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## Contemporary psychological contracts: How both employer and employee are changing the employment relationship\*\*

The employment relationship between employer and employee has gone through fundamental changes in the last decades, influencing psychological contracts. It is unclear, however, exactly *how* psychological contracts are changing. This article offers a comprehensive model that focuses on two factors affecting changes in psychological contracts: organizational change and generational differences between employees.

Key words: **psychological contracts, generations, organizational change**  
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## 1. World of work is changing

Many publications in management sciences have highlighted the influential changes that have occurred in the relationship between employee and employer over the last decades (e.g. Freese, 2000; Guest, 2004). Employees are expected to work on flexible contracts, on different tasks, in changing teams, at a faster pace and in an increasingly technical environment. This has impacted organizations and jobs, but also employment contracts, resulting in a decline in mutual loyalty between the employer and the employee (Martin, Staines, & Pate, 1998). Declining job security is coupled with increasing demands for employees to become more flexible, innovative, and willing to contribute to the organization above and beyond the letter of their formal job descriptions (Anderson & Schalk, 1998). Since 2000 these developments have intensified due to turbulent settings in the world economy and fast changes in markets (Piderit, 2000).

It is argued that changes in the relationship between employer and employee result in a new psychological contract (Sims, 1994; Rousseau, 1995; Cavanagh, 1995; Rousseau, 1996; Anderson & Schalk, 1998; Hiltrop, 1995, 1996; Stone, 2001; Guest, 2004) sometimes described as a new deal (Herriot & Pemberton, 1995; Hendry & Jenkins, 1997). However, researchers who empirically investigated the existence of a new psychological contract or new deal (Sparrow, 1996; Van den Brande et al., 2002; Janssen et al., 2003; Huisman en Schalk, 2002) found mixed results. Only a minor part of the workforce has a so called new psychological contract. Moreover, we note that in literature cause and effect relationships are not clear. It is argued that factors in the business and social environment affect psychological contracts. However, it remains unclear how these different factors affect the psychological contract and which factors really matter. Therefore, it is important to understand whether and how psychological contracts are affected by different factors.

The first contribution of this article is to create a comprehensive model in which different factors that affect the psychological contract are highlighted. Based on literature we distinguish two categories of influencing factors. First, psychological contracts are expected to be affected by organizational change as a consequence of changing demands (Schalk & Freese, 1997, 2000; Turnley & Feldman, 1998; Pate, Martin, & Staines, 2000; Kickul, Lester, & Finkl, 2002). Second, the same factors causing organizational changes such as far-reaching globalization and rapid technological advancement are also assumed to affect the values and expectations of individual employees. A lot has been written about these changing values and expectations, for instance on generations (e.g. Zemke et al., 2000; Strauss & Howe, 1991, 2000; Hicks & Hicks, 1999) and more popular literature on the new employee (Shirky, 2008). By combining both perspectives in our model we open up new areas of research and formulate guidelines to put contemporary literature on the modern employee and on generational differences within organizations to an empirical test.

The second contribution of this article is that it offers a comprehensive model on how organizational change and shifting demands of employees affect the fulfillment and the content of the psychological contract and how fulfillment and content of the psychological contract interact. Research on the changing psychological contract has mainly focused on the changing content of the contract. This is a restricted way of

studying psychological contracts since as Rousseau and Tijoriwala (1998) have indicated psychological contracts can be measured in three ways: content-oriented, feature-oriented and evaluation-oriented. The evaluation-oriented approach assesses the degree of fulfillment or violation experienced within the context of the psychological contract. In this article several ways of measuring and looking at the psychological contract, as well as the way they interact are taken into account. Furthermore we offer possible explanations on how organizational change and shifting values and expectations of the individual employee may affect the psychological contract. In order to do so, we first offer a critical overview of current research on the new psychological contract. We offer explanations for the incompatible results in current research to provide a solid basis for further research.

## 2. The (new) psychological contract

We define the psychological contract as: “*the individual’s beliefs about mutual obligations, in the context of the relationship between employer and employee*”. This definition is based on Rousseau (1990) and largely accepted. It focuses on the individual perceptions (about promises made) in the employment relationship. General beliefs in society about contracts are, according to Rousseau (1995), social contracts. Although not promise-based, social contracts influence how promises are interpreted by individuals. Social contracts are associated with the values that are prominent in the larger society context. These values affect how individual contract perceptions operate. Norms or social contracts affect the nature and, more importantly, the interpretation of promises. Psychological contracts are individual perceptions that are influenced by social contracts, but are idiosyncratic.

