PART I

The Context of Work and Health Today
CHAPTER 2

Health and Well-Being: The Role of the Psychological Contract

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2.1 INTRODUCTION

The psychological contract has become a widely used analytic construct that has proved useful in explaining certain employee attitudes and work behaviour. In this chapter we describe how it has been used to explore a range of employee outcomes including aspects of health and well-being. The early sections of this chapter outline what is meant by the psychological contract and explain how it is potentially relevant to the study of health and well-being at work. We then present an analytic framework within which to review evidence about the association between the psychological contract and a range of employee outcomes. That evidence is drawn from a wide range of sources but we give some emphasis to recent work that has focused in particular on the link between the psychological contract and employee well-being. Finally, we consider some of the policies and practices that might affect the psychological contract and, through this, work-related health and well-being.
2.2 WHAT IS THE PSYCHOLOGICAL CONTRACT AND WHY IS IT RELEVANT TO THE STUDY OF EMPLOYEE HEALTH AND WELL-BEING?

The use of the term ‘the psychological contract’ first emerged in the 1960s. Argyris (1960), Levinson et al. (1962) and Schein (1965), among others, used it to describe the informal and implicit understanding that arose between a worker and the organization in which he or she worked. Schein, in his widely read book on organizational psychology, argued that a key to satisfaction and performance at work was a shared understanding between the worker and employer of what each expected from the other. He also accepted that the content of this exchange was important. Kotter (1973) tested and found some support for this proposition by showing that where a match existed, employees were more satisfied. In the present context, the work of Levinson et al. (1962) is particularly relevant. In their book, Men, Management and Mental Health, they provide a full elaboration of their view of the psychological contract, highlighting the often implicit and dynamic nature of mutual obligations that develop within the employment relationship. Central to their analysis is the assumption that mutual reciprocation of promises and expectations reinforces interdependencies and as long as these continue to be supported by fulfilment of this psychological contract, they will have a positive influence on the mental health of workers.

The more contemporary view of the psychological contract owes much to the work of Rousseau (1989, 1995) who offered a tighter set of general propositions about how it could usefully be defined. In contrast to earlier approaches that emphasized matching of mutual expectations, she argued that the psychological contract was best viewed only from the perspective of employees on the grounds that an organization cannot ‘perceive’, should not be anthropomorphized and therefore cannot have a psychological contract. Secondly, she emphasized promises, based on behaviour, rather than expectations that can arise from a variety of sources. Thirdly, she highlighted the importance of violation of the psychological contract as the mechanism whereby there is an influence on employee outcomes. She therefore defines the psychological contract as ‘individual beliefs, shaped by the organization, regarding terms of an exchange agreement between the individual and their organization’ (1995, p.9).

Rousseau’s highly influential work has stimulated a considerable amount of research. However, each of the core elements is open to criticism (see, for example, Arnold, 1996; Guest, 1998; Meckler, Drake & Levinson, 2003; Conway & Briner, 2005; Cullinane & Dundon, 2006). Firstly, the argument that the psychological contract can only be viewed from the employee and not
the employer perspective ignores the metaphor on which the concept is based and fails to recognize the role of managers as ‘agents’ of the organization as well as evidence that workers readily anthropomorphize their organization. The emphasis on promises provides a sharper focus but presents problems in drawing a boundary between promises, obligations and expectations and may fail fully to consider the importance of expectations and obligations that arise independently of any promise made by an organizational representative. Finally, while the emphasis on violation as the mechanism linking the psychological contract to attitudinal and behavioural outcomes again provides a distinctive focus for research, it presents both conceptual and operational problems. Conway and Briner (2002) have shown that breaches of the psychological contract are everyday events but are usually not in themselves sufficient to have any marked impact on attitudes and behaviour. Their research therefore supports the analysis by Morrison and Robinson (1997) in which they draw a distinction between breach and violation, the latter being more serious and entailing a significant emotional component. A further problem with a focus on violation of the psychological contract is that it presents difficulties in explaining the consequences of a positive fulfilment of the psychological contract. In the present context, it might help to explain reductions in well-being but is less able to explain improvements or to outline how organizations might enhance employee well-being.

