THE PSYCHOLOGICAL CONTRACT:
WHO'S CONTRACTING WITH WHOM?
TOWARDS A CONCEPTUAL MODEL

By

Professor Sally Sambrook &
Delia Wainwright

Division of Business Studies

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Abstract

This paper provides a review of literature regarding the concept of the psychological contract, a complex concept within organisation behaviour. Having explored the key dimensions of the psychological contract within the extant literature, we identify a gap in knowledge associated with the parties involved. That is, little research explores exactly who is contracting with whom. The paper highlights key issues such as the anthropomorphising of organisations and individual characteristics, such as profession and personality. Most research analyses the contract at either organisational (macro) or individual (micro) levels. This paper makes a small contribution to advancing our understanding of this complex concept by providing a middle, integrated or meso-level conceptual model of the various potential contract-makers and how they might interact. This identifies the various parties involved: organisation principals and agents (such as managers and human resource practitioners), individuals and co-workers, and how these might vary over the life-cycle of employment, from both organisation and individual perspectives. It also notes the role of human resource practices.
1. Introduction

In this paper we provide a review of literature regarding the concept of the psychological contract, a complex concept within organisation behaviour. Our aim is to explore ‘who’ are the contracting parties and theorise who is contracting with whom within these complex human-organisation relationships. From our comprehensive review, we identify a gap in knowledge associated with the parties involved and ask the question: ‘Who is contracting with whom?’ This paper makes a small contribution to advancing our understanding of this missing element within the psychological contract literature by providing a conceptual model of the various potential contract-makers and their interactions. It identifies the various parties involved from both organisation and individual perspectives, noting the role of human resource practices.

The paper is structured as follows. First, we provide a brief overview of the psychological contract and a review of definitions to set the context. Second, the main section discusses the elements which are of particular relevance when addressing the question of who is contracting with whom. Here, we identify the contracting parties, including the anthropomorphising of organisations and the individual influencing characteristics of personality and profession, recognising their dynamic and context-specific nature. Although the two key parties are individual (micro) and organisation (macro), drawing upon the review, we propose a middle, integrated or meso-level conceptual model illustrating the various contract-makers and their interactions, and how these may vary over the life-cycle of employment. The paper ends with our conclusions and recommendations for research.
2. Brief overview of the Psychological Contract

There is no clear consensus on the definition of the psychological contract (Guest and Conway 2002). ‘Historically, each researcher or writer has defined the psychological contract construct in some way that she or he feels is suitable, or has adopted one of the existing definitions, with little or no explicit consideration of competing views of the construct’ (Roehling 1996: 214).

The American organisational psychologist Chris Argyris (1960) first utilised the term psychological contract. Argyris made reference to a psychological work contract and he defined it in terms of there being an implicit relationship between the employees and their foreman. He believed that the psychological contract between the parties allowed for the expression and gratification of each others’ needs.

Levinson et al (1962: 21) defined psychological contracts as, ‘a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern the relationship to each other.’ Within their work there is an emphasis on needs and that leads to the development of relationships where each party behaves in ways that fulfils the needs of the other party. There are reciprocal elements to the relationship which will continue as long as the parties continue to meet each other’s need and there is an assumption of reciprocity. Purvis and Copley (2003) argue that such an assumption of reciprocity between the two parties in the exchange relationship remains core to the definition of the psychological contract as laid out by the early writers.

The concept was then developed by the social psychologist Edgar Schein (1965) who defined the term as, ‘the unwritten set of expectations operating at all times between every member of an organisation and the various managers and others in that organisation... Each employee has expectations about such things as salary or
pay rate, working hours, benefits and privileges that go with a job...the organisation also has more implicit, subtle expectations that the employee will enhance the image of the organisation, will be loyal, will keep organisational secrets and will do his or her best.’ Here, there is reference to the potential parties involved, including employees, managers and the organisation. Schein believed that the psychological contract whilst unwritten was a ‘powerful determiner’ of the way people behave within organisations. The psychological contract according to Schein has two levels: individual and organisational (Anderson and Schalk 1998). Schein introduced the idea that various managers exist within an organisation and the diversity of relationships within an organisation could not simply be defined by labelling individuals as either the ‘employee’ or the employer’. This draws explicit attention to the need to identify actually ‘who’ is contracting with ‘whom’?

