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A PSYCHOSOCIAL APPROACH TO PSYCHOLOGICAL CONTRACTS: THEORY AND APPLICATION FOR MODERN ORGANIZATIONS

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Introduction

I'll try to be "less academic," as I believe my readers have had ample opportunity to review and reflect on the roots of psychological contracts. From Argyris (1960) seminal work to the ideas of Denise Rousseau (1995), there has been much debate about this highly complex and slippery concept.

The foundational concepts of psychological contracts were developed by early researchers, such as Argyris (1960), Levinson, Price, Munden, and Solley (1962), and Schein (1965); these concepts allowed later researchers, such as Kotter (1973), Rousseau (1995), Robinson (1996), and Guest (1998, 2004), to deepen our understanding of psychological contracts, particularly their dynamics. Indeed, there has been considerable research in this area since its inception, with numerous special editions having been dedicated to it in respected peer-reviewed journals like *Human Resource Management* (1994), *Human Resource Management Journal* (1994), *European Journal of Work Psychology* (1996), and the renowned *Journal of Organizational Behaviour* (1998, 2003).

This chapter aims to present the findings of a four-year study that was conducted with managers from different organizations and their teams in a practical and easy-to-read manner. At the end of this chapter, I will also discuss how the psychological contract framework can be applied in modern organizations.

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Contextual considerations about the world of work

Advancements in robotics, artificial intelligence (AI), data analytics, and many other fields figure prominently in our modern understanding of the business landscape. This is not a surprise, as all narratives point in one direction: the world of work as we know it is changing. This has led some commentators to take a rather gloomy view of the future that is marked by the massive extinction of jobs and global crises spurred by mass unemployment due to structural changes. In contrast, others have taken a highly optimistic outlook based on the belief that people will learn new skills and apply for new jobs, with machines only being used to replace less complicated activities. While only time will tell which group is correct, one thing is clear: the human labour force is being replaced by machines. This is supported by a recent report published by McKinsey (2017), which predicts that approximately one-third of all work activities will be displaced due to technological advancements in robotics by the year 2030.

I am inclined towards a more middle-of-the-road view. Yes, some jobs will be taken over by AI and robots, but many others will be created in their place. Some workers will be left unemployed, while others will thrive in this new business ecosystem. But then, hasn't this been the case since the dawn of the Industrial Revolution? In my over 14 years of teaching, I have seen many instances of this panic. For example, I remember how some professors thought that computers (especially PowerPoint presentations) and other technological innovations would render them obsolete. Well, here we are, and the position of Professor does not appear to be in danger of turning up on the "Endangered Occupations" list any time soon.

Organizations are increasingly shifting towards horizontal designs, and the prevailing entrepreneurial mindset has formed a new business ecosystem. Consequently, these developments have produced some notable psychosocial changes in the workforce. As a coping mechanism, many companies have developed new ways of doing business in order to deal with these fast-paced changes. The amplification of technologically mediated relations brings with it several hurdles such as the extreme flexibilization of working hours, like getting called on Skype after dinner, or the managing of the company's image online. Perhaps the largest of these hurdles is the basic fact that people would rather not only interact with machines. Indeed, no matter what the business is.

Amid all, one factor remains as a constant: human relationships and work interactions. No matter what the business is, how much money it makes, or the environment it is in, people still want to talk and work with other people. In addition, the workplace continues to be defined by interpersonal relationships: managers must manage people and processes; employees have bosses who direct them and to whom they must report; and both employees and managers are tied into macro-level structures serving, for example, the interest of shareholders and an ever-increasing demanding customer base. Given these relationships, the importance of discussing modern approaches to psychological contracts in the workplace becomes clear.

Psychological contracts today

According to Rousseau (1997, 2001), many macro-level forces manifest themselves in the form of changes in how work is organized; for example, the substitution of traditional employment arrangements for inter-organizational networks—which are capable of expanding and contracting due their use of a flexible workforce—or the weakening of unions across the globe as a result of the individualization of work relations. Such changes affect the way people are hired, managed, paid, and dismissed.

These changes have led to the erosion of external guidelines for human behaviour at work, which has in turn given rise to the need for more robust internal guidelines capable of operating within the fluid boundaries of modern organizations. Thus, this erosion of external instructions has led to the tendency for organizations to value change and learning over the traditional strict rule-based processes.

