Managing flexible employment relationships – Psychological contract and career management

Prof. Dr. Gudela Grote
Department Management, Technology, and Economics
ETH Zürich

Overview

- Work flexibility
- Psychological contracts for managing flexibility
- Effects on career and identity
- Insights from the Swiss HR-Barometer

Work flexibility (Reilly, 1998)

- Temporal: Part time, annual work time, flexitime
- Functional: Job enrichment, continuing education
- Locational: Teleworking, desk sharing
- Numerical: Fixed-term contracts, outsourcing
- Financial: Pay-for-performance, cost centers
Temporal and locational flexibility: Work anytime & anyplace

- Advantages
  - Work hours and location adapted to individual and company needs
  - Reduced costs for office space and commuting
  - Collaboration across space and time

- Challenges
  - Balancing individual and company flexibility needs
  - Re-establishing boundaries between work and non-work
  - Working in and managing virtual teams
  - Legal issues (e.g., work time control, insurance)

Example: Live and work project at Microsoft Switzerland
### Executive Summary - Findings

- Pilot group shows positive change in Work/Private Life (+10%), Space (+7%), Workplace/Work Atmosphere (+1%), Collaboration and Communication (+5%).
- Significant improvement in finding silence & privacy for both working/home calls and finding a meeting room. Low usage of social spaces.
- Home Office used extensively by the Pilot group. Usage of 4th floor very low. Average of 17 people per observation (50% of Pilot group).
- Work life balance qualitative data shows positive improvement due to increased working time autonomy and flexibility, but negative decline due to increased isolation and reduced social interaction.
- Slight but not significant negative changes in perceived Team Efficiency and Satisfaction with Team Performance.

### Executive Summary - Conclusions

- Change in physical environment appears to be a compelling event for cultural change: Most benefits are a function of cultural change i.e. greater acceptance of HD, flexible work styles etc.
- Recommendation: To accelerate this cultural change we should engage in another compelling event that impacts the remainder of the subsidiary.
- Change in physical environment appears to be a compelling event for cultural change: Most benefits are a function of cultural change i.e. greater acceptance of HD, flexible work styles etc.
- Recommendation: To accelerate this cultural change we should engage in another compelling event that impacts the remainder of the subsidiary.
- Rules of Engagement: Without adequate rules/norms the NOHOW can in the short term increase team inefficiencies and dissatisfaction with team performance. Recommendation: Coach prepare teams and individuals define rules of engagement for office, home and technology usage.
- Transformational Change Project: We are trending in the right direction however this is a cultural change and will likely take years to realise the full benefits. Recommendation: Adopt a long term view, measuring and making corrective action along the journey.

### Swiss HR-Barometer 2010: Assessment of work flexibility

<table>
<thead>
<tr>
<th>Flexibility Needs</th>
<th>General Autonomy</th>
<th>Numerical Flexibility</th>
<th>Temporal/Locational Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
</tbody>
</table>

**Swiss HR-Barometer 2010**
Assessment of work flexibility
**Work flexibility** (Reilly, 1998)

- Temporal: Part time, annual work time, flexitime
- Functional: Job enrichment, continuing education
- Locational: Teleworking, desk sharing
- Numerical: Fixed-term contracts, outsourcing
- Financial: Pay-for-performance, cost centers

With more flexible legal work contracts psychological contracts become more important to cope with the new uncertainties.

---

**Employment relationship: Social exchange defined by legal and psychological contracts**

<table>
<thead>
<tr>
<th>Legal contract</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ + Goals</td>
<td></td>
</tr>
<tr>
<td>$ + Goal achievement</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Psychological contract</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. employability, job security</td>
<td></td>
</tr>
<tr>
<td>e.g. goal-orientation, loyalty</td>
<td></td>
</tr>
</tbody>
</table>

---

**Psychological contract as management instrument**

Psychological contracts...
- complement and superimpose formal, legal employment contracts;
- contain reciprocal, but not necessarily matching expectations and offers between employer and employee;
- may be based on verbal agreements and/or observation of behaviors, norms, and customs in the organization.