The implication of this is that if the psychological contract is to prove useful in explaining both improvements as well as reductions in health and well-being, we need a conceptual framework that goes beyond that provided by Rousseau. European researchers have generally been less enthusiastic about following Rousseau’s narrow view of the psychological contract. Instead, they have given more weight to an exchange-based model (Blau, 1964) that can incorporate what Gouldner (1960) has described as ‘the norm of reciprocity’. Indeed some of Rousseau’s more recent work (e.g. Dabos & Rousseau, 2004) has acknowledged the value of looking at both the individual and organizational perspective. We will therefore build on the definition of Herriot and Pemberton (1995) and define the psychological contract as ‘the perceptions of both parties to the employment relationship, organisation and individual, of the reciprocal promises and obligations implied in that relationship’ (Guest & Conway, 2004). We also need to develop a separate focus on fulfilment as well as violation of the psychological contract. However, having emphasized the importance of both parties to the psychological contract, much of what follows in this chapter will focus on the employees’ perspective.

Why is the psychological contract likely to be useful in considering health and well-being at work? Firstly, it represents a potentially important mediator
between managerial policy and practice and employee outcomes. Since it addresses the subjective perceptions of employees, it recognizes that it is not enough to link policy and practice to outcomes but that it is necessary to explore how they are perceived by employees as a first step in understanding their impact. Allied to this, it recognizes that it is not just a matter of whether management behaviour can be construed as more or less generous or benevolent; what is critical is how it stands up against the promises made, the obligations these entail and the expectation of what constitutes appropriate behaviour. A 20% pay rise may seem generous by some standards but it will not be perceived as such if a 50% rise had been promised.

A further feature of the psychological contract is that it is dynamic. It concerns a two-way exchange that can be modified by experience and by what Rousseau (2005) has described as I-Deals or individual and distinctive arrangements. In a context where greater emphasis is given to flexible work arrangements and to achieving work–life balance, the growth of individual and sometimes informal deals can become highly important for specific workers. At the same time, this can create a new set of problems because it raises issues of fairness and trust. Fairness can become an issue where one person arranges a specific deal that is not open to others; questions of trust can arise in the context of the dynamics of business life in which managers are frequently on the move within organizations. As a result, an implicit understanding with one manager may not carry over to her replacement, leading to the need for further negotiation and development of a new ‘deal’. For this reason, it has been argued that it is useful for certain purposes to broaden the psychological contract to what can be termed ‘the state of the psychological contract’ (Guest, 2004). This incorporates an explicit analysis of fairness and trust alongside the fulfilment or violation of the psychological contract to provide a more complete understanding of the employment relationship. A broader perspective is particularly useful in a context where collective arrangements are declining, leaving a need for analytic frameworks within which to explore the emerging individualized employment relationship.

A further reason for utilizing the psychological contract is that it can be considered along a range of dimensions, thereby capturing some of the richness and complexity of the employment relationship. McLean Parks, Kidder and Gallagher (1998) identify several potentially relevant dimensions including its focus, time frame, stability, scope, tangibility and particularism, by which they mean the degree of what Rousseau (2005) terms idiosyncrasy. Although the logic behind this set of dimensions appears to be largely atheoretical, it does highlight both the flexibility and the potential complexity of psychological contracts. Two of the dimensions have been more extensively studied than the others. These are the breadth of the psychological contract, by which we mean the number of promises and commitments made and
the focus, by which we mean the specific content. With reference to content, a conceptual distinction has been made between socio-emotional and more explicit transactional promises. Measures have been developed based on the assumption that this distinction is valid and important. However, they fail to take fully into account the idiosyncratic nature of psychological contracts. Although these dimensions have been widely studied (for a review see Conway & Briner, 2005), there is little understanding as to how they develop or what their consequences are. The dimensions may offer promising insight into understanding aspects of well-being, such as a lack of focus impacting role clarity, instability resulting in feelings of anxiety and insecurity, and so on. However, to date the main research interest has been directed to an assessment of the extent to which promises have been kept. While promises can be made from both sides, organization and employee, most of the research has focused on employee perceptions of organizational promises and commitments.