In this volatile, uncertain, complex, and ambiguous (VUCA) situation, the psychological contract emerges as a suitable alternative to the traditional post-industrial model for managing people. Guest (2004) identifies five features of this new environment that explain why psychological contracts are an effective mechanism for leading people within it: i) smaller numbers of employees have made unionization difficult, as there is a direct channel between employees and management; ii) a shift towards a more flexible workforce, which has given rise to several types of contracts related to aspects of employment such as hours of work, wages, exceptions, and physical location; iii) an increased urgency in change efforts due to market dynamics; iv) the growing interest in work-life balance; and v) the decline of collective negotiations in non-unionized workplaces.

In other words, organizations need new people-management models, and the psychological contract approach fills this need particularly well because it is highly adaptable to the dynamic and complex conditions of the modern business landscape. As Hiltrop (1995) explains, psychological contracts accomplish two tasks: they define the employment relationship and manage mutual expectations. Put simply, employers want to know in advance what kind of outputs they will get from employees, and employees want a clear sense of the rewards they will get from investing their time and effort into the organization (p. 287).

Before diving into Chiuzi's model, a couple of relevant questions must be answered:

1. How do psychological contracts manifest in the workplace? (i.e. how do we know for sure that there is such a thing as a psychological contract?)
2. How can psychological contracts be categorized and defined?

The first inquiry takes us to a very shady area, as the psychological contract is a somewhat subjective phenomenon. As such, the existence of a psychological contract can only be determined by analyzing human agency, narratives, and other manifestations in a social context. Perhaps the most concrete determinant of whether a psychological contract exists between parties is when there is a discrepancy between what is expected and what actually occurs in a given situation. That is, the most tangible manifestation of a psychological contract occurs when one party (or both) considers it to have been breached.

Not surprisingly, contract breaches have been one of the most investigated issues in the recent psychological contract literature. Breaches are primarily associated with a number of constructs, such as organizational justice (Akremi & Ameur, 2005; Tekleab, Takeuchi, & Taylor, 2005), changes in job roles (Robinson, Kraatz, & Rousseau, 1994; Robinson & Rousseau, 1994; Robinson, 1996), organizational skepticism (Johnson & O'leary-Kelly, 2003), and deviant behaviours (Bordia, Restubog, & Tang, 2008). Consequently, employees who perceive breaches in their psychological contracts with their employers tend to be more skeptical, exhibit greater levels of deviant behaviour, show greater resistance to change, and have elevated levels of perceived injustice in the workplace. One does not need to be a genius to recognize that employees who feel this way are highly likely to leave the organization as a result. Given all of this, I think we can agree that there is significant data showing that psychological contracts are very "real," indeed.

The second question is a bit more challenging. After all, how can we categorize the various types of psychological contracts? Cullinane and Dundon (2006) note that the wide range of psychological variables that this construct has been applied to have made it something of an "analytical nightmare" from a research standpoint. For example, authors have variously conceptualized psychological contracts in relation to things like expectations, promises, exchanges, mutuality, and reciprocity, among others. In this chapter, we will conceive of psychological contracts as proposed by Chiuzi (2014):

> The work psychological contracts are a set of mutual obligations between employer and employees. It is a subjective, dynamic, and mostly implied phenomenon present in the professional environment. The psychological contract is based on reciprocity between the parties, and established by the future intent of actions, attitudes, and behaviours. (pp. 32-33)

This model, including the proposed dynamics, will be explored in the next section. However, before proceeding, a quick recap is in order: we are proposing the psychological contract as a viable and modern alternative to employee management that fosters stronger employment relationships. In addition, it is also important to remember that psychological contracts are phenomena that are most effectively interpreted from a psychosocial perspective.

The new model

This model was proposed by Chiuzi (2014) after an extensive four-year study of managers and their teams. The participants were from different organizations in distinct sectors (manufacturing, services, and public and private organizations). The proposed model is considered an improvement of Rousseau's theory (1995) and is strongly aligned with Guest's (2002, 2004, 2008) also Conway & Briner's (2002, 2005) ideas.