An interesting theme in psychological contract research is how psychological contracts changed as a result of changes in society and organizations (Sims, 1994; Rousseau, 1995; Cavanagh, 1995; Rousseau, 1996; Anderson & Schalk, 1998; Hiltrop, 1995, 1996; Stone, 2001; Guest, 2004). Literature on this topic reveals that some authors describe the new contract between employer and employee as a new deal, in which the psychological contracts of employees are expected to be different from traditional contracts (Herriot & Pemberton, 1995; Hendry & Jenkins, 1997). Others focus on the implications for careers, which are reflected in concepts such as the protean career (Hall & Moss, 1998) or boundaryless career (DeFillippi & Arthur, 1994; Granrose & Baccili, 2006). The emergence of a “new” psychological contract was coined by Hiltrop’s (1995) typology of old versus new psychological contracts. Hiltrop’s (1995, p. 289) description of the new psychological contract included the following: “There is no job security”. The employee will be employed as long as he or she adds value to the organization, and is personally responsible for finding new ways to add value. In return, the employee has the right to demand interesting and important work has the freedom and resources to perform it well, receives pay that reflects his or her contribution, and gets the experience and training needed to be employable here or elsewhere.

Anderson and Schalk (1998) also underline that old psychological contracts focus on job security, continuity, loyalty and fairness, whereas the emergent new forms of contracts focus on employability and flexibility. Similarly, Hendry and Jenkins (1997)

comment that because organizations are expected to become 'learning' organizations, employees are empowered to take on greater responsibility for their personal development and career prospects. Employability and less job security are central to the concept of the new employment relationship, as it is discussed by several authors (e.g. Rose, 2000; Roehling et al., 1998; Kickul & Lester, 2001). De Vos, Buyens and Schalk (2003) add a balance between work and private life. Hiltrop's (1995) study did not provide any empirical evidence for the new psychological contract. A search for empirical studies on the new psychological contract learned that research on this topic is scarce. Researchers who did investigate the existence of a new psychological contract (Sparrow, 1996; Van den Brande et al., 2002; Janssen et al., 2003; Huisman en Schalk, 2002) found mixed results. Sparrow (1996) found evidence for the existence of a new psychological contract in the banking sector, in the form of fragmented psychological contracts. Van den Brande et al. (2002) found that only a small number of employees had a 'new' psychological contract in a study on a representative sample of the Flemish Belgian workforce. Therefore, they conclude that a transformation from traditional employment relationships towards 'new deals' had been restricted to a very small group of young and highly educated professionals and managers. The study by Huisman en Schalk (2002) partly confirmed the existence of the new psychological contract; several aspects related to for example flexibility were not confirmed, however.

In sum, authors like Rousseau (1996), Herriot and Pemberton (1996), Guest (2004), Hall and Moss (1998), Ng and Feldman (2008) emphasize the importance of changes in the psychological contract but no direct evidence for a new deal was found. There is not much empirical research available and the findings of the available studies on the new psychological contract are inconclusive.

Despite the inconclusive results, it is important to further develop the concept of changes in the psychological contract. First, literature is consistent on the enormous amount of changes in the world of work. However, how each of these changes affects the psychological contract, has not been subject of debate yet. Changes on different levels are expected to impact on psychological contracts. How developments on the organizational level (e.g. downsizing, restructuring) and the individual level (e.g. different values and expectations of the employee) have an effect on the psychological contract remains to be sorted out. It is an open question how these changes interact and influence the psychological contract. This question is important since it is vital to determining what items to focus on when measuring changes in the psychological contract.

Second, the inconsistent results of previous empirical studies could be due to the restricted focus of the researchers. Research on the new psychological contract has hitherto been focused on the changing content of the psychological contract. The content-oriented approach examines the specific terms of the contract, like for example the provision of opportunities for training, security, challenging tasks, flexible working hours, confidentiality, working overtime when needed and delivering good services. This is only one way of studying psychological contracts. As Rousseau and Tijoriwala (1998) have indicated, psychological contracts can be measured in three ways: content-oriented, feature-oriented and evaluation-oriented. The feature-oriented

approach assesses the psychological contract on certain attributes or dimensions. Contracts can, for example, be characterized as short-term, or have an extended scope and influence on non-work activities, or be seen as transactional or flexible arrangements. The evaluation-oriented approach assesses the degree of fulfillment or violation experienced within the context of the psychological contract. The evaluation-oriented approach can offer explanations. It could well be that fulfillment of expectations; contract violation and breach eventually result in differences in the content. An opportunity for further research is to use and combine different approaches to measure the impact of different trends on the psychological contract.