Argyris (1960) refers to an understanding between a group of workers and a single foreman whereas Schein’s definition focuses on the relationship between a group of employees with various managers not just one individual. Schein’s work is also more concerned with understanding the employment relationship from both the employees’ and employer’s perspectives. Agyris (1960), Levinson et al (1962) and Schein (1965) all used the term the psychological contract to describe an implicit agreement, of expectations, between the parties in the employment relationship. Levinson’s focus was on the relationship between individual employees whereas Schein’s emphasis was on a group of employees. Such early work hints at the ambiguity associated with the contracting parties, and we suggest further research is needed to clarify this. Later, Kotter (1973: 92) defined the psychological contract as, ‘an implicit contract between an individual and [his] organisation which specifies what each expects to give and receive from each other in their relationship’. Kotter viewed this as changing over time as the company’s and the individuals’ expectations change. This suggests a dynamic dimension to considering who is contracting with whom. Expectations might change over time,
but so also might the individual contracting parties, and further research is required to examine this.

There is widespread recognition within the literature that there are two distinct phases in the development of psychological contract theory: the early phase and the phase following Rousseau’s (1989) reconceptualisation of the psychological contract (Roehling 1996, Conway and Briner 2005). Rousseau’s work shifted the emphasis away from expectations towards the promissory nature of the psychological contract. “The term psychological contract refers to an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (Rousseau 1989: 123). Within Rousseau’s definition there is the belief that a promise has been made, a consideration offered in exchange for it and this binds the parties to some set of reciprocal obligations. Rousseau shifted the concept of the psychological contract away from it being based on individual’s needs towards a concept based on individual perceptions of observable behaviour. Rousseau also clearly emphasised the employee perspective, arguing against organisations being anthropomorphised and holding their own contracts (although accepting that individuals as representatives of the organisation hold contracts). Later, Rousseau and McLean Parks (1993: 6) stated that, ‘promises are a commitment to a future course of action... [they] may be oral or in writing, behavioural or observed.’

Within different definitions there has been differing emphasis on features of the contract including beliefs about obligations, expectations and mutuality. There is no complete agreement about which element to emphasise. Guest (1998: 651) argues ‘The psychological contract may be about perceptions, expectations, beliefs, promises and obligations.’ Anderson and Schalk (1998: 637) suggest that mutual obligations are of central issue in the relationship between the employer and the employee but argue that these obligations are, ‘for the most part implicit, covertly
held and only infrequently discussed’. They further emphasise that there is an investment by both parties into the relationship with an expectation of a positive outcome for each party. These mutual obligations arise as a direct result of when individuals infer promises that give rise to beliefs between the employer and employee about the existence of reciprocal obligations (Rousseau 1989). Later, Rousseau and Gréler (1994: 386) define the psychological contract simply as, ‘the actions employees believe are expected of them and what response they expect in return from the employer’. This definition could be considered limiting as it is only interested in the perceptions of one party to the employment relationship. Further research is required to examine organisational perceptions and expectations, but ‘who’ is the organisation?

Form of contract describes the way an employee interfaces with the employing organisation (Rousseau 1989) and can be classified as transactional or relational. Transactional contracts are concerned with economic exchange and relational are more concerned with mutual trust involving some obligations (Robinson and Rousseau 1994, Robinson, Kraatz and Rousseau 1994). Transactional contracts are narrow in focus and may be tightly defined (CIPD 2005). Arnold (1996) identified that transactional contracts are more likely to be short term and they are also more likely to be publicly observable. As they are usually concerned with an economic exchange they are less likely to be reliant on the relationship between the employer and the employee, thus the ‘who’ is perhaps of little importance. In contrast, relational contracts are likely to be broader ranging and diffuse in nature (CIPD 2005) and are reliant on the relationship between the employer and the employee. Here, identifying ‘who’ is contracting with ‘whom’ will be of greater importance, although we note that this has not been widely considered in existing literature, and provides a substantial item for a future research agenda. Arnold (1996) describes relational contracts as being intangible, indefinite, wide-ranging and subjective to the parties involved. This would suggest qualitative and interpretive
research is needed to explore these complex and subjective relational contracts. DelCampo (2007) points to the dichotomous nature of psychological contracts reiterating that they can have both transactional and relational elements. Herriot and Pemberton (1997: 45) highlight that, ‘while the content of psychological contracts is likely to be varied, the process of contracting may be similar wherever contracts are made.’ It is the process of who is contracting with whom that is of interest to us as there is limited research in this area. Rousseau and McLean Parks (1993) argue that transactional and relational contracts differ in five different dimensions: focus of the contract, time frame, stability, scope and tangibility. Janssens, Sels and Van den Brande (2003) and Sels, Janssens and Van Den Brande (2004) validated that there are six dimensions to the nature of the psychological contract, labelled: tangibility, scope, stability, time frame, exchange symmetry and contract level. Exchange symmetry refers to the degree to which the employee perceives the unequal employment relationship as acceptable and contract level refers to the degree to which the employee perceives their contract to be individually versus collectively based (ibid: 467). This hints at an imbalanced power dimension and further ambiguity regarding the contracting parties, which warrants further investigation.

