

# **Psychological Contract in the Voluntary Sector in Ireland**

**Does the Psychological Contract in the  
Voluntary/Community Sector in Ireland have distinctive  
features compared with the private sector?**

**Alan Corcoran**

**A Dissertation submitted in partial fulfillment for a**

**MA in Human Resources Management**

**National College of Ireland**

**Submitted to the National College of Ireland August 2012**

## Acknowledgements

I would like to thank the managers and staff at Daughters of Charity Child and Family Service who offered me advice, support and encouragement with this project and I would sincerely like to thank everyone who took the time to participate in the research survey.

I would especially like to acknowledge and thank my family and friends for their support and encouragement. Special thanks to my son Ciarán.

I would also like to thank my supervisor Desmond Gibney and all at the National College of Ireland.

## Abstract

This study focuses on assessing the psychological contract in the voluntary/community (sometimes now called the Non-For Profit Sector) sector in Ireland and comparing the psychological contract between employees in the voluntary/community sector and elements of the private sector, primarily the retail/leisure industry. The study applies Rousseau's Psychological Contract Inventory (PCI) as the primary tool to measure the psychological contract and uses Rousseau's PCI technical report as a comparator for the research findings.

The psychological contract is defined as "An individual's belief in mutual obligations between that person and another party such as an employer" (Rousseau 1998).

The research was conducted during March to August 2012 in the recessionary period, (as a result of recent financial and economic crises), which has had a significant impact on both sectors in terms of reduced funding and falling retail sales. A finding of the study highlights that the external environment within which the organisations are operating can have a significant impact on the psychological contract.

The study also shows that whilst the psychological contract within each sector was broadly similar, and were also broadly in line with Rousseau's PCI report from 2000, there were distinct differences inherent in each sector that pose unique challenges for the management of the psychological contract.

The main difference between this study within the identified sectors and Rousseau's PCI report from 2000 was in the specific area defined as '*Transitional*' psychological contract. The Transitional psychological contract is usually found at times of uncertainty and change, for example during mergers or acquisitions. The study found that there were distinct differences between the assessment of the psychological contract in terms of the employees' trust, perception of erosion of their benefits, terms and conditions and in terms of uncertainty about the future relations between employer and employee.

## **Declaration**

I would like to declare that the information in this Dissertation is entirely my own work and all research was conducted in an ethical and honest manner. All materials consulted and ideas garnered in the processes of researching have been properly and accurately sourced and acknowledged.

# Contents

<b>Acknowledgements</b>		<b>2</b>
<b>Abstract</b>	..	<b>3</b>
<b>Declaration</b>		<b>4</b>
<b>List of Figures</b>		<b>6</b>
<b>List of Tables</b>		<b>7</b>
<b>Background and Introduction</b>		<b>8</b>
<b>Literature Review</b>		<b>16</b>
<b>Research Aims and Objectives</b>		<b>34</b>
<b>Methodology</b>		<b>39</b>
<b>Research Findings</b>		<b>49</b>
<b>Conclusion</b>		<b>91</b>
<b>Bibliography</b>		<b>96</b>
<b>Appendix 1</b>	... ..	<b>102</b>

## List of Figures

Figure 1: Research Context.....	15
Figure 2: Partnership versus Contract.....	25
Figure 3: Measuring the Psychological Contract.....	28
Figure 4: Types of Psychological Contract.....	30
Figure 5: Retail Sales Index 2007 - 2012.....	36
Figure 6: Questionnaire Flowchart .....	41
Figure 7: Types of Psychological Contract.....	77
Figure 8: Assessment of Psychological Contract.....	78

## List of Tables

Table 1: Sector .....	50
Table 2: Role/Seniority .....	50
Table 3: Length of Service.....	51
Table 4: Gender.....	52
Table 5: Employment Status and Tenure .....	52
Table 6: Educational Qualifications.....	53
Table 7: PCI Category Analysis.....	56
Table 8: Employee Short Term .....	57
Table 9: Employee Loyalty.....	58
Table 10: Employee Narrow .....	59
Table 11: Employee Performance Support .....	60
Table 12: Employee Development.....	61
Table 13: Employee External Marketability .....	62
Table 14: Employee Stability.....	63
Table 15: Employer Short Term .....	64
Table 16: Employer Loyalty .....	65
Table 17: Employer Narrow .....	66
Table 18: Employer Performance Support.....	67
Table 19: Employer Development .....	68
Table 20: Employer External Marketability .....	69
Table 21: Employer Stability .....	70
Table 22: No Trust.....	71
Table 23: Uncertainty .....	72
Table 24: Erosion.....	73
Table 25: Employee Fulfillment .....	74
Table 26: Employer Fulfillment.....	75
Table 27: Affect of Financial Crisis on Psychological Contract.....	76
Table 28: Transactional Psychological Contract.....	79
Table 29: Balanced Psychological Contract .....	82
Table 30: Relational Psychological Contract.....	85
Table 31: Transitional Psychological Contract.....	88

## Background and Introduction

In 2008 before the current financial crisis the voluntary/community sector in Ireland employed more than the equivalent of 53,000 full time employees. Often working with the marginalised, most disadvantaged, and most vulnerable individuals and communities within our society, the provision of services by organisations working in this sector are an essential feature of a modern, democratic, pluralist state (Harvey 2012). At the launch of the Irish government's white paper on a framework for supporting voluntary activity in 2000 the minister with responsibility for the sector stated that the government sees

“ the Voluntary and Community sector as essential partners in economic and social development” (Ahem, 2000)

The government white paper itself underlines and emphasises the importance of the sector retaining independence from state and governmental agencies (Harvey 2012) and states that

“An active Community and Voluntary sector contributes to a democratic, pluralist society, provides opportunities for the development of decentralised and participative structures and fosters a climate in which the quality of life can be enhanced for all.”

(Department of Social Community and Family Affairs 2001)

Attracted in part by the high levels of commitment and mutuality that abounds in the not-for-profit/voluntary and community organisations Governments of industrialised countries increasingly engage the services of this sector to deliver social services (Cunningham 2010; Paton and Cornforth 1992; Zimmeck 1998).

Understanding the psychological contract that exists in a sector or in an organisation can help to improve employee performance and productivity. Guest has noted out some key points when to consider when assessing the contribution managing and understanding the psychological contract can bring

- The extent to which employers adopt progressive human resource management practises will have an influence on the psychological contract
- The psychological contract is based on the employees interpretation of the employers fairness and trust and their belief that the employer is honouring the bargain made between them
- A positive psychological contract increases employee commitment and satisfaction which in turn has a positive influence of employee performance and productivity

(Guest 2002)

The importance of proactive, professional and progressive Human Resource Management practises was highlighted by Sonnenburg who pointed out that the application of effective human resources management practices leads to lower levels of perceived psychological contract breach (Sonnenburg, Koene, Paauwe 2011)

As organisations in the voluntary/community sector play a vital role in delivering services to the most vulnerable in our society it is valuable to study the psychological contract in this sector in order to improve outcomes for the users of the services and for society in general (Cunningham, 2010) Studying this area has become increasingly important in recent times, in particular as a result of the funding crisis the sector is experiencing that has arisen as a result of the international financial crisis Employment, erosion of terms and condition and job security in voluntary/community sector employment is under serious threat in the voluntary/community sector (Harvey 2012)

In the program for government the ‘Government for National Recovery’ in Ireland refers to the current “National Economic Emergency” in stark terms “It is no exaggeration to say that we now face one of the darkest hours in the history of our independent state” (Dept of Taoiseach 2011) The document states that the approach our society takes to resolving the current economic difficulties will be the defining measure of our generation

“No person, group or sector can be absolved from making a fair contribution to the resolution of our economic difficulties We must all accept our share of the burden so that we can collectively share in the fruits that will undoubtedly flow from solving our current problems”

(National Recovery Plan 2011-2014)

It would however seem that this burden sharing is not occurring in as even-handed way as might be supposed. A recent report from the Irish Congress of Trade Unions (Harvey, 2012) stated that where government spending on current services on average fell by -28.2% between 2008 and 2012 funding to the voluntary sector in Ireland has fallen by approximately -35% in the same period. This dramatic and disproportionate fall in funding has had a significant impact on employment in the sector. It has been estimated that employment in the voluntary and community sector could fall by up to 30% between 2008 and 2015 (Harvey, 2012).

Voluntary organisations have introduced a number of reactive strategies to address this funding crisis including adopting substantial changes to working conditions, agreeing to voluntary pay cuts, requested additional duties that are significantly outside of their job descriptions increasing working hours and shorter working weeks and redundancy (Harvey 2012). Harvey also points out that the wider environment within which these organisations operate has significantly changed with reduced public sector employment, fewer voluntary/community sector service providers and this at a time when the need for such services has significantly increased (Harvey 2012).

According to the National Economic & Social Council (NESC) Ireland's current crisis has a wider scope than just a financial crisis. They identified that in Irish society we are facing five crises that are interlinked and must be resolved together in a coordinated, sequential and ordered way (NESC, 2009). They name the five crises as

- Banking Crisis
- Public Finances Crisis
- Economic Crisis
- Social Crisis
- Reputational Crisis

It has recently been suggested that a sixth 'Political' crisis can be added to this list (O'Toole, 2010) as a result of the inept attempts by the political establishment, both within Ireland and on the global stage, to resolve the five crises.

An examination of the psychological contract must be cognisant of the wider Political, Economic, Social, Technological, Environmental and Legal (PESTEL) influences that surround both the organisation and the employee as citizen in the wider society. A comprehensive study to examine all aspects of PESTEL would warrant a wider study.

The central focus of this research was to examine if there are a unique or distinct aspects of the psychological contract in the voluntary sector compared to that of the private sector. This must be viewed against a wide background of the current funding crisis and whether this has had a significant effect on the underlying psychological contract that exists in the sector. The primary focus of the research was to examine the psychological contract that exists in the voluntary/community sector ( primarily the Daughters of Charity Child and Family Service) and to draw comparisons with employees in a section of the private sector that are also experiencing a similar retraction in funding, for example organisations in the retail and leisure sector.

### **Daughters of Charity Child and Family Service**

The majority of survey respondents in the voluntary/community sector were from the Daughters of Charity Child and Family Service (DOCCFS). Mainly funded by the Health Service Executive (HSE), the DOCCFS is based in the wider Dublin region and provides a range of services for families and children. The Service employs approximately one hundred and eighty staff and is divided into three distinct areas:

- Fostering Service
- Early Childhood Development Service (ECDS)
- Family Centres

Many services have support staff including administrator and domestic staff however staff are mainly employed in direct service provision areas such as Family Workers, Fostering Social Workers and Childcare Workers. In addition there is a small management office providing support in areas such as Accounts, Payroll and Human Resources.

Employees providing direct services to children and families have been recruited from a wide range of professional disciplines but can be generally categorised as being from a Social Work, Social Care/Science, Childcare or a Therapeutically trained background. Information from the HR department shows that in general employees providing direct services on behalf of the DOCCFS have been educated to at least level 7 on the National Qualification Framework with many qualified to level 9.

The main focus of this document will be to examine the psychological contract in the voluntary/community sector in comparison to the psychological contract in the private sector. The psychological contract will also be compared and contrasted with the findings of the Psychological Contract Inventory (PCI) presented by Rousseau in her technical report in 2000. As the examination progresses special attention will be paid to the wider PESTLE context of the research as shown in the diagram below.

## Examining The Psychological Contract in The Voluntary / Community Sector

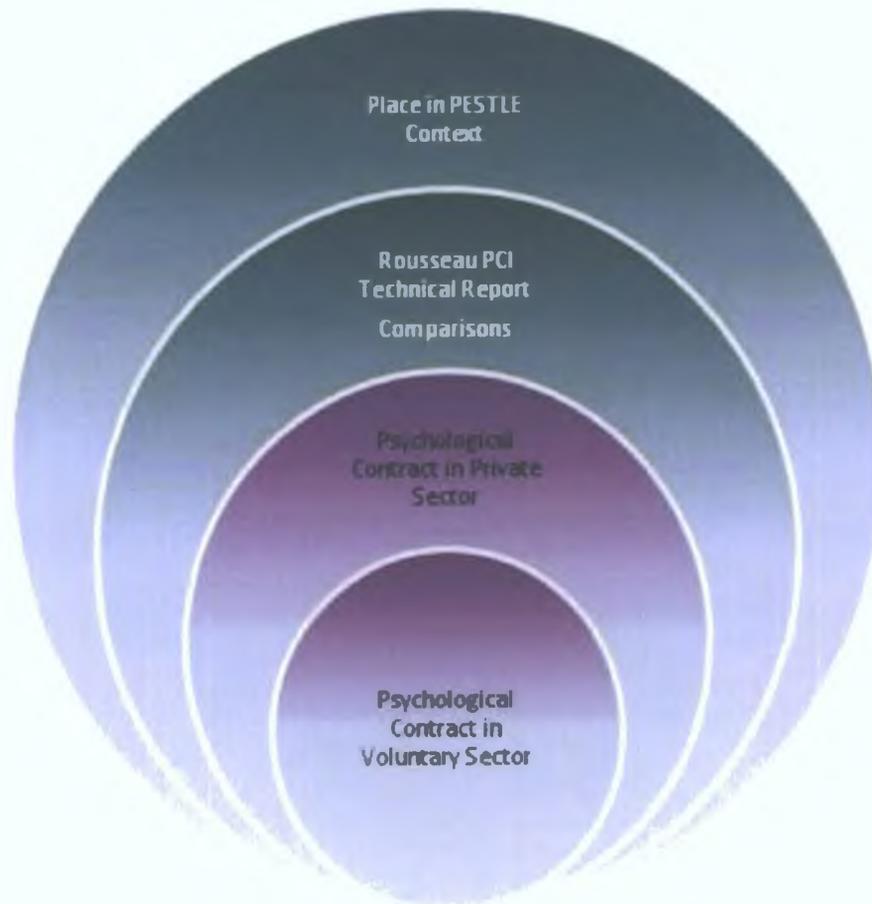


Figure 1: Research Context

## Literature Review

### Emergence of the Psychological contract

The concept of the psychological contract emerged in psychology literature almost fifty years ago however it did not gain wide attention in an employment context until 1980s and 1990s. At this time serious attitudinal and behavioural reactions to changes in the 'traditional' employment relationship were observed and explained in terms of violations and breaches of the psychological contract (Freeze and Schalk, 2008).