Psychological contracts are forged through two central processes: formation and change. The act of "figuring out the clauses"—that is, how one casts and changes these clauses over time—will take place in both of these central processes (Shalk & Roe, 2007). The proposed model is visually depicted in Figure 1, which is followed by a detailed explanation of the model's underlying dynamics.

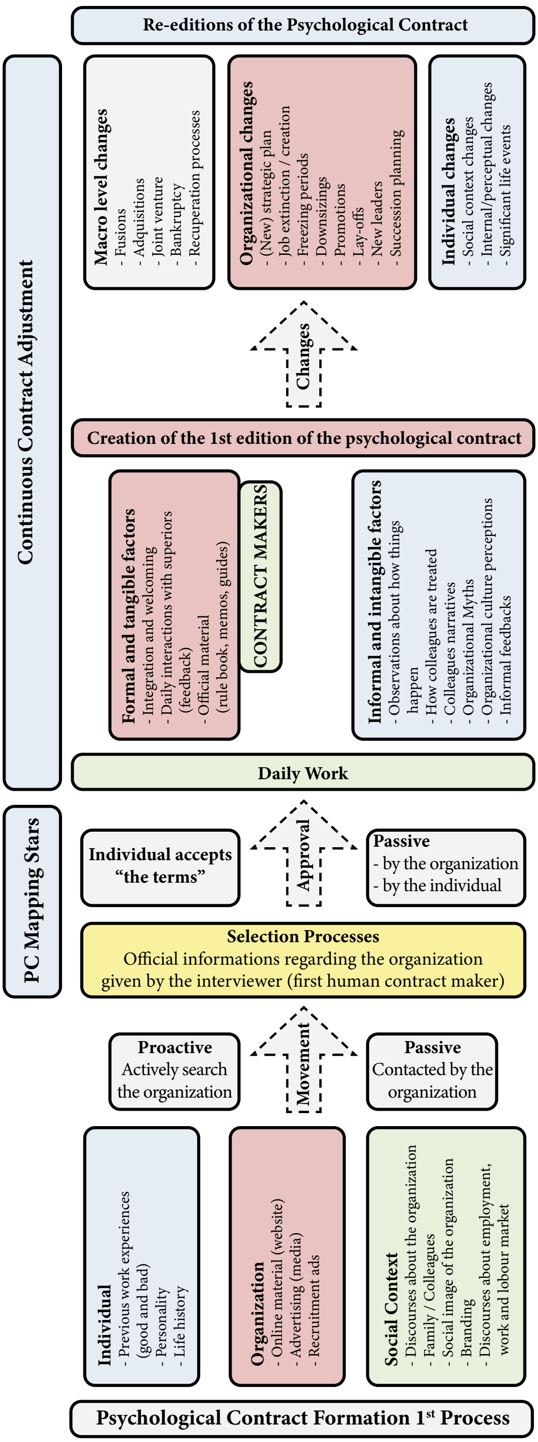
The model is based on four critical premises:

a. It works in editions and re-editions of its contents.

b. Reciprocity (Gouldner, 1960) plays a critical role in both its homomorphic and heteromorphic forms.

c. Change is a constant, hence the proposed dynamics.

d. As a psychosocial phenomenon, psychological contracts are dependent on both intrinsic and extrinsic contingencies.


Re-editions of the Psychological Contract
Continuous Contract Adjustment
Macro level changes
- Fusions
- Adquisitions
- Joint venture
- Bankruptcy
- Recuperation processes
Organizational changes
- (New) strategic plan
- Job extinction / creation
- Freezing periods
- Downsizings
- Promotions
- Lay-offs
- New leaders
- Succession planning
Individual changes
- Social context changes
- Internal/perceptual changes
- Significant life events
Changes
Creation of the 1st edition of the psychological contract
Formal and tangible factors
- Integration and welcoming
- Daily interactions with superiors (feedback)
- Official material (rule book, memos, guides)
CONTRACT MAKERS
Informal and intangible factors
- Observations about how things happen
- How colleagues are treated
- Colleagues narratives
- Organizational Myths
- Organizational culture perceptions
- Informal feedbacks
Daily Work
PC Mapping Stars
Individual accepts "the terms"
Approval
Passive
- by the organization
- by the individual
Selection Processes
Official informations regarding the organization given by the interviewer (first human contract maker)
Proactive
Actively search the organization
Movement
Passive
Contacted by the organization
Individual
- Previous work experiences (good and bad)
- Personality
- Life history
Organization
- Online material (website)
- Advertising (media)
- Recruitment ads
Social Context
- Discourses about the organization
- Family / Colleagues
- Social image of the organization
- Branding
- Discourses about employment, work and lobour market
Psychological Contract Formation 1st Process