The final reason why the psychological contract is useful for understanding well-being is the breach concept. Dozens of studies support the basic finding that when employees report that their organization has breached their psychological contract (i.e., broken explicit or implicit promises), this results in negative outcomes for the employee and the organization. Researchers offer multiple explanations as to why breach affects outcomes and some of these are particularly relevant to well-being. For instance, breach by definition implies a discrepancy between promises and delivery, which mirrors similar discrepancy evaluations such as job dissatisfaction (Guest, 1998). Breach also involves depriving employees of some kind of rewards, which may thwart employee needs (e.g., Robinson & Rousseau, 1994). Breach is very likely to trigger feelings of inequity and feeling unsupported, which have both been found to affect well-being outcomes, such as job satisfaction (e.g., Cohen-Charash & Spector, 2001). Breach may also motivate employees to engage in certain types of behaviour, such as retaliation, bad-mouthing and cynicism, that may affect the well-being of others in the organization or disturb the affective climate (Bordia, Restubog & Tang, 2008). However, while breach offers a simple and intuitive explanation for negative well-being, it is less clear whether the opposite of breach, that is, psychological contract fulfilment, would account for positive well-being. At the least, we would expect that fulfilled psychological contracts avoid situations that can lead to negative well-being.

In summary, the psychological contract provides distinctive insights into the nature of the contemporary employment relationship, more particularly as that relationship becomes increasingly individualized. It serves as a useful mediating mechanism that can help to explain why and under what circumstances certain policies and practices have a greater or lesser impact on
outcomes including work-related health and well-being. However, this claim needs to be supported by evidence. The following sections therefore review some relevant research findings.

2.3 RESEARCHING THE PSYCHOLOGICAL CONTRACT AND OUTCOMES

There are a range of potential outcomes from the psychological contract. In their meta-analysis of the consequences of breach of the psychological contract, Zhao et al. (2007) distinguish between attitudinal and behavioural outcomes. The dominant attitudinal outcomes that have been studied are job satisfaction, organizational commitment and intention to quit. Some studies have also used trust as an outcome (Bal, De Lange & Jansen, 2008). Behavioural outcomes include organizational citizenship behaviour, individual performance and actual quits. It is clear from these reviews that much of the research has focused on organizationally relevant outcomes and with the exception of job satisfaction have tended to ignore worker-related outcomes. Conway and Briner (2005) have provided a comprehensive review of these studies over the decade from the early 1990s when this type of study was flourishing. Most of them are cross-sectional and explore the relationship between a measure of the extent to which promises have been kept and the outcome under investigation. Breach or violation is therefore usually defined as the degree of non-fulfilment of promises. This has led to a neglect of psychological contract fulfilment and the potentially positive outcomes of this, except by reference to the negative outcomes of breach. There is a case for exploring the scope, the fulfilment and the violation of the psychological contract independently of each other to determine which has the greater impact.

Conway and Briner (2005) report the average correlations across the various, mainly North American studies. The association between psychological contract breach and organizational commitment is −0.32; with intention to quit it is 0.33; with actual quitting, where there are only a very few studies, it is 0.11; and with performance it is −0.19. As we noted, these studies are mostly cross-sectional. Perhaps encouragingly, the size of the association in the very few longitudinal studies is not markedly different from that in the cross-sectional research. There is also a large cluster of studies that explore the association with job satisfaction, a variable that comes closer to employee well-being, and the average correlation with breach is −0.46. This pattern of findings between breach and outcomes was confirmed by the two recent meta-analyses (Bal, De Lange & Jansen, 2008; Zhao et al., 2007). Taken together, these studies confirm an association between the psychological
contract and various outcomes. Too often, they fail to take account of other possible influences on these outcomes, potentially exaggerating the size of the psychological contract effect. They are also only tangentially relevant to employee well-being through their focus on job satisfaction.

