

PSYCONES



Employment Flexibility and Worker Well-Being: The Role of the Psychological Contract

David Guest
King's College London

**Swedish Academy of Engineering Sciences:
Stockholm, December 2006**

The Growth of Employment Flexibility

Throughout advanced industrial economies

- Increased hours variability – part-time; on-call
- Increased reward variability – pay at risk; PRP
- Increased job content flexibility and demand: team-working; role flexibility; end of OCB; fuller utilisation/less uncommitted time
- Increased contract flexibility – growth of temporary and fixed-term contracts
- Static job satisfaction and reducing work-related well-being

Reasons for Increasing Employment Flexibility

- Search for competitive advantage
- Focus on 'efficient' investment
- Desire for full utilisation of 'human resources'
- Concern for work-life balance

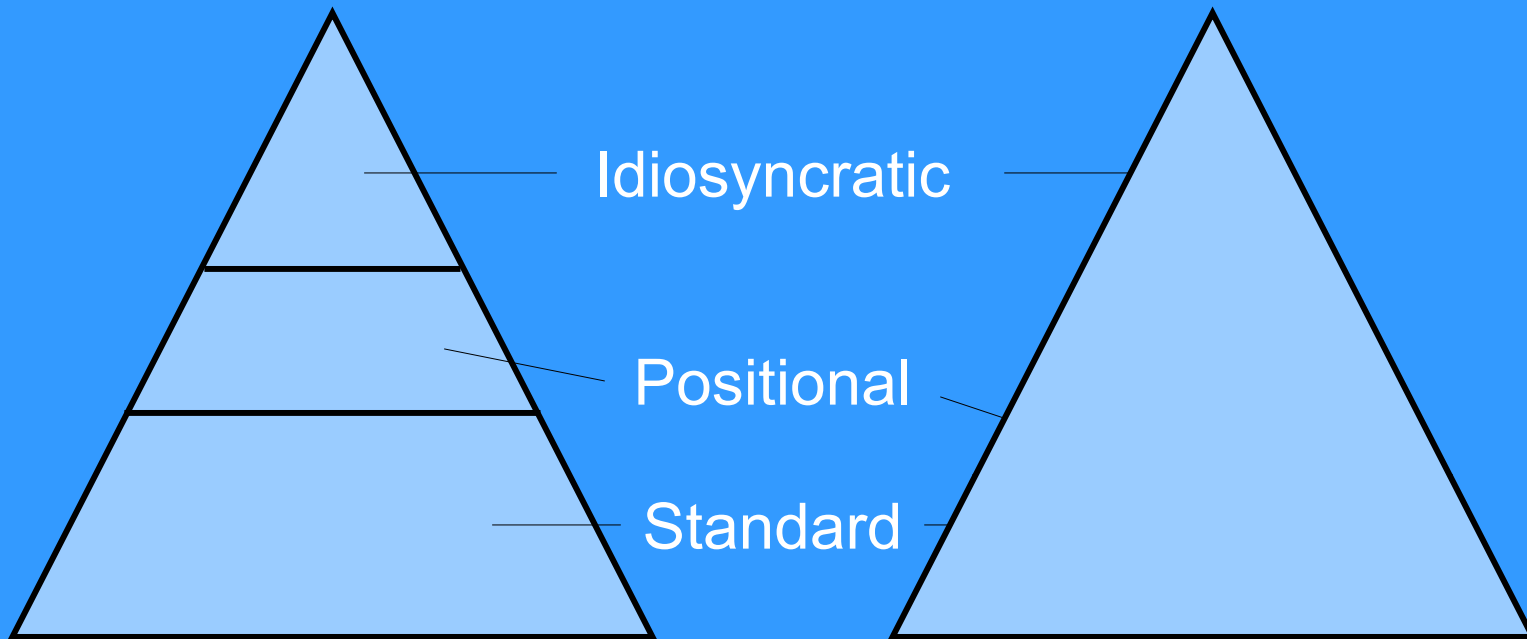
The Psychological Contract and the Breakdown of the 'Deal'

- **Breakdown of the traditional 'deal'**
 - A career in return for loyalty
 - A fair day's work for a fair day's pay
 - The challenge to professional autonomy
 - Loss of job security (and safety net)
- **Individualisation of the employment relationship**
- **Organizational change and violation**
- **The search for a new 'deal'.**

Rousseau's Framework

The 'Old' Deal

The 'New' Deal



Defining the Psychological Contract

“The perceptions of both parties to the employment relationship, organization and individual, of the reciprocal promises and obligations implied in that relationship”

The *state* of the psychological contract is concerned with whether the promises and obligations have been met, whether they are fair and their implications for trust.

What is the psychological contract?