The History of John Smith

In order to help us understand the model, let's consider the case of John Smith (not his real name), who was one of the participants in my Ph.D. research. John is a 37-year old engineer and is married with one child. He came from humble origins and was the first person in his family to get a university degree. His father was a bus driver and his mother was a housewife. When I interviewed John, his current job title was Senior Manager, Compliance, with a steel manufacturer. I will call this company #Steeler. This was his third job experience. Prior to working at #Steeler, John spent six years as a total quality engineer, and before that he worked as an intern at a bank.

In reflecting on his decision to quit his old job and apply for his current one, John emphasized how much he appreciated #Steeler's brand value, how difficult it was to find a good job in the tight job market of 2011, and how much he believed he deserved a better position due to his qualifications and expertise. He had just finished a post-graduate degree, as well as his TQM (Total Quality Management) certification. He had thoroughly considered the risks and rewards of this career transition with his wife, and they decided that the raise in salary was worth the extra forty minutes that would be added to John's daily commute. It is also worth noting that John was hired as a junior manager in the total quality management department, not compliance, but we'll get to this shortly.

John "knew" that #Steeler had a culture of promoting from within and that they were shifting towards a participative and collaborative management style, which he learned from reviewing their website. #Steeler's bonus policy was also quite attractive for young managers, plus the company offered numerous incentives and allowances for employees to get certain qualifications or to pursue professional development opportunities. John was enthusiastic about these incentive programs, as they offered him the perfect opportunity to start his MBA. According to John, he believed he and #Steeler would be a good fit, as the company signaled many desirable traits; "It was just a good fit," he told me with a smile on his face.

Now that we've gotten to know John, let's return to the model for a moment. As John's story shows, the psychological contract is formed before the official hiring process even begins (Rousseau, 2001; Svensson & Wolvén, 2010). For a prospective employee, the psychological contract begins form as a result of reading the job posting, talking to people who have worked for that company, as well as from all other pieces of information that are collected from legitimate sources (O'Leary & Schenk, 2000).

When forming the psychological contract, a set of intrinsic and extrinsic factors come into play. On the psychological/individual side, factors such as personality (Raja, Johns & Ntalianis, 2004), past work experiences, and life history play an important role in shaping the individual's perception of their obligations to, and expectations of, their future employer. On the extrinsic side, prospective employees will be affected by direct organizational messages and the broader social context concerning the organization. When browsing an organization's website, for instance, elements such as mission and vision statements, shareholder reports, corporate social responsibility advertisements, and the job posting itself (recruitment ad) can all shape how a prospective applicant views the organization and their expectations of it.

On the other hand, broadly speaking, the organization's social context also influences the formation of the psychological contract. Some of the social features that exert a particular influence in this respect include: the company's brand power, discourses about the company, what one's family and friends think about the company, media releases, and even current narratives about trends in the job market. These features are what Rousseau (1995) calls "social cues," and they are closely interrelated to secondary factors such as gender, age, current compensation, and educational level (Guest, 2004). Moreover, the predispositions of both the individual and the organization play a significant role in defining each party's perception of the rights and duties that will be tied into the contract (Roheling, 1997).

This combination of psychological and social factors allows the individual to form the "first draft" of the psychological contract. While this draft will become the lens that filters the individual's information seeking and cognitive processing activities, it will continue to be modified in response to their daily experiences at work. Another way to think of this first draft is as a mental list of what the individual expects of the employer and what they perceive their obligations to be within the context of the exchange that is about to happen. Imagine you can see John's thought process. Perhaps his first draft might sound something like this: "okay, this is what I can offer #Steeler: my experience, my qualifications, my willingness to increase my commute, and my strong work ethic. In return, I expect good career prospects with lots of opportunities for advancement and professional development, some participation in the decision-making process, and a positive work environment."

