



The psychological contract: Implications for the employment relationship

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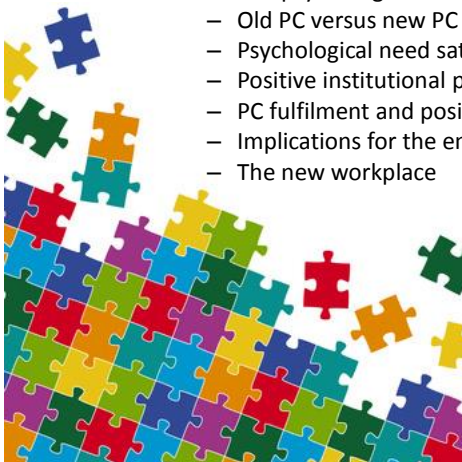
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 OPTENTIA RESEARCH PROGRAMME



Overview

- Part 1: Background and motivation for study
- Part 2: Positive employment relationships
 - The psychological contract (PC)
 - Old PC versus new PC
 - Psychological need satisfaction
 - Positive institutional practices
 - PC fulfilment and positive relations
 - Implications for the employment relationship
 - The new workplace



Background

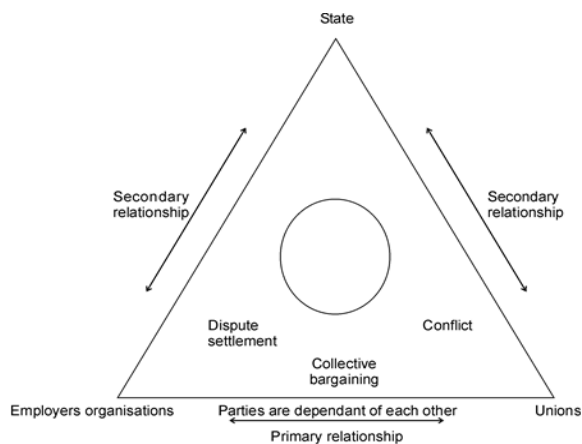
- IT environment currently facing great **challenges**:
 - *High turnover (high demands, little support)*
 - *Skills deficit (shortage of 29 027 IT professionals in 2015)*
 - *Attraction and retention of qualified employees*
- **Positive work environment** important
 - *Managing a positive employer-employee relationship is essential for ...*

Flourishing at work
Flourishing in life

- **Negative employment relations** (unfulfilled expectations/negative feelings) result in:
 - Job dissatisfaction, disengagement, turnover, poor well-being



Labour relations in South Africa



Positive Relations at Work

What Does 'Positive' Entail?

- A positive relationship is one in which there are true relatedness and mutuality. It is not enough to believe that one is cared for or has others on whom he or she can rely, one must also experience giving and receiving, mutual caring and safety in times of distress.

Jane Dutton
(2011)



What is the Psychological Contract?

- *an exchange agreement*
- *including expectations and obligations based on perceived promises.*

Types of PC: **Relational** (*stability/loyalty*), **Transactional** (*limited involvement/few developmental opportunities/short-term*), **Balanced** (*enhances employability/career development/continuous learning*)

- A discrepancy between what is received and what has been promised, constitutes **psychological contract breach/violation**



Contract type	Content	Employer obligation	Employee obligation
Relational	Long term, based upon mutual trust and loyalty . Rewards are subject to performance, membership of and participation in the organisation.		
	1) Stability	Offers stable wage and long-term employment contract	Remains with organisation and performs to retain job
	2) Loyalty	Supports well-being and interests of employee and family members	Supports organisation and shows loyalty, commitment and organisational citizenship

Transactional	Employment agreements are short-term and limited, with the major focus upon economic exchange ; limited employee involvement in the organisation		
	1) Narrow	Committed to offer employee limited involvement, few developmental opportunities	Only does limited set of duties; only does what employee is paid for
	2) Short-term	Offers temporary employment, no future commitments	No obligation to remain with organisation

Balanced	Dynamic, open-ended agreements in the employment relationship, subject to the economic success of the organisation, as well as opportunities for the employees to develop their careers.		
	1) External employability.	Committed to enhance employee's long-term employability within and outside organisation	Obligated to develop marketable skills
	2) Internal advancement	Provides opportunities for career development	Develops skills as required by employer
	3) Dynamic performance	Promotes continuous learning in order to meet performance standards	Successfully performs new and more demanding, changing goals

Old PC vs new PC



Employer offers:

- Security
- Future career
- To look after the employees

Employee offers:

- Loyalty
- Commitment
- Adequate performance

Employer offers:

- Employability
- Tools and environment to achieve this
- Opportunities for assessment
- Opportunities for development
- Care

Employee offers:

- Continuous learning
- Keep pace with change
- Commitment to organisational success
- Manage their own career
- High productivity

RESEARCH METHOD

Research design

Cross-sectional and quantitative approach; non-random field survey design utilising questionnaires

Participants

$N = 205$ IT professionals:

- 69.3% Males, 30.7% females
- Ages between 25 – 65 years
- 84.9% were Whites
- Tenure less than two years = 23.4%
- 35.6% within remuneration bracket R20 000 – R40 000 p/m
- 16.6 % earn R60 000 – R100 000+ p/m

Generation gap?