3. Who is Contracting with Whom?

The key question of ‘who is contracting with whom’ can be explored in a number of ways. In order to establish the employee ‘who’ it is necessary to take into account a variety of factors. These include ‘who’ they are in terms of their professional background and work context. For example, this could include public, voluntary or private sector organisations, large or small. Individuals belong to a specific employee group but also to the broader ‘professional’ group, such as accountants, or nurses. In addition, ‘who’ these employees are at an individual (personality) level may influence ‘who’ they are in the employment relationship. Equally important is the need to consider the same questions in relation to ‘who’ is the organisation.
There is the need to explore the concept of anthropomorphising organisations and to look at who is the face and the mind of the organisation. Whilst many researchers have focused on one or the other, more recently it has been suggested that it is important to integrate the micro level study of individual employees with the macro study of the organisation – as both context and contract-maker - to develop a meso-level understanding (Aggarwal & Bhargava 2009). We aim to make a small contribution to this research agenda by proposing a conceptual model of the various contract-makers and how these vary over time. First, we begin with the organisation.

3.1 Organisation as context and/or contract-maker?
Organisations can be defined as, ‘large social groups in which the leadership, hierarchy and role-differentiation have become formalised into fixed ranks and offices, norms have become rules, and in which methods of communication and work are prescribed,’ (Argyle 1969: 272). Huczynski and Buchanan (1991:7) refer to organisations as being ‘social arrangements for the controlled performance of collective goals’ and Watson (1994: 32) describes organisations as, ‘sets of ongoing relationships, utilising various technologies in which people co-operate to achieve tasks which would not otherwise be possible either at all or from an equivalent resource base’. These definitions suggest that an organisation has human elements as it contains relationships and people, although an organisation is not a human in its own right. This is important in considering who is contracting with whom.

Organisations vary in many ways including ownership, size, goals, strategy, culture and culture. As such, they provide different contexts in which the psychological contract may be formed. There are various ways in which organisation and HR strategy may be linked (Torrington et al 2002), but a common suggestion is that organisational strategy – whether cost-reducing, quality-enhancing or innovation-creating – impacts on employment strategy – whether
seeking high or low commitment/indirect or direct control, for example, or based on either a ‘hard’ transactional or a soft, relational approach (Hannah & Iverson 2004). The soft components form part of the social exchange (Blau 1964). The employment strategy then influences the choices made regarding human resourcing (HR) practices, such as resourcing (recruitment and selection), learning and development, (induction, skills-based training, career development), reward management (compensation and benefits) and employee relations. Aggarwal & Bhargava (2009) argue that HR practices shape and are shaped by the organisation culture, which in turn shapes and is shaped by employee perceptions. Culture also provides a key role in communicating the expectations and obligations in the employment relationship, as discussed below. Thus, the organisation provides a ‘context’ in which the PC is constructed.

However, organisations themselves are also conceived as one of the parties involved in the psychological contract. In this sense, an employee constructs a PC with ‘the organisation’ as some abstract entity, or more often with some representative or agent of it, such as recruitment officer, supervisor or line manager. Employees seldom construct contracts with an abstract object, but rather a human party. This leads to the concept of anthropomorphising.

