

Reviews of Psychological Contract Researches

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Abstract. Psychological contract theory is an important theory for studying the employment relationship, which mainly focuses on the implicit expectations between organizations and individuals. This research reviews the research on psychological contract in organizations which has emerged in the field of human resource management and organizational behavior in recent years. The content includes the following aspects: the concept of psychological contract, the dimension and content of psychological contract, the violation of psychological contract and the influence of psychological contract on organizational outcome.

Keywords: Psychological contract, violation, organizational outcome.

1. The Concept of Psychological Contract

The exploration of the concept of psychological contract mainly experienced the emergence stage (from the early 1960s to the late 1980s) and the development stage (from the late 1980s to the present) according to previous study.

In the concept emergence stage, organizational behaviorist Argyris utilized psychological contract to demonstrate the relationship between supervisors and employees in his famous work *Understanding organizational behavior* [1]. Nevertheless, Argyris only proposed the concept of psychological contract without a detailed explanation of the concept. Subsequently, Levinson, H, et al, 1960 [3] and Schein, E. M. 1980 [4] define "psychological contract" as a series of unwritten expectations between employees and organizations. Kotter, j. p. 1973[4] pointed out that "psychological contract" was an implicit contract between organizations and employees, which indicated what one side expects the other side to give and what it will get in the relationship.

In the concept development stage, there appear two views of the concept of psychological contract in academic circle, namely narrow sense and broad sense. Rousseau, Robinson, Morrison et al. put forward the narrow concept of psychological contract, that is, narrow sense of psychological contract mainly refers to employees' cognition of the responsibilities of both sides. Rousseau [5] believes that psychological contract is a personal belief and understanding of the mutual responsibilities of both employees and employers in the context of employment relationship. Robinson, Rousseau & Kraatz [6] further points out that this belief refers to the employees' intrinsic and extrinsic contributions (ability, loyalty and effort etc.) and organizational incentive (job security, promotion and rewards etc.) between the exchange relations of the commitment of understanding and perception. Morrison & Robinson [7] further clarifies that psychological contract is generally defined as a sum of beliefs on mutual responsibilities between an organization and its employees. These beliefs are the basis of subjective understanding of commitment, but are not realized by organizations or their agents. Guest, Conway, Herriot, Pemberton et.al come up with the broad psychological contract which emphasizes the original meaning of psychological contract. Broad psychological contract is considered as the understanding of the responsibility of both parties from the subjective angle. Herriot et al [8] argues that psychological contract can be defined as "the perception of obligations of the relationship between organizations and employees", which is different from Rousseau and Parks' view. The latter holds that psychological contracts are only contracts in employees' minds, so they seldom involve the process of contract. Herriot & Pemberton [9] believes that psychological contract is an understanding of the relationship between employers and employees from a subjective point of view. That is to say, broad psychological contract includes two aspects: employees' expectations of the organization and the organization's expectations of employees.

To sum up, there are two kinds of understandings of psychological contract, namely, broad sense and the narrow sense. The broad sense of psychological contract emphasizes both individuals and

organizations, which increases the difficulty of empirical research. In the narrow sense, the psychological contract theory only emphasizes the individual's cognition of the responsibility of both parties, which is mostly used in empirical research.

2. The Content and Dimension of Psychological Contract

2.1 The Content of Psychological Contract

Most of previous studies on the content of psychological contract were carried out from employees and organizations two perspectives and focused on the mutual requirements between employees and organizations. Rousseau [10] first conducted an empirical study on the content of employees' psychological contract and found seven organizational responsibilities of employees' psychological contract, namely, high reward, promotion, performance reward, career development, personnel support long-term job security and training. The eight responsibilities of employee psychological contract include loyalty, overtime work, prior notice before leaving, voluntary off-duty work, accepting internal work adjustment, keeping business secrets of the company, not helping competitors and working in the company for at least two years. Robinson et al.'s later studies show that the seven organizational responsibilities used by Rousseau are the most frequent among employees.

Herriot and Manning et al.[11] regarding managers as representatives of organization, used critical event technology and proportional stratified sampling to study both the content of employees' psychological contract and the content of organizational psychological contract. The comparative study shows that there are differences in the understanding of "organizational responsibility" from six aspects: friendliness, job stability, understanding, safety, salary and welfare. Employees emphasize salary, safety and job stability, while organizations emphasize understanding, friendliness, and welfare. There are also differences in the understanding of "employee responsibility" from three aspects: loyalty, asset protection and reflecting the image of the organization. Employees emphasize asset protection and reflecting the image of the organization; while organizations emphasize loyalty. The research conducted by Herriot & Manning is the most comprehensive among current relating studies. It demonstrates the content of psychological contract from both bilateral responsibilities and bilateral perspectives. After that, the researches either only discuss the organizational responsibility, or only discuss the employee responsibility. In addition, most of them discuss the organizational responsibility from the perspective of employees.