The
Transactional
Deal



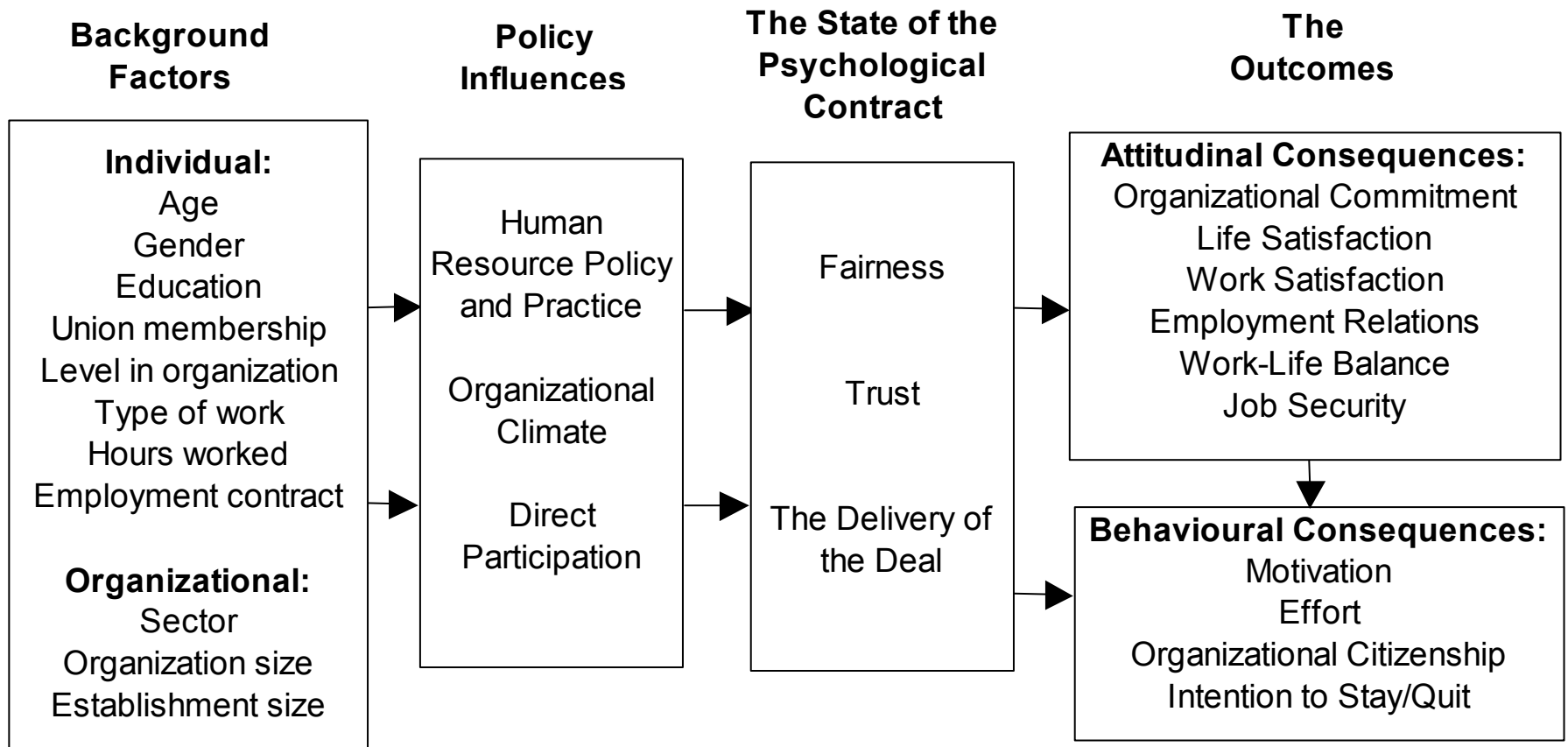
The
Implicit
Deal



The
Inferred
Deal



A Model of the Psychological Contract



Temporary Employment Contracts as Critical Case of Flexible Employment and Psychological Contracts

Temporary work as:

- A source of job insecurity**
- A basis for exploitation**
- Linked to disadvantage**

**Part-time and multiple job holding less
significant sources of disadvantage**

Temporary Employment as a Critical Case: The Downside

- **European policy assumes permanent employment is better than temporary employment for workers' well-being**
- **Growth of temporary work as efficiency - agency, fixed-term, direct hires, seasonal.**
- **Research confirms that more temporary workers report higher job insecurity and most prefer permanent employment**
- **Some evidence of poorer well-being**
- **Scope for/concern about exploitation**

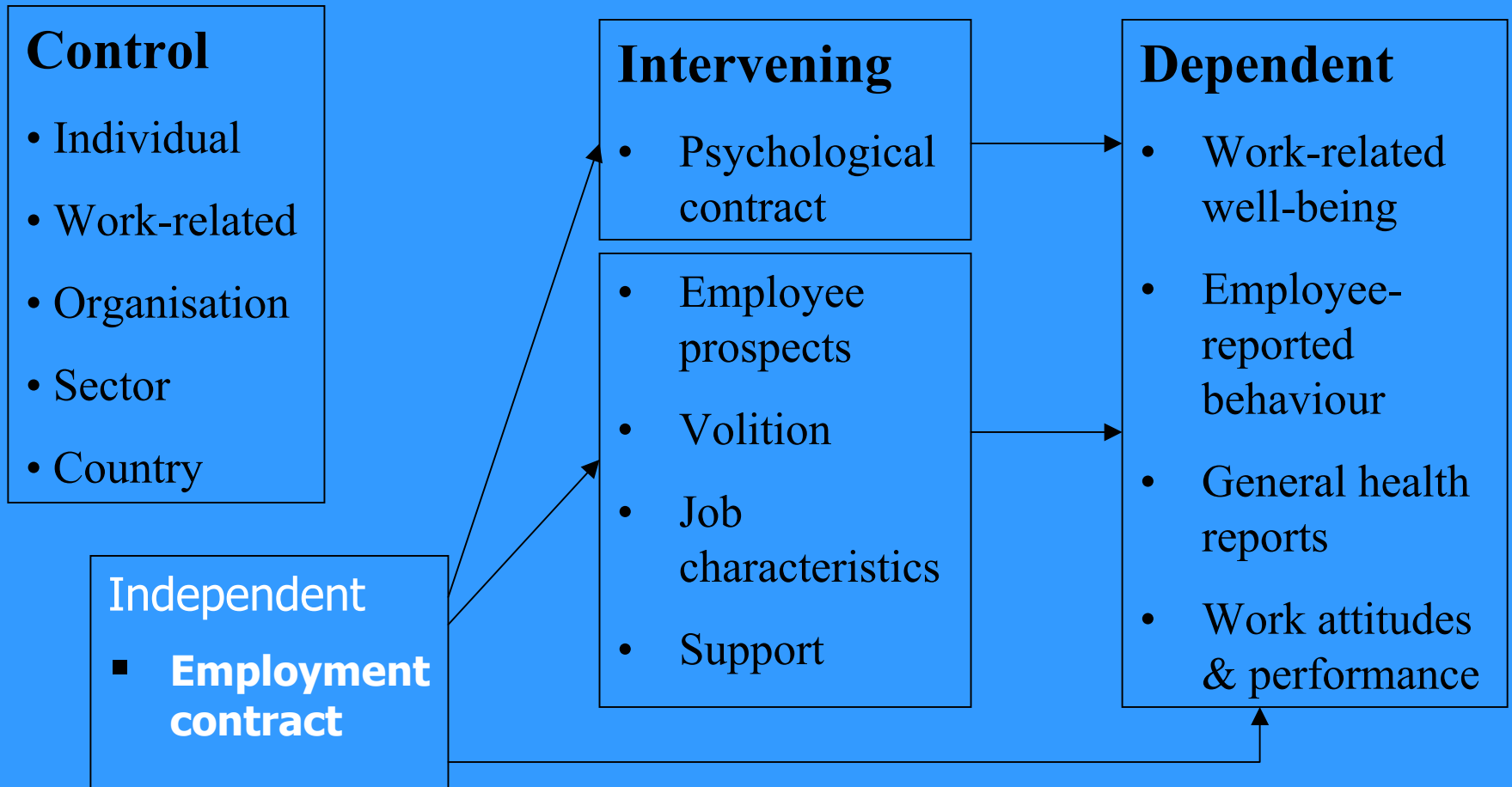
Temporary Employment as a Critical Case: The Upside