Speaking of John, let's get back to him. After reading the job posting, John did some research on #Steeler and talked to friends and family about both the company and the prospects of making a career change. After all of this, he made the decision to apply for the vacant junior total quality manager position. After an initial round of candidate screening, John was selected for the final round of interviews. The first interview was with the senior manager of human resources. John told me that it was a friendly interview and that, after going through all of the job's technical aspects, the discussion mainly focused on the company's workplace culture and the challenges associated with the position. The second interview was with his soon-to-be boss. John perceived him as an easy-going person, with an exciting outlook of the business and an intriguing vision for the TQ department. His first impressions were positive, and he remembered feeling excited to become a part of #Steeler.

Like John, thousands of candidates go through the same process. Usually, they are either poached from other companies, or, like in John's case, they have decided that it's time to move on and are actively searching for a new job. It is precisely during the selection process that an applicant's first draft will be assessed against the concrete information provided by the first human contract maker—the interviewer. From the organization's end of things, the contract maker could be the HR department, the hiring manager, or even an external consultant (Rousseau, 1994). If the candidate likes what they see but the organization doesn't, the outcome is a rejection. If the organization believes the candidate is a good fit but the candidate doesn't feel the same after scanning their first draft again, it again ends with rejection. However, if the candidate believes the employer will meet most of their expectations, and if the organization believes that the candidate is a good fit, then things move forward. This was the case with John.

Transformations and adjustments in the psychological contract

John's first day was filled with the usual activities: reviewing orientation packages, watching greeting videos, trying to absorb information about policies and procedures, doing a meet and greet with his new colleagues, and finally having lunch with his new team. Over his first few weeks, John would be wholly occupied by his new job, attending meetings, talking to people, familiarizing himself with the department's needs, and having a lot of one-on-one conversations with his superiors and his team members. According to John, some things were expected whereas others were a little different than he thought they would be – "But this is normal in every company," said John.

It is virtually impossible to anticipate the full spectrum of expectations and obligations in any employment relationship. Nonetheless, some change is to be expected and tolerated, and the intensity of these expected changes will dictate the individual's behaviour. Rousseau (1995, 1996) refers to these changes as "contract drifts." In contract drifts, change is rooted in factors such as age and personality, as well as minor changes, known as contractual shifts, which do not disrupt the individual's core beliefs. The most severe type of change is called "transformation," which is usually the result of a breach of the psychological contract. However, we each have a different change threshold—that is, how much change we will find acceptable—and this boundary is very difficult to define (Guest, 2004).

John's first weeks are crucial, as they mark the beginning of a series of continual adjustments to his psychological contract with the company. After his first few weeks, John will have been exposed to the official contract makers: memos, formal feedback from his superiors and peers, guides, onboarding training, and many other organization-controlled narratives that will tell John what, in fact, he should and should not expect from this relationship. At the same time, the informal organization conveys powerful cues to John. Some examples of this include the way John's colleagues are treated, "epic" stories about disgruntled employees, and myths surrounding the CEO; in short, the way things happen on a daily basis is a by-product of the informal organization.

These formal and informal contract makers provide John with the information he needs to fine tune his expectations until he has reached a relatively stable set of understandings. This set of understandings will make up the first edition of his psychological contract with #Steeler. In order to better understand this process, we can use the example of a written legal contract. Imagine that John has the contract in one hand and a red marker in the other. As John's first few weeks pass, he makes a check mark next to the clauses that are "actually happening" and strikes out those that are "not happening" (and most likely will not happen).

According to Shore and Tetrick (1994), the psychological contract operates as a buffer for insecurities and compensates for the fact that it is impossible to draft a formal contract covering all aspects of employment. Furthermore, psychological contracts mould behaviours within the company and carry information regarding influences within the organizational setting (Thomas & Anderson, 1998). Therefore, it is safe to say that workplace psychological contracts are formed during the day-to-day operations and settings of a given organization (Chiuzi, 2012). As such, an employee's psychological contract must be viewed as being the product of a long-term construction process.