These observations were predominately seen in the work of Rousseau (e.g. Rousseau 1989, 1990, 1995). She explained the emphasis on a 'relational' process, the traditional 'job-for-life' relationship that existed between employer and employee that was based on job security and loyalty had shifted to a more 'transactional' process that emphasised productivity in return for high return in the form of pay, training and experience.

It is debatable whether this shift in emphasis was driven primarily by the desires and needs of the employer or of the employee. Did the shift occur because employees no longer felt the need for the traditional 'relational' contractual relationship or was it a form of abdication of responsibility by employers? It is not clear if there was a symbiotic, reciprocal and mutually beneficial dimension to the change but, with the growing influence of globalisation, de-layering, reduction in the job-for-life concept, the rapid pace of change in technology and the increase in atypical working, individualisation and idiosyncratic contracts, there was an undeniable shift in the structure of the employment relationship (Guest, 2004).

## **Definition of the Psychological Contract**

Despite the enduring interest in the topic of the psychological contract, and an abundance of literature dealing with the psychological contract, there is no one universally accepted definition of the concept (Anderson and Schalk, 1998, Cullinane and Dundon, 2006)

In general Rousseau's description of the psychological contract as "An individual's belief in mutual obligations between that person and another party such as an employer" (Rousseau 1998) seems to have a wide acceptance. Guest's description of the psychological contract as "the perception of both parties to the employment relationship, organization and individual, of the reciprocal promises and obligations implied in that relationship" explains that the employer's perception is as important as the employee's perception (Guest and Conway, 2002). It seems self-evident that the psychological contract is subjectively constructed in a unilateral manner by individual employees otherwise we could empirically measure the contract. The employer clearly influences the content through implicit and explicit promises made at the pre-employment stage as well as during employment. These promises can be made in many direct and indirect ways such as employment policies, and indirectly for example through marketing campaigns, as these campaigns could contribute to perceptions being formed regarding how the organisation will behave as an employer (Freeze and Schalk, 2008).

A difficulty emerges when we attempt to measure the employer's perception as it can be complex, especially in larger organisations, to determine who the party to the contract is on behalf of the employer. Is it the immediate manager, the senior management team, the board of directors? And what happens to the 'contract' when these individuals leave post or when they contradict each other? Is the existing psychological contract voided and re-written?

Similarly it is difficult to ascertain a consistent understanding and agreement as to who the employee believes the other party to the psychological contract is especially when we consider the complex corporate management and ownership structures that can exist in business today. Suffice to say that the employees are aiming their sights above their immediate manager to the senior decision makers or corporate entity (Freeze and Schalk, 2008)

### **Implied terms in common law**

It is useful to examine a distinction between the recognition of the psychological contract and the recognition of the *implied terms of the contract of employment* at common law. The psychological contract exists at a deeper level than the implied terms of the employment contract. It goes beyond duties and responsibilities, (such as the duty of fidelity and confidentiality), already established and recognised under common law and aims its sights at issues such as mutuality, trust and the power-relationship (Cullinane and Dundon, 2006)

For Cullman and Dundon who evaluate the psychological contract as a “monolithic unitarist construct” the evaluation could change if it was viewed from a social exchange perspective that places trust and power as central considerations. They suggest that the concept of the psychological contract has not gained prominence, and not realised its full potential, because it has not yet demonstrated its value to those who view the employment relationship from a unitarist perspective (Cullman and Dundon, 2006)

Employment relationships can be examined from a number of perspectives including social contract viewpoint. It has been argued however that a social contract perspective may be too wide a lens to examine the idiosyncratic nature of the psychological contracts. A clear distinction has been made between the social contract whose sources include “public opinion, the education system, laws, courts, professional associations, media, ideologies, regulatory agencies, governmental requirements and organisation” and the psychological contract which is developed on an “individual level”(Edwards and Karau 2007). Actions that may be perceived as a breach or violation of an individual psychological contract may be “within the norms of the social contract” (Edwards and Karau 2007)

## **External Environment & the Psychological Contract**

The psychological contract can be measured in three ways, in terms of its content, its features and its evaluation (Rousseau and Tijoriwala, 1998) These measurements will be discussed in greater detail in this paper The changing context of the world of work has a significant impact of the content, features and evaluation of the psychological contract When we contrast the different perceptions of the psychological contract in the 1990's compared with 2009 we can see a significant difference in the frame of reference that applied In the 1990's a key element of the psychological contract was job security whilst in 2009 some employees were looking for employers who had views and philosophies that were congruent with their personal world view and ethical belief (O'Donohue and Nelson, 2009)

For example, in 1999 Cooper explained that one the effects of recession was that the workplace went through constant change through downsizing, rightsizing, outsourcing, delayering and many other euphemisms for "redundancy, constant restructuring and substantial organisational change" which led to many employees experiencing "job insecurity, lowered morale and the erosion of motivation and loyalty"(Cooper 1999)

Consequently the psychological contract was "being undermined, as more and more employees no longer regard their employment as secure" (Cooper, 1999) whilst in 2009 O'Donohue and Nelson explained that there was an expectation that psychological contracts would be "more explicitly congruent with established ethical values, social values, and personal belief systems" (O'Donohue and Nelson 2009)

It could be argued therefore that the content, features and evaluation of the psychological contract are significantly shaped and influenced by the external economic environment in which the employer and employee are operating within. The focus of the psychological contracts can be seen shifting from basic concerns for example job security and consolidating relationships in times of high threat (such as recession) to focusing on self-actualisation concerns such as ethical congruence in times of abundance, full employment and low threat to job security.

Considering the trend towards globalisation and increased individualisation and idiosyncratic contracts, Robinson has pointed out that “psychological contracts are playing an increasingly important role in contemporary employment relationships” (Robinson, 1996). The idiosyncratic nature of the psychological contract can cause difficulties and misunderstanding for employers and employees alike, “employees and their employers may disagree fundamentally on the moral basis of obligations between them” (Thompson and Hart 2006).

Interestingly, the perception that the power in the employment relationship lies with the employer is challenged when examined from a psychological contract perspective. Also, the ideas that managers have only the best interest of the organisation in mind, and that employees behave in a rational and fair manner have been pointed out as a fallacy. Thompson and Hart explain

“Employees may construct opportunistic and self-serving beliefs about what the organisation owes them, as may managers toward what employees owe them in return” (Thompson and Hart 2006)

These beliefs, whatever way they are formed and whatever their basis in truth maybe, can feed directly into the expectations and belief in mutual obligations that may exist. In essence these opportunistic and self-service beliefs will contribute to the psychological contract in terms of its content, features and evaluation. The psychological contract is not some altruistic, unbiased assessment of the true state of the relationship that exists between the employer and employee.

### **Pluralist versus Unitarist, Partnership versus. Contract Culture**

The opinion that the influence of the unitarist, even neo-liberal, perspective and approach is increasing in industrialised countries (Cullinane and Dundon, 2006) seems to be coming into conflict with the frame of reference prevalent in the voluntary community sector (i.e. more pluralist frame of reference) and seems to be leading to an inevitable conflict between the *contract culture of the unitarist perspective* and the *partnership culture of the pluralist perspective* (Cunningham 2010)

Tension between the unitarist perspective and the pluralist perspective can be acutely seen in the voluntary sector. The pluralist / partnership culture which seemed to lend itself easily to the systemic and social focus, and intuitive approaches and measurements prevalent in the voluntary sector is quickly being replaced by a unitarist, contract culture (Harvey, 2012). A new dominant culture that places emphasis on issues such as contracted agreements, service level agreements, return on investment, cost-benefit analysis and measured outcomes which arguably do not easily fit with the mission, vision and values prevalent in the voluntary sector and do not fit with assessing the wider societal benefits and preventative focus that are the primary focus of the voluntary and community sector (Cunningham 2010, Cullinane and Dundon, 2006, Harvey, 2012)

If well managed and introduced in a proactive, considerate and planned way this new Contract Culture could have a positive and lasting effect on the community and voluntary sector. At its best this change in culture could have a positive effect by creating a culture of cost effective outcomes, high commitment and a sense of co-ordinated service and congruent social policy delivery, innovative and lean services, Targeted / organised services

At its worst the cultural change from Partnership Culture to Contract Culture could bring problems such as Mission Drift and uncoordinated services, increased ambiguity resulting from the 'Shadow Employer' phenomenon, under resourced Services, Undervalued Services and under-performing services, along with decreased autonomy

Rather than attributing this to a purely ideological shift in Ireland it seems more accurate to attribute this shift to a pragmatic approach driven by the exigencies of adapting to the global economic conditions. Perhaps the ideological shift towards a more unitarist, neo-liberalist approach is occurring on a global level and Ireland is inevitably adapting and responding to this (Cullinane and Dundon 2006).

It seems that the psychological contract that exists in this sector could come under increasing strain and pressure in such a dynamic and changing environment (figure 2).

The fact that the psychological contract is not a static entity and is open to influence from many different sources and changes over the course of individual employee's careers will be discussed below. The psychological contract can be viewed as a pliable, shifting construct that is shaped and influenced by many shifting events and circumstances, these events can occur at both an intrinsic and extrinsic level (Harvey, 2012).

Harvey also points out that, particularly in the voluntary sector, the external political environment can have a significant impact on the structure of work, and consequently on the psychological contract, within organisations. He points to how government policy can directly influence the employment relationship in voluntary sector despite the fact that government have no direct involvement in this employment relationship (Harvey, 2012).

By way of example Harvey points to the way many voluntary organisations agreed to reduce staff salaries in line with the public sector salary reductions despite the fact that they were not directly affected by the legislative changes that gave rise to these reductions. According to Harvey this is a good example of the phenomenon known as the ‘shadow employer’ where funding the authority routinely ‘interferes’ with the terms, conditions, practices and approaches of voluntary organisations. Clearly the existence of a ‘shadow employer’ could have significant impact on the psychological contract within these organisations (Harvey, 2012).

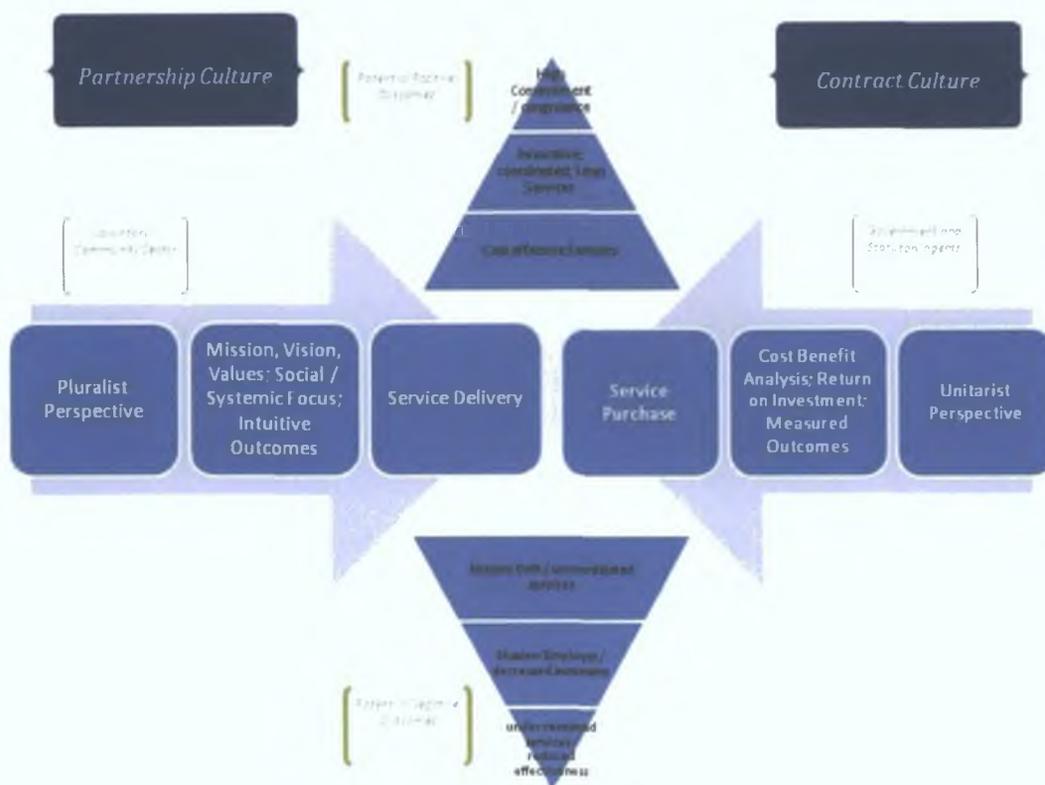


Figure 2: Partnership versus Contract

## **Measuring and defining the Psychological Contract**

As already mentioned the concept of the psychological contract can be approached in many different, and seemingly conflicting, ways. It can for example be seen as a unilateral construct (from the employee perspective only) or bilateral construct (encompassing both employee and employer perspectives) (Freese and Shalk, 2008) or can be seen as a social exchange interaction (Cullinane and Dundon, 2006, Shore and Barksdale 1998).