Third, it is important to situate these results in concrete relevant settings. We do agree with Roehling et al. (1998) that it is overly simplistic to assume, as current research does, that factors in the business and social environment that are driving changes in the employment relationship have an equal influence across organizations or industries. Nor do changes in business and society influence countries or individuals in exactly the same way. An important avenue for further research is thus to take differences between organizations when it comes to psychological contracts into account. The same applies for the country perspective. When it comes to the employee who changes his expectations it is also important to differentiate between different groups of employees (in this research for example generations). In this study some notions are being made about country and industry.

Fourth, Freese (2007) showed that whether the psychological contract of a particular employee has changed depends on whether the individual employee notices the changes and whether these changes matter to the individual. The way people interpret the changes that happen around them is a core issue in whether or not contract change takes place. Taking into account the attitude towards change (Piderit, 2000) in research on changing psychological contracts is an important avenue in future research.

Although a lot has been written about psychological contracts in general, empirical research on the so called new psychological contract is scarce. Simultaneously the evidence for the so called new psychological contract is inconclusive. The reasons for this are sought in the way studies on changes in the psychological contract have been designed. Most important is that cause and effect have not been explicitly studied and described. In the next paragraph a general model is developed that describes the general processes of cause and effect on the impact of changes in organizations and value shifts on the psychological contract.

### **3. Employer & employee drive change in the psychological contract**

The model that is outlined here addresses how changes in the psychological contract occur and how different factors influence the psychological contract. Organizational change and the changing values of contemporary employees both influence the psychological contract.

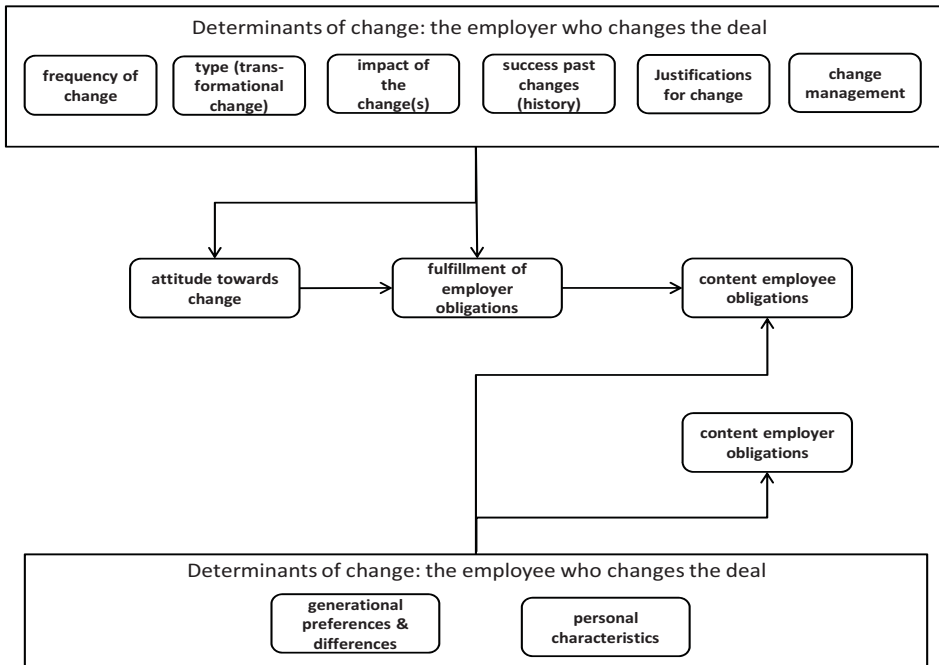
In our model we refer will refer to “the employer who changes the deal” when organizational change is the driver behind psychological contract change. According to Freese (2007), organizational change often results in violation of employer obligations. It is expected that organizational change will particularly affect the fulfillment of

the perceived organizational obligations. Furthermore, changing expectations and practices on the employer side may also result in employees adjusting their perceptions as to what they are obliged to provide to the organization and what to receive in return. The latter may result in adjustments of the content or features of the employee side of the psychological contract.

