

Effects of psychological contract on the work- life balance



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A contemporary analysis of the concept of work life balance and the effects of the psychological contract within the business

Aimed towards Retail

Terms of Reference

1. To define, explore and critically analyse the extent to which contracted work in the retail business is affected by psychological contract theory
2. Establish from primary and secondary sources the factors which impact on the work life balance for employees, and if any policies and practices are effective.
3. Examine the various ideas from the literature around organisational culture and the psychological contract, in order to determine how Toys R Us fits with these definitions.
4. To draw conclusions around the extent to which Toys R Us has managed to achieve a suitable work life balance for all of their employees without the use of a psychological contract; and to examine possible future changes/ recommendations which could be implemented to create said contract.

Literature Review

The journal Management Research News (2007) provides a useful starting point, as it looks to review the literature around the psychological contract in order to help develop an understanding around the various unique agreements and the work environment that underlies modern working. As such, the paper is a conceptual paper, and its main aim is to categorise the

existing knowledge around the psychological contract in the workplace, as well as to provide practical direction for future research. The results of this investigation indicated that the context of the psychological contract must be reconsidered, due to the nature of the flexible modern working environment where jobs are not always seen as being long term commitments. As such, it is important to consider the impact of organisational justice, rather than looking at potential relationship development (Management Research News, 2007). This is particularly relevant for retail organisations such as Toys R Us, where a large number of their staff may be students or other short term casual workers.

Unfortunately, there has been little research into the levels of job security felt by temporary employees and contract employees, and how this impacts on any psychological contract which may exist. This is addressed to some extent by De Cuyper and De Witte (2006), who examined how perceptions of job security, as well as job satisfaction and organisational commitment, varied from permanent employees to temporary ones. This research was based on the claims of psychological contract theory, which holds that a lack of job security only arises if the psychological contract is violated, and that permanent employees tend to feel stronger psychological contracts than temporary and contracted workers. Their results support this argument, showing that the temporary staff tended not to create strong psychological contracts with their employers, and hence their perceptions of job security did not impact on their overall performance. In contrast, for permanent employees job security was a key predictor of both job satisfaction and

organisational commitment, indicating that the psychological contract is of greater concern for permanent staff (De Cuyper and De Witte, 2006).

Indeed, George (2003) found that the use of temporary and contract workers in an organisation could actually harm the psychological contract which existed between the permanent workforce and the organisation. These findings are based on a detailed study of 256 permanent employees across three organisations, and showed that the extent to which contracting and temporary workers were used, combined with the duration of their use, had negative impacts on permanent employees' trust in the organisation, as well as the psychological contract with the organisation. These results are explained by the fact that permanent workers see the increased use of temporary and contract staff as indicating that their organisations do not have a strong commitment to their permanent employees. As such, permanent employees begin to see themselves as being less attached to the organisation. The grounded theory approach taken by George (2003) indicates that this is consistent with theoretical predictions that the use of contract staff acts as a violation of the psychological contract for permanent staff, since contracting makes it harder for permanent workers to advance in the organisation. As such, when attempting to manage this, organisations should look to show strong levels of commitment towards their permanent employees, as this will help counter the perceived violations from the use of contracted staff. Whilst George (2003) claims that this can be achieved through making permanent employees supervisors and trainers of other employees, there is little empirical data to support this, hence it is not clear

if this would be a valid method for countering the negative impacts of contracting.

Another useful empirical study in this area comes from Ellis (2007) who used the theory of psychological contracting to develop a framework exploring employee reactions to the various promises and contract violations they received from their employer. This is based on the hypothesis that an employee's status within the organisation may affect their perceptions of promises and contract violations, but this will depend on what the promise is about. This hypothesis was tested using a survey of 163 full time employees working for 25 different organizations. The results supported the hypothesis, showing that supervisory and managerial employees placed more value on promises and violations than their manual labouring counterparts. This indicates that, not only will contracted employees have a less significant psychological contract but, in industries where contracted workers are often used for manual labour, this effect will be pronounced by the lower value manual workers assign to organisational promises and violations (Ellis, 2007).

When considering the work life balance, Watson (2001) discusses a lecture given by Ewart Wooldridge, the director of the Civil Service College, who claims that many employees are now moving towards a more flexible approach to work. This is in contrast to prior situations, in which work tended to be the dominant feature in many workers' lives. This is claimed to be largely due to factors such as recession; the reduction in the power of the trade unions; and the rise of a new psychological contract, which is focused on individual employees more than on organisations. As such, Watson (2001) <https://assignbuster.com/effects-of-psychological-contract-on-the-work-life-balance/>

claims that employees will tend to offer less loyalty to their existing employer, whilst attempting to improve their overall employability in an attempt to find a better job with another employer. Whilst they will continue provide their current employer with effective results during this period, they will be less likely to fully commit themselves to their employer. As such, unless their employer promotes the work life balance they require, there is a chance that the employee will lose faith in the organisation, reducing their effort and hastening their departure (Watson, 2001). However, it should be noted that Watson's (2001) article is entirely based on theoretical arguments, with not empirical backing. This may reduce its relevance and validity to all situations.