- **Handy: benefits of portfolio careers, portfolio jobs and the 'free' worker**
- **Growth of knowledge work and the boundaryless career thesis**
- **Facilitates work-life balance**
- **We are all temporary now - Cappelli**

The Psycones Project Research Aims

- To explore the impact of type of employment contract on workers' well-being
- To explore the role of the psychological contract as a potential mediating variable
- To identify other influences on workers' well-being
- To compare workers in different sectors and different kinds of work
- To compare results across a number of different countries in Europe

Employment Contracts in Europe: The Full Research Model



Initial Hypotheses

- **Workers on temporary contracts will report lower well-being than those on permanent contracts**
- **Temporary workers will report:**
 - **lower fulfilment/more violation of the psychological contract**
 - **less likelihood of being on contract of choice**
 - **poorer job content**
 - **less organizational support**
- **The results will be similar across countries and sectors**

The Psycones Study Sample

- **5288 respondents from 207 organisations**
- **Sweden, Germany, the Netherlands, Belgium, UK, Spain and Israel**
- **Manufacturing, education and retail/service sectors**
- **37% were non-permanent of which 62% on fixed term contracts**
- **55% were female**
- **mean age of 37 years**
- **average tenure of the sample was 8 years**
- **average working hours were 35 hours/week**
- **reported average of 4 out of 8 HR practices**

Results 1: Employment contracts and well-being

| Permanent contract and: | betas |
|---|-----------------|
| Job satisfaction | -0.11*** |
| Organizational commitment | -0.01 |
| Self-rated performance | 0.00 |
| Sick leave | 0.11*** |
| Positive influence of work on home | -0.04* |
| Anxiety | 0.10*** |
| Depression | 0.12*** |
| General health | -0.07** |
| Life satisfaction | -0.04 |

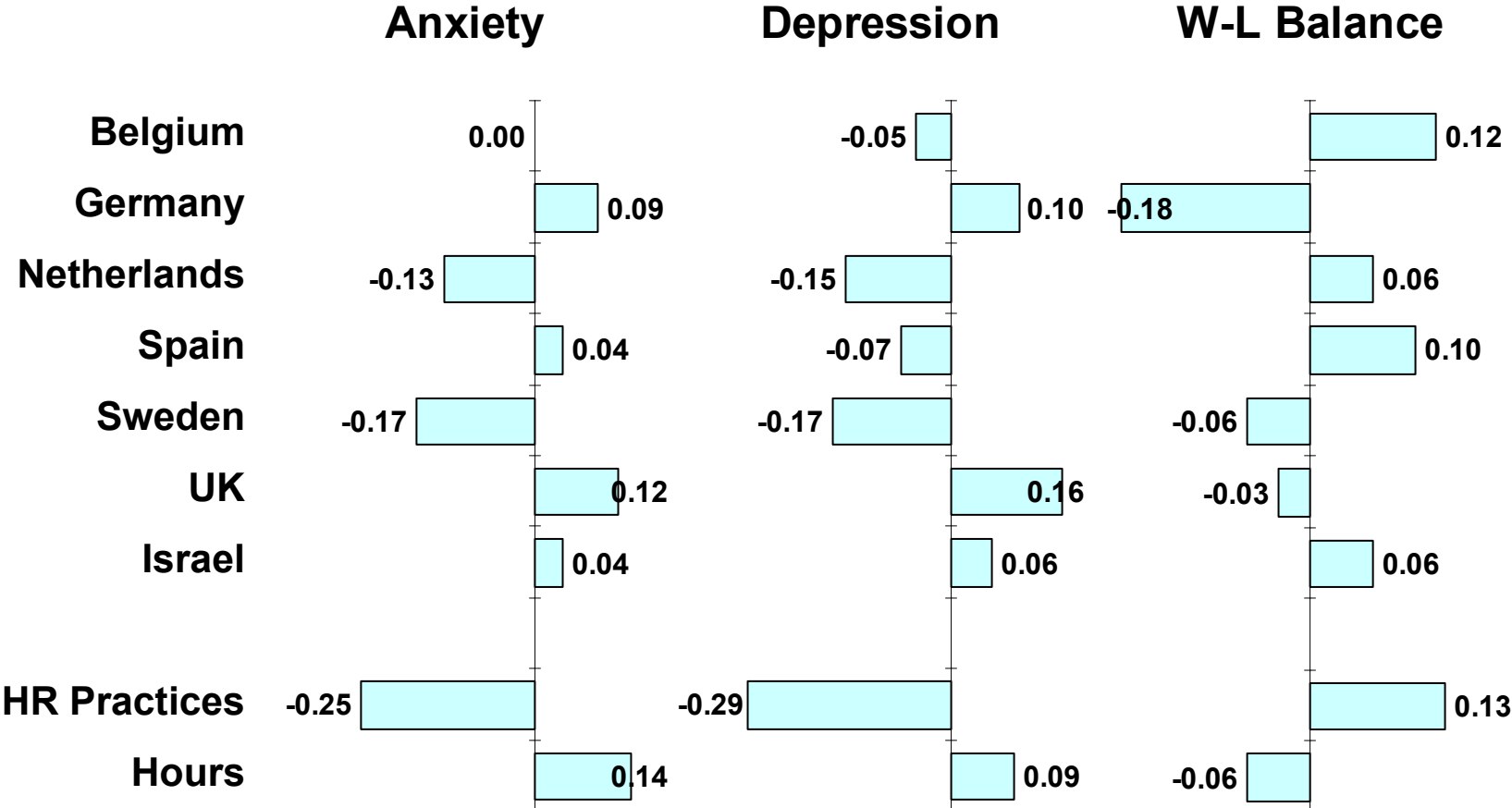
Results 2: Employment contracts and 'mediators'

| Permanent contract: | betas |
|---|-----------------|
| Contract of choice | 0.55*** |
| Job insecurity | -0.34*** |
| Employability | 0.03 |
| Autonomy | 0.07*** |
| Workload | 0.12*** |
| Perceived organizational support | -0.08*** |
| Fulfilment of psychological contract | -0.08*** |
| Violation of psychological contract | 0.12*** |
| Trust | -0.09*** |
| Fairness | -0.13*** |