The examination of the psychological contract has also been adopted and viewed from many different perspectives and in terms of its impact on many facets of organisational life and the world of work. For example the psychological contract has been examined in terms of its influence on commitment to the organisation ( Coyle-Shapiro and Kessler, 2000); on organisational trust (Robinson, 1996); on organisational citizen behaviour (Robinson and Morrison, 1995) its influence on the identification with professional ideology (O'Donohue and Nelson, 2007) and on employee turnover (Turnley and Feldman, 1999) to name but a few.

It is generally however accepted that the psychological contract can be measured in three ways

- **Feature orientated** – characterise them on some element or attribute (e.g. explicit or implicit, stable or unstable over time)
- **Content orientated** - refers to the terms and elements which comprise the contract (e.g., specific obligations such as job security, or general types of obligations such as relational or transactional) Content – “may potentially encompass any item that might be exchanged between the organisation and the employee e.g. pay, training, support in exchange for loyalty, performance, flexibility” (Coyle-Shapiro and Coyle, 2005)
- **Evaluation orientated** - assess the degree of fulfilment change or violation

(Rousseau and Tijoriwala, 1998)

It has been pointed out that despite Rousseau’s proposed framework for guiding future research, using the three forms of measurement outlined above, there have been numerous refinements of this approach that have led to empirical research being inconclusive and leaving results that “often do not cross validate” (Freese and Shalk, 2008)

## Measuring the Psychological Contract

As a key aim of the research is to measure and assess the content and evaluation of the psychological contract particular attention will be paid to the six criteria that Freeze and Schalk 2008 identified as central to this consideration.

**Criterion 1:** A psychological contract measurement has to be theory-based or inductively developed (content as well as evaluation measures).

**Criterion 2:** A psychological contract measurement should assess mutual obligations/promises (construct validity of content and evaluation measures).

**Criterion 3:** The psychometric properties of the psychological contract measurement and the appropriateness for the sample have to be assessed (content validity of content and evaluation measures)

**Criterion 4:** The evaluation of the psychological contract has to be assessed for separate items. Global measures of fulfilment or violation have to consist of multiple items to ensure the reliability of the measure (content validity of evaluation measurements).

**Criterion 5:** In the evaluation of the psychological contract it should be assessed whether a certain item is important. In addition, the evaluation should be direct (construct validity of evaluation measures).

**Criterion 6:** Violation of the psychological contract has to be distinguished from fulfilment, and from contract breach (construct validity of evaluation measures).

(Freeze and Schalk, 2008)

Figure 3: Measuring the Psychological Contract

Of particular significance they identified four measurement tools that are suitable, and could be recommended, for measurement of the psychological contract. Of these four approved measurement tools Rousseau's Psychological Contract Inventory (PCI) was used for this research as it allows measurement for both content and evaluation measures of which these issues are central to the research topic. Another added benefit of using Rousseau's PCI questionnaire is that her Psychological Contract Inventory Technical Report from 2000 provided a baseline for comparison. Although this report did not focus on voluntary sector employment it will prove useful for comparative purposes.

### **Types of Psychological Contract**

The matrix below explains the types of psychological contract that may exist in an organisation. Measured from the perspectives of duration and performance terms this presentation explains that there are four types of psychological contract possible: Transactional, Transitional, Balanced and Relational (Rousseau 2000).

Some examples of the types of contracts and some of the aspects of those contractual relationships are set out in the table below:

**Types of Psychological Contract**

**Performance Terms**

		Specified	Unspecified
<b><u>Duration</u></b>	<b>Short-term</b>	<p><b><u>Transactional:</u></b> (e.g. Retail clerks at Xmas)</p> <ul style="list-style-type: none"> <li>• Low Ambiguity</li> <li>• Easy exit/high turnover</li> <li>• Low member commitment</li> <li>• Little Learning</li> </ul>	<p><b><u>Transitional:</u></b> (Ee experience during merger/acquisition)</p> <ul style="list-style-type: none"> <li>• Ambiguity/uncertainty</li> <li>• High turnover/termination</li> <li>• Instability</li> </ul>
	<b>Long Term</b>	<p><b><u>Balanced:</u></b> (e.g. High Involvement Team)</p> <ul style="list-style-type: none"> <li>• High member commitment</li> <li>• High Integration</li> <li>• Ongoing development</li> <li>• Mutual support</li> <li>• Dynamic</li> </ul>	<p><b><u>Relational:</u></b> (e.g. Family business members)</p> <ul style="list-style-type: none"> <li>• High member commitment</li> <li>• High affective commitment</li> <li>• High integration/identification</li> <li>• Stability</li> </ul>

Figure 4: Types of Psychological Contract

### The Varying Psychological Contract

Psychological contracts can exist in different forms within the same organisation, and there can be many explanations for why this may be so. Building on her work in the area Rousseau has drawn a distinction between standard, position-based and idiosyncratic arrangements that may be in place in the same organisation (Rousseau, 2001; Rousseau, Ho, and Greenberg, 2003). Arrangement in place may be different for general operatives compared to those in positions of strategic importance such as managers or those in unique positions or holding

unique skills, knowledge or qualifications seen as critical to the organisations continued success

There are a number of factors that determine the types of psychological contract that prevails in any one organisation and explain that different psychological contracts can exist within the same organisation. Some of these factors are discussed below.

A casual consideration of the psychological contract would reveal that the contract is one that evolves over the course of an employee's employment rather than one that stays static and this must be accounted for when assessing the perceived level of breach or violation on behalf of the employee (Freeze and Schalk, 2008, Cullinane and Dundon, 2006, Rousseau and Tijonwala, 1998).

It may also be necessary to account for the effect an individual's current life or career cycle may have on their perceptions of the psychological contract. For example an employee may not have the same work-life balance expectations at the beginning of their career compared with when they begin having a family.

Similarly a breach of the psychological contract may not hold the same significance for certain categories of employee or for employees at different stages of their employment or the breach itself, whilst it may exist in fact, may be of little importance in the overall context of the employment relationship (Freeze and Schalk, 2008). For Guest the language used to address the issue of the psychological contract is too legalistic and is not appropriate when describing the phenomenon (Guest 2004).

Guest argues that “the psychological contract needs extending to give greater weight to context incorporating issues of fairness and trust that lie at the heart of employment relations” (Guest 2004)

### **Psychological Contract in the Voluntary sector**

It has been suggested that the psychological contract in the voluntary sector has distinctive features as a result of unique perspectives, relationships and motivations that prevail in the sector (Cunningham, 2010) Cunningham explains that a ‘partnership culture’ exists in the sector and that there is a high value placed on participative decision making, high levels of commitment, attachment to the organisation’s mission and values where success was evidenced by front-line observation and direct feedback from service users

He further explains that this pluralistic ‘partnership culture’ came under strain in government policy aimed to introduce market forces into the sphere of welfare provision This unitarist approach brought a ‘contract culture’ into the voluntary sector arena and an increased focus on cost-benefits, return on investment and measured outcomes It has been observed that this change in focus has led to voluntary and community sector organisations adopting a more sophisticated approach to the management of their human resources (Kelliher and Parry, 2011)

7 As discussed earlier where the delivery of service and the purchase of service meet, at its best this shift in emphasis will bring about innovative, cost effective, timely and secure outcomes and at its worst it could lead to decreased autonomy, under resourced services and a drift away from the original mission, and even values, of the organisation

## Research Aims and Objectives

The main focus of the research was to determine if there are distinctive elements to the psychological contract amongst professionally qualified employees in the voluntary/community sector in Ireland in terms of content, features and evaluation when compared with employees in the private sector.

The central question is considered at a time when funding to the community/voluntary sector has been severely diminished and has resulted in reductions in pay, diminished terms and condition, reduced job security and, paradoxically, an increase in demand for the services provided (Harvey 2012). Understanding the psychological contract in the community/voluntary sector at this critical time will assist both employers and employees when managing the mutual obligations and expectations each party has towards the other.

It has been noted that “most psychological contract dimensions are roughly equally important to individuals, regardless of whether they are employed in the public or private sector” (Bellou, 2007). The main aim of this research is to examine if this observation holds true in the voluntary/community sector.

Cunningham points to distinctive forms of motivation and commitment that traditionally existed in the voluntary sector but wonders if these assumptions hold true considering the changes to the sector’s external environment. This research attempted to measure if the fundamental, underlying relationship between employee and employer, measured in terms of psychological contract content, features and evaluation, is different for the voluntary/community (Cunningham 2000).

Both Harvey and Cunningham have discussed the special relationship funders, usually in the form of Governmental departments, have with the voluntary/community sector and the increasingly direct influence funders have over employment terms and conditions and consequently on the psychological contract (Cunningham 2000, Harvey 2012) Both have suggested the area needs further exploration however an in depth exploration of this area is beyond the scope of this paper

Whether there is a perception amongst employees in each sector that the psychological contract has been violated or breached as a result of the current economic and financial crisis and in particular the funding crisis currently evident in the voluntary/community sector as described by Harvey report to the ICTU is of particular interest (Harvey, 2012)

By measuring and comparing the perceptions of the psychological contract of similar numbers of employees in the private and voluntary/community sector it was possible to explore and draw conclusions regarding whether the funding crisis has had a proportionate effect on the psychological contract in the voluntary/community sector Care was taken to examine organisations in the private sector than had experienced a similar downturn in business Therefore the sample of private sector respondents was mainly drawn from the retail and leisure sector as these sectors are subject to a similar funding crisis in the form of reducing sales

The retail sales index in Ireland has fallen dramatically since a high in 2008 as depicted in the following graph from the central statistics office

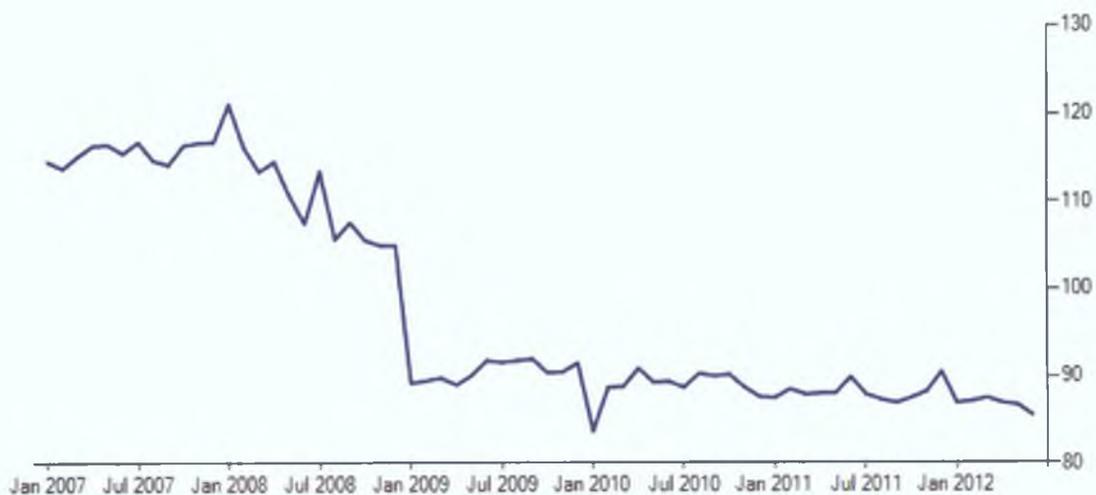


Figure 5: Retail Sales Index 2007 - 2012

(CSO 2012)

### Questions the research addressed

The focus of the research was to address a number of relevant questions and compare across the two identified sectors and to compare the findings with the findings outlined in Rousseau's PCI Technical Report. The approach will be explained in the methodology section. There were three questions central to the aims and objectives of the research:

**1 Are there distinctive elements in the psychological contract in the voluntary sector compared with the private sector?**

As the survey was distributed to employees in the private and voluntary/community sectors comparisons were made across both sectors with particular attention paid to the experience and perspective of the respondents from the community/voluntary sector. In addition the findings in Rousseau's PCI Technical Report were used as a comparative baseline.

**2 Has the funding crisis in the voluntary sector had an effect on the psychological contract in the sector?**

A direct question asked respondents to assess the effect of the financial/economic/funding crisis on their fundamental relationship with their employer. A comparison between the responses from private sector respondents and respondents from the voluntary/community sector allows conclusions to be drawn as to whether the impact of the economic/funding crisis has a proportionate or disproportionate effect on the psychological contract.

**3 Is there a significant difference in the perception of the psychological contract in the voluntary in Ireland compared with the findings presented in Rousseau's Psychological Contract Inventory Technical Report from 2000?**

A baseline study in the relevant sector from before the financial crisis would clearly be an advantage for comparative purposes. Whilst the absence of this may be unfortunate it is not critical because the evaluation of the psychological contract primarily rests in individual perception rather than empirical measurements. Comparisons can be made with the factor

analysis identified in Rousseau's psychological contract inventory technical report

Rousseau's technical report findings can be used as a baseline for comparative purposes

# Methodology

## **Deductive and Epistemological Research**

By using Rousseau's PCI questionnaire to examine the content, features and evaluation of the psychological contract in the voluntary / Community sector this research will be taking an overall deductive approach. Deductive research has been described as a 'top down' approach designed to determine if a general theory or principle is applicable or valid to a particular, identified situation (Saunders et al 2009).

