

The psychological contract and its application



**ASSIGN
BUSTER**

The Psychological Contract and its application

The psychological contract and its application After the first descriptions and definitions of psychological contract 1960s, a great number of experts show their opinions on this topic and discuss with each other. The widely acknowledged definition of psychological contract may be in Michael Armstrong's book, *The Human Resource Management Practice* (10th Ed. 2006, cited in business ball): '...the employment relationship consist of a unique combination of beliefs held by an individual and his employer about what they expect of one another...' In other words, it briefly means the relationship between employers and employees in terms of mutual expectations and beliefs. This essay aims to begin with giving different ideas on psychological contract from different dimensions, and then analyze the situation of such contract at present, at last, prospect the application of this contract in the 21st century.

As a whole, there experts: Edgar Schein, DM Rousseau and KA Wade-Benzoni, PR Sparrow give their opinion respectively. As Schein (Schein, 1965, cited in business ball) states that the psychological contract is a relationship between all members in one organization by using an unwritten contract. This statement highlights the earlier ideas on the concept. Then, Rousseau&Wade-Benzoni got other different opinions in the relationship between employers and employees . e (Rousseau&Wade-Benzoni, 1994, cited in business ball) claims that psychological contracts means how different people in the same organization understand the promises and commitments. Later, Sparrow (PR Sparrow, 1999, cited in business ball) who notice the dynamic quality, social and emotional factors of the psychological

contract notes that the psychological contract should be considered with social and emotional aspects of exchange.

Although these three experts show different dimension of the psychological contract, they all suggest that firstly, psychological contract is a relationship between employers and employees. Secondly, beliefs, emotional factors or mutual obligations are included in such contract. Besides the importance of the definition of the psychological contract, in practice, it also shows its significance, especially in working conditions. Accords to David E. Guest (Guest DE, 1998: 659), the psychological contract should be treated seriously due to its importance.

To sum up, it may have three aspects of significance. Firstly, psychological contract can supply a potentially fruitful construct with which to make sense of and explore a new employment relationship and this new employment relationship means a more secure employment and the ubiquitous organizational career. At present, with the development of economic policy and permeated organization ideology , the employment relationship is received more attention than the industrial relationship which is common previously . herefore, the perfect psychological contract tend to build the relationship between employees and employers seems to help manager manage a company. Secondly, the psychological contract has ability to distribute the power. Specifically, inequity exist in employees and employers in term of power or wealth with the development of the economy a psychological may pay attention to the power inequalities in the new employment relationship. And under that situation, in seems difficult to renege the contract in one organization involved.

Then at last, the gap of power or wealthy may be shrank Thirdly, with the psychological contract, employees and employers in a organization can understand each other easier because the contract is built by mutual, emotional factors and beliefs. In other words, the employees can know the employers' requirements and try their best to satisfy them. Also the employers can give employees what they need (promotion, high wage, vacation etc). this can result in high efficient in the organization.

However, even though numerous experts examine the psychological contract practically, and it really has several advantages in real word, with the change of the working relationship, the psychological contract in working condition is complicate. Problems should be considered either. As Niall Cullinane and Tony Dundon conclude in their paper: The psychological contract: A critical review (Niall Cullinane and Tony Dundon, 2006). There are three problems should be thought. The first one is that the contract currently is still be used mainly in theory but not in practice.

Therefore, when employees and employers apply this contract to a real company, confusion may be emerge because the contract is too theoretical and is not appropriate fro usage in real word, especially the new changed world. The second one is that the goal of the psychological contract in terms of employees and employers cannot be always the same. In other words, mixed message and divergent expectations can emerge in such situation. Therefore it is difficult for employees and employers to make the same psychological contracts because they have different interest and purpose.

Then lead to a failure in making suitable psychological contract. The third one is the violation of the psychological contract. Employees in one

organization generally are in the subordinate position while the employers are in authority. Thus, the employers may easy to build and break the contract while the employees cannot. This, at last, can lead to trust crisis between the employers and employees. By concluding the importance and problems of the psychological contracts, it is still applicable in 21st century not only in theory but also in practice.

In theory, maintain that the part of organizational behavior, diversity in opinions, and competing theories and models should be remained and use Rousseau and Tijoriwala's qualitative and quantitative methods to develop the evaluation of the psychological contract, use Porter et al. 's (1996) contribution to assess the added value of the concept and adjust the redundancy of basic concept, use some models exist to solve the dynamics and effects of change in psychological contracts in the future.

In practice, because the working condition is changed, so the psychological contracts should be changed either. Like the table 1 (Hiltrop, J. M, 1995, cited in Neil Anderson and Rene Schalk, 1998: 642) shows in the essay: the psychological contract in retrospect and prospect. The psychological should be changed in the aspects of focus, format, underlying basis, employees' and employer's responsibility, contractual relations, career management in order to meet needs of the employment relationship rather than industrial relationship.

Then, this can be applied in 21st century. In conclusion, psychological contract is complex in terms of theory and reality. Therefore, experts still need to do more research on this contract and emphasize on the usage of this contract in a changed new environment, if the theory of psychological

contract is perfect and can be revised properly in practice, then it can be useful in 21st century. Reference 1. Niall Cullinane and Tony Dundon (2006) The psychological contract: A critical review: International Journal of Management Reviews, doi: 10. 1111/j. 1468-2370. 2006. 00123. x 2. David E. Guest (1998) Is the Psychological Contract Worth Taking Seriously? : Journal of Organizational Behavior, Vol. 19, 649-664 3. Neil Anderson and Rene Schalk (1998) The Psychological Contract in Retrospect and Prospect: Journal of Organizational Behavior, Vol. 19, 637-647 4. business ball. The psychological contract. [www. businessballs. com/psychological-contracts-theory. htm](http://www.businessballs.com/psychological-contracts-theory.htm)