### 3.2 Anthropomorphising

Anthropomorphising can be defined as the attribution of human motivation, characteristics, or behaviour to animals, natural phenomena or inanimate objects, such as organisations. Anthropomorphising is frequently referred to when considering organisations in the context of organisational learning (or as learning organisations) (Sun 2003, Huber 1991). In terms of organisational learning Miller (1996) makes reference to actors as part of the organisation. Garvin (1993) refers to organisations in terms of their ability to modify their behaviour, a human attribute. However there are many fewer references to this in the context of the psychological
contract research. Even in the early work of Levinson (1965) there are references to the ‘nature’ of the organisation (again anthropomorphising it) and it is cast in a parental role. Levinson (1965: 377) reflected that, ‘people project upon organisations human qualities and then relate to them as if the organisations did in fact have human qualities.’ Following this, Kotter (1973: 96) talks about the ‘sensitivity’ of the organisation, again a human quality engendering certain images. More recently Liden, Bauer and Erdogan (2004: 226) have noted that, ‘researchers often personify the organisation as an entity that varies in terms of the degree to which ‘it’ cares about and supports employees.’ They further posit that organisations have a role to play in the recruiting, selecting, socialising and developing employees but there is no explicit identification of who personifies the organisation in these activities.

In our earlier discussions around definitions and the mutuality of the exchanges relating to the psychological contract, there are also examples of anthropomorphising the organisation. Having an obligation is a human characteristic and Coyle-Shapiro and Kessler (2000: 905) suggest that to capture the mutual obligations the organisation is personified and ‘assumes an anthropomorphic identity for employees.’ This view is echoed by Robinson and Wolfe Morrison (1995) who feel that the organisation takes on an anthropomorphic identity as a party to the psychological contract. However they take the position that in the employee’s mind the contract exists still with the organisation, validating Conway and Briner’s observations (2005) that employees can view all the organisation’s possible agents, principles and non-human contract makers as if the organization were a single, human contract maker. They further suggest that ‘the validity of anthropomorphizing organizations has never been considered and psychological contract theory and research would benefit from such a debate’ (p130). We note that little further research has been conducted in this area.
3.3 Who is the organisation?

Many authors fail to address the issue of who is involved in the psychological contract relationship on the part of the organisation. Coyle-Shapiro and Kessler (2000: 907) reflect that, ‘the conceptualization and operationalization of the employer has been treated as unambiguous and unproblematic.’ This has meant that in research terms different things have been measured when looking at interactions between the employee and the organisation. We suggest that further research is needed to more explicitly explore who is the organisational party.

When considering the composition (or who) of organisations in terms of people, the concept of organisational culture is helpful. Schein (1984) broadly defined organisational culture as the pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with internal and external problems and that have worked well enough to be considered valid and taught to new members as the correct way to perceive, think and feel in relation to these problems. Cultures can be analysed as having three levels (Schein 1985): artefacts such as externally visible symbols of an organisation’s culture, including rules and procedures; values and norms of behaviour; and implicit, taken-for-granted assumptions, which are very difficult to detect but which invisibly shape the visible. Culture can be transmitted through stories, about heroes and villains, and about significant events in the organisation’s history. Culture can be associated with ways of thinking and feeling, and talking. Discourse plays an important role and can help shape stories, and the various (explicit and implicit) messages they attempt to convey. Organisational culture plays a role in the development and the maintenance of the psychological contract. Makin, Cooper and Cox (1996: 250) suggest that organisational culture and the psychological contract are, ‘so closely related that it is impossible to say which one causes the other, since the culture determines how people relate, and how they relate determines what sort of contract exists between them.’ As cultures, ‘organisations are chiefly systems of human
interaction and people carry their emotions and wider social needs into work with them’ (Tourish and Hargie 1998: 56). Regarding the psychological contract, Guest (1998: 650) states that, ‘It is concerned with the interaction between one specific and another nebulous party. The contract resides in the interactions rather than in the individual or organisation.’ This is key when examining who is contracting with whom and leads to consideration of the question, who is the nebulous party?

The issue is further complicated as the formation of the psychological contract in part may be as a result of administrative contract making and organisations’ structural signals. Rousseau (1995: 63) categorised human contract makers (managers, co-workers and recruiters) and administrative contract makers (structural signals such as mission statements, job advertisements, performance criteria, and compensation and benefits etc).

**Human Contract Makers**

Rousseau (1995) distinguishes these as: *Principals*: individuals or organisations making contracts for themselves (e.g. proprietors who hire an employee or sell a product personally); and *Agents*: Individuals acting for another (e.g. recruiters who convey commitments in the name of the organisation, or trainers who might promise unrealistic learning opportunities). The contract talks still about the organisation’s representative and the employee’s representative not individuals occupying similar positions within the organisation.