Results 3: Effect of Mediators

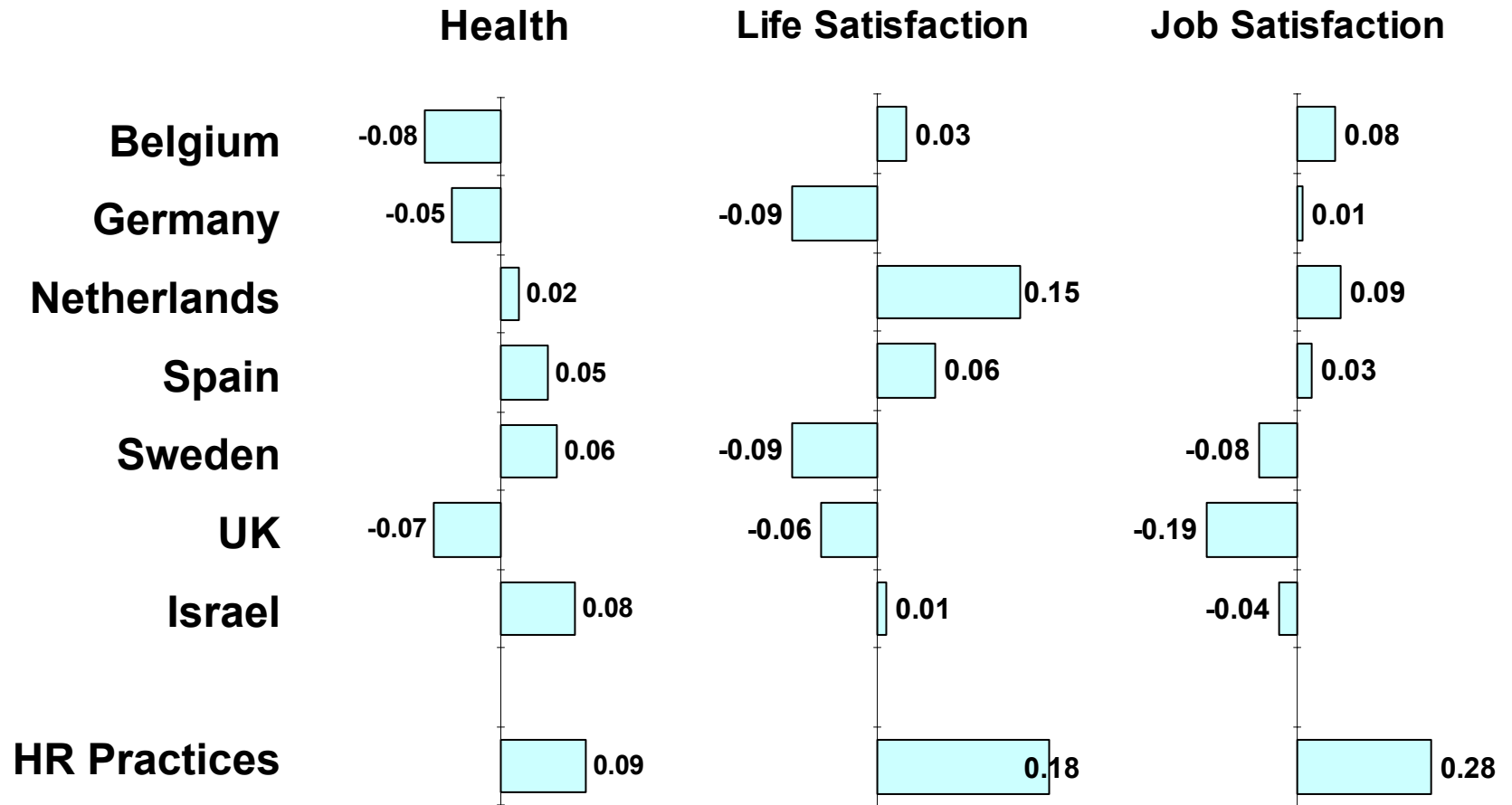
| Permanent contract (betas) | Before Mediators | After Mediators |
|----------------------------|------------------|-----------------|
| Job satisfaction | -0.11*** | -0.06*** |
| Organizational commitment | -0.01 | - |
| Self-rated performance | 0.00 | - |
| Sick leave | 0.11*** | 0.04 |
| Influence of work on home | -0.04* | -0.02 |
| Anxiety | 0.10*** | 0.06*** |
| Depression | 0.12*** | 0.07*** |
| General health | -0.07*** | -0.07*** |
| Life satisfaction | -0.04 | -0.05* |