2.4 STUDIES OF THE PSYCHOLOGICAL CONTRACT AND WELL-BEING

In a regular series of surveys of the UK working population, Guest and Conway have explored the state of the employment relationship through the lens of the psychological contract. Two of the surveys (Guest & Conway, 2002, 2004) paid some particular attention to aspects of health and well-being. In this section we present some of the relevant findings. In each case, the data are based on responses from a stratified random sample of employees in organizations employing 10 or more staff who were interviewed by telephone.

There are various ways in which work-related well-being can be defined (Warr, 2002; Guest, 2008). In this context, we build on the definition of Danna and Griffin (1999) who emphasize work-related satisfactions, non-work related satisfactions as affected by work, and general health. Warr (2002) argues that we need to go beyond satisfaction to a more positive concept of well-being reflecting what he sees as three dimensions, one of which relates to satisfaction while the others cover enthusiasm and contentment with their opposites of depression and anxiety. In other words, in the work context, we need to look at satisfaction plus these extra elements and to take account of the downsides such as stress.

Guest and Conway (2002) explored the association between the state of the psychological contract and stress. The state of the psychological contract was operationalized as the extent to which promises and commitments were fulfilled, the fairness of ‘the deal’ and the trust that management will continue to deliver it. Stress was measured through a standard global question used in the extensive Bristol surveys of stress (Smith, 2001) and a second related item. Of the sample, 25% reported that their jobs were very or extremely stressful compared with 39% who reported little or no work-related stress. A wide range of background, policy and job-related factors were taken into account and in a regression analysis they explained 18% of the variance in reported stress. The strongest beta weights were those associated with the amount of external control over the job (beta 0.18) and the state of the psychological contract (beta –0.17). The only other factors showing a highly significant association were gender (beta 0.13 for women) and working in the health service (beta 0.12). These results suggest that the psychological
contract is a key factor associated with variations in reported levels of work-related stress, an important aspect of well-being at work.

The same survey also looked at features of work that workers perceived to have a harmful or a positive impact on health and well-being at work. The findings are presented in Table 2.1. The results show that the most typical response of workers is to claim that many features of work have no effect on their health or well-being. However, 37% believe their workload is harmful and 34% believe the hours they work are harmful. In contrast, 72% say relationships at work have a positive effect on their well-being and 58% cite the amount of help they get if they have a problem. While individual features of the experience at work may be harmful, it is likely to become more serious if there is a cumulative set of harmful experiences. We therefore examined the background factors associated with those who cited a
higher number of factors as harmful rather than beneficial. In the regression analysis, three factors stood out as strong predictors. These were the state of the psychological contract (beta –0.25), organizational support (beta –0.16) and the level of external control (beta 0.10). This again confirms the key role of the state of the psychological contract in explaining perceptions of the damaging effect of aspects of work for health and well-being. By implication, it is not just the amount of workload or hours but whether the experience fits with what was promised in the job.

The same survey also explored wider aspects of well-being reflected in questions about work satisfaction, work–life balance and satisfaction with life as a whole. A range of background and work-related factors accounted for 41% of the variation in work satisfaction. The regressions showed that the main predictors were the state of the psychological contract (beta 0.26), the level of organizational support (beta 0.20) and the amount of external control over work (beta –0.17). The same background and work experience factors accounted for 20% of the variation in satisfaction with work–life balance with the strongest predictors being the state of the psychological contract (beta 0.18), the amount of external control (beta –0.18) and the hours worked (beta –0.17). The analysis showed that background and experience factors explained 15% of the variation in satisfaction with life as a whole. The main predictors were the amount of external control of their work (beta –0.16), whether the individual was single or divorced (beta –0.15) and the state of the psychological contract (beta 0.13).

These findings provide impressive support for the importance of the psychological contract since the analysis sets it in the context of a range of other possible influences on a number of indicators of well-being. It is notable that, in line with the Karasek (1979) model, external control over aspects of work has a negative effect on well-being. However, the psychological contract is consistently an important influence. The analysis confirms that as we move away from satisfaction with features central to work such as work satisfaction to life satisfaction the role of the psychological contract at work declines and the range of work-related factors can explain less of the variation in responses. Despite this, the psychological contract remains a key factor confirming again that it is the fulfilment or breach of promises rather than the policies and practices and other experiences at work that have a key influence. Finally, it is worth noting that very similar results were obtained when the questions were repeated in a subsequent survey (Guest & Conway, 2004).

