ABSTRACT

The origins and early development of the psychological contract construct are traced through a review of books, articles, and unpublished dissertations. Observations regarding historical developments are linked to the current literature, and the implication of these observations for the future direction of the psychological contract literature is briefly discussed.

INTRODUCTION

The relationship between employees and their employers has been conceptualized as involving a "psychological contract." At a general level, the term "psychological contract" (PC) is used to refer to a set of beliefs regarding what employees are to give and receive with respect to their employer. The PC construct is assumed by many to have a key role to play in understanding organizational behavior. It has been argued that the violation of a PC can have important individual and organizational consequences, including deep, long lasting feelings of betrayal and resentment, anger and frustration, decreased employee motivation, job dissatisfaction, reduced employee commitment, turnover, and employee initiated litigation (cf. Rousseau, 1989; Schein, 1980). Organizations are being told that the management of employee PCs is essential to their organization's successful functioning (Goddard, 1988; Kotter, 1973; Rousseau & Greller, 1994).

Despite this proliferation of writing regarding PCs in recent years, the history of the construct has remained under-reported, and largely undisussed. Based on my review, no previous paper or article, published or unpublished, has focused on the origins and early development of the PC construct. This paper seeks to contribute to the evolution of the PC construct by providing a richer, more thorough historical perspective than can be presently found in the PC literature.

THEORETICAL ORIGINS OF THE PSYCHOLOGICAL CONTRACT CONSTRUCT

The Influence of a Clinical Perspective: Menninger

A chapter in Karl Menninger's book Theory of Psychoanalytic Technique (1958), provides a general discussion of the psychotherapist-patient contract that is credited with having made a substantial contribution to the origination of the PC construct (Levinson, et al., 1962, discussed at length, below). Menninger emphasized that in addition to tangibles (e.g. money, goods, specific services), contracts and contractual relationships involve the exchange of intangibles (e.g. the pleasure of companionship). Menninger also emphasized that contract relations require that the exchange between the parties result in the reciprocal satisfaction of the parties' needs in order for the contractual relationship to be continued.

ORIGINS OF THE TERM "PSYCHOLOGICAL CONTRACT"

Both Argyris (1960) and Levinson, Price, Munden, Mandl, & Solley (1962) have been given credit for introducing the "psychological contract" terminology. Argyris (1960) used the term "psychological work contract" to describe an implicit understanding between a group of employees and their foreman. He observed that as a result of coming up through the ranks (and in the process, being influenced by the informal employee culture) the plant foremen realized that the way to get the employees to behave in the desired manner was to maintain the informal employee culture and not to behave in a way that violates the culture's norms. Argyris argued that this passive leadership style resulted in the way to get the employees to behave in the desired manner was to maintain the informal employee culture and not to behave in a way that violates the culture's norms. He described the contract as follows:

Since the foremen realize that this system will tend to produce optimally under passive
In the book *Men, Management, and Mental Health*, Levinson, Price, Munden, Mandl, & Solley (1962) introduced their conceptualization of the PC construct. Levinson et al.'s thinking about PCs apparently evolved out of a study funded by the Menninger Foundation in which 874 employees at a large utility were interviewed in order to investigate the effects of the work experience on mental health. In the course of conducting the interviews, they observed that when people spoke about their work, they spoke of expectations, and that these expectations seemed to have an obligatory quality, "as if the company were duty-bound to fulfill them" (p. 20). This observation, they report, reminded them of Karl Menninger's (1958) discussion of the intangible aspects of contractual relationships, out of which they evolved the concept of the psychological contract.

Levinson et al. defined PCs as "a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other." (p.21). The expectations of both the individual employee and the company were conceived of as "components" of the PC. Levinson et al. describe the expectations as being mutual in the sense that each side to the PC tacitly agrees to the other side's expectations (often described as "demands"). The mutual expectations that make up the PC were described as having two characteristics: 1). they are largely implicit and unspoken, and 2). they frequently antedate the relationship of the person and the company. While expectations were described as frequently antedating the employment relationship, Levinson et al. also argued that PCs often evolve or change over time as a result of the changing needs of the individual or the organization.

**EARLY DEVELOPMENTS IN THINKING ABOUT THE PC CONSTRUCT**

**Schein and the Importance of PCs**

In his book, *Organizational Psychology* (1965, 1970, 1980), Schein emphasized the importance of PCs to understanding and managing behavior in organizations. Schein's book was referenced in virtually all writing about PCs that was published in the 1970s or the 1980s. In his original discussion of the PC construct, Schein cites both Argyris (1960) and Levinson et al. (1962). According to Schein:

> The notion of a psychological contract implies that the individual has a variety of expectations of the organization and that the organization has a variety of expectations of him. These expectations not only cover how much work is to be performed for how much pay, but also involve the whole pattern of rights, privileges, and obligations between worker and organizations...Expectations such as these are not written into any formal agreement between employer and organization, yet they operate powerfully as determinants of behavior. (Schein, 1965, p. 11)

According to Schein, individual employees forge their expectations from their inner needs, what they have learned from others, traditions and norms which may be operating, their past experiences, and "a host of other sources" (Schein, 1980, p. 24). Schein also states, however, that ultimately the relationship between the individual and the organization is interactive, unfolding through mutual influence and mutual bargaining to establish a workable psychological contract, and changing as the organization's and employee's needs change.

