Even in schools facing high levels of environmental uncertainty, long-term employment contracts are the dominant mode of employment. In case of uncertainty the organisational labour markets take a form of a dual labour market constituting of an externally flexible periphery and a stable core (*dual labour market hypothesis*).

Apart from their immediate importance for educational policy, our results also contribute to the ongoing debate in industrial relations theories and labour economics as to the role of non-economic elements in shaping the rules of work organisation (Jacoby 1990; Osterman 2011). Whereas neoinstitutional labour economics (Williamson 1994) and personnel economics (Lazear and Shaw 2004) explain the emergence and the shape of the institutionalised rules governing the organisation of work in companies as the outcome of an optimisation process, older institutional approaches in labour economics (Kerr 1994) consider the personnel policy of a firm to be the result of a political struggle between groups within a given organisation that possess different ideas of what the organisational goals should be and what the

legitimate ways of achieving them are. Within the first paradigm, institutions exist because they are efficient. In this respect, neoinstitutionalism, at its heart, is an extension of neoclassical economic theory to labour economics. The second paradigm, by contrast, draws our attention to the non-economic factors that shape the rules of labour organisation, such as the distribution of power between groups and the normative beliefs held by the organisation members. In this perspective, efficiency concerns are only one element among others involved in deciding personnel policy.

We believe that much of the work in the field of labour economics is situated within the first paradigm. Personnel policy is considered a rational response to the functional requirements of personnel recruitment and motivation under external constraints such as environmental uncertainty (Struck 2006). In this chapter, we offer evidence supporting the alternative view. In spite of the structural features of the reformed organisation of educational provision in Poland—decentralisation, short planning cycles, little functional flexibility and the formal possibility of layoffs—head teachers do not engage in renegotiating the rules underlying employment relations towards introducing more external flexibility. Instead of rearranging labour organisation in the form of an external labour market or introducing a new type of labour organisation as a parallel structure, they develop micro-level strategies to enhance internal flexibility, enabling them to stay ‘faithful’ to the ideal of professional labour organisation in the form of an internal labour market. Our empirical evidence supports a view on work organisation as highly path-dependent and immersed in the social norms of a given occupational field and argues for more complete explanatory models in labour economics that are not limited to a narrow perspective of efficiency.

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