Rousseau highlights that there are many different combinations of interactions, including principal-to-principal contracts, agent-to-principal contracts, principal-to-agent contracts and agent-to-agent contracts. Her descriptions take no account of the possibility that there may exist employee-to-employee psychological contracts and within her construct there is always one party who could be perceived as being in a more powerful position than the other. However, Rousseau (1995: 60) does
acknowledge that, ‘any person who conveys some form of future commitment to another person is potentially a contract maker.’ She also highlights that co-workers can be a powerful source of describing to potential new recruits the types of psychological contracts that exist as the potential co-workers describe their own experiences and beliefs. These ‘stories’ can be perceived by potential employees as being the views of the organisation when this may not be the case.

Herriot, Manning and Kidd (1997) observe that different agents of the organisation may be sending different messages regarding the content of the psychological contract and Rousseau and Greller (1994) note that people do not necessarily differentiate between a manager making commitments on behalf of the organisation and a manager making those commitments personally. They also highlight that when managers speak on behalf of organisations they may say more than the organisation expects them to say. Again this highlights the anthropomorphising of the organisation as it can or cannot want something in its own right. In effect, it is likely to be the wishes of another employee within the organisation that are or are not being communicated, particularly in the case of large organisations were principal contract makers are not as apparent at most levels.

Shore and Tetrick (1994) believe that the employee is likely to view their manager as the chief agent responsible for establishing and then maintaining the psychological contract. Tekleab and Taylor (2003: 586) point out that, ‘messages from top management often refer to employees in general, but they do not state each respective employee’s obligations and inducements.’ Tekleab and Taylor (2003) took the position in their research that the immediate line manager represented the organisation when looking at perceived obligations and reactions to perceived obligations. Within large organisations the role of the line manager in the psychological contract needs to be further explored.
Guest and Conway (2002) note that in large organisations the issue of who is the employer may be more problematic than in smaller organisations. In the case of large public sector organisations, such as local authorities and the British National Health Service (NHS), there is an array of alternative options for whom the employee may think is their employer and whilst the line manager may be the individual others identify with as the ‘nebulous other’ this may not be the case. The matter is further complicated as managers differ in many ways within the same organisational environment and when carrying out similar roles (Liden, Sparrowe and Wayne 1997).

Stories play an important role in the formation of psychological contracts and this is likely to be particularly true in the early socialisation of individuals into an organisation. Prospective and new employees hear stories about the organisation and what they can expect and what other employees’ own experiences have been (Rousseau 1995). Conway and Briner (2005) refer to the socialisation process and a large element of that contains story telling as existing employees tell ‘stories’ about the organisation and the way that individuals within it behave. However, in addition to humans, there are administrative contract makers.

**Administrative Contract Makers**

Administrative contract makers can be linked to cultural artefacts, and these will vary according to organisation ownership, size and strategy. Perry and Porter (1982: 92) note that, ‘It is especially difficult for many public agencies to instil employees with a sense of personal significance. One reason for this is that it is often difficult for public sector employees to observe any link between their contributions and the success of their organisations’. Equally when considering the role of various contract makers, in large organisations there can be a disconnection between mission statements and individuals on the ground. Organisations often
rely on structural signals such as memos and mission statements. In large organisations this can be problematic as individuals may see a gap between the mission statement of the organisation and their own contribution. It is also necessary to consider the vast array of structural signals that exist in large organisations. Structural signals which could be interpreted as elements of administrative contract making could also be described as artefacts and be seen as part of an organisation’s culture, discussed earlier. Further research is required to explore these structural-cultural signals as a form of contract maker, an under-researched organisational ‘who’ in the literature.

Having reviewed the organisation as one (nebulous) contracting party, we now turn our attention to the other more obvious ‘who’ – the employee.

3.4 Who is the employee?

Often, employees are treated as a homogenous group within the psychological contract literature. However, we suggest that individual characteristics impact on their approach to contracting. We recognise that they are many potentially influencing characteristics, but focus here on personality and professional, two interrelated concepts. These are emerging in recent research but warrant further discussion.