**The First Attempt to Quantitatively Assess PCs**

Based upon my review of the literature, Jurek's (1968) unpublished dissertation reports the earliest effort to quantitatively assess the PC construct. In Jurek's view, a PC between the worker and his company existed to the extent that there were agreed upon expectations that were being met. Participants in the study were salesmen and their supervisors. Employee PCs were assessed using questionnaires that addressed the six motivator and nine hygiene job factors described by Herzberg, Mausner, & Snyderman (1959). Each party to the contract (the routeman and his supervisor) first indicated the importance to themselves of selected motivator and hygiene items, and then each indicated the extent to which the other was meeting their needs. The extent to which a PC existed was measured by comparing the extent to which each party met the others needs. The percentage of needs met by the other party was calculated for each party in the dyad, and the lower of the two percentages was taken as the ranking of the extent to which a PC existed. Simple correlational analysis indicated that sales performance was greatest when the PC was of moderate strength and reasonably well met by the parties. There did not appear to be a linear relationship between the PC and sales performance, prompting the
researcher to conclude that the relationship appears to be
dependent on other factors.

Other Early Writing and Research

Gibson (1966) viewed absence behavior as being "very
closely bound up with contractual relationships between the
worker and organization" (p. 113). According to Gibson,
individual employees and the organization negotiate a "work contract" that specifies their various rights and duties.
The work contract has both formal and "quasi-contract" components. The formal contract is explicitly agreed upon
and usually reduced to writing. The quasi-contract involves
an unwritten understanding of the rights and duties of
parties. Gibson describes the term "psychological contract"
as being a less formal term that alludes to the individual's perception of the quasi-contractual aspect of the work contract.

Unlike prior conceptualizations that viewed the PC as involving agreed upon beliefs, Kotter's (1973) view of PCs allows incongruent employee-employer expectations within the PC. He introduces notion of "matching" to describe the situation where the employee and organization agree regarding a given expectation, and the extent to which the PC is comprised of "matched" or "mismatched" expectations is treated as an independent variable of interest. Kotter (1973) discusses the findings of a study which compared recent MBA graduates' expectations with their respective employer's expectations, and reports that PCs which were made up primarily of matches in expectations were related to greater job satisfaction, productivity, and reduced turnover.

Portwood and Miller (1976) defined the PC as "an implicit agreement negotiated between the employee and employing firm, usually at the employee's time of entry, and it is a recognition of mutual obligations to be fulfilled by both parties in the course of their association"(p.109). They posit that individual's expectations about their employment relationship are influenced by factors such as their individual needs, attitudes toward work, relevant job knowledge and experience. An organization's expectations pertaining to the individual and individual's job are said to become formalized into policies and management practices, creating a "job reality." According to Portwood and Miller, their findings indicate that the extent to which the individual's expectations match this job reality is positively related to the individual's job satisfaction and work behaviors.

Holtz's unpublished dissertation reports an exploratory, qualitative study that investigated the PCs of 13 managers working in a single, large organization. She was particularly interested in assessing how PCs change as a function of personal development over one's life cycle and career development. Holtz defined PCs as "an ongoing, implicit agreement between an individual and a company, made up of a variety of expectations that specifies the needs and obligations of each and, thus, dictates the relationship between the two parties."(p. 23). The individual's expectations were assessed through interviews. The company's expectations were assessed through interviews with the 13 managers' superiors and members of the personnel department, and from a review of company written philosophy, policies, and practices. Holtz's findings indicated that individual's expectations for their employer varied as a function of the individual's career stage and life cycle.

THE GENERALIZATION OF THE PC CONSTRUCT

While the concept of a PC was originally employed to describe employees' relationships at work, it has since been generalized to a variety of relationships, including those between renter and landlord (Radford & Larwood, 1982), consultant and client (Bass, 1985), husband and wife (Dunahee & Wangler, 1974), and student and teacher (Kolb, Rubin, & McIntyre, 1984). In fact, Menninger, whose discussion of the psychological aspects of the contract between patient and therapist (Menninger, 1958) is credited with influencing Levinson et al.'s development of the concept of a PC, subsequently revised his discussion of two-party contracts so that the second edition of his book (Menninger & Holzman, 1973) expressly adopts the term "psychological contract" to describe the relationship that exists between the client and the therapist.