A separate study reported by Guest and Clinton (2006) provides a much more in-depth analysis of the relationship between the psychological contract and work-related health and well-being. This research is the UK contribution to a wider seven-country European study of the relationship between
employment contracts, the psychological contract and workers’ well-being (Guest, Isaksson & De Witte, in press). In the context of health and well-being, it has two major advantages over many other studies. Firstly it explores various aspects of the psychological contract and secondly it explores a wide range of relevant outcomes. With respect to the psychological contract, the study obtained separate measures of the range or breadth of promises made, the fulfilment of promises, violation of promises and measures of fairness and trust that form part of the wider concept of the state of the psychological contract. Breadth and fulfilment were measured using a standard set of items and asking firstly whether a promise had been made by the organization and secondly whether it had been kept. Violation was explored using a new measure which asked about the extent to which the organization had or had not kept its promises recently and how this made people feel. They responded on a five-point strongly agree–strongly disagree scale about whether they felt happy, angry, pleased, violated, disappointed and grateful and an average score across these items was obtained. Fairness and trust were measured using items adapted from Guest and Conway (1998). This therefore provides some opportunity to establish which of these various elements has the strongest influence on outcomes. The outcomes included conventional issues such as job satisfaction and organizational commitment but also addressed several aspects of health and well-being at work including:

- Anxiety – contentment at work using a measure developed by Warr (1990).
- Depression – enthusiasm at work using another measure developed by Warr (1990).
- Irritation with work. A measure developed by Mohr et al. (2006).
- Physical health. A six-item measure developed by Ware (1999).
- Self-rated sickness absence.
- Self-rated sickness presence, a measure of the tendency to go to work even when not feeling well.

All the measures had satisfactory alpha scores.

The sample consisted of 642 workers drawn from three sectors: food manufacture, retail services and education. The aim in selecting this sample was to obtain a cross-section of different levels of employment from low skill to professional skills. The sample consisted of 62% women, had an average age of 37 and 20% belonged to a trade union. Given the focus of the study on employment contracts, 25% of the sample had temporary contracts although, contrary to expectations, temporary workers did not report poorer well-being. There were a large number of control variables covering organizational factors such as sector, size, trade union representation and individual factors ranging from standard biographical data to aspects of household income and
household workload. The study also obtained measures of other possible work-related influences on health and well-being such as organizational support, features of the role such as autonomy and workload, job security, extent of choice of job, career and employment contract, and perception of career/job choices and alternatives.

The results confirm the importance of the psychological contract and in particular violation of the psychological contract. The strongest predictor of work-related anxiety was violation of the psychological contract (beta 0.41). Fulfilment of the psychological contract was not significant (beta –0.09) but a combined measure of fairness and trust was (beta –0.21). Results for the measure of depression–enthusiasm were very similar. Violation of the psychological contract was strongly associated with work-related depression (beta 0.41) as was the measure of fairness and trust (beta –0.20). There was again no association with the measure of fulfilment of the psychological contract (beta –0.08). The pattern of results for irritation at work was very similar but a little weaker (violation beta 0.31; fairness/trust beta –0.16; fulfilment beta –0.06).

This initial set of results confirms the strong association between violation of the psychological contract and some central measures of work-related well-being. This is not to deny the importance of other factors. For example organizational support, workload and more particularly greater experience of a set of human resource practices are also important. However, the psychological contract mediates the relationship between some of these and the measures of well-being.

Turning to the more health-related variables, on the measure of physical health, there is a significant association with violation of the psychological contract (beta –0.21) but not with any of the other psychological contract measures. Sickness absence is significantly associated with lower levels of fairness and trust (beta –0.13) and sickness presence is more strongly associated with the same measure (beta –0.23). None of the other measures associated with the psychological contract are significant. This suggests that we should not invariably assume that violation of the psychological contract is always the most important dimension of the construct. On the other hand, these data indicate that fulfilment of the psychological contract is less able to explain the various health and well-being outcomes. However, although we do not show it here, fulfilment of the psychological contract is associated with more central attitudinal variables such as organizational commitment and job satisfaction.