The role of personality

Ho, Weingart and Rousseau (2004: 276) state that ‘Psychological contracts are...individual-specific constructs that are influenced by individual characteristics and differences generally represented by ones personality traits.’ Coyle-Shapiro and Neuman (2004) suggest that personal dispositions must not be neglected when researching psychological contracts. Whilst the idiosyncratic nature of psychological contracts is increasingly accepted in the literature (Rousseau 1989, Robinson and Morrison 2000), there has been less focus on individual
characteristics that may influence this. Rousseau (1989) and Robinson and Morrison (2000) further highlight that it is unlikely that two individuals would attach the same degree of importance to any particular promise made or other element of the psychological contract. Therefore, ‘who’ you are will influence how you initially engage and what form your psychological contract takes. Also, individuals will react differently to changes to their psychological contract (Ho, Weinghart and Rousseau 2004). Conway and Briner (2005) believe that one of the main explanations for the idiosyncratic nature of psychological contracts is each individual’s personality. Raja, Johns and Ntalianis (2004) use the construct of personality to explain how individuals differ in their social interactions and the amount of importance they attach to a range of intrinsic and extrinsic factors. They found that personality influences employees’ choice of job, how they construe the terms of the psychological contract and how they perform what they perceive to be (psychological) contractual behaviour. Hallier and James (1997) and Bellou (2007) have indicated that personality plays a role in the reaction of employees to changes within the organisation and that reactions to changes will differ. Also there is recognition that the psychological contract is an individual perception (Rousseau and Tijoriwala 1998) and that due to this subjectivity each employee can have a unique exchange experience with their employer. However this does not preclude their being generalisable features of the construct (Rousseau and Tijoriwala 1998). We therefore suggest that exploring the employee ‘who’ in terms of individual personality is an area that requires further research.

The role of each individual’s personality requires consideration when looking at the nature of the psychological contract in an organisation with multiple employees at a variety of levels. Some of the psychological contract literature has started to explore this (Ho, Weingart and Rousseau 2004, Raja, Johns and Ntalianis, 2004, Nikolaou, Tomprou and Vakola, 2007). All of these researchers use the ‘big five model’ of the basic underlying dimensions of personality (Goldberg 1990). Ho,
Weingart and Rousseau and Raja, Johns and Ntalianis were interested in investigating the association between personality, psychological contract breach and violation and individuals’ emotional reaction to it. Nikolaou, Tomprou and Vakola’s (2007) study focused on the association between the personality attributes and the potential psychological contract inducements. As a result of this study there was a recommendation that, ‘it would be useful for managers to pay more attention to employees’ personality dispositions to gain a balanced and healthy psychological contract’ (p659). Further research is needed to explore the role of personality, and particularly managers’ understanding of this.

Two other concepts, loosely related to personality and distinguishing who the employee is, also play a role in the development and maintenance of each employee’s psychological contract: equity sensitivity and the life cycle.

Equity sensitivity, a concept originally proposed by Huseman, Hatfield and Miles (1987), can be seen as a personality facet that will influence reactions by each individual to their perceptions of any inequity in the psychological contract. Huseman et al (1987) describe three types of individuals: benevolents, equity sensitives and entitleds. Equity theory (Adams 1963, 1965) involves individuals assessing the fairness of the outcomes they receive when balanced against the inputs they have given. Originally it was suggested that individuals want to be in balance and feel that their exchanges are balanced. There has been some criticism that research into equity has focused on one-time exchanges (Rousseau and McLean Parks 1993) and it may be more beneficial to look at it over a longer time frame (Birnbaum 1983, Mellers, 1982). Guest (1998) highlights that one of the difficulties is establishing what constitute inputs and outputs in equity theory. Another difficulty when considering equity sensitivity (particularly within a large organisation) is again the concept of the nebulous other. Who is contracting with whom? Makin, Cooper and Cox suggest that not only are there a range of
comparative choices within the organisation but there are options for comparison in
the wider world outside the organisation. Within the public sector, for example,
there are likely to be a large number of other employees within the organisation
working at the same level, giving rise to a large number of opportunities for
comparison. Equally the public sector is sometimes chosen and compared with the
private sector (CIPD 2005, Buchanan 1975). Rousseau (1990) and Turnley and
Feldman (1999, 2000) have suggested that equity sensitivity is an individual
difference that might have a direct influence upon the nature of each individual’s
psychological contract.

