

# Effects of the new psychological contract management essay



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The notion of psychological contract essentially refers to the mutual expectations people have of one another in a relationship, and how these expectations change and impact our behavior over time. To put in simply, psychological contract is concerned with whether the obligations and promises have been met, whether they are fair and their implications for trust. For currently mainly used to describe the expectations of employee toward organization or the expectations of an organization toward their employee. Expectation refers to security, job performance and financial rewards. (Argyris 1960)

Recently there is a new ' psychological contract' which has changed the relationship between employees and organization. It's showing as below table 1,

## **Bureaucratic Psychological Contract (old)**

## **Adhocracy Psychological Contract (new)**

Organization is ' parent' to employee ' child'

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Organization and employee are both

‘ adult’

Organization defines employees worth and

identity

Employee defines their own worth and

Identity

Those who stay are good and loyal, others

are disloyal

Regular flow of people in and out of

the organization is healthy

Employees who do as they are told will

work until they retire

Long-term employment is unlikely

- expect and prepare for multiple

Employments

Promotion is the primary route for growth

Growth is through personal

Accomplishment

## **Table 1 Changes of psychological contract**

Source from: Kissler, G. (1994), ' The New Employment Contract', Human Resource Management 33, 335-352

As we can see from the table 1, clearly stated the differences between the two psychological contracts are quite fundamental. In old psychological contract, organizations are acts as parent while take caring of the child which is employee however when new psychological contract has appeared, there is no more parent and child relationship. In new psychological contract organization and employee is in the same level so that nobody will look after each other. Employee will live in their own hands, while is not in the hands of the organization. As a result the new psychological contract has take over old psychological contract.

Apart from that, new psychological contract has severely influenced the individual's career choice and career management strategies. Regarding to the research that I have done, factor is not just occurred on individual itself however organization takes place as well. Individual's factor has encompassed age, education, organization, type of work, and income. Whereas factor of organization is encompass environment, union recognition, and ownership. By the way, new and old psychological contract have a big differences related to the employment relationship and their career choice.

There are a number of differences between old and new psychological contract in term of individual career choice. Table 1 as below has clearly stated.

## **Old psychological contract**

## **New psychological contract**

Stability, predictability

Change, uncertainty

Permanence

temporariness

Standard work patterns

Flexible work

Valuing loyalty

Valuing performance and skills

Paternalism

Self-reliance

Job security

Employment security

Linear career growth

Multiple careers

One-time learning

Life-long learning

## **Table 2 Old and New Psychological Contract**

Source from: Arthur, M. B. and Rousseau, D. M. (Eds) (1996), *The Boundaryless Career: A New Employment Principle for a New-organizational Era*, Oxford University Press, Oxford.

According to the table 2 above, during old psychological contract each employees are seeking for stability and predictability jobs in order to increase and continuing family responsibility hence they would not frequently change their jobs. However for the employees that having new psychological contract are more likely to change, they would not persist on their job for too long and will find another more salary jobs. At the end this will transform into uncertainty issues for any organizations. (Arthur & Rousseau 1996)

Apart from that, new psychological contract is focus on standard work pattern. At the end, significantly employees will have more choices in their career options because new psychological contract is focus on flexible work. It is more appeal for those uneducated people and unemployed workers as well. By the time they are enable to get more freedom and pressure of work is getting lessen. Besides that, organizations are more emphasize on the loyalty of the employees during old psychological contract whereas organizations in contemporary psychological contract is valuing the

performance and skills of the employees. It has created high entry barriers for employees from entering to the organization and employees' career choices have been constrained. (Arthur & Rousseau 1996) & (Hamel 2000)

During old psychological contract, organization is having paternalism to the management system. That's mean it's more likely parent and child relationship, manager is take caring to their child which is employees. It has caused the employees more reliable to the head of their departments.

However new psychological contract is emphasize on self-reliance, each employees have to take the challenges through the progress of the jobs.

(Arthur & Rousseau 1996)

Other than that, linear career growth is very common matter for employees in old psychological contract. They are more focus on the achievement of their jobs and successful in the future. However for new psychological contract's employees, they are having multiple careers in order to get more income and intend to learn more new skills. In this way has clearly proved that employees that having new psychological contract will have more career choices compare to the old psychological contract's employees.

(Arthur & Rousseau 1996)

There are a number of differences between old and new psychological contract in term of individual career management strategies. During old psychological contract, employees need the guidance and support from a good mentor or manager in the company that able to help them with a realistic career management plan and able to provide them a useful tools and comfortable environment to succeed whereas in new psychological

contract, employees are fully relying on themselves with clearly know their own strengths and competencies as well as dare to take challenges to prove their capabilities in order to level up their position in the organization and to succeed as well. (Kissler 1994)

Apart from that, for old psychological contract's employees are more persist and never abandon any hopes in pursue their jobs. They are daring to challenges the tough tasks in order to succeed in their career. They often evaluate their progress towards the goals and are prepared to alter the strategy to make sure moving to the right direction. However for new psychological contract, employees are more systematic in manage their multiple career. They are trying to create schedule or time tables in order to manage their jobs efficiently and not going to mess up everything from different workplaces. (Kissler 1994)