ROUSSEAU'S SEMINAL WORK: THE MARKING OF A TRANSITION

The person who has had the greatest influence in the PC literature since Schein's writing is Denise Rousseau. Her seminal article, Rousseau (1989), is frequently referenced in contemporary writings about PCs. The relative recency of the article and its distinctive focus (discussed below), suggest that it is best characterized as marking a transition from early developments to recent developments in the PC literature. In this section, I will briefly review Rousseau's (1989) treatment of the PC construct. While other, more recent works of Rousseau will be referred to in the discussion that follows, a full review of Rousseau's work since her 1989 article is beyond the scope of this paper.

Rousseau (1989) initially described the PC as follows:
The term psychological contract refers to an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations. (p. 123)

The general statement provided in the first sentence identifies the level at which the PC was conceptualized. Rousseau (1989) explicitly distinguished between conceptualizations of contractual construct at the level of the individual level versus the level of the relationship (e.g., dyadic, inter-organizational). Her conceptualization of PC as involving individual's subjective beliefs is at the individual level. The parties to the contract need not agree. In contrast, conceptualizations that view PCs as existing to the extent that agreement exists between the parties (e.g. Argyris, 1960; Levinson et al., 1962) are at the relational level.

Although the first sentence of Rousseau's description of PCs refers to beliefs generally, the qualifying statements made in the second sentence of the quoted definition reflect Rousseau's focus on beliefs about obligations. More particularly, Rousseau's conceptualization focuses on a specific kind of obligation: those that are based on perceived promises. The central role of promise in Rousseau's conceptualization of PCs is clearly conveyed in her writings. For example, Rousseau (1989, p. 126) describes PCs as involving "an individual's belief that a promise of future return has been made, a consideration or contribution has been offered (and accepted), and an obligation of future benefit exists," and Rousseau (1990) states that "psychological contracts differ from the more general concept of expectations in that contracts are promissory and reciprocal" (p. 390; emphasis added). The focus on promised based obligations sets Rousseau's conceptualization apart from every conceptualization of the PC that preceded her. Subsequent works by Rousseau maintain the promise focus, but also contain general definitions of PCs, such as that provided in the first sentence of her definition, above.

**SUMMARY OBSERVATIONS**

"Psychological Contracts": All Things to All People

From the earliest origins of the psychological contract terminology, the term has been used to describe very different phenomena. The psychological work contract described by Argyris (1960) and the psychological contract described by Levinson differed in a number of significant ways. Argyris described an implicit agreement between a group of rank and file employees (who had a shared understanding) and an individual, their supervisor that resulted from the fact that the supervisor had come up through the ranks, and as a result, shared the norms of the employee culture. In contrast, Levinson et al. focused on the relationship between individual employees and their employers. They viewed employees' expectations as being a product of the individual's needs and motives, tempered by the individual's past experience and knowledge of the current situation, and they give examples of employees who come to the same company with different needs and motives, that lead to different expectations, and result in different PCs.

The use of PC terminology to describe a range of phenomena continues to manifest itself in the current PC literature. This observation may be supported by comparing the widely differing uses of PC terminology that appear in a single issue of Human Resource Management (1994) that was devoted to the employment contract. Citing Levinson et al., Morrison (1994) describes PCs as involving parties' expectations of each other that are unspoken and antedate the formation of the contract. Morrison's training as a psychiatrist is reflected in his further description of PCs as involving shared expectations that help individuals to deal with psychological issues such as the need for predictability, the need to be dependent, and psychological distance.

In contrast Rousseau & Wade-Benzoni (1994) provide a definition of PCs that emphasizes Rousseau's focus on promise: "Psychological contracts refer to beliefs that individuals hold regarding promises made, accepted, and relied upon between themselves and another."(p. 466). Rather than involving shared expectations that are driven by needs that antedate the relationship, the PC described by Rousseau & Wade-Benzoni involves subjectively perceived promises that are said to be shaped by the individual's interaction with the employer (see also Rousseau and Greller, 1984, where it is stated that "employee interactions with the organization are the source of information about the contract"; emphasis added, p. 386).

There has been little recognition of the fact that the PC construct has been conceptualized in a number of significantly different ways. Historically, each researcher or writer has defined the PC construct in some way that she or he feels is suitable, or has adopted one of the existing definitions, with little or no explicit consideration of competing views of the construct. Arguably, the lack of attention given competing views began with Levinson et al. (1962). While earlier works of Argyris were cited in their

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book, Levinson et al.'s discussion of PCs did not make reference to the concept of the psychological work contract that Argyris (1960) introduced to the literature two years earlier.

Implications for the Future Direction of the PC Literature

The foregoing observations suggest that rather than investigating the network of causal relations between the PC construct and other constructs, and before spending additional effort attempting to prescribe certain types of PCs for certain situations, future research and writing should focus on the theoretical development of the PC construct itself. Greater attention should be given to the formal explication of PC construct. Future studies should investigate competing conceptualizations of the PC construct to attempt to ascertain if they represent significantly different constructs, and if so, which conceptualization appears to be most useful for understanding behavior in organizations. These endeavors are likely to benefit from greater knowledge of the history of the PC construct.

REFERENCES


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