



## ***The changing nature of the Psychological contract and Employment relationship.***

**Course:** Human Resources Management

**Module Subject:** Managing Work Behaviour

**Assignment Tutor:** Hazel Shanahan

**Student Name:** Irina Antonyuk

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## Introduction

In this assignment I will discuss the changing nature of Psychological Contract and Employment relationship. The study also will outline future trends of psychological contract relationship what employer's can in order to maintain both for the good of the company and employee contribution to the employer.

Fundamentally, the psychological contract expresses the combination of beliefs held by an individual and his or her employer about what they expect of one another. Also it can be described as the set of reciprocal but unarticulated expectation that exist between individual employees and their employers. **Schein** (1965) defined **psychological contract** as "The notion of psychological contract implies that there is unwritten set of expectations operating at all times between every member of an organisation and the various managers and others in that organisation." Employees develop a set of informal unwritten assumptions about and expectations from their employing organisation. These are said to be depend on employee trust, perceptions of fairness and reliable delivery of the deal over a range of issues such as job satisfaction, career progression, reward, relationships with managers etc. **CIPD** defines **Psychological Contract** as the perceptions of employee and employer about their mutual obligations towards each other. Legal contract is also important it is written and describes what both parties are agreed to do, but in many cases legal contract has little to do with actual employee behaviour and expectations. It is important to notice, that when psychological contract is broken it wont have any legal implication for the employees and employer but as far as employees are concerned, breach of psychological contract by the management will have a negative effect on job satisfaction and commitment and on the psychological contract as a whole.

### *Why Psychological contract is so important?*

"A Psychological Contract creates emotions and attitudes which form and control behaviour" Spinder (1994). It makes workers work more effectively and be more committed to the organisation.

By creating and having positive trustful atmosphere at work it would beneficial for both employees and employer. Some times there are could a breach of psychological contract between parties and it happens because of the number of reasons like, mistrust, not meeting expectations, no rewording, etc. Hr manager and other managers should clearly understood the nature of psychological contract, and one of their key roles is to manage expectations, clarify what they believe employees should do, the competencies they should possess and the values they should uphold. It is very important that these aspects a being told, discussing and agreeing with their employees. In another hand, as we said before that in psychological contract are two parties,-employees have to help to create positive psychological contract by asking question themselves:-"What can I reasonably be expected from organisation?", "What should I reasonably be expected to contribute in return?" However it is unlikely that the psychological contract and the employment relationship will ever be fully understood by either party.

**Old elements of expectations from the Psychological Contract for the employee were as follows:**

1. Treatment in terms of fairness, equity and consistency. For example promoting, somebody promoted in two weeks but you in one year.
2. Security of employment, is it job for life?
3. Scope to demonstrate competence. Are the company let people to be creative?
4. Career expectations and the opportunity to develop skills. Does the company provide training or courses for advancement my skills and career progress?
5. Trust in the management of the organisation to keep their promises.
6. Safe working environment.

**In another hand old expectations from the Psychological Contract for the employers were:**

1. Competence
2. Effort
3. Compliance
4. Commitment
5. Loyalty

Because of the number of changes which are happening and are going to be in future like demographic change, changing in lifestyles, occupational change, changing in employment policies, Psychological Contract as well has to be changed. All these expectations no longer will be expected in a future from both employees and employers. The psychological contract nowadays is changing and the management and employees must make it clear -what they should expect from each other, and both must take psychological contract more seriously.

***Future changes in relationship of Psychological Contract for the employer and employees.***

- Jobs which were considered for life by both the employers and the employees, not long should be expected by employees, future employee may have many different jobs in a lifetime, and will look for better working conditions, more pay and shorter hours or flexibility time.
- Working patterns-the employee will expect that company can provide different working patterns like short-term contracts, part time working, and working from home.
- Because of less job security, organisation will employ employee as long as he or she adds value to the organisation, and will be personally responsible for finding new ways to add value.
- In return, the worker will have the right to demand to do interesting and important work, to demand training, higher pay for all of these make valuable contribution.

- Complaints about the quality of working life and employment security will decline. The employment relationship will become more explicitly transactional and contractual in order to buy-in commitment and the organisation experiences a higher proportion of dysfunctional behaviour.
- Employees will be required to bear risks that were previously carried by the organisation.
- The nature of jobs changing now, nowadays more employees are on part time and temporary contracts, so, functional flexibility will be come especially popular and very important to provide and expect especially for women with children.
- Employees will be required to learn more skills.

### ***Conclusion:***

The effect of these changes is that – the ability of the business to add value, rests on employees, where they are seen as the key business drivers. Organisations that wish to succeed have to get the most out of their resources. In order to do this, employers have to know what employees expect from their work. This is where the psychological contract is used – as a framework for monitoring employee attitudes. The HR manager must be confident in managing Psychological Contract. The organisation must ensure that it is getting value from its employees and at the same time, it must be sure it is providing employees with appropriate motivation.

### **Bibliography:**

J. Gennard, G.Judge,2002, Employee Relations,CIPD.

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Lecture notes.