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# Psychological contract

The psychological contract is commonly defined as ‘individual beliefs, shaped by the organization, regarding terms of an exchange agreement between the individual and their organization’ (Rousseau, 1995, p. 9). Since Rousseau’s (1989) seminal reconceptualizing of the psychological contract, its key defining features include beliefs that refer to explicit and implicit promises. Explicit promises are employee perceptions of verbal and written agreements, whereas implicit promises are where employees perceive consistent patterns of exchange behaviour between themselves and the organization. Since Rousseau, psy- chological contract research has largely focused on the employee’s perspective, rather than the employer’s perspectives, and psychological contracts are highly subjective held in ‘the eye of the beholder’. The exchange underpinning psychological contracts refers to the perceived links between employee contributions (e.g., effort, skills, flexibility) in return for organizational offerings (e.g., pay, promotion, support).

There have been two main areas of research inquiry. The first is research into the *contents* of psychological contracts, which refers to the promised exchanges (explicit and implicit) between an employee and their organization. A common approach has been to categorize contents into transactional and relational psychological contracts, which are similar in meaning to classic ideas of economic and social exchange. The content of a psychological contracts is important because it establishes the deal between employee and organization; that is, what each party promises to do for each other.

The second area of inquiry is research into psychological contract *breach*, defined as when a party to a psychological contract perceives the other to have failed to fulfil promises (Conway and Briner 2005). Related to breach is the idea of psychological con- tract *violation*, which are the intense emotional reactions following breach under certain conditions. Several meta-analyses (based on largely cross-sectional studies) find breach associated with a wide range of attitudinal and behavioural withdrawal from the organi- zation (e.g., Conway and Briner, 2005). For example, psychological contract breach negatively associates with employment relationship outcomes such as job satisfaction, organizational commitment, in-role and extra-role performance, and intentions to quit. The psychological contract is important because it is a major construct for under- standing employee attitudes and behaviour (Conway and Briner, 2005; Levinson et al., 1962; Rousseau, 1995), where breach is the key theoretical concept linking the psycho- logical contract to attitudinal and behavioural outcomes (Conway and Briner, 2005). From an HRM perspective, human resource practices and line manager behaviour are found to have a major influence on shaping the contents of psychological contracts (via communicating psychological contract content), and human resources policies and prac- tices, when delivered effectively, are a major factor in ensuring psychological contracts are fulfilled (i.e., not breached), which in turn relates positively to employee attitudes, behaviour and performance. Some researchers propose the psychological contract as a framework to explain how HRM relates to workplace performance (Guest, 1998). In other words, if organizations deliver high-quality HRM, this will lead to fulfilled psychological contracts, which leads to positive employee attitudes and high employee performance.

The psychological contract is a potentially useful practitioner tool because it offers a framework for employees and managers to negotiate deals that meet each other’s needs, as well as concepts to understand how HR policies and practices communicate the organization’s side of the psychological contract (Guest, 1998). Organizations must manage human resource practices to ensure promises are fulfilled (e.g., making sure human resource policies are consistent with practice), thereby preventing breach.

There are several major critiques of the psychological contract (Conway and Briner, 2005; Guest, 1998). One controversy is that key terms within the psychological con- tract definition are defined unclearly. For example, there is a longstanding debate as to whether the beliefs that constitute psychological contracts should refer to promises, obligations and/or expectations (Conway and Briner, 2005). A second controversy is whether organizations can hold psychological contracts and, if so, how should the organization be conceptualized (as a network of individuals, as organizational culture, as HRM practices, as an anthropomorphized entity)? A third controversy is where researchers dispute the importance of psychological contract breach, arguing that it is what employees actually get that matters, rather than any discrepancy with promises made.

There have been attempts in the last ten year to reboot psychological contract research, following reviews that the area had become somewhat moribund. These reboots focused on treating psychological contracts as an unfolding process emphasizing the importance of time (e.g., Tomprou et al.’s 2015 post-violation model, Rousseau et al.’s 2016 dynamic phase model), and moving beyond reciprocity as the mechanism for understanding the effects of breach and instead moving toward job demands–resources models and affective events theory (see Coyle-Shapiro et al., 2019, for a review).

Neil Conway

## See also:

Employment relationship; Equity; Job satisfaction.

## References and selected further readings

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