The shift in values and expectations of the employee may also cause changes in the psychological contract. This is referred to as “the employee who changes the deal”. In this case the adjustments in the psychological contract are induced by the employee. Sparrow and Hiltrop (1994), Hiltrop (1995) and Roehling et al. (1998) write about a shift in employee attitudes regarding career management, leadership style, rewards and motivation, working hours, opportunities for development, autonomy, flexibility and meaningful work experiences. These shifts in employees’ values may result in a changing appraisal of the content or features of the employee side of the psychological contract.

Our change model of psychological contract comprises both perspectives. We do not believe in one new universal psychological contract but rather try to explain the effects of different trends on the psychological contract. Both organizational change processes and changing expectations and values of employees will affect the psychological contract. The effects of organizational change will most likely be visible through the (un)fulfillment of the psychological contract. Shifting demands of (groups of) employees will most likely directly influence the content and features of the psychological contract. Both perspectives and the underlying characteristics of change are discussed further in the following two chapters and are summarized in Figure 1.

**Figure 1: Change model of psychological contracts**



Although we formulate general propositions on how both organizational change and value shifts in employees affect psychological contracts, we want to note that it is important to take the setting in which these changes take place into account. First of all as Parry and Urwin (2011) point out, the concept of global generations is still subject of debate. The question whether the differences between generations are identical in different countries is not answered yet. Simultaneously, the degree of flexibility in economics and legal regulations regarding the protection of employment differs among countries. This is likely to influence the perception of the psychological contract. Here, we take these differences into account by focusing on Western Countries. Most research on both (new) psychological contracts (e.g. Sparrow, 1996) and generational differences (e.g. Kowske, Rasch, & Wiley, 2010) has been done in Western countries and our propositions are based on that research.

A second important contextual factor is industry or sector. Although research on differences in values has been done in different industries, the empirical evidence for generational differences when it comes to psychological contracts is based on the hospitality industry (Lub, Blomme, & Bal, 2011). This is an interesting sector since a lot of employees working in that industry are from generation Y, and therefore generational differences will probably be prevalent. This leads to the proposition that generational differences might also be visible in other industries in which a substantial part of the labor force is generation Y. Of course this still needs to be empirically tested. Furthermore the effects of organizational change differ strongly between sectors and organizations. The propositions regarding organizational change that are proposed in this article are expected to be especially prominent in organizations in turbulent contexts, such as profit organizations that operate in a competitive business (for example telecom or consulting). The external context organizations operate in only becomes more challenging because of technological advancements, globalization, the world economy and fast changes in markets (Piderit, 2000). Since all industries are confronted with the effects of these developments it is hard to hypothesize how these developments differ per country or industry. More in depth insight in the dynamics of organizational change needs to be provided by more empirical research.

Third, Van den Brande et al. (2002) found that the new psychological contracts were restricted to a very small group of young and highly educated professionals and managers. In the same vein, the study of Huisman and Schalk (2002) concluded that highly educated people were overrepresented amongst employees with new psychological contracts. In general also when it comes to the effects of organizational changes, educational level and job level matter. We expect that the propositions formulated here are more prominent for highly educated people working in higher job levels.

#### **4. The employer changes the deal**

When the employer changes the deal, there are multiple variables that influence the psychological contract. To identify relevant variables we used a literature review of studies of change recipients' reactions to organizational change by Oreg et al. (2011). The first factor is the frequency of change that employees are confronted with. Raftery and Griffin (2006) determined that when organizational changes occur more frequently, employees are more likely to perceive changes as unpredictable and to experi-

ence anxiety. Saunders and Thornhill (2003) found that organizational change is often perceived as threatening, arousing feelings of vulnerability and the fear of losing security. According to Freese (2007), one single change in the organization may already amount to a violation of employer obligations. Freese (2007) also concluded that when employees have a history of frequent organizational change, this will most likely impact the fulfillment of the psychological contract (Freese, 2007). The frequency of change has a negative effect on the fulfillment of the employer's obligations, a positive effect on the violation of employer obligations, and a negative effect on employee obligations (Freese, 2007). This means that the more often changes occur, the more violations employees experience and the less they feel obliged to provide to the organization in return. This will in turn have a negative effect on employee attitudes towards change.