As the subject of the psychological contracts is concerned with human behaviour and human perceptions the research has a strong epistemological component. Saunders et al explain that epistemology deals with what constitutes acceptable knowledge in an area of study (Saunders et al 2009) and epistemology has also been explained as a way of perceiving and explaining social behaviour and human action and interaction through research (Wass and Wells 1994).

The research will also have a strong positivism influence insofar as it attempts to observe the social reality that exists in the organisations studied and attempts to make generalisations based on the existing theories in the area of psychological contract. (Saunders et al, 2007).

## **Meeting the Research Aims and Objectives**

The main aim of the research is to determine if there are distinctive elements of the psychological contract amongst professionally qualified employees in the voluntary/community sector in Ireland in terms of content, features and evaluation when compared with employees in the private sector. This objective will be fully met by using

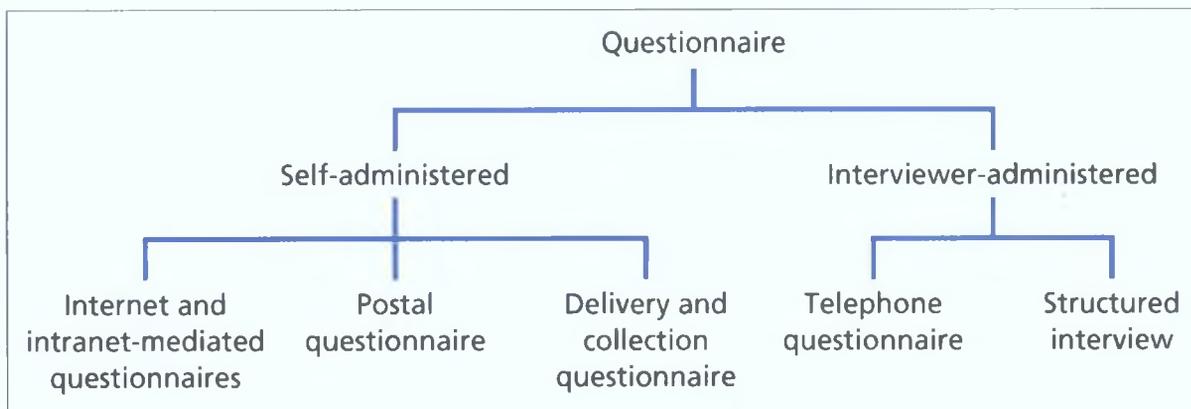
Rousseau's PCI questionnaire in a manner that distinguishes between employees in the relevant sectors

### **Using Surveys as a method of data collection**

In general surveys/questionnaires lend themselves well to explanatory and descriptive research, and can be useful when gathering data from a large number of respondents for quantitative analysis. When used surveys/questionnaires can be extremely effective methods of data analysis (Saunders et al 2009)

There has been a good deal of support for the use of a questionnaire as an effective way to measure the psychological contract. Rousseau pointed out that the psychological contract tends to be idiosyncratic and unique for each person (Rousseau 1995) and therefore when measuring it "the emphasis on the individual's subjective (cognitive-perceptual) experience is logical and necessary" (O'Donohue and Nelson 2009). Del Campo explains that "subjective, self-reporting measures are the most direct source of information on nature and content" of the psychological contract (Del Campo 2007)

Following the chart below the questionnaire distributed was a self-administered, Internet-mediated questionnaire. This is the most appropriate approach considering the nature of the research, the volume of responses required to ensure the research was valid and considering the time constraints on the research project itself.



**Figure 6: Questionnaire Flowchart**

(Saunders et al 2009)

The main method of data collection was through the use of Rousseau’s PCI questionnaire (Appendix 1).

The survey/questionnaire was distributed by e-mail and responses were returned anonymously to a central point for collation and analysis. This approach ensured the maximum number of responses in the time allocated to the data collection. A key area of concern for this research was the absence of a baseline comparator in the voluntary/community sector. Perhaps it would have been ideal if Rousseau’s PCI questionnaire was used previously in the sector in Ireland as this would have enable a comparative analysis of any changes that may have occurred, or could be contributed to, the current financial crisis.

In the absence of such a comparative baseline Rousseau’s PCI Technical Report from 2000 served well. Having comprehensively surveyed 630 people across the results gave an excellent baseline for comparative analysis.

## **Changing a predesigned questionnaire**

It has been noted that the validity of a predesigned questionnaire is compromised when arbitrary changes are made to the questions (Freese and Schalk, 2008) therefore the questions were not altered in any way. The approach adopted, using Rousseau's PCI questionnaire is discussed shortly.

## **Framing the PCI Questionnaire**

A key objective of the research is to determine if there are unique aspects of the psychological contract in the voluntary sector compared with the Private sector. In order to draw comparisons therefore a suitable sample of both voluntary sector employees and private sector employees will be surveyed. To ensure this was achieved a number of preliminary questions designed to identify and target the sample were used to frame the PCI questionnaire.

In order to describe the sample demographic information was sought in the following areas

- a Sector
- b Role / seniority
- c Length of Service
- d Gender
- e Employment status and Tenure
- f Educational Qualification

Information attained in relation to seniority and tenure was used not only to describe the sample but also factored in to ensure the sample was not skewed. For example, too many respondents from management positions would skew the sample.

It was necessary to make some additions to the questionnaire to contextualise, target and frame the research and to meet the aims and objectives of the research questions. Additional questions were asked in the following areas:

**a      Sector**

A key consideration of the research is to distinguish between respondents in the voluntary sector and respondents in the private sector. In order to identify the sector in which respondents were employed, respondents were asked to indicate if their current employment was in the Voluntary / Community Sector or in the Private Sector. Respondents who fell outside these categories were disregarded (for example, respondents who answered Public sector or Other).

**b      Role**

It will also be customised to ensure the sample is not skewed by too many position-based or idiosyncratic arrangements. To achieve this, respondents were asked to indicate if they were in a management position or not.

**c Length of Service**

Details of respondents' length of service in current organisation were sought in order to account for the fact that the development of an individual's psychological contract is process that evolves throughout an individual's employment (Freeze and Schalk, 2008, Cullinane and Dundon, 2006, Rousseau and Tijoriwala, 1998) The sample could have been skewed if respondents were not balanced in terms of their length of service

**d Gender**

Respondents will be asked to indicate their gender so that this can be factored into the analysis of the data Although there is no evidence to suggest that gender influences individual perceptions of the psychological contract this will be reported upon in the findings

**e Employment Status and Tenure**

Respondents will be asked to indicate whether they are employed on a part time or full time basis, and whether they are employed on a fixed term contract or a contract of infinite duration Rousseau has observed variation in the psychological contract associated with tenure or duration of the contract of employment (Rousseau and Wade-Benzoni, 1994, Rousseau, 1995) so it was important to factor this in to the questionnaire so that it could be considered in the analysis of the data

## **f Education / Qualification**

Respondents will be asked to indicate what level qualification their current role requires on the National Qualification Framework in order to account for the possibility that individuals with a higher qualification or professional qualifications may have different expectations of their employers

### **Distribution**

As the researcher has access to a number of employees in the voluntary / community sector the questionnaire was distributed through a network of contacts throughout the sector. Care was taken to ensure the questionnaire was distributed from both a 'top down' senior management perspective and from a colleague-based 'sideward' direction. This was to ensure that respondents did not feel obligated to answer questions in a way that they could feel the employer may wish them to answer.

Respondents from the voluntary / community sector were primarily sought from organisations such as the DOCCFS, St Michael's House and various smaller employers in the sector such as the Inchicore Community Drugs Team. Respondents in the private sector were sought from organisations in the retail and health/leisure sector from organisations such as West Wood Health & Fitness Clubs, Odeon Cinemas and Supervalu.

The questionnaire was sent to a number of senior departmental managers in each organisation for distribution and dissemination

### **PCI Questionnaire**

As already mentioned the psychological contract is best explored and measured through a subjective, qualitative analysis of the key issues that shape its content, evaluation and features and Rousseau's PCI questionnaire is designed to do just this

Psychological contracts were measured across each sector using Rousseau's (2000) Psychological Contract Inventory (PCI) measurement scale in terms of the degree of fulfilment from both the employee and employer framework. The PCI assesses the types of contracts (i.e. relational, balanced, transactional and transitional) from both employer and employee obligation using a five-point Likert scale questions in the following areas

- 1 To what extent have you made the following commitments or obligations to your employer?
- 2 Consider your relationship with your current employer. To what extent has your employer made the following commitments or obligations to you?
- 3 To what extent do the items below describe your employer's relationship to you?
- 4 Overall, how well have you fulfilled your commitment to your employer?
- 5 Overall, how well does your employer fulfil its commitments to you?

The scale measuring employer obligations and commitments (section 2 and 3 above) has 10 subsets with four questions in each subset. The scale measuring employee obligations and commitments (section 1 above) has 7 subsets with 4 questions in each section.

The survey was distributed during the summer months. As this is a time when services are scaling back, reducing hours or even temporarily closing, consideration had to be given to ensure an adequate response rate. In order to ensure a reasonable response rate within the timeframe allocated to this research, two questions per subset were asked, resulting in a total of 20 employer questions and 14 employee questions (Appendix 1).

As the questionnaire uses the Likert scale, and the questionnaire will be framed by the six preceding questions mentioned above, the research will lend itself to extensive statistical analysis. In particular, the extent of correlation across sectors will be of particular importance in meeting the original research aims and objectives.

### **Additional Question**

In order to factor in and to gauge the effect the current economic and financial crisis may have on the psychological contract, an additional question was added to the questionnaire. The question was designed to determine if employees felt that the fundamental relationship with their employer has been affected by the current economic/financial environment.

### **Absence of a baseline study**

For the research to produce optimum results it perhaps would have been desirable to carry out the survey over a longer time frame, or perhaps to have carried out the survey at different intervals. This would have provided the research with a more consistent and targeted baseline for comparative purposes. The timeframe available does not permit such an approach. In the absence of a consistent and targeted baseline Rousseau's PCI Technical Report from 2000 was used to compare and contrast the results of the questionnaire.

### **Rousseau's PCI Technical Report 2000**

Findings from Rousseau's PCI technical report from 2000 are used for comparative purposes in the absence of a baseline study. In addition to describing the psychometric properties of the PCI questionnaire, the technical report also presents statistical findings regarding relationships between psychological contracts scales and findings from administration of the survey in the United States of America and from a survey conducted in Singapore. Both of these studies were used to assess the ability to generalise the psychometric properties of the PCI instrument.

### **Ethical considerations**

The fact that the researcher is employed as the HR manager for one of the respondent organisations (DOCCFS) must be taken into account. It is possible that respondents skewed the answers to the questionnaire in an attempt to influence the policies of the organisation. This possibility was factored into the analysis of the data.

## Research Findings

This PCI survey was carried out over a three week period July 2012. There was a good response to the survey with a total of 83 valid responses. The response was especially strong from employees in the voluntary/community sector. Although the survey was sent to similar numbers in the voluntary/community sector and private sector 77% of respondents were from the voluntary/community sector. Perhaps this is a reflection of a number of key factors.

Firstly the researcher is employed in the voluntary/community sector and has a direct current professional relationship with many of the respondents. Secondly 47.6% of voluntary/community sector respondents are educated to master's level so perhaps have a greater understanding of the value of research such as this, or at least have an affinity with student research have gone through a similar process themselves. Thirdly the response rate could be interpreted as respondents from the voluntary/community sector having more of an interest in the subject matter.

The number of valid responses and the sectoral breakdown is set out in the table below. As we can see the number of responses from the private sector was relatively low compared to the responses from the voluntary/community sector.

## Sector

Table 1: Sector

I am currently employed in the following sector:		
Answer Options	Response Percent	Response Count
Voluntary / Community / Not-for-Profit Sector	77.1%	64
Private Sector	20.5%	17
Public Sector	2.4%	2
Other (please specify)		0
	<i>answered question</i>	<b>83</b>
	<i>skipped question</i>	<b>4</b>

As the focus of the research is to draw comparisons between the private and voluntary/community sector the two Public Sector responses were discounted in the analysis of the findings.

## Role / Seniority

Table 2: Role/Seniority

	Private Sector	Voluntary Sector	Total
Management	76.5%	34.4%	42.9%
Non Management	23.5%	65.6%	57.1%

An important aspect for the research to consider was ensuring that the questionnaire responses were not skewed by too many responses from employees in management positions. A balanced response rate across respondents in management and non-management roles might give a clearer picture of the true psychological contract that exists in the sectors. A

very even spread was achieved with 43% management responses and 57% non-management responses. There was however a relatively low response rate from non-management respondents in the private sector despite the survey being distributed to similar numbers in each sector.

## Length of Service

**Table 3: Length of Service**

	<b>Private Sector</b>	<b>Voluntary Sector</b>	<b>Total</b>
0-2 Years	23.5%	9.4%	12.3%
2+ to 5 Years	17.6%	31.3%	28.4%
5+ to 10 Years	41.2%	25.0%	28.4%
10+ years	17.6%	34.4%	30.9%

In order to ensure the survey was balanced in terms of the length of service, respondents were asked to identify how long they were working with their current employer. There was a very even balance although the number of responses from staff with less than two years service was relatively low. 59.3% of respondents have more than 5 years service.

