

## **THE PSYCHOLOGICAL CONTRACT**

A useful model of the psychological contract is offered by Professor David Guest of Kings College London (see table below). In outline, the model suggests that:

*“...the extent to which employers adopt people management practices will influence the state of the psychological contract..”*

The contract is based on employees' sense of fairness and trust and their belief that the employer is honouring the 'deal' between them where the psychological contract is positive, increased employee commitment and satisfaction will have a positive impact on business performance.

### **A model of the psychological contract (adapted from Guest)**

<b>Inputs</b>	<b>Content</b>	<b>Outputs</b>
employee characteristics	fairness	employee behaviour
organisation characteristics	trust	Performance

### **What happens if the contract is broken?**

Research evidence shows that, where employees believe that management have broken promises or failed to deliver on commitments, this has a negative effect on job satisfaction and commitment and on the psychological contract as a whole. This is particularly the case where managers themselves are responsible for breaches, for instance where employees do not receive promised training, or performance reviews are badly handled. Managers cannot always ensure that commitments are fulfilled - for example where employment prospects deteriorate or organisations are affected by mergers or restructuring – but they may still take some blame in the eyes of employees.

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