The second antecedent of organizational change that may affect the psychological contract is the type of change (Lau & Woodman, 1995; Caldwell et al., 2004; Sims, 1994; Freese, 2007). Rousseau (1995) distinguishes between two types of organizational change: accommodation and transformation. Accommodation is an evolutionary process, making adjustments within the framework of the existing contract possible (for example isolated changes in performance criteria, benefit packages, or working hours). Transformation is a revolutionary shift in the nature of the relationship between the parties, redefining it and the contract on which it is based (for example changes such as downsizing processes or restructuring). Current research states that employees in downsizing or restructuring organizations experience psychological contract violations with regard to job security (Turnley & Feldman, 1998), compensation and advancement opportunities (Pate et al., 2000) and communication and HR practices (Pate et al., 2000). It is assumed that accommodational change will have less impact on the perceived obligations and the fulfillment of the employer's obligations and that transformational change has a negative impact.

The third antecedent of organizational change that may affect the psychological contract is the impact on the daily work and perceived future within the organization of the employee (Lau & Woodman, 1995). More adaption is needed when a change is perceived as extensive (Caldwell et al., 2004). This might lead to the unfulfillment of obligations, possibly followed by contract breach or violation (Freese, 2007) or the introduction of new obligations (Sims, 1994).

The fourth factor that contributes to how organizational change affects the psychological contract is whether organizational change was successful in the past or not. Employees are more negative when they have negative experiences with organizational change in the past (Wanous et al., 2000) and more positive when they have a positive and successful change history (Bouckenooghe & Devos, 2007). It is proposed that employees with positive change experiences in the past will perceive more fulfillments of obligations and will feel more obliged to fulfill their own obligations towards the organization.

The fifth factor that is taken into account is the justification of change. This is a cognitive factor that influences how employees assign responsibility for the organizational change event (Chaudhry et al., 2009). Employees typically ask themselves whether a change was justified and if perceived as such, acceptance of the change



should be more likely (Self et al., 2007). Justification is thus an attribution through which the effects of an event are considered reasonable (Chaudhry et al., 2010). Fincham & Jaspers (1980) found that justification for changes in general decreased perceptions of blame. In other words, if changes are being justified, the exchange relationship may not be harmed. Even if the change was seen as unfavorable by employees, the justification for it can help employees to make sense of the change and to continue their relationship without severely affecting the fulfillment of the psychological contract.

The sixth and last factor that is included here is change management. Important aspects of change management are communication and involvement (Caldwell, 1993; Schalk, Campbell, & Freese, 1998). The importance of communication during change implementation is widely acknowledged among practitioners (Lewis, 1999). Communication is a way to create knowledge about the change among the employees, thereby, managing the uncertainties related to the personal and social consequences of change (DiFonzo & Bordia, 1998). According to Andersson (1996), the failure to communicate important information to employees', results in unmet expectations. Involvement is another important aspect of change management. The opportunity to express one's opinion and to have one's opinion considered is important to employees and leads to greater acceptance of and commitment to the final decision (Brown & Cregan, 2008). The involvement in decision making is regularly rated as an important aspect of employment (Wiley, 1997). Through involving employees in the change efforts is likely to positively influence employees' perceptions about changes, thereby resulting in better evaluations of their psychological contract fulfillment. In other words, by communicating and involving employees in the change, the employee may be more receptive towards the change in such a way that it does not harm the exchange relationship.

In summary, the change antecedents frequency of change, impact of change, (transformational) type of change are expected to have a negative effect on the fulfillment of the employer's obligations and successfulness of past changes, justification of the changes and change management a positive effect. This results in the following proposition.

**Proposition 1:** The antecedents of organizational change (frequency of change, impact of change, (transformational) type of change, successfulness of past changes, justification of change and change management) affect the fulfillment of the employer's obligations.

In addition, the fulfillment of the psychological contract (the fulfillment of the employer's obligations towards the employee) may affect the content of the psychological contract (the perceived obligations of the employee towards the organization). Various authors (Coyle-Shapiro & Kessler, 2002; Turnley & Feldman, 1998) found that employees perceive lower obligations with regard to extra role behavior, especially with regard to extra effort, identification with organizations norms, goals and values and loyalty as a result of organizational change and (un)fulfillments of the psychological contracts. This results in the following proposition.

Proposition 2: The perceived fulfillment of the employer's obligations towards the employee affects the perceived obligations of the employee towards the organization.