European Comparisons of Well-Being 1



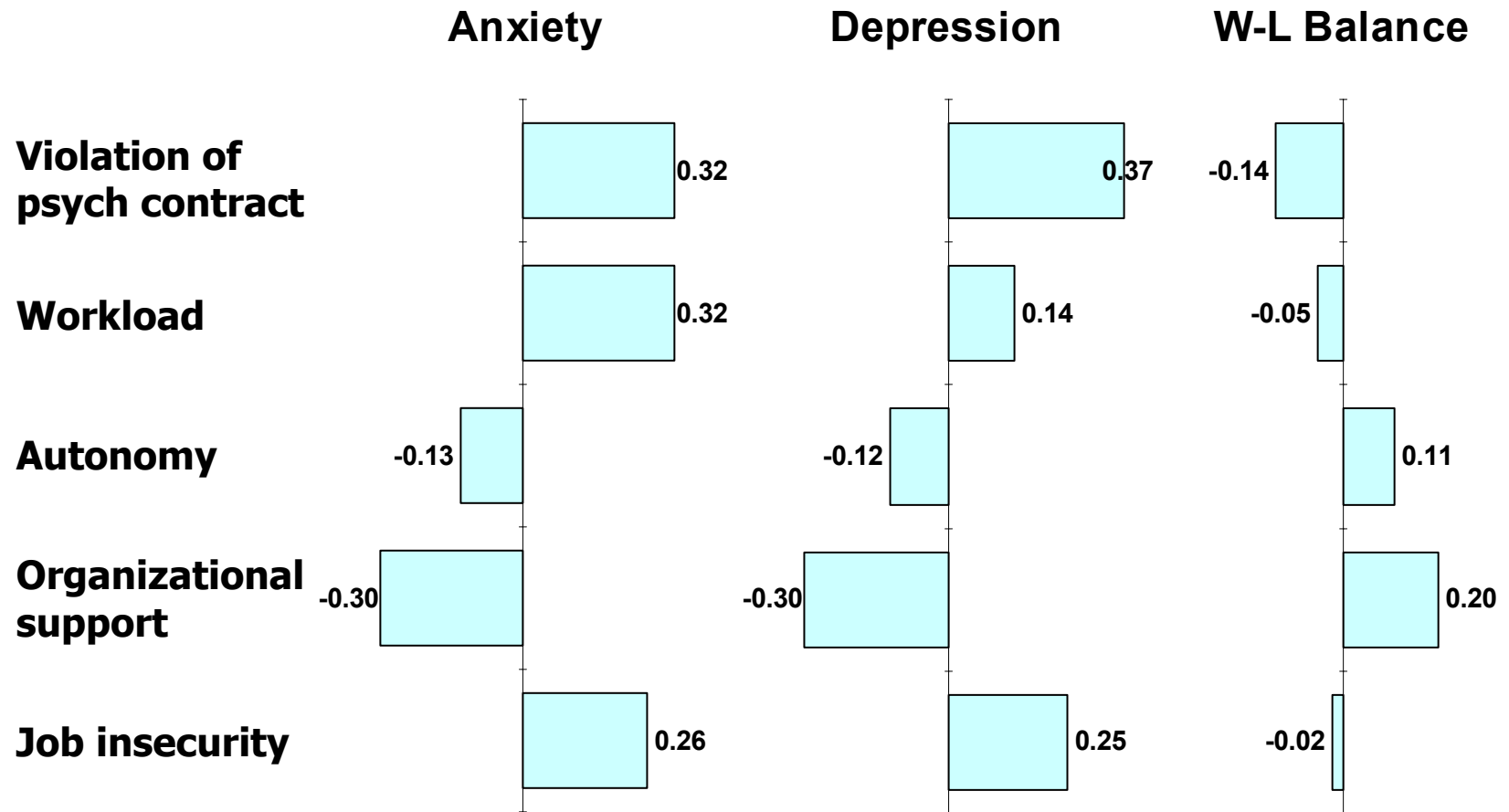
Beta weights in regressions controlling for other background factors

European Comparisons of Well-Being 2



Beta weights in regressions controlling for other background factors

European Comparisons of Well-Being 3



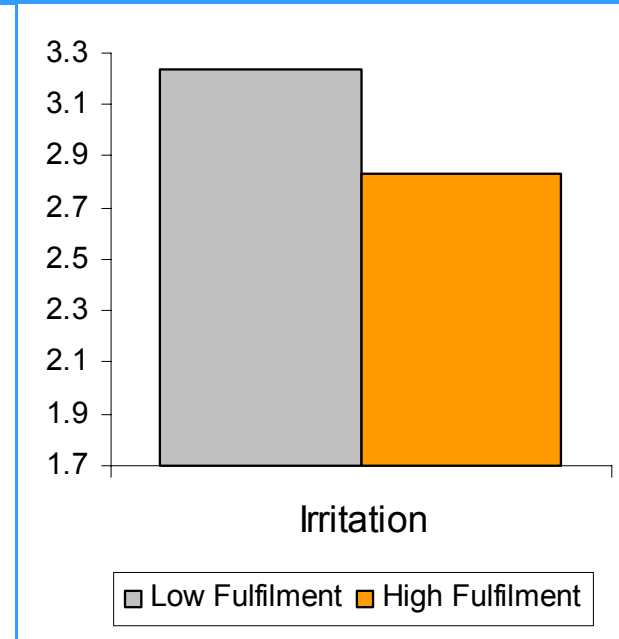
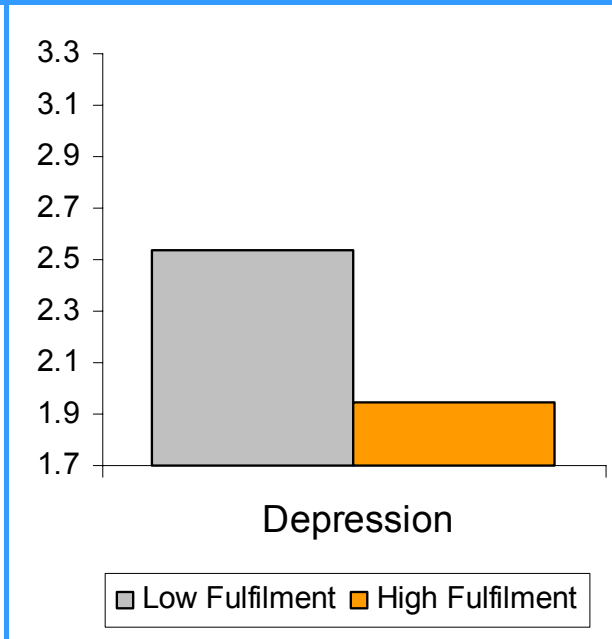
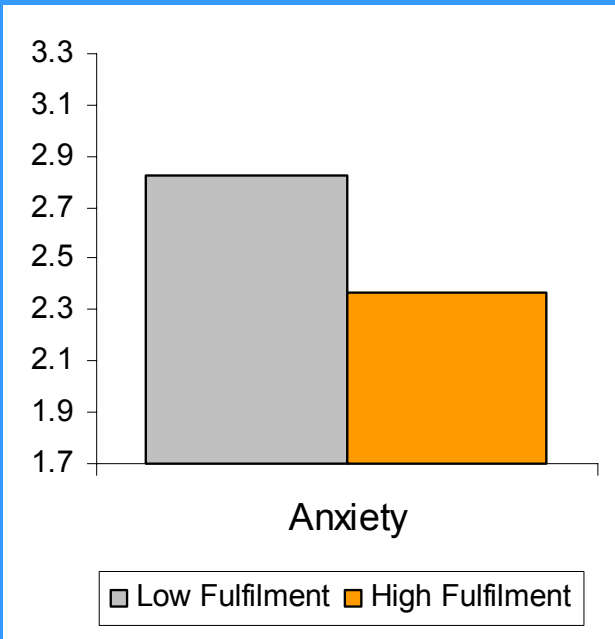
Beta weights in regressions controlling for other background factors