## Gender

Table 4: Gender

	Private Sector	Voluntary Sector	Total
Male	43.8%	56.3%	20.0%
Female	14.1%	85.9%	80.0%

The gender of the respondents was skewed in favour of female mainly as a result of the high prevalence of female employee in the voluntary/community sector. This was not factored into the analysis in any way and no conclusions have been drawn from the findings of this question.

## Employment status and tenure

Table 5: Employment Status and Tenure

	Private Sector	Voluntary Sector	Total
Full Time (Permanent) basis	82.4%	72.6%	72.8%
Full Term (Temporary) basis	5.9%	19.4%	16.0%
Part Time (Permanent) Basis	11.8%	8.1%	8.6%
Part Time (Temporary) Basis	0.0%	0.0%	0.0%
Other (please specify)			2.5%

The vast majority of respondents were employed on a full time permanent basis (72.8%) which has an interesting bearing on some of the findings. Security of tenure will have an effect on all aspects of the survey, for example how respondents consider questions relating to employers' commitment, feelings of security within the employment and their own

commitment to, and intention to stay with, their current employer. There are very interesting conclusions to be drawn from the fact that almost ¾ of respondents are in full time permanent employment as will be seen later at different points in the presentation of findings as the response to each question is considered.

## Educational Qualifications

**Table 6: Educational Qualifications**

	<b>Private Sector</b>	<b>Voluntary Sector</b>	<b>Total</b>
Level 5 – Certificate	23.5%	0.0%	5.0%
Level 6 – Higher/Advanced Certificate	17.6%	12.7%	13.8%
Level 7 – Ordinary Bachelor Degree	17.6%	6.3%	8.8%
Level 8 – Honours Degree / Higher Diploma	23.5%	33.3%	31.3%
Level 9 – Post Graduate Diploma / Masters Degree	17.6%	47.6%	41.3%

Respondents were asked to identify their highest level of educational achievement on the national Qualification Framework (NQF) so that this could be factored in when analysing the data. As the table above shows there is a significant difference between the level of educational achievement between respondents in the voluntary/community sector and respondents in the private sector. 47.6% of respondents in the voluntary/community sector have achieved Post Graduate qualifications compared with 17.6% of private sector respondents.

It is interesting to consider if this variation in educational attainment had a bearing on the responses. For example, is it fair to say that employees who have invested time, money and effort into developing their professional qualifications would have a greater expectation of reward, involvement and reciprocal behaviour from their employer, thereby having different expectations in relation to the psychological contract?

## **Presentation of PCI Survey Data**

In each table presented from this point onwards the overall survey findings are shown in the *Survey Total* column and are placed alongside the findings of Rousseau's PCI technical report findings from 2000. A breakdown of the survey is presented for the voluntary/community sector and private sector. Each PCI category will be discussed in turn followed by an analysis of the overall data in line with Rousseau's presentation of her data in the PCI technical report in 2000.

The PCI technical report from 2000 presented the findings as averages of the Likert scale responses, with a maximum of 5 and a minimum of 1 for each category. The survey findings are presented in the same way for comparative purposes.

Each table is presented as follows:

- Column one details the PCI category
- Column two details the average Likert scale result for each category from Rousseau's PCI questionnaire in 2000
- Column three details the average Likert scale result from the survey conducted for this dissertation
- Column 4 details the average Likert scale result from respondents working in the Voluntary/Community sector
- Column 5 details the average Likert scale result from respondents working in the Private sector

**Table 7: PCI Category Analysis**

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
PCI Category Analysis	Rousseau PCI 2000	Survey Total	Voluntary/Community Sector	Private Sector
<i>(PCI Technical Report presented with Survey Results)</i>	Mean	Mean	Mean	Mean
EE SHORT-TERM	2.72	2.61	2.55	2.75
EE LOYALTY	3.58	3.45	3.47	3.5
EE NARROW	1.99	1.62	1.62	1.75
EE PERFORMANCE SUPPORT	3.92	4.46	4.44	4.53
EE DEVELOPMENT	4.02	4.12	4.16	3.99
EE EXTERNAL MARKETABILITY	3.51	3.14	3.08	3.56
EE STABILITY	3.61	3.41	3.44	3.10
ER SHORT-TERM	2.72	2.88	2.88	2.73
ER LOYALTY	3.03	2.88	2.87	2.77
ER NARROW	2.51	2.86	2.85	2.8
ER PERFORMANCE SUPPORT	3.39	3.33	3.35	3.1
ER DEVELOPMENT	3.23	2.4	2.26	2.67
ER EXTERNAL MARKETABILITY	2.62	2.56	2.47	2.73
ER STABILITY	3.61	3.51	3.55	3.27
NO TRUST	2.4	2.77	2.77	2.9
UNCERTAINTY	2.44	2.68	2.76	2.47
EROSION	2.22	2.86	2.93	2.8
EMPLOYEE FULFILLMENT	4.24	4.79	4.8	4.67
EMPLOYER FULFILLMENT	3.59	3.73	3.77	3.33

Each section of the survey will be presented in turn with a brief analysis the factors that contributed to the mean Likert score.

## EE Short Term

Table 8: Employee Short Term

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE SHORT-TERM	2.72	2.61	2.55	2.75

Analysing of the employee short term commitment data demonstrates that results for employees in the private sector are very similar to Rousseau's 2000 finding. The short term commitment in the voluntary/community sector however is significantly higher than both. Asked to rate the statement 'I have no future obligation to this employer' 12.5% of voluntary sector respondents answered 'moderately' or 'to a great extent' compared to 20% in the private sector. The fact that 73% of respondents are employed on permanent full time contracts may be of significance here.

## EE Loyalty

Table 9: Employee Loyalty

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE LOYALTY	3.58	3.45	3.47	3.5

Employee loyalty shows no real difference between the private and voluntary/community sector which is slightly surprising considering that there was an expectation that employees in the voluntary/community sector would have a greater sense of loyalty to the organisation especially considering observations that high levels of commitment and connection to the mission and values of the voluntary organisation usually exists in the voluntary sector (Cunningham 2010; Paton and Cornforth 1992; Zimmeck 1998). EE Loyalty is also lower than the PCI 2000 survey perhaps as a result of the current difficult economic environment. Also the high level of management respondents in the private sector may slightly skew this section as questions such as ‘I take this organisation’s concerns personally’ may be answered in the affirmative more often by respondents in more senior positions.

## EE Narrow

Table 10: Employee Narrow

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE NARROW	1.99	1.62	1.62	1.75

The survey findings were significantly lower than the Rousseau's PCI findings in both sectors but significantly so in the voluntary/community sector. The difference can be attributed to employees' general feeling that they perform significantly different duties to those that they agreed to when hired and that they perform tasks and duties outside of what they believe they are paid to do. Respondents were asked to answer if they '*Only perform the duties I agreed to when hired*', on the 1-5 Likert scale 75.9% answered option 1. 'Not At All' (73% Voluntary, 81.3% Private Sector).

On the positive side, considering that 59.3% of respondents have more than 5 years service this could be attributed to employees developing within their role and expanding their duties and contributions through job enrichment practises. On the negative side this could be contributed to unwanted drift with in professional roles caused by responses to external factors amongst other things. These findings can also be interpreted in light of the significant changes organisations are experiencing in recessionary times following the financial/banking crisis.

The Employee Narrow category contributes to the interpretation of the psychological contract as 'Transitional' and will be explored in greater detail shortly.

## EE Performance Support

**Table 11: Employee Performance Support**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE PERFORMANCE SUPPORT	3.92	4.46	4.44	4.53

There is a very strong perception by respondents in both voluntary/community sector and in the private sector that they must adjust to, and accept, new and tougher performance demands due to business necessity. The findings in this category were again much more pronounced than the PCI findings of 2000 and again should be interpreted against the backdrop of the recessionary environment. In the voluntary/community sector this response could be seen as evidence of a reaction to the ‘shadow employer’ phenomenon described by Harvey as many of these changes are seen as being imposed from outside the employment relationship (Harvey 2012).

## EE Development

Table 12: Employee Development

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE DEVELOPMENT	4.02	4.125	4.16	3.995

Respondents were asked to rate their perception of their growing value to the employer. This section was largely similar across sectors and very much in line with PCI 2000 findings. The perception that the respondent was building skills that would enhance their value to their employer was stronger in the voluntary/community sector. 53.1% of voluntary/community sector respondents answered that they were expected 'To a great extent' to 'Build skills to increase my value to this organisation' compared with 37.5% in the private sector.

## EE External Marketability

**Table 13: Employee External Marketability**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE EXTERNAL MARKETABILITY	3.51	3.14	3.08	3.56

The respondents' perception that they can build skills and contacts that will help enhance their career was low in the voluntary/community sector compared with the private sector and PCI findings (which were very similar). This is an interesting aspect of the survey.

Respondents from the voluntary/community sector seem to be of the opinion that their role does not allow them to build contacts outside their firm that will enhance their career despite the fact that many would regularly participate in multidisciplinary professional teams involving state agencies, statutory agencies and other professional voluntary organisations.

This aspect of the survey contributes to the 'Balanced' psychological contract and is examined later.

## EE Stability

**Table 14: Employee Stability**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EE STABILITY	3.61	3.41	3.44	3.105

Respondents' perception of their 'Employee Stability' was measured by asking respondents to consider if they planned to remain with their current employer "indefinitely" or "for a long time". The certainty was lower than the PCI 2000 results and much lower in the private sector. It is interesting to note that private sector employees consider that their current post provides them with more opportunity market themselves externally; that they have less of a commitment to stay and they have a perception that receive less of a commitment to be retained by their employer. This would tend to indicate that there could be a high level of turnover amongst respondents from the private sector once the economic conditions improve and more opportunity for alternative employment arises.

## ER Short Term

Table 15: Employer Short Term

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER SHORT-TERM	2.72	2.88	2.88	2.735

Respondents' perception of the employers' short term commitment to them seems similar in terms of the average Likert scale score however there was a clear distinction in the components of this category. In the private sector there is a strong perception that their position is secure only so long as the employer needs them, whilst in the voluntary/community sector there is a strong perception amongst respondents that the employer makes no commitment to retain them into the future. In other words the private sector respondents perceived the commitment to them is short term whilst the voluntary/community sector respondents perceived there was an absence of commitment to retention, but did not perceive an actual short term relationship.

This is significant when we consider that over 81% of respondents stated that they were on 'permanent' contracts of employment and almost 60% of respondents had more than 5 years service. It would seem that the current ongoing economic uncertainty is causing a high level of anxiety and fear of redundancy amongst respondents.

## ER Loyalty

Table 16: Employer Loyalty

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER LOYALTY	3.03	2.885	2.875	2.77

In line with ER Short term findings there is a perception that, whilst the employer is responsive to personal concerns and well-being of their employees, there is a lack of consideration for the employees' best interests when decisions are being made. This was especially pronounced in the private sector. Perhaps this can be seen as an outcome of the fast pace of change being implemented in organisations adapting to a difficult external competitive environment. Organisations in 'survival mode' are taking less account of the best interests of employees but the underlying concern of individual managers for their employees' personal well-being remains strong.

## ER Narrow

Table 17: Employer Narrow

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER NARROW	2.51	2.86	2.855	2.8

The perception amongst respondents was that their role and influence within the organisation was limited and narrowly defined. In the voluntary/community sector this was more pronounced in terms of a limited involvement in the organisation, whilst in the private sector responses this manifested in terms of a lack of training beyond their current role. The findings compared with the PCI 2000 findings were that respondents felt their involvement and influence within their organisations was weaker.

Again the context of the current political, environmental, social, technological, legal and economic (PESTLE) environment could be a significant factor here as organisation's focus on streamlining activities, focus on core duties and keep employees focussed on the 'task at hand' and current market conditions rather than looking forward in to the future.

This may also be evidence of a paternalistic, autocratic approach adopted by organisations at a time of significant external challenge.

## ER Performance Support

**Table 18: Employer Performance Support**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER PERFORMANCE SUPPORT	3.39	3.335	3.35	3.1

Whilst the aforementioned challenges are evident respondents have the perception that employers have not faltered in the support provided to them in order to achieve high standards of performance. Support in the voluntary/community sector for employees to achieve ‘highest possible levels of performance’ was pronounced and quite strong however, in the private sector, the support to increase performance to match increasing ‘industry standards’ was low.

The trend seem to be that organisations are focussing internally on core activities and are supporting employees’ performance to deliver these activities but not in a manner that is paying due attention to evolving industry standards as perceived by the respondents. The perception amongst respondents seems to be that the employer is hunkering down in survival mode amid a maelstrom of uncertainty, is adopting an autocratic, paternalistic approach to the implementation of change but still has due regard to supporting high standards of performance and is considerate of, and responsive to, their employees’ personal concerns and well being.

## ER Development

Table 19: Employer Development

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER DEVELOPMENT	3.23	2.4	2.265	2.67

The perception amongst respondents was that opportunities for career development, advancement and/or promotion were very low when compared with the PCI 2000 results.

This was especially pronounced in the voluntary/community sector. Almost 75% of respondents in the voluntary/community sector felt that the employer had made no, or only slight, commitments to provide them with opportunities for promotion and over 56% felt that they had no, or only slight, opportunities for career development within the firm.

It is possible that this could be linked to the current PESTLE environment however the response in the voluntary/community sector seems to indicate that the issue is more deep rooted than this. The perception of respondents in the voluntary/community sector seems to be that they are well qualified professionals in positions that offer little opportunity for career development or advancement and there is an onus on them to make themselves increasingly valuable to their employer (for diminishing reward as we will see shortly).