Although this "check and scratch" process takes place over months of day-to-day experience in the workplace, it tends to occur with greater intensity during the first few months on the job. About this process, John said:

> "It's like coming to work expecting a novelty. You learn something new every day, and you try to manage all the wealth of information with grace. But some other issues, like my ambition of starting my MBA for example, I knew I should keep with myself and

> wait for the right time to bring it up. This is not something you will talk about in the first months in a job".

When asked whether he was disillusioned about any aspects of the company, John said that #Steeler was like any other company and that it had its positive and negative characteristics. However, John did note that he was somewhat bothered by the "speed of things" at #Steeler.

The change

John was full of ideas; he saw numerous opportunities to step up the game in the TQM Department, from better KPIs to revamping the IT system communication with the ERP. He was energetic and, most importantly, he knows how to make his ideas a reality.

Unfortunately, there was one problem: every time John would bring new ideas to his boss, it felt like the idea would invariable be "put on hold."" John would take the time to prepare and present his case for the change, skillfully using data to show how his idea would improve the business; however, despite his efforts, nothing ever seemed to move forward. John was perplexed: "After all, do they want me to do this or not?" After being with #Steeler for six months, he decided to have a candid conversation with his superiors. He called a meeting with his senior manager, the director, and the VP of operations (his boss's boss). John opened by politely explaining why he'd called the meeting: "The reason I called you here today is to discuss my performance and your view for the TQM Department. I know that the Company has a history of 'taking the time' before implementing some changes, however I feel like this time is becoming too much time." Before John could continue his open-hearted statement, the VP interrupted him.

John froze and expected a harsh response, bracing himself for a bumpy ride. However, the VP's response took a different tone:

> "John, you are a good guy. The reason why things are not moving forward in the TQM Department is that the company is in the middle of a very complicated negotiation with one of our Senior Managers. We had many discussions at the executive level, and we feel that your talents would be better used as a Senior Manager of Compliance."

John was speechless. Before he could say anything, the VP continued:

> "We know that this seems abrupt; however, you've been with us for six months and already gave us a lot to think about in terms of new things we should have been looking

at. Of course, you don't have to give us the answer right away. So, you can think about it and get back to us by the end of the week."

Ultimately, John decided to take the job—after all, it was a promotion from junior to senior manager. Nonetheless, he knew that this "extra money" would come at a cost. Coming from a TQM background, John knew very little about compliance, which meant that he would have to study hard in order to learn the ins and outs of compliance policies, procedures, and the many other elements of the job that would enable him to perform well. In other words, John would not be a shining star in his first months because he would have to figure out how to catch up with the best-in-class with regards to compliance. With the new job (and salary) came a new team, new boss, new stakeholders, and new responsibilities within #Steeler.

For John, this amendment to his psychological contract was acceptable because he perceived the balance between what he offered and what the organization would provide in return as being fair. In other words, there was a mutual reciprocity between John and #Steeler. As stated by Schein (1965), workplace psychological contracts are significantly influenced by organizational culture; due to this direct relationship, the clauses must be interpreted from a broader perspective than that of the individual. In John's case, the contract was clearly reciprocal.

Gouldner's theory (1960) states that reciprocal norms can either be heteromorphic or homomorphic. Heteromorphic reciprocity occurs when a good or service is paid back using a different good or service of equal value ("tit-for-tat"). In contrast, homomorphic reciprocity occurs when a good or service is repaid using the exact same good or service ("tat-for-tat") (p. 172). To illustrate, let's say I borrowed a hundred dollars from a friend, and one month later I paid them back with exactly one hundred dollars. This exchange was fair, and it was settled using the same good. Thus, it is a case of homomorphic reciprocity. Now, let's say that after a month I don't have the money to repay my friend, so instead I offer to wash their car and clean their apartment. If they agree and think this is a fair trade, then I have effectively repaid them using a different currency. This would constitute an example of heteromorphic reciprocity.

Since change is inevitable, a psychological contract model should make contingencies for it in its analytical framework. This is particularly important in the business world, as one of the key universal truths in this sphere is that change is a constant. Changes vary in size and duration. Some changes occur on the macro-level, and these changes are extended in length and have high impacts. Examples of such changes include fusions, mergers, and bankruptcies. Other changes are smaller and internal (organizational changes), such as those that occurred in John's case. Other examples of smaller or internal-level changes include freezing periods, the development and implementation of new strategies, succession planning, layoffs, and the development of new structures.