Explicit and matching expectations are important building blocks of sound psychological contracts.
Flexible working: Change from a traditional to a new contract? [Raeder & Grote, 2001]

<table>
<thead>
<tr>
<th>Traditional contract</th>
<th>New contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job security / Life-long employment</td>
<td>Flexibility / Accepting insecurity</td>
</tr>
<tr>
<td>Internal promotion</td>
<td>Internal development</td>
</tr>
<tr>
<td>Specialization</td>
<td>Goal / Performance orientation</td>
</tr>
<tr>
<td>Loyalty / Identification</td>
<td>Employability / Focus on own competencies</td>
</tr>
</tbody>
</table>

Psychological contracts in 14 companies differing in work flexibility [Raeder & Grote, 2004]

<table>
<thead>
<tr>
<th>Contents of psychological contract</th>
<th>Degree of flexibility in company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between company offers/employee expectations</td>
<td>low</td>
</tr>
<tr>
<td>Learning</td>
<td>➖</td>
</tr>
<tr>
<td>Security</td>
<td>➖</td>
</tr>
<tr>
<td>Career development</td>
<td>➖</td>
</tr>
<tr>
<td>Flexibility</td>
<td>➖</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>➖</td>
</tr>
<tr>
<td>Skill spectrum</td>
<td>➖</td>
</tr>
</tbody>
</table>

- People experience psychological contracts as just
  - when there are small discrepancies between expectations and offers
  - when they perceive work flexibility as positive
  - when processes for defining/changing psychological contracts are transparent
(Mis-)Fit of employer offers and employee expectations

(Wittekind, Raeder & Grote, 2005)

Using the psychological contract to handle employment uncertainties

- Communicate and match reciprocal expectations and offers
- Early, comprehensive information also on uncertain developments (individual and organizational)
- Support employability through training, job design, and systematic career management
- Distribute risks between organization and employee according to individual coping capabilities
Case Novartis

- Do you think the psychological contract is managed well at Novartis? Why/why not?
- What concrete measures would you suggest to further improve the management of the psychological contract at Novartis?

Some general questions for discussion

- How should employer expectations and offers be communicated?
- How different can/should individual contracts be?
- How should employment risks be distributed between employer and employee? Can employability replace job security?
- Should economic exchange replace relational contracts? Is loyalty outdated?

Personnel development and career management

- Dynamic relationship between person and work: person and work change continuously, requiring continuous adaptation
- Adaptation can happen from the perspective of „fit human to task” and/or „fit task to human”
- Career management
  - Match possible career paths (e.g., management versus technical career) and individual career needs (e.g., different types of career orientations)
Career anchors (Schein, 1990)

- Technical/functional competence
- General management competence
- Autonomy/independence
- Security/stability
- Entrepreneurial creativity
- Service/dedication to a cause
- Pure challenge
- Lifestyle/work-life balance

What do you expect from your employer? green
What does your employer expect from you? pink
What do you offer your employer? yellow
What does your employer offer you? orange

Small group discussion on career management

- How is your chosen career anchor reflected in expectations and offers in your current employment relationship?
- What are your views on what makes a successful career?
- What support do you have/would you like to have for managing your career?
Career interests in Switzerland
(Swiss HR-Barometer, Grote & Staffelbach, 2011)

Looking ahead at your work life, which of the following would you choose?
(Responses in percent)

<table>
<thead>
<tr>
<th>Career interest</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being employable in a range of jobs</td>
<td>43%</td>
</tr>
<tr>
<td>Managing your own career</td>
<td>78%</td>
</tr>
<tr>
<td>A series of jobs at the same kind of level</td>
<td>36%</td>
</tr>
<tr>
<td>Maximizing your organization manage your career for you</td>
<td>24%</td>
</tr>
<tr>
<td>Planning for promotion into more senior posts</td>
<td>22%</td>
</tr>
<tr>
<td>A career is not important to you</td>
<td>56%</td>
</tr>
<tr>
<td>Commitment to yourself and your career</td>
<td>42%</td>
</tr>
</tbody>
</table>

Types of career orientations
(Geber, Wittekind, Grote, Conway & Guest, 2009)

<table>
<thead>
<tr>
<th>Boundaryless dimension</th>
<th>High</th>
<th>Low</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protean dimension</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Advancement dimension</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

Types of career orientations in Switzerland
(Swiss HR-Barometer, Grote & Staffelbach, 2011)

Traditional-loyalty focus: female, high education, small companies, high intention to quit
Traditional-promotion focus: male, high education, large companies, medium intention to quit
Independent: male, young, high education, small companies, high intention to quit
Disengaged: female, low education, old, part-time, medium-size companies, high intention to quit

Cross-cultural comparison of career orientations (Gerber, Wittekind, Grote, Conway & Guest, 2009)

- All GB orientations bounded and protean
- Swiss orientations vary across all dimensions
- Swiss German most boundaryless orientations
- No boundaryless, non-protean orientations