European Comparisons of Well-Being 4

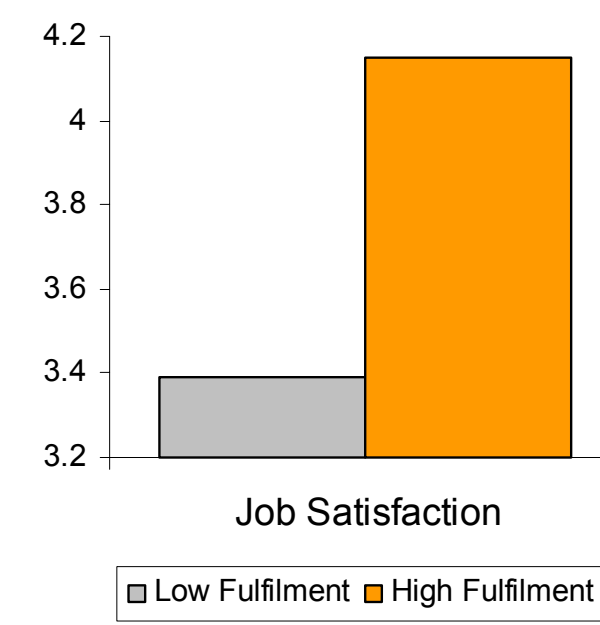
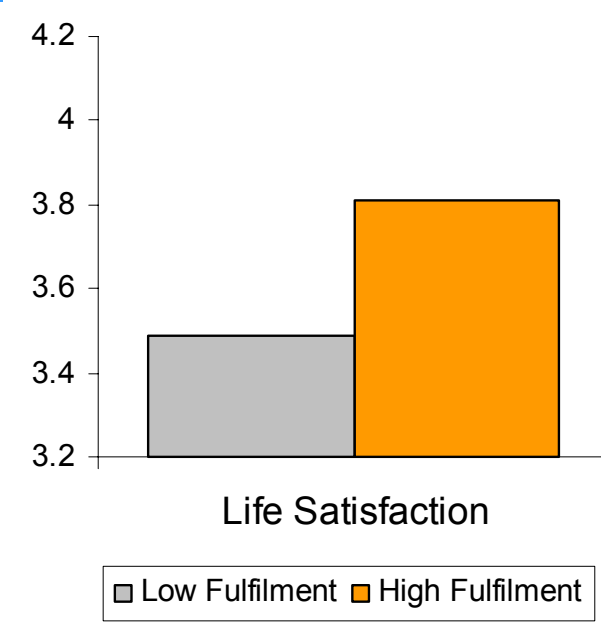
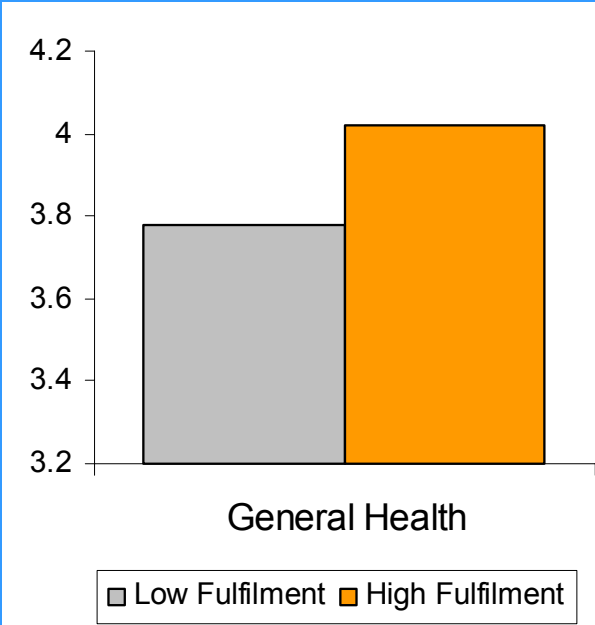