As changes take place, employees like John will be constantly required to revisit and revise their psychological contracts with the organization. Some may quit if they perceive the changes as representing a massive breach of their "initial agreement." These employees usually describe the emotions that result from such breaches using terms like "betrayal" (Bligh & Carsten, 2005). Conversely, other employees will be more accepting and will adjust their contract in response to the new demands and the new reality brought about by the change. Thus, those who stay will revise their psychological contracts to produce an updated "edition": just like a book, outdated chapters or passages will either be removed or re-written, while other, new chapters or passages will be inserted to keep the manuscript up to date.

John's history is like that of many others around the world. In this ever-changing environment, we should concentrate our efforts on finding new perspectives for managing people and creating beneficial forms of employment that can simultaneously accommodate difference and ensure competitiveness and sustainable financial health.

Final considerations and suggestions

Now that we have discussed what psychological contracts are and how they are formed, I want to make a case for why they matter and why they should be considered a feasible alternative for improving employment relationships. To do so, I will highlight three trends of the future of work and workplaces and their implications regarding the application of the psychological contracts theory for the betterment of employment relationships.

The needs of the new workforce

A report from PWC (2018) found that only about 60% of professionals believe they will have a full-time job in the year 2030. Moreover, the report's authors affirm that professionals' resumes will be defined by their specialties rather than the brands of their previous employers. As a consequence, the report predicts that employee levels near to zero will be the norm for the future. This means that organizations will generally consist of a few pivotal people who will use technology and supply chains to meet their business needs.

Similarly, a report from Deloitte (2016) entitled, "The future of the workforce," highlights some of the forces that are transforming the way people work and relate to the economic market. In particular, Deloitte (2016) identifies four key forces: demographic upheaval; ever-present and changing digital technology; accelerated rates of change and business-model innovation; and the rise of a new social contract. This last factor is especially significant because it describes a transformational force that has led to the reconstruction of social relationships.

At present, it seems inevitable that most human labour will soon be replaced by machines and artificial intelligence. Regardless, it remains the case that organizations will still rely on human expertise to get things done. Indeed, even if we grant that corporations are moving towards near-zero employment, as stated in the PWC (2018) report, these companies will still need humans to perform some actions. In this forecasted scenario, it is plausible to believe that psychological contracts will focus on transactional elements rather than long-term (or relational) ones. However, this is not a new observation, as many other authors have also noted this potential shift (Rousseau, 1995; Hiltrop, 1996; Guest, 2008; Conway & Briner, 2005).

As demographics change and the younger workforce gradually takes over, new values and ways of doing business will emerge. In my experience with undergraduate and graduate students, these traits are apparent; for example, a good portion of my students seriously consider starting their own companies, while others are interested in seeking a globalized and flexible career. Although these goals are markedly different, they share a common ground: flexibility. These students don't seem particularly worried about machines taking over or not being able to find work in the future. In fact, in my many conversations with them, I have noticed that they tend to have a positive outlook regarding this new setting, and that they view it as being conducive to their desire of being great.

Whether you are your own boss or if you work for a company, you still have to "negotiate" your work relationships. Therefore, empowering the new workforce with the skill and ability to negotiate this grey area seems like an appealing arrangement.

From "until death do us part" to "let's see how this goes"

The mindset of the future workforce is clear: rather than long-term careers that are based on mutual respect and loyalty, these new workers prefer fluid relationships and short-term gigs (as a matter of fact, these gigs may be the only option available). I grew up surrounded by traditional Brazilian culture during the 1980s and 1990s, and I can vividly remember my grandparents saying to me "when you jump from branch to branch, no employer wants you." As strange as that advice sounds to me today, it made total sense back then. However, much has changed since then.

A McKinsey Global Institute Report (2016) reveals that 20 to 30% of the working-age population in the United States and the EU-15, or up to 162 million individuals, are engaged in some form of independent work. Significantly, this study found that those who pursued independent work by choice (free agents and casual earners) reported greater levels of satisfaction with their work lives than those who do so out of necessity (reluctants and the financially strapped). This finding was consistent across countries, age, income, and education, with satisfaction levels being directly related to choice.