Criteria for subjective career success: Example MAS MTEC alumni (Grote et al., 2011)

<table>
<thead>
<tr>
<th>N</th>
<th>Highest rank</th>
<th>Lowest rank</th>
<th>Mean rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction and happiness at work</td>
<td>40</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>40</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Challenge</td>
<td>41</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Recognition</td>
<td>41</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Cooperation</td>
<td>41</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Personal development</td>
<td>38</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Contribution</td>
<td>40</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Performance and achievement</td>
<td>46</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Remuneration</td>
<td>38</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Advancement</td>
<td>40</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

Career orientations in this sample:
24 Independent, 10 Promotion, 3 Loyalty, 4 Disengaged

Personal identity in (dis-)continuous work biographies (Grote & Raeder, 2009)

- Narrative interviews with 59 individuals with dis-/continuous work biographies
- Qualitative analysis on identity dimensions:
  - Biographical continuity
  - Ecological consistency
  - Control orientation

- Four identity types:
  - Continuous
  - Job-centred
  - Self-determined
  - Critical-flexible
Personal identity in (dis-)continuous work biographies  
(Grote & Raeder, 2009)

- Surveys in 14 companies with varying degrees of flexible working

<table>
<thead>
<tr>
<th>Biographical memory</th>
<th>Ecological consistency</th>
<th>Flexibility</th>
<th>Social stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Career change: continuous career - discontinuous career - partly career change - social change

Swiss Human Relations Barometer – The idea

- Annual survey of representative sample of Swiss employees
  - sample size about 1400: telephone interviews, new: online panel
- Content: Psychological contract with its antecedents and consequences plus an annually changing focus topic

Does flexibility hurt our sense of identity?  
(Ibarra, 2003; Grote & Raeder, 2009; Gerber et al., 2009)

- Individuals in search of new career identities
  - use small experiments to test possible selves
  - build new connections
  - gradually work their new situation into a congruent life story
- People with discontinuous work biographies
  - develop less consistency-driven, but also durable identities
  - often work in more flexibility-demanding companies with higher levels of uncertainty
  - often are less satisfied with their working conditions
Swiss Human Relations Barometer – Survey framework

- Personal factors (e.g. age, career orientation)
- Organizational factors (e.g. size, sector)
- HRM practices
- Psychological contract

Outcomes (e.g. job satisfaction, turnover intention)

Insights after 6 years into the importance of the psychological contract

- Fulfilled psychological contract
- Turnover intention
- Job design
- Job satisfaction
- Performance management
- Commitment
- Participation
- Job security

Insights after 6 years into the influence of HRM and its limitations

- Company size
- Reorganization
- Fixed-term contract
- Psychological contract
- HRM practices
- Age
- Tenure
- Career orientation
- Job satisfaction
- Commitment
- Turnover intention
- Job insecurity
- Employability
Psychological contract 2006-2010

Mix of "old" and "new" contract

Loyalty
Opportunities for taking on responsibility

Psychological contract 2011

Trend towards "new" contract?

Loyalty
Pay
Opportunities for taking on responsibility

Effects of career orientations over time
(Tschopp & Grote, 2011)

- Sample: 255 employees who answered the Swiss HR Barometer survey in 2007, 2008 and 2009
  - 43% female, 35% college educated, mean age 46y, 65% full-time, 4% temporary, mean tenure 10 y
- Measures
  - Job satisfaction: single item on 10-point scale
  - Turnover intention: 2 items [Guest & Conway, 2004], r=.77 (.1), .74 (.2), .66 (.3)
  - Career orientation: 4 types based on latent transition analysis of 9 binary items by Guest & Conway, 2004; validated by Gerber et al., 2009
  - Controls: Gender, education, age, language, tenure
Effects of career orientations over time
(Tschopp & Grote, 2011)

Career orientations mostly stable over 3 y

Interaction effect at time 1:
Independent and loyalty-focused individuals react less to lower levels of job satisfaction, due to their general high/low propensity for turnover.

Job satisfaction change predicts turnover intention change over and above average level of job satisfaction.

(see also Chen et al., 2011)

Independent individuals react more strongly to job satisfaction change than loyalty-focused individuals.

Questions for general discussion

- How generalizable are findings from Switzerland
  - regarding work flexibility
  - regarding the crucial role of the psychological contract in HRM
  - regarding changing contents of psychological contracts
  - regarding types and effects of career orientations
- Recommendations for individuals and companies in Estonia with respect to managing flexible employment relationships