Beta weights in regressions controlling for other background factors

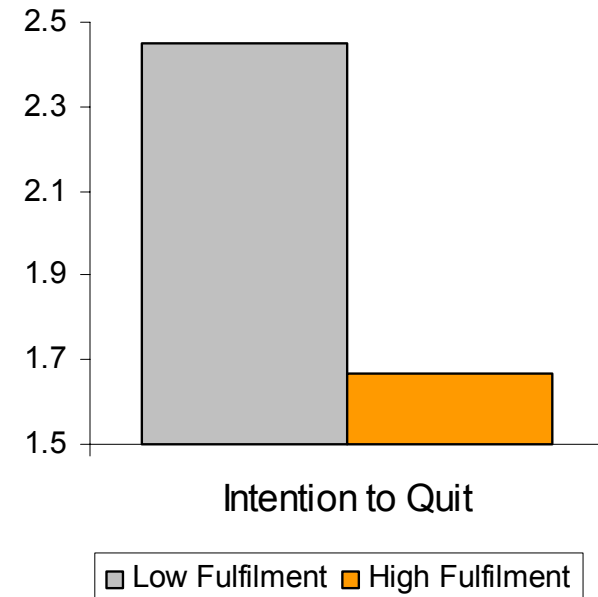
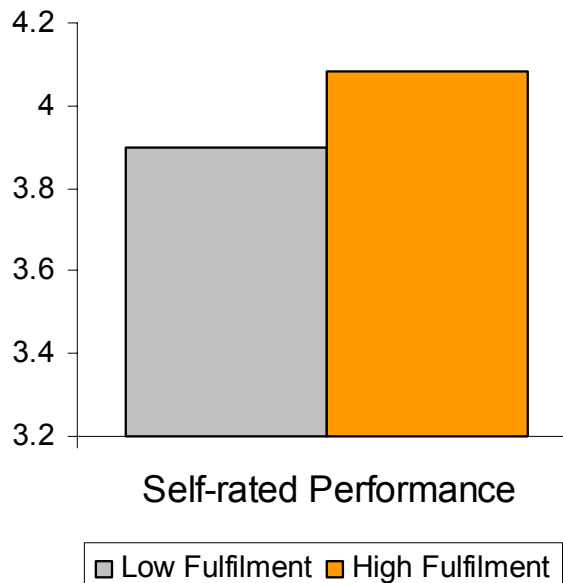
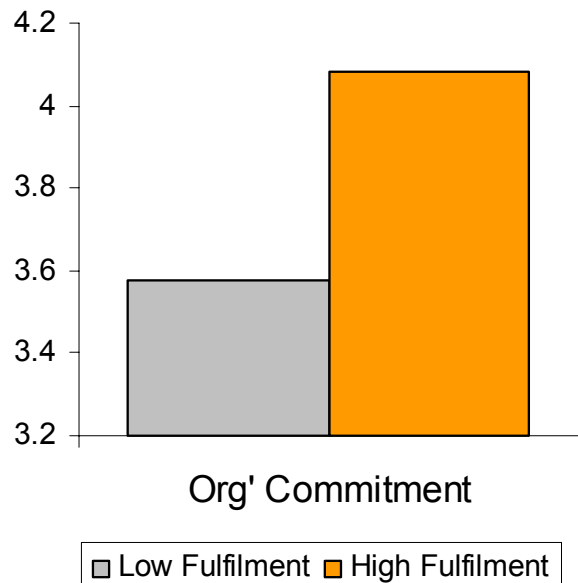
Psychological Contract & Work-Related Well-being



Psychological Contract & Health & Satisfaction



Psychological Contract & Work Attitudes



Summary of Results

- **Permanent workers report lower well-being than temporary workers**
- **The mediators have only a minor partial mediation effect**
- **Violation of the psychological contract is the strongest mediator**
- **Results are similar across all countries**
- **Country and sector levels account for less than 10 per cent of the variance in results**

How do we explain these results?

- **Lower expectations of temporary workers**
- **Better psychological contracts of temporary workers**
- **Better experience of work of temporary workers**
- **Increasing demands on permanent workers**
- **But – many temporary workers still want permanent jobs**

Web page: www.uv.es/~psycon

Some policy implications

- **Review the nature of promises**
- **Review determinants of a positive psychological contract**

What Promises are Made?

Most frequent promises

| | Sw | Ger | Neth | Bel | UK | Sp | Is |
|-----------------|----|-----|------|-----|----|----|----|
| Safe working | + | | + | + | + | + | + |
| Good relations | | + | + | | | + | + |
| Good atmosphere | + | + | + | + | | | |
| Fair treatment | | | | | + | + | + |
| No harassment | + | | | | + | | |
| Job security | | | | + | | | |
| Good pay | | + | | | | | |

What Promises Are Kept?

