



The Psychological Contract Between the Worker and the Workplace

The relationship between an employer and an employee is typically guided by formal agreements, be they individual letters of understanding, union-management contracts or the government legislation that sets the standards for fair and equitable work. But did you know that there is another contract that can be even more important called the psychological contract?

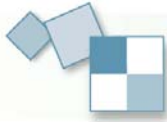
The psychological contract may be best understood as the informal understanding of the between an employer and employee. It is a belief that some form of promise has been made that both parties agree to abide by, such as mutual expectations of honesty, respect, fairness, loyalty and dedication. It is an unwritten and, unlike the written contract, is continually changing. By nature it is generally unspoken and dependent on the interpretation of all parties. It can determine behavior in organizations and when it is violated, it can have lasting effects. When employees perceive that the contract has been broken there are several options probable options:

- **Exit.** Often the last resort when dealing with contract violations. It entails voluntary termination of the violated relationship.
- **Voice.** Voicing any feelings to help reduce losses and restore trust.
- **Silence.** A form of non-response, which reflects a willingness to endure or accept unfavorable circumstances in the hope that they may improve.
- **Destruction/Neglect.** This can vary from neglect of one's duties to the undermining of the organization by performing counterproductive behaviours like vandalism, theft and work slowdowns

Correspondingly, if an employer perceives that the employee has broken the psychological contract there are several possibilities:

- **Firing.** Often executed when the employee has behaved in ways that are entirely unacceptable to the organization's mission and strategies.
- **Voicing.** This can, depending on the seriousness of the registered violation, be done through a verbal reprimand, or a written warning or suspension.
- **Silence.** For several reasons the organization may decide not to take any action, in the hope that things will improve.
- **Degrading/Setting up to fail.** The employee can either be assigned low-level jobs that damage his or her esteem in the eyes of fellow workers, or difficult tasks, which he or she will not be able to accomplish. In both cases the pay remains the same. However, the purpose of the action is to elicit the employee's voluntary exit.

Violation of the unwritten psychological contract can be even more destructive to the individual and the organization than breaking the formal agreement. It is therefore vital



resiliency builder

that both parties be intentional in their expectations of one another. Open discussion of expectations of each other is critical.

If you are an employee, how do you expect to be treated by your employer? Do you expect job security, flexibility and freedom, recognition or personal development? If you are an employer, what do you expect of your employees? Do you expect loyalty, sacrifice, creativity or adaptability? Is there an opportunity to have a discussion about these mutual expectations, to make the implicit explicit?

Adapted from Annette Sharpe; (2001). The psychological contract in a changing work environment. The Work Institute, Unpublished Manuscript