The eventual success and effects of organizational change on for example intention to quit or commitment at least partly depend on an individual's resistance or attitude towards change (Oreg, 2006; Van den Heuvel & Schalk, 2009). A number of studies (Rush et al., 1995; Schweiger & DeNisi, 1991) also expected resistance to be correlated to a number of work related outcomes such as job satisfaction and organizational commitment. It is interesting to see whether this also applies for the effects of the antecedents of organizational change on the psychological contract. Explicitly interesting are the effects of the affective dimension, e.g. the effects of how one feels about the change (e.g. angry, anxious, etc.) on the (perceived fulfillment of the employers obligations of the) psychological contract. As Oreg (2006) states, it is possible that attitudes towards a specific change could in return affect their general attitude towards the organization. A study by Wanberg and Banas (2000) shows that resistance (or attitude) to(wards) change mediates the relationship between conditions of change and work-related outcomes. Wanberg and Banas (2000) found that conditions of change predicted employee resistance to change and that, in turn, resistance was associated with lower levels of job satisfaction and with greater intention to quit (Wanberg & Banas, 2000). In this study we propose that if the employee's attitude towards change is more negative, it becomes more likely that organizational obligations will be perceived as not being fulfilled. This results in the following propositions.

Proposition 3: The antecedents of organizational change affect the individual's attitude towards change.

Proposition 4: The employee's attitude towards change has an effect on the perceived fulfillment of the employer's obligations.

Concluding, the combination of factors mentioned above determines the effects of organizational change on the psychological contract. It is expected that organizational change will affect the fulfillment of the employer's obligations. Organizational change may also result in employees adjusting their own perceptions as to what they are obliged to provide the organization with. Furthermore, the employee's attitude towards change is another important factor to take into consideration. If the employee's attitude towards change is more negative, it becomes more likely that organizational obligations will be perceived as not being fulfilled.

### ***The employer changes the deal: effects on psychological contracts***

The next question addressed in this article is in what kind of changes in the psychological contract organizational change may result. Robinson et al. (1994) empirically demonstrated that employees reciprocate the treatment they receive by adjusting their own obligations to their employer. Freese (2007) found similar results. We therefore expect psychological contracts of employees who are confronted with organizational change to be affected by it in different ways. An alternative way of reasoning is that individuals who like change choose to work for organizations in a turbulent environment. It can be argued that in such a case, organizational change may have limited, no

or even positive effects on the fulfillment of obligations. Possible violations and negative effects on engagement may be absent. Since there is no literature indicating this, our reasoning focuses on the known effects of organizational change.

Various authors (Freese, 2007; Rousseau, 1995; Turnley & Feldman, 1998; Pate et al., 2000) state that organizational change may result in violations of the fulfillment of the employers' obligations (perceived obligations are not fulfilled), especially with regard to rewards, social atmosphere at work, career opportunities, job security, compensation and advancement opportunities, communication and HR practices. These unfulfillments or violations may result eventually in adjustments of the content of the psychological contract (perceived obligations of the employee towards the organization). Bellou (2007) and Freese (2007) found that employees perceive lower obligations with regard to rewards (pay for performance and job security), social atmosphere (support from colleagues), and organizational policies (involvement and recognition) and higher for career development (education). Other authors (Coyle-Shapiro & Kessler, 2002; Turnley & Feldman, 1998) also found that employees perceive lower obligations with regard to extra role behavior, especially with regard to extra effort, identification with organizations norms, goals and values and loyalty.

Furthermore, it is argued by Robinson, Kraatz & Rousseau (1994) that psychological contracts become more transactional after a violation. The employee withdraws from the relationship and will pay more attention to financial and other economic aspects. However, empirical evidence is not conclusive on this matter.

In conclusion organizational change does not affect all organizations or employees in the same way. Factors that are of influence are personal characteristics such as age, education, level of experience, profession, position in the labor market, etc. These need to be included. In the same vein we propose to test our propositions by getting in depth information on the dynamics of organizational change within several organizations from different industries.