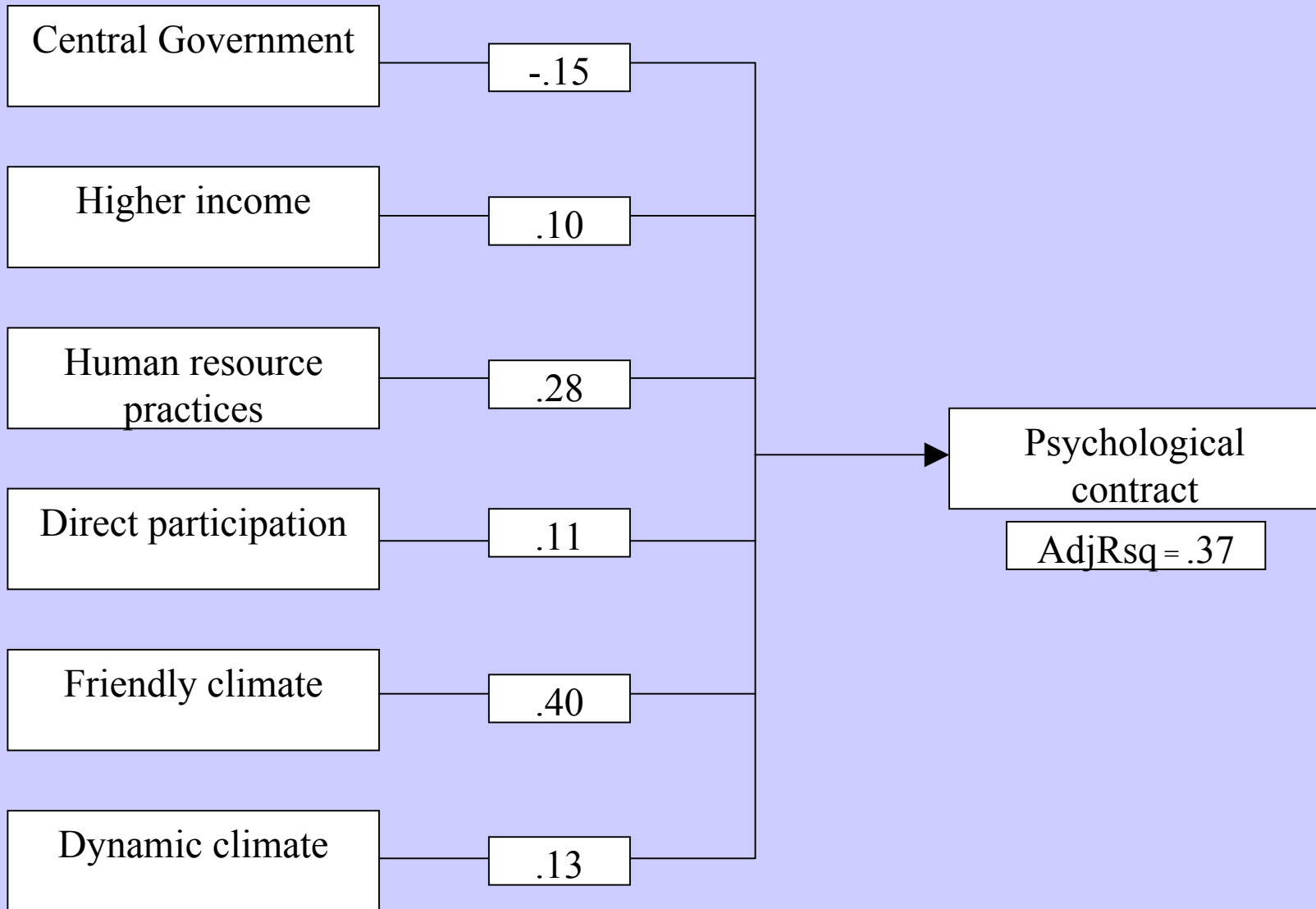
Most Frequently Kept Promises

| | Sw | Ger | Neth | Bel | UK | Sp | Is |
|----------------|----|-----|------|-----|----|----|----|
| No harassment | + | + | + | + | + | + | + |
| Safe working | | + | + | + | | + | |
| Job security | + | + | | + | + | + | + |
| Good relations | | | + | | | + | |
| Fair treatment | + | | | | | | |

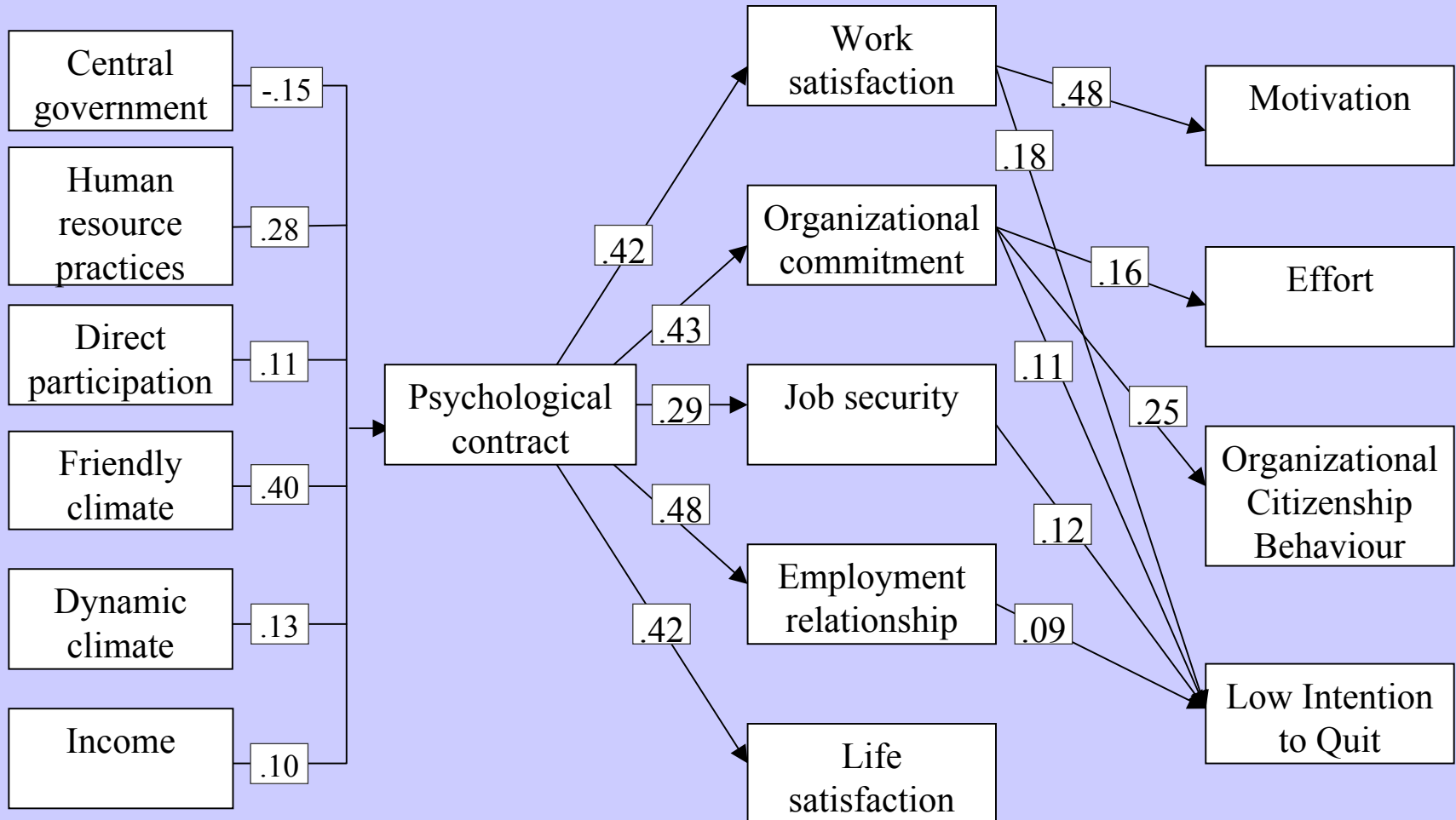
What Promises Are Not Kept?

| | Sw | Ger | Neth | Bel | UK | Sp | Is |
|----------------------|----|-----|------|-----|----|----|----|
| Career opportunities | + | + | + | + | | | + |
| Advancement/growth | | | + | + | + | | + |
| Employment prospects | + | + | + | | | | |
| Participation | | + | | + | + | + | |
| Interesting work | + | | | | | + | |
| Good pay | | | | | | + | + |
| Work/non-work | | | | | + | | |

Determinants of the Psychological Contract (UK)



The Role of the Psychological Contract



Policy conclusions

- **Well-managed employment flexibility does not harm well-being**
- **Recognise importance of levels for 'the deal'**
- **Flexibility leads to more idiosyncratic deals and more pressure on line managers**
- **Psychological contract needs regular re-negotiation**
- **Keep promises on personal futures; workload; participation; and provide organizational support and emphasise high commitment HRM**