In contrast, Conway and Monks (2008) exploration of the relationship between HR practices and employee commitment is based on a case study analysis of three health service organisations in the Republic of Ireland. This research examines how employees perceive HR practices such as work life balance, and how these perceptions affect employee level commitment and perceptions of the psychological contract. These findings indicate that there is a disparity between the HR practices which are valued most highly by employees, and the practices detailed in the HR literature and those which are practiced by organisations. This indicates that organisations need to consider the basic factors underlying the employment relationship and the psychological contract, rather than simply introducing the latest HR practices (Conway and Monks, 2008). However, this research is somewhat limited by the fact that it is only based on one industry, and includes just three organisations.

Sturges and Guest (2004) conducted a much larger survey into the factors which affected the perceptions of the work life balance amongst new graduates who had recently started working. They found that the main factors affecting perceptions were conflicts between work and non-work priorities; the number of hours worked; and the degree of organisational and personal commitment shown by the graduates. As such, whilst most graduates tended to look for a good work life balance, their desire for long term career progression tended to lead them to work increasingly long hours in an effort to progress earlier. However, this tendency led to a worsening relationship between the graduates' perceptions of work, which ultimately acted to harm the psychological contract. As such, Sturges and Guest (2004) argue that organisations need to introduce policies and practices designed to promote a healthy work life balance, showing support for their employees' lives outside of the workplace, in order to avoid any negative impacts on performance.

In addition to this, Sutton and Griffin (2004) argued that the degree to which employees' expectations prior to starting work were supported by their experiences in the job had a significant impact on their perceptions of their work life balance and the psychological contract. This argument was assessed through a longitudinal study of 235 occupational therapy students who were about to start work, and compared with their views 14 months later. The results showed that if their experiences of work after entering a job were not consistent with their expectations, the employees were more likely to perceive psychological contract violations, and hence lower job satisfaction. In particular, the expectations around work life balance were

found to be driven by the recruitment and selection process (Sutton and Griffin, 2004). This indicates that policies aimed at improving work life balance need to take account of, and control, employee expectations at the recruitment stage in order to be effective. Unfortunately, as before, the narrow nature of this study, which only examines one occupation, makes it of limited relevance to the case of Toys R Us.

Another factor found to be relevant to the psychological contract, and violations of the contract, is employee personality. Raja et al (2004) carried out a survey of personality types and responses to the psychological contract, finding that personality characteristics such as extraversion, neuroticism and self-esteem were all related to employee perceptions of the psychological contract. In addition, personality characteristics tended to predict employee perceptions of breaches of the contract, as well as when these breaches were perceived as violations. This indicates that, when designing policies, organisations need to pay attention to employee personality characteristics, and their potential impact on the psychological contract.

In addition, when considering the nature of the psychological contract, it is important to realise that the contract is a dynamic thing, which can grow and develop over time. As such, organisations need to consider the need to display a level of commitment to shared values, as well as the welfare of their employees, if they are to develop the contract and the level of organisational commitment shown by the employees. Indeed, Barnett and Schubert (2002) claim that a developing psychological contract and employment relationship can have significant benefits for employees and <https://assignbuster.com/effects-of-psychological-contract-on-the-work-life-balance/>

employers alike. Their survey of 194 employees working in a large retail organisation showed that employees valued their employers having strong principles, and showing concern around their employees' welfare. This indicates that these are key factors to be considered when developing policies and practices aimed at strengthening the psychological contract.

Further research in the retail sector comes from D'Annunzio-Green and Francis (2005), who examined how managers' view of an emotion management leadership programme acted on their perceptions of the psychological contract. The results of this study indicated that the programme led to a shift in perceptions away from a transactional psychological contract, and towards a relational one. This in turn influenced managers' perceptions around what the organisation's expectations of them were, as well as what the organisation offered them in return. This effectively led to the construction of a new, 'trial' psychological contract, where managers agreed to believe that the leadership programme would create a more favourable work environment, both for the managers and their subordinates. The managers then internalised and tested the contract to determine whether the organisation's actions lived up to the promises contained in said contract. This indicates that organisations need to be sure that any new policies enacted do not create unrealistic expectations, as then any benefits from the policies will be undone by the resulting breaches of the trial psychological contract created by the policies (D'Annunzio-Green and Francis, 2005).

Finally, Porter et al (1998) carried out a significant study into the extent to which these perceptual gaps between the promises of the contract and the <https://assignbuster.com/effects-of-psychological-contract-on-the-work-life-balance/>

actual behaviour of the organisation had significant explanatory power over and above measures such as employee satisfaction. This was based on a study of 48 executives and 339 employees over four organisations, in an attempt to determine the promises made to the employees, the employees' perceptions of these promises, and the employee's perceptions of the actual benefits provided. This showed that the larger the gap between the perceptions of the promises and the perceptions of the actual benefits, the lower the level of employees' overall satisfaction with the organisation. This effect was found to be significant even after considering factors such as employee satisfaction with their job and their performance. As such, it appears that employee perceptions of organisational promises can have a more significant effect than many other factors, including the nature of the employee's role and their performance within the organisation (Porter et al, 1998).

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