## ER External Marketability

Table 20: Employer External Marketability

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER EXTERNAL MARKETABILITY	2.62	2.56	2.475	2.735

The survey showed a large variance between the private sector and the voluntary/community sector in terms of the respondents' perception of the 'external marketability' provided by the employer through the role currently held. 33% of respondents in the private sector felt that they were being provided with assignments that enhanced their external marketability 'To a great extent' compared with just 4.7% in the voluntary/community sector. The private sector response was stronger than the PCI 2000 responses whilst the voluntary/community sector was weaker.

## ER Stability

**Table 21: Employer Stability**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
ER STABILITY	3.61	3.51	3.555	3.27

Respondents' perceptions of employer stability were lower but broadly in line with the PCI findings of 2000. There was a significant difference between the voluntary/community sector and the private sector when the reliability of wages and benefits were considered.

Respondents in the private sector were less sure of the reliability of their benefits and wages. This could be attributable however to diminishing rewards such as performance related bonuses that exist in the private sector but are much less evident in the voluntary/community sector. This is also a very interesting finding when we consider that the majority of respondents in the voluntary/community sector have recently had pay cuts, increased compulsory pension contributions and erosion in other aspects of their terms and conditions (Harvey 2012) yet it is respondents from the private sector who are more concerned with perceived instability in the area of wages and benefits.

## No Trust

Table 22: No Trust

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
NO TRUST	2.4	2.775	2.775	2.9

Whilst the fundamental perception of trust was in line with expectations, especially in the voluntary/community sector, the sense of low trust was very prevalent amongst employees in relation to change being introduced without employee involvement. Again the external PESTLE environment may be a factor here along with the tendency for organisations to adopt a paternalistic, top-down approach to implementing change at times of crisis or uncertainty.

## Uncertainty

Table 23: Uncertainty

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
UNCERTAINTY	2.44	2.685	2.765	2.47

The survey demonstrated a very high level of uncertainty when compared with the PCI findings in 2000 in the voluntary/community sector. Respondents in the voluntary/community sector felt strongly that it is difficult to predict the direction of the employers' future relations with employees. This could be seen as supporting Harvey's analysis of the rapid pace of change in the sector and that this change is being driven by factors outside the control of the voluntary organisations, such as the shadow employer phenomenon he mentions (Harvey 2000).

## Erosion

Table 24: Erosion

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EROSION	2.22	2.865	2.93	2.8

The perception that there has been an erosion of benefits, and that there is an expectation increased output in return for less reward, is a significant feature of this survey. The findings show that this perception is much stronger compared with the PCI findings in 2000.

Interestingly the perception that benefits will decrease further over the coming years is held much more strongly in the voluntary/community sector compared to the private sector. The mean Likert mean score in the private sector was 2.4 compared with 2.86 when asked if there was a perception of ‘decreased benefits in the next few years’.

Terms, conditions and benefits in the voluntary/community sector are closely linked with those in the public sector. Constant media speculation that public sector terms, conditions and benefits should be reduced further could be contributing to the perception of expected future erosion of benefits amongst voluntary/community sector respondents. A recent example is the proposal adopted at governmental level to reduce by half public sector employees paid sick leave benefit which will take effect in 2014.

**Employee Fulfilment**

**Table 25: Employee Fulfilment**

	Rousseau	Survey	Voluntary/Community	Private
PCI Category Analysis	PCI 2000	Total	Sector	Sector
EMPLOYEE FULFILLMENT	4.24	4.79	4.8	4.67

The respondents’ perception that they had fulfilled their commitments to their employer was much higher than the PCI findings in 2000. It was especially pronounced in the voluntary/community sector.

**Employer Fulfilment**

**Table 26: Employer Fulfilment**

<b>PCI Category Analysis</b>	<b>Rousseau PCI 2000</b>	<b>Survey Total</b>	<b>Voluntary/Community Sector</b>	<b>Private Sector</b>
EMPLOYER FULFILLMENT	3.59	3.73	3.77	3.33

The respondents felt that the employer fulfilment of their commitments to the employee was different across sectors. Respondents in the private sector have a strong perception that they have fulfilled their commitments to their employer whilst the employers were less successful in fulfilling their commitments to employees. The voluntary/community sector respondents' perception is that they have to a great extent fulfilled their commitments to their employer and that the employer in general has also fulfilled its commitment to them.

### Non PCI Question: Financial / Economic Environment

To what extent do you think the current financial/economic/funding crisis has directly affected the fundamental reciprocal relationship you have with your employer?

Table 27: Affect of Financial Crisis on Psychological Contract

To what extent do you think the current financial/economic/funding crisis has directly affected the fundamental reciprocal relationship you have with your employer?			
Answer Options	Response Percent		Response Count
1. Not at all	8.8%	1	7
2. Slightly	12.5%	2	10
3. Somewhat	26.3%	3	21
4. Moderately	22.5%	4	18
<b>5. To a great extent</b>	<b>30.0%</b>	<b>5</b>	<b>24</b>
<i>answered question</i>			<b>80</b>
			7

It was generally felt that the current financial/economic/funding crisis has to a great extent affected the fundamental reciprocal relationship respondents had with their employer. This was equally true across the survey but was more pronounced in the voluntary/community sector. 31.7% of respondents in the voluntary sector answered ‘To a great extent’ compared with 26.7% in the private sector.

## Assessment of Psychological Contract

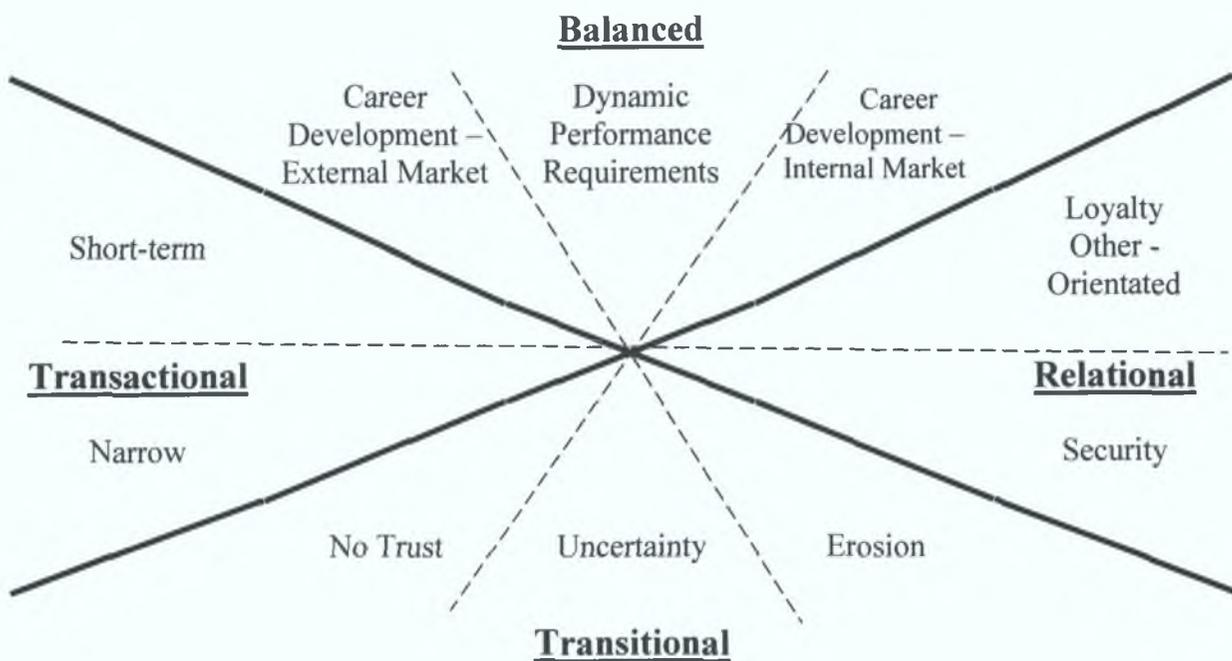
We have already encountered Rousseau's explanation of the four types of psychological contract that can exist in an organisation. She proposed that they primarily fall into the following categories Transactional, Balanced, Relational and Transitional and that they are defined along an axis of Duration and Performance Terms. The following table, presented earlier in the dissertation, gives some detail on each category including some of the characteristics associated with each contract type.

		<u>Performance Terms</u>	
		Specified	Unspecified
<u>Duration</u>	Short-term	<p><b><u>Transactional:</u></b> (e.g. Retail clerks at Xmas)</p> <ul style="list-style-type: none"> <li>• Low Ambiguity</li> <li>• Easy exit/high turnover</li> <li>• Low member commitment</li> <li>• Little Learning</li> </ul>	<p><b><u>Transitional:</u></b> (Ee experience during merger/acquisition)</p> <ul style="list-style-type: none"> <li>• Ambiguity/uncertainty</li> <li>• High turnover/termination</li> <li>• Instability</li> </ul>
	Long Term	<p><b><u>Balanced:</u></b> (e.g. High Involvement Team)</p> <ul style="list-style-type: none"> <li>• High member commitment</li> <li>• High Integration</li> <li>• Ongoing development</li> <li>• Mutual support</li> <li>• Dynamic</li> </ul>	<p><b><u>Relational:</u></b> (e.g. Family business members)</p> <ul style="list-style-type: none"> <li>• High member commitment</li> <li>• High affective commitment</li> <li>• High integration/identification</li> <li>• Stability</li> </ul>

Figure 7: Types of Psychological Contract

Rousseau has demonstrated in the PCI technical report (Rousseau 2000) that the results of the PCI questionnaire can be used to determine the type of psychological contract that is predominant in an organisation. Each section of the PCI questionnaire category is associated with a psychological contract type as outlined in the diagram below.

### Assessment of Psychological Contract



(Rousseau 1997)

**Figure 8: Assessment of Psychological Contract**

In the case of this research the PCI survey results will be used to explain the types of psychological contract that exists in the respondent sectors.

## Transactional Psychological Contract

The Transactional psychological contract can be identified as having elements of low ambiguity; easy exit/high turnover; low member commitment and little learning. A prime example of this type of contract can be seen in the retail sector employing season staff at Christmas time for short, fixed term contracts that require fulfilment of very narrow, descriptive duties.

Rousseau explains that the elements of the Transactional psychological contracts can be measured in the 'Short Term' and 'Narrow' aspects of the psychological contract. As the table below shows there is a remarkable similarity in this area between results of Rousseau's 2000 PCI, the overall survey results for this research and the sectoral aspects of this research.

**Table 28: Transactional Psychological Contract**

Assessment of Psychological Contract		Rousseau PCI 2000	Survey Total	Voluntary/Community Sector	Private Sector
<i>Transactional</i>		Mean	Mean	Mean	Mean
		<b>2.49</b>	<b>2.49</b>	<b>2.48</b>	<b>2.51</b>
<b>Transactional</b>	EE SHORT-TERM	2.72	2.61	2.55	2.75
	EE NARROW	1.99	1.62	1.62	1.75
	ER NARROW	2.51	2.86	2.85	2.80
	ER SHORT-TERM	2.72	2.88	2.88	2.73

Whilst the mean results are very similar there are actually important differences within the category across the sectors surveyed. We can see from the table that there are differences in the Voluntary/Community sector in terms of the results in the EE Short Term category, EE Narrow and ER Narrow categories.

This can be explained because the short term commitment to remain with the current employer in the voluntary/community sector is significantly higher than both the Private sector and when compared with Rousseau's survey. Also the perception in the voluntary/community sector is that the roles and duties initially agreed upon when first employed have significantly changed with limited input or influence from the employee themselves. Respondents were asked to answer if they '*Only perform the duties I agreed to when hired*', on the 1-5 Likert scale, 81.3% Private Sector respondents answered option 1 'Not At All'. Again this could be attributed to Harvey's explanation of the influence of the 'shadow employer' dictating terms, conditions and work practises, it could be as a result of the rapid rate of change experienced in the sector as a result of the funding crisis (Harvey 2012) or perhaps it could be evidence of a traditional paternalistic, autocratic default management style that could be prevalent in the sector that predominates at times of crisis and tension.

The Transactional elements of the psychological contract that were to the fore in the Private Sector compared with the PCI results from 2000 were evident in the area Narrow focus both from the employee and employer perspective.

33% of Private Sector respondents answered that they are 'To a great extent' only trained for their current job. The perception seems to be that there is a significant drift away from the initial role employees thought they had 'signed up for' and that they are at present being confined and restricted by the training and development associated with this. When we consider that 76% of private sector respondents are in management positions the perception of limited involvement in the organisation is more significant.

## Balanced Psychological Contract

The Balanced psychological contract can be identified by elements of high team involvement, high member commitment, high integration, ongoing professional development, mutual support and a dynamic team environment.

Rousseau explain that the elements of the Balanced psychological contract can be measured in the PCI responses related to Career Development – External Market, Dynamic Performance Requirements and Career Development – Internal Market. The table below presents the survey findings in these areas.

**Table 29: Balanced Psychological Contract**

Assessment of Psychological Contract		Rousseau PCI 2000	Survey Total	Voluntary/Community Sector	Private Sector
<b>Balanced</b>	<b><i>Balanced</i></b>	Mean	Mean	Mean	Mean
		<b><u>3.45</u></b>	<b><u>3.34</u></b>	<b><u>3.29</u></b>	<b><u>3.43</u></b>
	EE PERFORMANCE SUPPORT	3.92	<u>4.46</u>	4.44	4.53
	EE DEVELOPMENT	4.02	4.12	4.16	3.99
	EE EXTERNAL MARKETABILITY	3.51	3.14	<u>3.08</u>	3.56
	ER PERFORMANCE SUPPORT	3.39	3.33	3.35	3.10
	ER DEVELOPMENT	3.23	<u>2.40</u>	<u>2.26</u>	2.67
	ER EXTERNAL MARKETABILITY	2.62	2.56	2.47	2.73

Again we can see remarkable similarities between the PCI 2000 results and the survey finding especially in this case in the Private sector responses.