As is known, psychological contract is a complex psychological structure. Its content is not only influenced by organizations or individuals but also by political, economic and cultural factors. Schalk and Anderson [12] believe that the content of psychological contract contains a great number of aspects and it is impossible to list them all. Hence, based on the discussion of the content of psychological contract, many scholars have analyzed its dimensions, hoping to obtain a general idea of psychological contract's main components.

2.2 The Dimension of Psychological Contract

Mac Neil [13] was the first to classify the dimensions of psychological contract. From a theoretical perspective, he divided the contract between employees and organizations into two types: transactional and relational psychological contracts. Many subsequent studies have confirmed the views of Mac Neil et al. However, some researchers have criticized the dimensional model of "transaction-relation", which leads to several other dimensional models. They can be summarized as follows.

Transactional and relational psychological contract: after Mac Neil put forward this division in 1985, Rousseau verified Mac Neil's point of view from the perspective of empirical analysis with correlation analysis. The Transactional contract reflects an employee's transactional relationship in which he or she works overtime, often in exchange for performance awards and high compensation, career development and training offered by the organization. That is, transactional psychological contract is a type of contractual relationship which is based on economic exchange. Relational

contract reflects the job security for a long term which can be provided by the organization at the cost of willingness to accept long-term work and internal position adjustment. In other words, relational psychological contract is a contractual relationship which is based on emotional exchange. This research has aroused people's great attention to the empirical research of psychological contract. Subsequent studies, such as those of Robinson et al.[14,15], Hopkins and Millward[16], Tijoriwala and Rousseau [17], have confirmed the existence of two factors, namely, relational psychological contract and transactional psychological contract.

Intrinsic psychological contract and extrinsic psychological contract: Kickul and Lester [18] put forward the division of "intrinsic contract" and "extrinsic contract" based on the analysis of organizational responsibilities of psychological contracts. Extrinsic contracts involve commitments made by the organization to the completion of the employee's work, such as safe working conditions, flexible working hours, competitive wages and bonuses. The intrinsic contract refers to the employers' commitment to the nature of the employees' work, such as organizational support, self-control, autonomous decision-making, challenging work, job self-selection, participation in decision-making and opportunities for development, etc.

Reality factor and development factor: Chen Jiazhou et al.[19]used the psychological contract questionnaire to obtain two factors, namely, reality responsibility and development responsibility through confirmatory factor analysis and exploratory factor analysis. From the perspective of organizational responsibility, its reality responsibility and development responsibility respectively refer to the responsibility and obligation for the future that are necessary for the organization to maintain the current normal working life of employees and to maintain the long-term working life of employees. From the perspective of employees' responsibility, its reality responsibility and development responsibility respectively refer to the responsibility and obligation facing the present that are necessary for maintaining the current normal work activities of the organization undertaken by employees and the responsibility and obligation facing the future that are necessary for maintaining the long-term development of the organization.

Three-dimension of psychological contract: Shapiro and Kessler [20] in their empirical research found that psychological contracts were divided into three dimensions, namely, relational obligations, transactional obligations and training obligations. Relational obligations are those related to an employee's personal future, such as providing good career prospects and long-term job security. Transactional obligations refer to organizational obligations which include economic material, the same salary and welfare as those of employees in the same industry and the increasing salary with the improvement of living standard. Training obligations refer to the growth of employees' knowledge and ability, including necessary job training, new knowledge and skills training and organizational support.

Four-dimension of psychological contract: From a cross-cultural perspective, Rousseau [21] believes that psychological contract includes four dimensions: respectively, transactional contract, relational contract, transitional contract and balanced contract. Based on this, Psychological Contract Inventory (PCI) was conducted, and totally 630 samples (138 samples from Singapore and 492 samples from the United States) were used to verify the validity of the PCI. Later, Rousseau and Dabos [22] also conducted a research in Latin America to verify the validity of the four-dimensional structure of psychological contract. For Chinese employees (N=107), Hui, Lee and Rousseau [23] verified Rousseau's PCI in the context of Chinese culture, and believed that the psychological contract of Chinese employees is composed of three factors, namely relational contract, transactional contract, and balanced contract.