($N = 205$) – *Psychological Contract Inventory* (Rousseau, 2000)

<35 years = 109

>35 years = 96

- Does **not** have this obligation
- Has been fulfilling **less** than what it is intended to
- Has been fulfilling **more** than what it is intended to

	Not		Less		More	
	<35	>35	<35	>35	<35	>35
Balanced						
1. Providing me developmental opportunities within this firm.	7.8	10.5	35.7	22.4	11.6	18.4
2. Allow me advancement within the firm.	10.1	10.5	32.6	31.6	12.4	15.8
3. Support me in meeting higher goals.	7.8	13.2	32.6	27.6	14.7	14.5
4. Help me develop extremely marketable skills.	9.3	7.9	31.8	36.8	22.5	15.8
5. Help me achieve better quality levels at work.	5.4	7.9	21.7	30.3	20.2	23.7
6. Support me to attain a higher performance level.	3.9	7.9	27.1	27.7	20.9	23.7
7. Help me progressing upwards inside the organisation.	10.1	10.5	31.8	36.8	17.1	13.2
8. Help me achieve more and more demanding goals.	7.8	9.2	22.5	31.6	21.7	19.7
9. Give me tasks that enrich my curriculum.	7.0	10.5	31.0	31.6	27.1	21.1
11. Allow me opportunities for promotion within this company.	10.9	11.8	38.0	35.5	12.4	14.5

	Not		Less		More	
	<35	>35	<35	>35	<35	>35
Employability						
12. Promote the visibility of my work externally.	18.6	15.8	29.5	36.8	15.5	14.5
10. Allow me contracts that create employment opportunities elsewhere.	28.7	34.2	32.6	27.6	10.1	11.8
13. Seek out assignments that enhance my employability.	14.7	21.1	29.5	35.5	17.8	15.8
14. Divulgate my work externally.	24.8	25.0	32.6	31.6	13.2	14.5

	Not		Less		More	
	<35	>35	<35	>35	<35	>35
Relational						
15. Provide me a stable job.	3.9	5.3	10.9	14.5	34.9	26.3
18. Offer me an appropriate salary and other benefits.	2.3	5.3	34.1	25.0	17.8	14.5
19. Being responsive to my concerns.	4.7	6.6	27.9	30.3	18.6	15.8
20. Make decisions taking my interests into account.	6.2	11.8	27.1	34.2	14.0	10.5
21. Concern with my long-term well-being.	7.0	9.2	23.3	32.9	20.9	15.8
22. Provide me some job security.	3.9	7.9	14.7	21.1	28.7	17.1
23. Offer me a stable salary.	2.3	5.3	15.5	14.5	25.6	21.1
24. Making an effort for me to remain in the company.	6.2	9.2	15.5	23.7	34.1	23.7
25. Provide me a job for a certain period of time.	7.0	6.6	7.8	14.5	24.6	21.1
30. Allow me to leave at any time I choose.	10.1	35.8	13.2	6.6	33.3	35.6

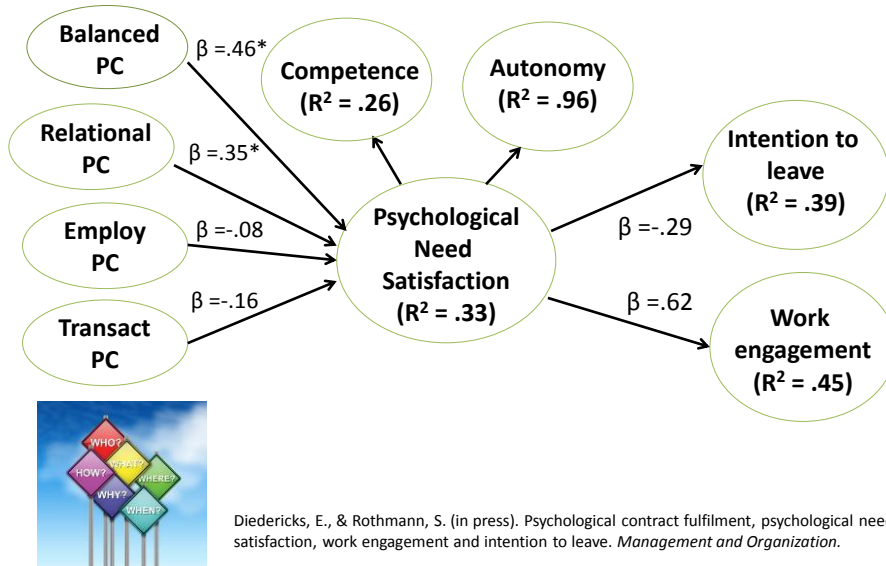
	Not		Less		More	
	<35	>35	<35	>35	<35	>35
Transactional						
26. Ask me to perform only the required tasks.	10.1	14.5	19.4	19.7	21.7	17.1
27. Pay me according to my performance.	7.0	9.2	33.3	30.3	15.5	11.8
28. Provide me a job limited to specific tasks, with well-defined responsibilities.	14.0	10.5	32.6	31.6	9.3	10.5

