Psychological contract

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There are several contracts which exist between an employee and employer. One contract is a written agreement whereby there is an exchange of services for some money. Another contract is a psychological one. This is an unwritten agreement between and employer and employee and this is not specific. A psychological contract is open ended and assumes that there is a social exchange of behaviors. For example, an employee is expected to work and behave in a certain manner and the employer is expected to reward the employee based upon these behaviors. The psychological contract is based on maintaining a relationship. For example, in a psychological contract an employer is expected to provide support, job security, training and development, and some obligations of an employee are loyalty, role behavior or even working overtime. Whereas in a written contract, an employer will have to note down pay details, and employees will have to provide notice for leave, transfers etc. The better the relationship of the psychological contract, the more content the employee is, and this relates directly to performance (Atkinson, 2007). One factor which is crucial to this contract is trust.

If there is a failure to meet the requirements of the psychological contract (and this is based upon individual perceptions) then it can change the attitudes of the employer and employee. It might result in resentment, anger and lead to feelings of dissatisfaction and the employee leaving the job.

Reference

Atkinson, C. (2007) Trust and the psychological contract. Employee Relations, 29 (3), pp227-246.