The responses in the area of EE Performance Support from both sectors point to perception that there is a high expectation on employees to be flexible, adaptable and to adjust their performance, focus and output to suit the changing needs of their organisation. This is slightly more prevalent in the Private Sector.

In the voluntary/community sector this perceived adaptability and flexibility, as shown by the employee, is not reciprocated by the employer in a 'Balanced' manner. The perception is that this flexible and adaptable approach exhibited by employees will not lead to the development of externally marketable skills, will not lead to career development within their current organisation and is not linked to promotional opportunities within the current organisation.

This indicates a real tension within the voluntary/community sector. The perception that employees are being adaptable, flexible and supportive of the need to adjust their performance, output and measurements of their output is not balanced by the expectation of a reciprocal response from the employer in terms of career development opportunities whether these are opportunities that arise internally or externally.

Opportunities for career development and especially for promotion is also stunted or perhaps stalled in the private sector. 66% of respondents in the private sector have had no commitment from employers that opportunities for promotion will arise.

The perception amongst respondents in the voluntary/community sector that employees are 'building skills to enhance their value to their employer' is very strong. This could be interpreted as employees 'staying relevant' in a sector that is undergoing rapid change. It could also be a reflection of the high level of educational attainment amongst voluntary/community sector employees. Remember 47.6% of respondents in the

voluntary/community sector have achieved post graduate qualifications compared with 17.6% of private sector respondents

## Relational Psychological Contract

A good example of where the Relational psychological contract can exist is in a family business or a local community employer. It can be described as having elements of high member commitment, high affective commitment, strong integration and commitment and a strong degree of stability. This kind of psychological contract can also exist in many of the smaller, issue specific voluntary/community sector organisations, especially when they are at the ‘start up’ phase of their development.

Rousseau explains that elements of this contract are evident and can be measured by analysing the responses in the Loyalty and Security sections of the PCI. The following table presents the findings in these areas.

**Table 30: Relational Psychological Contract**

Assessment of Psychological Contract		Rousseau PCI 2000	Survey Total	Voluntary/Community Sector	Private Sector
<i>Relational</i>		Mean	Mean	Mean	Mean
		<b><u>3.46</u></b>	<b><u>3.31</u></b>	<b><u>3.33</u></b>	<b><u>3.16</u></b>
<b>Relational</b>	ER STABILITY	3.61	3.51	3.55	<u>3.27</u>
	EE STABILITY	3.61	3.41	3.44	<u>3.10</u>
	ER LOYALTY	3.03	2.88	2.87	<u>2.77</u>
	EE LOYALTY	3.58	3.45	3.47	3.50

The relational aspects of the psychological contract are stronger in the voluntary/community sector compared with the private sector but in both voluntary/community and private sector, the aspects of this area, and the relationships underpinning the responses, are weaker and under greater threat than is evident in Rousseau’s PCI survey from 2000.

In the private sector respondents have indicated that the relational aspects of the psychological contract are under threat primarily because the perception that wages and benefits cannot be counted upon, that there is a lower commitment to remain with the employer for a long time and that there is a lower commitment from the employer to retain respondents into the future

It is interesting to note that the perception amongst private sector respondents is that they seem to have more of a focus on external opportunities and developing skills suitable to the external market when compared with their voluntary/community sector counterparts. We have seen thus far that they have a shorter term commitment to their current employer, their skills development and career development is progressing in line with the expectations of the external market (i.e. they are more attractive to external organisations) and they are less satisfied with their wages/benefits and less assured about the stability and security of their current employment. If the industry they are in has, or begins to exhibit, employment opportunities this could pose a threat of imminent high employee turnover for employers who do not address these concerns once the external market begins to improve. Again this is especially significant when we consider the response from the private sector was primarily from employees in management positions.

There are similar sentiments in the voluntary/community sector in terms of the perception that wages and benefits cannot be counted upon. Compared to the PCI 2000 findings there is a lower commitment to remain with the employer for a long time and that there is a lower commitment from the employer to retain respondents into the future. These sentiments are more strongly held amongst respondents in the private sector.

It is noteworthy that the expectation that the relational aspects of the psychological contract in the voluntary/community sector would be much stronger is not evident from the survey. Cunningham's observations that there is usually a higher degree of commitment, integration, motivation and engagement in the voluntary sector (Cunningham, 2010) is accurate but perhaps not as strong in the current PESTLE environment.

## Transitional Psychological Contract

Transitional psychological contracts exhibit a high degree of ambiguity, uncertainty, instability and are often associated with high employee turnover. A good example of the existence of this type of contract is during times of merger or acquisition. It is evident from this research that the Transitional psychological contract is the dominant form of psychological contract during recessionary times and times of economic, financial uncertainty.

Rousseau explains that evidence for Transitional psychological contract can be seen in the PCI responses in the areas of Erosion, Uncertainty and No Trust. The findings in these areas are presented in the following table.

**Table 31: Transitional Psychological Contract**

	Assessment of Psychological Contract	Rousseau PCI 2000	Survey Total	Voluntary/Community Sector	Private Sector
<b>Transitional</b>	<i>Transitional</i>	Mean	Mean	Mean	Mean
		<b><u>2.35</u></b>	<b><u>2.77</u></b>	<b><u>2.82</u></b>	<b><u>2.72</u></b>
	NO TRUST	2.40	<u>2.77</u>	2.77	<u>2.90</u>
	UNCERTAINTY	2.44	2.68	<u>2.76</u>	2.47
	EROSION	2.22	<u>2.86</u>	2.93	2.80

There is a remarkable difference between the findings from this survey and the findings from Rousseau's 2000 PCI findings. Both sectors surveyed have strong and similar findings in this area. The general sense is that the current psychological contract that is dominant is one of low trust, uncertainty and erosion.

The perception that there is '*No Trust*' emanates from the feeling that the employer 'Acts as if it doesn't trust the employee' and 'Introduces change without involving the employee'

This perception is evident across sectors but is more strongly felt in the private sector

Interestingly respondents from both sectors felt strongly that employers were responsive to their personal concerns and well-being Perhaps we could speculate that this lack of trust exists at an organisational level (between individuals and the organisation) rather than at an interpersonal level (between immediate manager and respondent)

The lack of trust could also emanate from a much higher 'societal' level Cullinane and Dundon have pointed to the growing influence of the unitarist / neo-liberal perspective within which employment relationships are more depersonalised and Harvey has pointed to the growing influence of the shadow employer externally affecting change within organisations without establishing or forming relationships with those affected by the change The combination of depersonalised employment relationships and changes being dictated from 'external' agents could be a real source of decreased trust

It is evident from the survey that respondents feel organisations are adopting an autocratic, paternalistic approach to managing the psychological contract during a period of crisis, instability or uncertainty

More worrying for the voluntary/community sector is the perception that this '*uncertainty*' will continue and that this period of instability is far from over. When asked if it was difficult to predict the future direction of the employers' relations with them 32% of respondents from the voluntary/community sector agreed "moderately" or "To a great extent" compared with 20% in the private sector.

In addition there is a strong perception across both sectors that the '*erosion*' of the psychological contract will continue over the coming years. In the private sector the perception is strong that employers will demand more from employees whilst giving less in return. Whilst this is also evident from voluntary/community sector respondents there is also a strong expectation of decreased benefits in the coming years. 76% of respondents are in full time permanent employment so this expected erosion of benefits and wages has more significance than if the majority of respondents were employed on a casual or seasonal basis for example.

This could be attributed to the perception that funding to the voluntary/community sector will continue to diminish over the coming years and that this will have an inevitable '*knock-on*' effect for terms and conditions in the sector. In addition the increasing direct influence of government departments and governmental agencies in the internal workings of voluntary/community organisations (including influencing terms and conditions of employment along with work practises and outcomes) could be causing the fear of erosion and adding to the uncertainty experienced by respondents.

## Conclusion

The link between management of the psychological contract and performance outcomes and productivity has been demonstrated by Guest amongst others (Guest 2002). Difficult to know if psychological contract will become part of the mainstream of management analysis, the observation by Dundon that the elusive and subjective nature of the psychological contract, and the fact that it is unilaterally constructed by employees, may make it hard to justify how it can be utilised for benefit of management in organisations that are adopting increasingly unitarist approaches to organising and managing the workforce.

The paradox that increasing unitarist perspective and the growing prevalence of idiosyncratic contracts of employment should lead to greater emphasis being placed on understanding the psychological contract and how individuals will judge whether mutuality, balance and reciprocity exists in the employment relationship.

The main aim of this research was to examine if Bellou's observation that "*most psychological contract dimensions are roughly equally important to individuals, regardless of whether they are employed in the public or private sector*" (Bellou, 2007) holds true in the voluntary/community sector. It is clear from the research that it is true that the dimensions of the psychological contract in the voluntary/community sector and the private sector are roughly equally important.

A key question for the research was to answer if there were distinctive elements to the psychological contract in the voluntary/community sector when compared with the private sector. Whilst the findings were roughly the same in that both sectors primarily exhibited features of a Transitional psychological contract there were distinctive features that contributed to the psychological contract in the voluntary/community sector.

The funding crisis has had a significant effect on the psychological contract within the voluntary/community sector but the wider financial/economic crisis has had a similar effect on the psychological contract amongst those surveyed in the private sector.

The comparisons with Rousseau's PCI technical report survey from 2000 were broadly similar with the exception of the significant differences that contribute to the Transitional psychological contract.

Overall the response rate to the survey was very satisfactory considering the time constraints on a dissertation such as this and considering the time of year that the survey was conducted (i.e. during annual leave season). The response rate from the private sector was perhaps a little disappointing and attracted a more management responses from employees in management grades than expected.

There was a significant difference in the levels of educational qualifications between the sectors surveyed which may have had an influence on the results and the vast majority of respondents were in full time, permanent positions which may shaped and influenced the responses.

## **Overview of Findings**

In terms of the responses to the PCI survey a Transitional psychological contract is predominant form of psychological contract in both the voluntary/community sector and private sector although there are key differences in the configuration of the psychological contract in each sector

It seems clear that the PESTLE environment is having a significant impact on the psychological contract in both sectors as the economy continues to struggle with the recessionary challenges resulting from the financial and banking crises

## **General challenges**

### **Erosion**

The expected further erosion of benefits, terms and conditions poses a particular challenge for the voluntary/community sector employers in terms of how they can keep this fear of erosion from negatively impacting on performance and productivity

The erosion of benefits, terms and conditions in the private sector respondents will need to be addressed at least in line with industry norms if the perception of erosion is to be prevented from contributing to employee turnover

### **Uncertainty**

Addressing the high levels of uncertainty in the voluntary/community sector may improve the sense of security amongst respondents however it is recognised that the level of uncertainty seems to emanate from outside the organisation at the level of funder, governmental level and perhaps even at a societal levels. The growing influence and interference of the 'shadow employer' in the voluntary/community sector seems to be a worrying trend that is negatively

impacting on the psychological contract. Whatever steps employers can make to improve this aspect of the psychological contract from employees will improve the overall assessment of the psychological contract.

### **No Trust**

Feelings of no trust seem to be a dominant theme in the survey. Perhaps low trust would be a more accurate description considering the feeling that organisations do not actually react to employees' personal concerns and do not take their personal well-being into account. However, the trend to make decisions without consultation, and what seems to be an instinctive autocratic, paternalistic approach being adopted by organisations is leading to a feeling of alienation amongst employees and is resulting in feelings of low trust that may be difficult to re-establish once the 'crisis mode' is finished. This could be addressed if organisations in both sectors re-engage with, and involve employees, in the change management initiatives that are inevitably and necessarily being pursued in order to respond to the rapidly changing economic and competitive environment. Robinson found that "prior trust moderated the relationship between psychological contract breach and subsequent trust" (Robinson 1996) therefore organisations that had strong psychological contracts and strong trust with their employees prior to the changes brought about by the economic downturn will be in a stronger position to rebuild employee trust and repair the damage done to the psychological contract.

It would have been a very interesting exercise to have conducted a similar survey prior to 2008 to assess if the trends would have radically changed as a result of the changed PESTLE environment.

Other challenges that the research has thrown up include the perception of limited prospects for employees to develop career within the organisation in the voluntary/community sector and that the psychological contract is not as 'balanced' as it might be in this sector

In the private sector the relational aspects of the psychological contract were relatively low. The strongly felt perception that employees only have jobs as long as the employer needs them will need to be addressed in order to establish a more positive psychological contract.

The assertion in the government's National Recovery Plan that "No person, group or sector can be absolved from making a fair contribution to the resolution of our economic difficulties. We must all accept our share of the burden so that we can collectively share in the fruits that will undoubtedly flow from solving our current problems" (National Recovery Plan 2011-2014)

seems to have a hollow ring to it when we consider the affect the significantly disproportionate funding cuts the voluntary/community sector have endured in comparison to other areas of governmental spending.

## Bibliography

Anderson, N. and Schalk, R. (1998) 'The psychological contract in retrospect and prospect'.