Psychological Need Satisfaction



- Need for **autonomy** refers to the desire to experience freedom and choice when carrying out an activity.
- Need for **competence** refers to individuals' inherent desire to feel effective in interacting with the environment.
- Need for **relatedness** refers to the innate need of individuals to feel connected to others, to love and care for others, and to be loved and cared for.

Psychological Contract Fulfilment, Psychological Need Satisfaction, Work Engagement and Intention to Leave



Diedericks, E., & Rothmann, S. (in press). Psychological contract fulfilment, psychological need satisfaction, work engagement and intention to leave. *Management and Organization*.

Supervisor Behaviour and Psychological Need Satisfaction

Autonomy support

- Take the time to learn about employees' career goals and aspirations.
- Encourage employees to participate in important decisions.
- Encourage employees to speak up when they disagree with a decision.
- Understand what motivates employees.

Competence support

- Make it clear what employees should be doing.
- Support employees' attempts to acquire additional training or education.
- Make sure that employees get the credit when they accomplish something substantial.
- Provide helpful feedback about employees' performance.

Relatedness support

- Treat people fairly and in a humane way.
- Be accessible and trustworthy.
- Communicate in a way that employees understand.
- Listen carefully to different points of view before coming to conclusions.
- Seek feedback to improve interactions with others.

Positive Relations: PC Fulfilment

- Balanced PC fulfilment (support in meeting higher goals, assistance to progress in the organisation, allowing advancement, providing development opportunities, offering support to perform better, helping to develop marketable skills and assisting to achieve better quality levels at work) and relational PC (providing job security, offering a stable salary and benefits, concern for the well-being of employees, making decisions with employees' interests in mind and being responsive to employees' concerns) had direct effects on psychological need satisfaction (33% variance explained).
- Psychological need satisfaction had strong effects on work engagement (45% variance explained).
- Fulfilment of the balanced PC had a significant indirect effect on work engagement via psychological need satisfaction of IT employees.



Diedericks, E., & Rothmann, S. Psychological contract fulfilment, job satisfaction and work engagement: The role of psychological need satisfaction. *Journal of Management and Organization*.

IMPLICATIONS FOR THE EMPLOYMENT RELATIONSHIP

Older Generations

- **Silent generation (born between 1930 and 1949):** respect authority and hierarchy, value loyalty and discipline, see work as an obligation, modest and patient in their expectations
- **Baby Boomers (born between 1950 and 1969):** workaholics who value money and titles, are good team players, see work as an exciting adventure, wish to postpone retirement

The new generation

- **The Millennials:** self-reliant, entrepreneurial, value personal time outside work, see work as either a contract or a difficult challenge, embrace and use technology to enhance productivity, they do not fear authority, value their freedom and personal space, prefer a collaborative environment, expect to be treated as equals, see work as a means to an end, rapid advancement through the ranks, good remuneration without any hard grind on their part, move up or move on attitude, work-life balance is important, desire to be creative

The new workplace

- Respect diversity (no one-size-fits-all approach)
- Good communication – including **listening**
- Enhance younger employees' internal employability
- Set clear criteria for promotion and raises
- Keep workforce engaged – frequent performance feedback
- Be flexible
- Give praise where praise is due
- Offer coaching and mentoring
- Innovate by tapping into all groups
- Consider individual and psychological needs
- Support growth opportunity
- Create a fun environment
- Promote team collaboration
- Provide good leadership

*Across generations, we need to
talk, but we also need to act ...*

**"The glue that holds all relationships
together -- including the relationship
between the leader and the led is trust,
and trust is based on integrity." --Brian
Tracy**



THANK YOU