It is not only each individual’s personality which can have a bearing on the
psychological contract but other elements that are in play such as lifecycle events
cited by Roehling 1997). Schein refers to three work life stages, early work life,
development and maturity; employment needs at each of these three stages differ.
Meckler, Drake and Levinson (2003) suggest that an understanding of life cycle
changes is critical to understanding the dynamics of psychological contracts. They
further posit that the organisation plays a role in helping employees to ‘grow up’,
linking to the earlier work of Levinson et al (1962) when casting the organisation in
the benevolent parental role and viewing the new employee as a child. Imagery
such as the organisation helping individuals to grow up and taking on a parental
role reflects the anthropomorphising of organisations which takes place. This, of
course, is also influenced by the life cycle stage of the organisation.

When considering lifecycle events, there is also evidence that each individual comes
into an organisation with very individual ideas and beliefs and pre-existing
experiences that influence how they view the psychological contract (Meckler,
employees ‘bring strongly held beliefs with them to the work place that cannot be
simply reshaped, but that require adaptation or accommodation on the part of employers.’ To an extent some of these can be explored at the recruitment stage but as the literature reflects what is communicated by the organisation to the prospective employee may not necessarily represent the views of the organisation and equally what is expressed by a candidate at interview may not truly reflect their beliefs and give a clear signal of how they will relate to the organisation should they become part of it. In their study of contract formation Purvis and Cropley (2003) demonstrated that what is discussed in the interview can predict feelings of mutual trust between the employer and the potential employee. However, ‘Organizations and individuals create contracts through communications at critical junctures...in the employment relationship’ (Rousseau and McClean Parks 1993: 29) and ‘Employees hear different messages from management depending on the nature of their relationship with the organisation (Rousseau and Tijoriwala 1999: 526). Further research is required to explore the role of culture, messages and discourse, as attributes of the employing organisation (its representatives) and the impact on potential and actual employees, or ‘who’ is recruited. In addition, organisational culture leads to the formation of a collective, normative psychological contract (Rousseau 1995), suggesting an individual’s initial strongly held beliefs might shift over time, and how this occurs also warrants further exploration.

**Professionals**

The role of personality may also have some bearing on the type of career (Arthur 2008) that individuals choose to pursue, suggesting that the role of professional identity needs to be explored further in relation to psychological contracts.

There is recognition that certain employee groups have specific needs and as a result of this develop specific psychological contracts (e.g. Guzzo, Noonan and Elron 1994, Thomas and Anderson 1998). There is also recognition that the needs
of professionals are distinct from other groups and that consideration needs to be given to this. Bunderson (2001) suggests that contract formation for professionals takes account of both their professional and administrative roles and perceived role obligations. He makes clear distinctions between the professional and administrative dimensions of the contract. Bunderson (2001) further suggests that professionals also interact with their organisations on two different levels, both as professionals and as employees.

O’Donohue and Nelson (2007: 554) found that professionals felt that organisations are obligated to demonstrate, ‘a credible commitment and support for their professional contribution of professional competence.’ This is likely to form part of their psychological contract. Employment in the public sector, and especially within health and social care related professions, for example, has tended to attract individuals with a strong occupational or professional commitment (Bartlett 2007: 126). This places emphasis on the element of commitment between the two parties to the psychological contract and particularly on the recognition by both parties of professional commitment as a distinct construct. This adds another element of complexity to the psychological contract, and warrants further research. In addition, professionals may develop relationships and contracts with their clients, and this has not yet been explored in any detail.

Drawing on our review, we now offer an initial conceptual model of who is contracting with whom.

4. Towards a conceptual model

Our review has identified limited attention to the question of who is contracting with whom. We have established that there is much research that considers the PC from either the micro employee level or the macro organisation level (Straw & Sutton 1991, Schneider et al 1995). Yet, Coyle-Shapiro and Neuman (2004) suggest
that an employee’s PC is formed through the interaction of both micro and macro variables, and researchers have argued for a meso approach (House et al 1995, Kozlowski & Klein 2000). Here, we attempt to integrate these perspectives as the two parties to the contract to present in Figure 1 a meso-level conceptual model of this complex, multi-relational and dynamic process. In addition, we illustrate that the organisation can be both context (where, why) and contract-maker (who & how).