Journal of Organizational Behavior 19, p 637-647

Bellou, V. (2007) 'Shaping the psychological contract in the public and private sector: a

human resource management perspective'. International Public Management Journal 10 (3) p

327-349

Cooper, C.L. (1999) 'The changing psychological contract at work'. European Business

Journal

Coyle-Shapiro, A-M. and Conway, N. (2005) 'Exchange relationships: examining

psychological contracts and perceived organizational support'. Journal of Applied

Psychology, Vol. 90, No. 4, p 774-781

Central Statistics Office 2012 Key Economic Indicators. [Internet] Available from

<http://www.cso.ie/indicators/default.aspx?id=19> [Accessed 13 August 2012]

Cullinane, N. and Dundon, T. (2006) 'The psychological contract: a critical review'.

International Journal of Management Reviews, 8(2), p 113-129

Cunningham, I. (2010) 'Drawing from a bottomless well? Exploring the resilience of value based psychological contracts in voluntary organizations'. *The International Journal of Human Resource Management*, Vol. 21, No. 5, p 699–719

DelCampo, R. (2007) 'Understanding the psychological contract: a direction for the future'. *Management Research News*, Vol. 30, No. 6, p 432-440

Department of Social Community and Family Affairs (2001) 'White Paper on a Framework for Supporting Voluntary Activity and for Developing the Relationship between the State and the Community and Voluntary sector (Section 1.4)'. [Internet] Available from [http://socialpolicy.ucc.ie/Supporting\\_Voluntary\\_Activity%20\\_A\\_White\\_Paper\\_415709.pdf](http://socialpolicy.ucc.ie/Supporting_Voluntary_Activity%20_A_White_Paper_415709.pdf) [Accessed 13 August 2012]

Department of Taoiseach (2011) 'National Recovery Plan 2011-2014'. Dublin. Published by the Stationary Office.

Edwards, J.C. and Karau, S.J. (2007) 'Psychological contract or social contract? Development of the employment contracts scale'. *Journal of Leadership and Organizational Studies*, Vol 13, No. 3

Freese, C. and Schalk, R. (2008) 'How to measure the psychological contract? A critical criteria-based review of measures'. *South African Journal of Psychology*, 38(2), p. 269-286.

Guest, D. (2004) 'The Psychology of the Employment Relationship: An Analysis Based on the Psychological Contract' *Applied Psychology: An International Review*, 53 (4), p 541-555

Guest, D. and Conway, N. (2002) 'Communicating the psychological contract: an employer's perspective'. *Human Resource Management Journal*, Vol. 12, No 2, p 22-38

Guest, D and Conway, N. (2002) 'Pressure at work and the psychological contract'. London CIPD

Harvey, B. (2012) 'Changes in employment and services in the voluntary and community sector in Ireland, 2008-2012'. Irish Congress of Trade Unions [Internet] Available from <http://www.ictu.ie/download/pdf/downsizingcommunitysector.pdf> [Accessed 13 March 2012]

Kelliher, C. and Parry, E. (2011) 'Voluntary sector HRM: examining the influence of Government' *International Journal of Public Sector Management*. Vol. 24, No. 7 p 650-661

Minister for Social, Community and Family Affairs (2000) 'Address by Mr. Dermot Ahern TD. Minister for Social, Community and Family Affairs at the Launch of The White Paper on a Framework for Supporting Voluntary Activity St. Andrew's Resource Centre 114 - 116 Pearse Street, Dublin 2 13 September 2000

[Internet] Available from

[http://www.welfare.ie/EN/Publications/naps/socincl/Documents/supporting\\_minister.pdf](http://www.welfare.ie/EN/Publications/naps/socincl/Documents/supporting_minister.pdf)

[Accessed 13 August 2012]

NESC, 2009 Next Steps in Addressing Ireland's Five-Part Crisis: Combining Retrenchment with Reform or Ireland's Five-Part Crisis: An Integrated National Response

O'Donohue, W. And Nelson, L. (2009) 'The role of ethical values in an expanded psychological contract'. *Journal of Business Ethics*

O'Toole, F. (2010) 'Enough is Enough'. Faber and Faber, London.

Paton, R., and Cornforth, C. (1992) 'What's Different about Managing in Voluntary and Non-profit Organisations'. *Issues in Voluntary and Non-profit Management*, eds. J. Batsleer, C. Cornforth and R. Paton, Wokingham: Addison Wesley, pp. 1-12.

Robinson, S.L. (1996) 'Trust and psychological contract breach'. *Administrative Science Quarterly*, 41, pp 574-599.

Rousseau, D. M. (1989) 'Psychological and implied contracts in organizations'. *Employee Responsibilities and Rights Journal*, 2, 121-139.

Rousseau, D M (1990) 'New hire perceptions of their own and their employer's obligations  
A study of psychological contracts' *Journal of Organizational Behavior*, 11, 389-400

Rousseau, D M (1995) 'Psychological contracts in organizations' Thousand Oaks Sage

Rousseau, D M (1998) 'The 'problem' of the psychological contract considered' *Journal of Organizational Behavior* 19, 665-671

Rousseau, D M (2000) 'Psychological Contract Inventory Technical Report' Pittsburgh,  
PA Carnegie Mellon University

Rousseau, D M (2001) 'Schema, promise and mutuality The building blocks of the  
psychological contract' *Journal of Occupational and Organizational Psychology* 74,

Rousseau, D M , Ho, V T and Greenberg, J (2006) 'I-Deals Idiosyncratic terms in  
employment relationships' *Academy of Management Review*, Vol 32, No 4, p 977-994

Rousseau, D M , and Tijoriwala, S A (1998) 'Assessing psychological contracts Issues,  
alternatives and measures' *Journal of Organizational Behavior*, 19, 679-695

Rousseau, D M and Wade-Benzoni, K A (1994) 'Linking strategy and human  
resource practices How employee and customer contracts are created' *Human  
Resource Management*, 33, 463-489

Saunders, M , Lewis, P and Thornhill, A (2009) 'Research Methods for business Students'  
Fifth Edition, Financial Times Press

Shore, L M and Barksdale, K (1998) 'Examining degree of balance and level of obligation  
in the employment relationship a social exchange approach' *Journal of Organizational  
Behavior*, 19, 731-744

Sonnenberg, M , Koene, B and Paauwe, J (2011) 'Balancing HRM the psychological  
contract of employees' *Personnel Review*, Vol 40, No 6, p 664-683

Thompson, J A and Hart, D W (2006) 'Psychological Contracts A nano-level perspective  
on social contract theory' *Journal of Business Ethics* No 68, p 229-241

Turnley, W H , & Feldman, D C (1999) The impact of psychological contract  
violations on exit, loyalty and neglect *Human Relations*, 52, 895–922

Wass, V J and Wells, P E (1994) 'Principles and practise in business and management  
research' Dartmouth Publishing, UK

Zimmeck, M (1998) 'To Boldly Go The Voluntary Sector and Voluntary Action in the New  
World of Work' London Royal Society of Arts

## Appendix 1

### Psychological Contract Inventory

THE HEINZ SCHOOL -- CARNEGIE MELLON UNIVERSITY

# Psychological Contract Inventory

---

## Employee and Employer Obligations

Denise M. Rousseau

5/1/2008

*This document contains four sets of psychological contract scales: Employee Obligations, Employer Obligations, Fulfillment, and Contract Transition Indicators. The H.J.Heinz II Professorship provided research support. Denise Rousseau holds copyright to this work. You have permission to use any or all of the measures included here as long as you provide appropriate citation (consistent with APA or AOM guidelines) in any publication, presentation or other dissemination based on its use. Please email [denise@cmu.edu](mailto:denise@cmu.edu) with any questions. Best wishes, Denise*

## I Employee Obligations

To what extent have you made the following commitments or obligations to your employer?

Please answer each question using the following scale

1	2	3	4	5
Not at all	Slightly	Somewhat	Moderately	To a great extent

### EE SHORT-TERM

- \_\_\_\_\_ Quit whenever I want
- \_\_\_\_\_ I have no future obligations to this employer
- \_\_\_\_\_ Leave at any time I choose
- \_\_\_\_\_ I am under no obligation to remain with this company

### EE LOYALTY

- \_\_\_\_\_ Make personal sacrifices for this organization
- \_\_\_\_\_ Take this organization's concerns personally
- \_\_\_\_\_ Protect this organization's image
- \_\_\_\_\_ Commit myself personally to this organization

### EE NARROW

- \_\_\_\_\_ Perform only required tasks
- \_\_\_\_\_ Do only what I am paid to do
- \_\_\_\_\_ Fulfill a limited number of responsibilities
- \_\_\_\_\_ Only perform specific duties I agreed to when hired

### EE PERFORMANCE SUPPORT

- \_\_\_\_\_ Accept increasingly challenging performance standards
- \_\_\_\_\_ Adjust to changing performance demands due to business necessity
- \_\_\_\_\_ Respond positively to dynamic performance requirements
- \_\_\_\_\_ Accept new and different performance demands

### EE DEVELOPMENT

- \_\_\_\_\_ Seek out developmental opportunities that enhance my value to this employer
- \_\_\_\_\_ Build skills to increase my value to this organization
- \_\_\_\_\_ Make myself increasingly valuable to my employer
- \_\_\_\_\_ Actively seek internal opportunities for training and development

### FE EXTERNAL MARKETABILITY

- \_\_\_\_\_ Build contacts outside this firm that enhance my career potential
- \_\_\_\_\_ Build skills to increase my future employment opportunities elsewhere
- \_\_\_\_\_ Increase my visibility to potential employers outside this firm
- \_\_\_\_\_ Seek out assignments that enhance my employability elsewhere

### EE STABILITY

- \_\_\_\_\_ Remain with this organizational indefinitely
- \_\_\_\_\_ Plan to stay here a long time

- \_\_\_\_\_ Continue to work here
- \_\_\_\_\_ Make no plans to work anywhere else

## II Employer Obligations

Consider your relationship with your current employer. To what extent has your employer made the following commitments or obligations to you? Please answer each question using the following scale

1	2	3	4	5
Not at all	Slightly	Somewhat	Moderately	To a great extent

### ER SHORT-TERM

- \_\_\_\_\_ A job only as long as this employer needs me
- \_\_\_\_\_ Makes no commitments to retain me in the future
- \_\_\_\_\_ Short-term employment
- \_\_\_\_\_ A job for a short time only

### ER LOYALTY

- \_\_\_\_\_ Concern for my personal welfare
- \_\_\_\_\_ Be responsive to my personal concerns and well-being
- \_\_\_\_\_ Make decisions with my interests in mind
- \_\_\_\_\_ Concern for my long-term well-being

### ER NARROW

- \_\_\_\_\_ Limited involvement in the organization
- \_\_\_\_\_ Training me only for my current job
- \_\_\_\_\_ A job limited to specific, well-defined responsibilities
- \_\_\_\_\_ Require me to perform only a limited set of duties

### ER PERFORMANCE SUPPORT

- \_\_\_\_\_ Support me to attain the highest possible levels of performance
- \_\_\_\_\_ Help me to respond to ever greater industry standards
- \_\_\_\_\_ Support me in meeting increasingly higher goals
- \_\_\_\_\_ Enable me to adjust to new, challenging performance requirements

### ER DEVELOPMENT

- \_\_\_\_\_ Opportunity for career development within this firm
- \_\_\_\_\_ Developmental opportunities with this firm
- \_\_\_\_\_ Advancement within the firm
- \_\_\_\_\_ Opportunities for promotion

### ER EXTERNAL MARKETABILITY

- \_\_\_\_\_ Help me develop externally marketable skills
- \_\_\_\_\_ Job assignments that enhance my external marketability
- \_\_\_\_\_ Potential job opportunities outside the firm
- \_\_\_\_\_ Contacts that create employment opportunities elsewhere

### ER STABILITY

- \_\_\_\_\_ Secure employment
- \_\_\_\_\_ Wages and benefits I can count on
- \_\_\_\_\_ Steady employment
- \_\_\_\_\_ Stable benefits for employees' families

### III Psychological Contract Transitions

To what extent do the items below describe your employer's relationship to you? Please answer each question using the following scale				
1	2	3	4	5
Not at all	Slightly	Somewhat	Moderately	To a great extent

#### NO TRUST

- \_\_\_\_\_ Withholds information from its employees
- \_\_\_\_\_ Acts as if it doesn't trust its employees
- \_\_\_\_\_ Introduces changes without involving employees
- \_\_\_\_\_ Doesn't share important information with its workers

#### UNCERTAINTY

- \_\_\_\_\_ Difficult to predict future direction of its relations with me
- \_\_\_\_\_ An uncertain future regarding its relations with me
- \_\_\_\_\_ Uncertainty regarding its commitments to employees
- \_\_\_\_\_ Uncertainty regarding its commitments to me

#### EROSION

- \_\_\_\_\_ Demand more from me while giving me less in return
- \_\_\_\_\_ Decreased benefits in the next few years
- \_\_\_\_\_ Stagnant or reduced wages the longer I work here
- \_\_\_\_\_ More and more work for less pay

### IV Psychological Contract Fulfillment

Please answer each question using the following scale				
1	2	3	4	5
Not at all	Slightly	Somewhat	Moderately	To a great extent

#### EMPLOYEE FULFILLMENT

- \_\_\_\_\_ Overall, how well have you fulfilled your commitment to your employer
- \_\_\_\_\_ In general, how well do you live up to your promises to your employer

#### EMPLOYER FULFILLMENT

- \_\_\_\_\_ Overall, how well does your employer fulfill its commitments to you
- \_\_\_\_\_ In general, how well does your employer live up to its promises