## **5. The employee changes the deal**

The second part of the model concerns the changing expectations and values of the individual employee, causing changes in the psychological contract. Although many authors describe changes in the psychological contract, relating it to the so called new deal (e.g. Hiltrop, 1995; Anderson & Schalk, 1998; Frese, 2000; Guest, 2004), causes of these changes and propositions about causes and effects are not specified. It is suggested to look at differences between younger and older employees (e.g. Anderson & Schalk, 1998; Guest, 2004). Bal et al (2008) however concludes that it cannot be determined if age-effects are consequence of ageing or cohorts and Smola and Sutton (2002) point out that work values are more influenced by generational experiences than by age (Lub, Blomme, & Bal, 2011). Another interesting perspective when looking at changing expectations is the perspective of generational differences. Despite the fact that a lot has been written on generations and generational differences in work attitudes (e.g. Parry & Urwin, 2011; Kowske, Rasch, & Wiley, 2010; Twenge et al., 2010), literature on generational differences regarding psychological contracts is scarce (De Meuse et al, 2001; Hess & Jepsen, 2009; Lub, Blomme, & Bal, 2011) and inconclusive. De Meuse et al. (2001) did not find differences between generations when it

comes to relational obligations whereas Lub, Blomme and Bal (2011) did. The underlying principle in literature however, is that personal values of employees are shifting. These changes in values may in turn influence the psychological contract. The concept underlying of values underlying the psychological contract was first introduced by Kotter (1973). In this article it is hypothesized that generational differences in values will be reflected in differences between psychological contracts.

Based on Straus & Howe (1991) and Eisner (2005), the following generations can be distinguished: the Baby Boom Generation (born between 1943 and 1960/1943 and 1964), the Generation X (born between 1961 and 1981/1965 and 1980) and the Nexters or generation Y (born after 1981/1980). Differences between generations have been known to exist regarding communication, the use of modern technology, behavior, educational level and working methods (Zemke et al., 2000; Strauss & Howe, 1991, 2000; Hicks & Hicks, 1999; Sacks, 1996). Even more interesting are differences regarding values. Especially values of the Nexters (also called Generation Einstein, Generation Y or Millennials) are expected to cohere strongly with features of a new psychological contract. This is supported by the fact that empirical evidence for the new psychological contract is associated with young and highly educated employees (Kickul & Lester, 2001; Van den Brande et al., 2002). They have different work values and working methods, and participate in multiple networks (Zemke et al., 2000). Critical reviews on generational studies (Parry & Urwin, 2011; Twenge, 2010) however point out that empirical evidence for generational differences in work values is mixed and a convincing case for generational differences needs to be made, although others highlight the relevance of generational differences for HR practices and emphasize the importance of additional research (Cogin, 2012). Indeed some empirical research does not find evidence for differences in work values between generations (e.g. Jurkiewicz & Brown, 1998). However other authors do, although sometimes modest. Other authors (Cogin, 2012; Kowske, Rasch, & Wiley, 2010; Twenge et al., 2010; Westerman & Yamamura, 2006; Wong et al, 2008; Twenge, 2010; Smola & Sutton, 2002; Cennamo & Gardner, 2008; Twenge & Campbell, 2008; Gursoy, Maier, & Chi, 2008; Terjesen et al, 2007; Rawlins, Indvik, & Johnson, 2008; Lyons et al., 2007; Loughlin & Barling, 2001) found that generation Y differs in how they judge values, for them work is less important and a less central part in life, they score lower on work ethic, leisure and work life balance are more important, they are individualistic and at the same time value teamwork and a pleasant work environment highly, they value a supportive culture and the opportunity to develop themselves and of course they are technology adapt. Whereas for other values that are assumed to be valid for generation Y such as altruism and intrinsic or extrinsic motivation and job security results are more conflicting.

Furthermore, the same authors paint a portrait of the new generation that wants to be judged on results and to be treated as an individual. Training and development as well as personal development are more important than vertical careers. This employee is individualistic, and is much attached to striking the right balance between work and private life. Furthermore, this generation is demanding and feels that they deserve to get promotion and career opportunities simply by being there.

A summary of the literature described above results in the following trends for generation Y. In Table 1 the consequences for the employment relationship are described.

**Table 1: Values of the generation Y and characteristics of the new employment relationship**

Values of importance	Consequences for generation Y in the employment relationship
Social interaction and affiliation	Focus on affiliation values; focus on relationships and social interaction. Connected to multiple groups.
Work ethics and work centrality	Lower standard on work ethics than former generations. Less value on work for its own sake.
Leisure and work life balance	Focus on multiple aspects of life, especially in combining work and private life balance. Strong focus on leisure and for example vacation time.
Extrinsic and intrinsic values	Small decline in intrinsic values (from baby boom to Y). Extrinsic values constant between generations.
Security and loyalty	Higher overall need for job security than other generations. Eager to embrace new career options.
Self enhancement, learning and development	High focus on self enhancement. High importance with regard to own development in order to remain attractive. High expectations.
Communication and technology	Very communicative, good with internet and new technologies. Take technology for granted.
Team and collaboration	Strong focus on team work and collaboration. Work environment is important and social interactions as well.