Now, think of yourself growing up as a Generation Z (or whatever name you want to call people born after the year 2000): you have had the internet your whole life and you are used to speedy things like instant messaging and fast relationships. On top of all that, you likely grew up in a social circle that valued self-employment. Or, if you did go to work for a corporation, your social context likely taught you that things should move fast. That means promotions every year, bonuses, fast-tracking, and many more of the items on your list (or your psychological contract, to be more precise).

Now let's put these elements together. Instead of looking for a "marriage" with some employer (i.e. long-term, loyal, steady and consistent), the new workforce will "date" several employers and look for a good match (i.e. short-term, transactional, exchange-based relations). This change will not only require employers to find creative ways of attracting and managing talent, but it will also signal that jobs, as we know them, have changed.

The speed of job obsolescence

Companies develop job descriptions in order to enable a number of HR-related tasks, such as determining compensation, conducting performance appraisals, recruitment and selection, succession planning, and initiating legal actions, for example, terminations and workplace investigations (Bellcourt, Singh, Snell, Morris, & Bohlander, 2017). Essentially, a job description is a guide that outlines all of the criteria that will be used to determine whether the employee is performing well; it is a solid, stable, detailed description of what the occupant should do, and with whom, when, and how they should do it. So, when it comes to fast-paced changes, how long will it be before the job descriptions go extinct?

Ferguson (2013) argues that most companies take longer to find the right applicants because they get stuck on job titles instead of hiring for skills. Well, guess what? Old habits die hard, even in business, and an over-emphasis on job descriptions has led to considerable inefficiency in the hiring process. When all the pieces are put together, one thing becomes very clear: the emerging gig economy and the new workforce, combined with fast-paced changes and technological advancements, have all but doomed “jobs” (and job descriptions) to obsolescence, likely sooner than later.

So what is the alternative? In the future, one option that might make more sense would be to focus on a list of skills and “deliverables” rather than a prescription of activities. This shift will provide employers and HR departments across the globe with a fluid, fast, and dynamic way of gathering the resources and personnel that they need to get a particular job done. Moreover, employers and HR departments should find a way of increasing collaboration and cooperation using this complex thread of intangible forces that will define the future of employment. This is the niche of psychological contracts.

In conclusion, there are many factors supporting the business case for psychological contracts as a modern alternative to people management. There is strong evidence that indicates that the traditional bureaucratic model is becoming obsolete, which means that there is a need for a dynamic approach that is capable of coping with the fast-paced business environment. The Chiuzi model (2014) of workplace psychological contracts addresses these dynamics by incorporating workplace changes, both micro and macro, and addressing the manner in which individuals continually amend their psychological contracts.

For fellow researchers, it would be of great interest to see a longitudinal study that uses this model and broadens of some of its categories, specifically those related to change. For fellow practitioners, the psychological contracts framework provides an array of possibilities. Here are a few ways this model could be applied to improve company-employee relations:

- Improving the selection process by addressing elements of the psychological contract in a two-way format. This format will offer candidates more palatable information regarding the company’s culture and its ways of doing things, while also providing employers with an opportunity to get a feel for the candidates’ perceived obligations and expectations, as well as their career timeline.
- Enhancing onboarding experiences by focusing on each employee (“Spotify” the onboarding process) as opposed to a one-size-fits-all mass orientation that may not focus on critical elements of the psychological contract.
- Using psychological contracts as a source of constant re-negotiation, especially for project-based enterprises.
- Inserting elements of psychological contracts into employee surveys, such as organizational climate and satisfaction surveys, and even in exit interviews.

- Professionally, using the work psychological contract theory in change management to both measure change readiness and to design actions that will ease the transition process from the current state to the desired one.

Those are broad-stroke examples, and they are meant to be ideas to be considered when discussing the application of this exceptionally complex phenomenon. However, as this chapter has hopefully made clear, the volatility of employment relations has required employees and employers to find new, smarter alternatives that both sides perceive as being effective, feasible, and fair. As a consequence, I believe that psychological contracts offer a mechanism that can ensure this balance is reached.

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