**Figure 1: Towards a conceptual model of ‘who is contracting with whom?’**

This model identifies how features of an organisation shape the culture, which in turn influences contract-making. It identifies the organisation as one of the parties, either in an abstract (nebulous) sense or through the actions of its human members, such as HR practitioners and managers, and administrative processes, such as job advertisements, mission statements and other structural signs. It also identifies the individual employee as the other party, whose perceptions of the organisation as context and contract-maker are influenced by a range of personal factors, such as personality (Shapiro & Neuman 2004, Ho et al 2004) suggesting an idiosyncratic deal, and a dyadic employment relationship (Shore & Tetrick 1994).
However, whilst much of the literature refers to this individual and idiosyncratic nature of the PC, we note research calling for the examination of the impact of contextual factors on individual and collective responses (Kozlowski & Klein 2000, Tetrick 2004) and suggesting multi-relational contract makers and a collective, normative contract (Rousseau 1995). The emergence of this collective dimension further complicates the question of who is contracting with whom, and opens up the possibility of employees contracting with each other. This might be stronger when employees share strong professional values. The notion of profession also opens up the possibility of constructing a psychological contract with clients, such as in the health and social context.

In addition, this varies over time, and the life-cycle of employment, as illustrated in Figure 2 below.

**Figure 2**: Who is contracting with whom – how and when?
In this model, first, we highlight the range of potential contract-makers with whom an individual employee can construct a PC. These can be presented in a 360 degree format or hierarchy. An individual employee might construct her PC with her direct supervisor or line manager (vertically upwards), following a formal power relationship. However, an employee doesn’t work in isolation and a contract might also be constructed with colleagues, perhaps within a close work team (horizontal level), and also possibly with subordinates within a team or department (vertically downwards). As Aggarwal & Bhargava (2009:18) note, individuals are ‘nested within departments, occupational groups and organisations.’ Occupational groupings, such as within the health context, are important in shaping subcultures and generating normative psychological contracts. In addition, depending on the nature of the organisation, this might also extend to include (external) customers and clients, particularly in health and social care contexts, for example.

Second, we note that the PC is a dynamic construct, evolving as individuals and organisations change and develop, whether in sync or not. Just as organisations have life cycles from inception, through growth to maturity and decline, then individual also move through employment stages from entry through development (whether in one or many roles/organisations) to eventual retirement (Schein, 1965). As Meckler, Drake and Levinson (2003) suggest, understanding life cycle changes is critical to understanding the dynamics of psychological contracts. At each of these stages of the individual and organisational lifecycle, changes may impact on the PC – positively or negatively, creating perceived violation. The PC also evolves within the HR cycle, as shown in italics. The individual employee might begin constructing the PC through interaction at initial informal meetings with the prospective employer when they might ‘sell’ the service, as in healthcare organisations, or with HR practitioners during the interview process. This might be further shaped by interaction with new colleagues and supervisor or line manager, during induction and continuing through training and development,
performance appraisal, reward management, and career development until retirement or release (voluntary or involuntary). During these activities, there may be shared responsibility between line managers and HR practitioners, and ongoing interaction with colleagues. Thus, it is difficult to propose a single dyadic employment relationship.

5. Conclusions and recommendations

In this paper, we have identified ‘what’ the psychological contract is and how this has shifted from a focus on expectations to promises and obligations, and perceptions of observable behaviour. Our key contribution is the detailed theoretical consideration of who is contracting with whom, and the development of a conceptual model to illustrate this complex, multi-relational and dynamic process. In addition, we present a further model to illustrate the various parties and their actions/influences during the employment life-cycle. We have explored ‘who’ is the organisation, including concepts of anthropomorphising, and human and administrative contract makers. We have also considered the ‘other’ party, whether an individual or group, and employee, manager or co-worker, and have identified the influences of personality and professional careers, and how these change over time.

However, there is need to further explore the psychological contract within teams (Findlay et al 2000), and social networks (Ho et al 2006), and in the context of interim managers (Inkson et al 2001). As organisations change, ‘in this era of business re-engineering ... the psychological contract has been broken. With the changing nature of the psychological contract a situation has arisen whereby the employee is turned more into an independent agent (being less attached to the organization), with organizational identification playing a diminishing role,’ (Kets de Vries 2001: 103). This changes the identities of and relationships between the two contracting parties. Within such turbulent and dynamic organisational
contexts, we recommend further empirical research is needed to answer the question of who is contracting with whom?

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