These examples give a good impression of the new values and what the younger generation wants in their work and from the employer. It will be expressed in the content and features of the psychological contract. Our premises on these new values lead to the following propositions.

Proposition 5: Generation Y has a different perception of what the organization is obliged to provide to them (employer part of the psychological contract).

Proposition 6: Generation Y has a different perception of what they are obliged to provide to the organization (employee part of the psychological contract).

In conclusion, the assumed changes in values of generation Y are expected to be reflected in the content of the psychological contracts, both on what the employee thinks he is obliged to provide to the organization and on what he expects to receive in return.

### ***The employee changes the deal: effects on the psychological contract?***

We now address the question how the developments and propositions mentioned above influence the psychological contract. Based on existing literature on generational differences we developed a profile of the psychological contract of generation Y. Of

course the occurrence of this extreme type of psychological contract will vary depending on the context of the organization and individual factors. To develop the profile we use a categorization, developed by Freese (2007), of differences in the content of psychological contract and the literature presented on values and generations. This profile is presented in Table 2.

**Table 2: Typology of the psychological contract of generation Y**

Psychological contract	Dimension	Modern contract (generation Y)
Organizational obligations	Work content	Focus on autonomy, challenging work and balance. Important aspect for all generations.
	Career development	Highly important aspect, focus on training, education, coaching and skill development and employability (partly because of changing job security).
	Social atmosphere	Recognition, organization is one social group one belongs to, personal relationships and social involvement.
	Organizational policies	Open and two-way communication, performance feedback. Less important aspect since lower importance of work ethics and less bounded to employer (more to the job).
	Work life	Highly important aspect (less work centrality & focus on leisure), better balance between work goals and personal goals.
	Rewards	Performance-based compensation, high pay for high performance & job security (based on contribution). High importance on status.
Employee obligations	In role behavior	Responsible for developing and maintaining skills, deliver value, understand nature of the organization, loyal to the (current) job, not to organization or boss. Overall employee obligations lower.
	Extra role behavior	Flexible, and employable, interesting in developing skills to stay valuable. Overall employee obligations lower.
Engagement	Engagement	Engaged to the job, as long as it is interesting. Work less central part of life, engagement overall lower.

## 6. Conclusion

In this his paper it was explored how the psychological contract is affected by organizational changes and shifting employee values. We developed a new comprehensive model that highlights the two main factors that affect the psychological contract: organizational change and generational differences. In our model attention is also being paid at what aspects of the psychological contract are being influenced. Whereas organizational change will mainly affect the fulfillment of the employers’ obligations, it is proposed that shifting values of the employee will especially affect the content of the psychological contract. The way fulfillment and content of the psychological contract interact is also discussed. And although there is less indication in current literature that

generations differ with regard to the fulfillment of the psychological contract, this is an interesting topic to be sorted out.

By combining both perspectives in our model we open up new areas of research. Moreover, the propositions in this article offer guidelines to put literature on both the presumed effects of organizational change and generational differences within organizations to an empirical test. Furthermore, empirical research on our propositions may result in further insights into effects of organizational change on the psychological contract. This may additionally result in real insight into the existence of generational differences and what is often referred to as the "new employee". Apart from the academic relevance, insight in generational differences and the effects of organizational change also helps (HR) managers understanding the specific demands and values of groups of people. This makes it easier for them to remain competitive in attracting qualified applicants. This is especially important in the light of the ageing population and multiple age segments in the workforce.

In contrast to previous literature, we do not assume that a traditional contract is being replaced by a modern or new psychological contract. All kinds of contract co-exist within different organizations. Moreover, different types of employees, for example different generations, may react differently to organizational change. In current literature it is often stated that generation Y will be affected less heavily by organizational change than the other generations. The most important reason for that is that presumed values such as flexibility and individualism are better suited to a changing context. On the other hand, empirical research by for example Lyons, Duxbury and Higgings (2007) shows that generation Y score lower on openness to change than generation X did. This is an interesting topic that needs to be sorted out.

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