3. Research on Psychological Contract Violation

The phenomenon of psychological contract violation often happens when employees realize that the organization's commitments to them are not fulfilled [24], or do perceive that there are cognitive differences between organizations and employees in perception of responsibilities undertaken by the organization [25].

Morrison and Robinson [26] emphasize that the cognitive feeling of the unfulfilled commitment of the organization should be distinguished from the resulting emotional response. They hold that the former refers to personal cognitive evaluation of the organization's failure to fulfill its psychological contract obligations, which is called the unfulfilled psychological contract. The latter refers to an emotional experience on the basis of the cognition that the organization can not completely fulfill the psychological contract and the core of this experience is disappointment and anger. When employees realize that the organization has betrayed their trust or they have been treated unfairly, the phenomenon which is called the violation of the psychological contract occurs. Morrison and Robinson argue that the reasons of psychological contract violation can be shown from the two aspects as follows: reneging and incongruence. Reneging implies that the organization knows it has broken promises to its employees, either on purpose or as a result of an uncertain environmental change; while incongruence refers that the organization and its employees have different understandings on commitments to employees. That is to say, the organization thinks it has fulfilled organizational commitment, but employees perceive it is not the case.

Some studies have shown that psychological contract violation will bring a negative effect on employees' behaviors and attitudes. Rousseau, Kraatz and Robinson [27] argue that violation of psychological contract negatively affects employees' perception of organizational obligations. Othman & Arshad [28] find that violation of psychological contract will lead to the reduction of employees' organizational citizenship behavior (OCB) and doubt of employment relationship. Rousseau [29] points out that when psychological contract is violated, employees' strong negative emotional reaction and subsequent behaviors will occur. When employees feel that the organization has been perfidious or they have not been treated fairly, it will prompt employees to reevaluate their relationship with the organization and bring a negative effect on employees' job performance, organizational commitment, job satisfaction, and turnover intention. Turnley & Feldman [30] proposed the model of employees' response to contract violation. There are four kinds of negative reactions of employees after psychological contract violation occurs. The first is turnover. The second is the reduction of the in-role performance (Refers to the performance of formal duties of employees). The third is the reduction of the out- role performance (Mainly refers to civil behavior, such as taking on more responsibilities, working overtime, helping colleagues, etc). The fourth is the anti-social performance (such as retaliation, sabotage, theft, attack, etc.).

4. The Influence of Psychological Contract on Organizational Outcome

Baker[31] argues that psychological contract plays a significant role in regulating between employees' desire (such as society , economy, role etc.) and their performance. Schein [32] shows that although the psychological contract is considered as implicit, however, it is a significant determinant of organizational behavior. Shore et al. [33] point out that the role of psychological contract includes three aspects: firstly, it can help the employment insecurity of both sides decline, because it is impossible for a formal agreement involving every aspect of employment, and the psychological contract can fill all the gaps left by formal contract; secondly, employees' behaviors can be regulated by psychological contract. Employees measure their behavior toward the organization by their responsibility to the organization, and take it as the standard to regulate their behavior. Thirdly, employees can react emotionally to events in the organization.

According to previous studies, psychological contract is closely related to affective commitment, job expectancy, high-level perceived organizational support and low-level turnover intention [34]. The higher the consistency of psychological contract between the two parties of employment, the greater the employee's satisfaction with the organization [35]. In the prediction of organizational effect, psychological contract has a higher explanatory power than organizational commitment [36]

All in all, the existing research results show that psychological contract and its changes bring an important effect on regulating role between organizational status and organizational effect.

5. Summary

Looking at the current situation of psychological contract researches, the following conclusions can be drawn:

Firstly, in previous study on the relationship between psychological contract and relating discipline theories mainly focused on theoretical categories in sociology and psychology, namely social exchange theory, equity theory, theories of cognition, which lacks the combination of new institutional economics and contract theory. Therefore, the future research on psychological contract should pay more attention to the mutual supplement and common development of contract economics and other fields.

Secondly, previous empirical studies mainly focused on the negative impact of organizational breach of psychological contract on employees' attitudes and behaviors, lacking of studies on the positive impact of psychological contract on employees. Incentive factors have obvious theoretical and practical significance. Therefore, future research should pay attention to the ways and methods of using psychological contract to motivate employees.

Thirdly, previous empirical studies lacked of different countries, different cultural systems, different stages of social development, and especially the comparative study of Chinese culture and western culture's organizational psychological contract. Therefore, it is of great theoretical and practical value to study the characteristics of organizational psychological contract under China's unique culture and system.

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