These two studies highlight the central role of the psychological contract in the analysis of work-related well-being. They appear to confirm a strong association, more particularly with violation of the psychological contract. As noted above, this does not deny the importance of other factors; but it
does confirm that if promises are made and broken, then well-being can suffer. This raises the question of what kind of policies and practices are more likely to be associated with higher fulfilment and lower violation of the psychological contract.

2.5 POLICIES AND PRACTICES TO PROMOTE THE PSYCHOLOGICAL CONTRACT

If, as we have shown, the psychological contract is associated with work-related health and well-being, then it makes sense to develop policies and practices that are likely to promote fulfilment and more particularly prevent violation of the psychological contract. In the regular national surveys reported by Guest and Conway, we explored a range of organizational antecedents of the psychological contract. The findings were fairly consistent. Firstly, as we hinted above, those who report that they have experienced or have the opportunity to experience a wider range of human resource practices invariably report a more positive psychological contract. It appears that the presence of such practices creates some obligation on the part of the employer to keep their side of the exchange. Secondly, a friendly work climate with strong organizational support is consistently associated with a more fulfilled and less violated psychological contract. Thirdly, scope for direct involvement and participation in the work itself is consistently important.

In a separate study of the management of the psychological contract, Guest and Conway (2002) explored the employer’s perspective based on a survey of over 1100 senior HR managers. They focused in particular on communication of the psychological contract and found that it was local communication of issues related to the work or to personal circumstances that were most likely to be associated with positive outcomes and that messages from senior levels such as exhortations from the chief executive and mission statements had much less impact. On the other hand, they did recognize the importance of messages communicated to those joining an organization and the implied promises and commitments that they contain. The key message in this context, familiar to all those who have explored the role of realistic job previews (Phillips, 1998), is ‘don’t make promises you can’t keep’. It is worth bearing in mind that this is the assessment of managers but the evidence indicates that it is very likely to be strongly endorsed by the workforce. This suggests that a general context and climate can be created at senior levels, but it is the local ‘agents’ of the organization and the way they act to implement HR practices and to make and deliver promises that has the major bearing on a positive psychological contract and, through this, on employee well-being.
2.6 CONCLUSIONS

This chapter has outlined why the psychological contract is a useful analytic framework within which to explore aspects of work-related health and well-being. At the same time, most of the reported research has focused on outcomes that relate more to organizational concerns such as organizational commitment, intention to quit and organizational citizenship behaviour than to aspects of well-being. The exception is the extensive range of studies of the consequences of breach of the psychological contract for job satisfaction. The two meta-analyses and the more considered reviews of the evidence confirm that there is a strong association between breach of the psychological contract and lower job satisfaction.

The two studies described in more detail in this chapter expand the analysis to include data on well-being. They also confirm the powerful role of the psychological contract in general and the role of breach and more particularly violation of the psychological contract in affecting outcomes such as levels of anxiety and depression. There is also some survey evidence of a spillover into issues such as satisfaction with work–life balance and even with life as a whole.

Despite these promising findings, there are still areas of uncertainty in the theory and research on the psychological contract. The status of specific dimensions of the psychological and most notably the utility of any distinction between transactional and relational contracts and their link to outcomes has still not been convincingly established. The focus on breach and violation leaves a vacuum in relation to the role of psychological contract fulfilment in promoting well-being. Nevertheless, the relatively limited research on antecedents of fulfilment of the psychological contract and avoidance of breach point to the importance of the application of a range of human resource practices, of a supportive friendly organizational climate and of providing scope for a degree of personal control and participation at work. There is a need to extend this study of antecedents of the psychological contract as a further basis for developing policies and practices to promote well-being at work.

REFERENCES

22 THE CONTEXT OF WORK AND HEALTH TODAY


