"A review of findings about the psychology of flexible employment relationships: Towards an interaction model"

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"No matter how tall a tree grows its fruits always fall to the ground", Turkish proverb

# Foreword

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### Abstract

**Purpose** – Changing labour market configurations as well as "higher" demands set on organizations are assumed to give rise to a trend towards increased flexible employment relationships (ER) – "all employment relationships different from a permanent contract or standard work arrangement" (Lewis et al., 2003; Kalleberg, 2000). The ER in turn is assumed to affect employees' attitudes and behaviour. The employer's and employees' psychological contract (PC) – "perceptions of reciprocal expectations and obligations implied in the ER" (Isaksson et al., 2003: page 3) is supposed to mediate the effect of ERs on employees' attitudes and behaviour. Overall, scientific findings in this research field are inconsistent and inconclusive (De Cuyper et al., 2008). To shed light onto potential knowledge gaps this article seeks to review current theoretical and empirical findings about flexible ERs and their relationship with the PC. Based on this analysis an interaction model is developed to inspire future research.

**Design/ methodology/ approach** – Through a review of relevant literature this article discusses past and present research about PCs, and the proposed interrelationships between ERs, PCs, and outcome variables.

**Findings** – This paper finds that within the exchange relationship it is the type of flexible ER and the type of delivered inducements/contributions that determines the effects on outcomes. **Practical implications** – This paper investigates and questions existing assumptions about the impact of flexible ERs on PCs, and hence explores issues of relevance to human resource management (HRM), employers and employees.

**Originality** – This article is the first investigation towards a fine-tuned categorization of the PC of employers/ employees with a flexible ER and one of the first investigations which addresses the dynamics of exchange relationships between employer's and employees' PCs.

Key words – Flexible employment relationships, psychological contracts, employee attitudes

Paper type – General review

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### 1. Introduction

This article seeks to review theoretical and empirical findings on the relationship between flexible ERs and PCs in order to shed light onto existing knowledge gaps which shall form the basis of our conceptual model as well as recommendations for future research.

Since the 1980's and across the mid 1990's, researchers worldwide have identified a growth in flexible ERs (e.g. De Cuyper, De Jong, De Witte, Isaksson, Rigotti, & Schalk, 2008; Guest, 2004a). In this article, we define flexible ERs as "all ERs different from a permanent contract or standard work arrangement" (Lewis, Thornhill, & Saunders, 2003; Kalleberg, 2000). In particular, we focus on external numerical flexibility which comprises the "adaptability of the production activity" through the use of external labour force (Schilfgaarde, & Cornelissen, 1988 in Torka, & Van Velzen, 2008: page 93). In addition, our focus here is primarily directed towards studies conducted within the European setting, with few exceptions comprising an Asian sample. In this vein, although forecasts reveal that in most European countries a moderate growth of flexible ERs can be expected (e.g. Campbell, & Burgess, 2001; ciett Economic Report, 2007; De Cuyper et al., 2008; Guest, 2004a), from 1995 onwards there is no significant shift observable (De Cuyper, Isaksson, & De Witte, 2005; Guest, 2004a). It seems that permanent employment contributes more to the total employment rate compared to flexible forms of employment (ciett Agency Work Statistics, 2006; De Cuyper et al., 2005; Guest, 2004a).

However, this might be due to a too simplistic and polarising picture of European ERs, considering increased international pressures for greater productivity, shifting demographics, and changing work force expectations (e.g. De Cuyper et al., 2005; Guest, 2004b; Hiltrop, 1995; Schalk in Coyle-Shapiro, Shore, Taylor, & Tetrick, 2004) to name some of contemporarily changing labour market configurations that might affect ERs. Some scholars indeed argue that market demands are forcing essential changes in the nature of ERs and associated PCs (e.g. Hiltrop, 1995; Kissler, 1994; Roehling, Cavanaugh, Moynihan, &

Boswell, 2000) which give rise to the so-called "new deal" (e.g. Capelli, 1999; Tsui, & Wu, 2005). According to literature this new deal comprises that employers offer sophisticated training and career opportunities as well as broader work-life balance opportunities through flexible working times in exchange for less job security (e.g. Capelli, 1999; Martin, Staines, & Pate, 1998; Tsui, & Wu, 2005). On the contrary, research about "employer commitment" suggests that employers desire a certain degree of commitment from all employees (flexibly and permanently contracted) which in turn requires a certain degree of employer commitment (Torka, Looise, & Van Riemsdijk, 2005). Accordingly, ERs nowadays are far away from new transactional<sup>1</sup> ones but rather seem to equal more traditional relational<sup>2</sup> ones (see also D'Art, & Turner, 2006). Even advocates of the new deal paradigm highlight the challenge of matching organizational needs and at the same time improved employee commitment (e.g. Hiltrop, 1995). Thus, under closer examination the new deal paradigm remains vague (see also D'Art, & Turner, 2006).

On the one hand, various scholars assume that flexible ERs negatively affect employees' attitudes (e.g. Baruch, 1998; De Gilder, 2003; Eberhardt, & Moser, 1995; Forde, & Slater, 2006; Rousseau, 1995, 1998) and through this employees' behaviour (e.g. Coyle-Shapiro & Kessler, 2002a; Van Dyne & Ang, 1998). Employees' behaviour in turn is assumed to contribute to organizational performance (e.g. Podsakoff & MacKenzie, 1997; Podsakoff, MacKenzie, Paine, & Bachrach, 2000). On the other hand, some studies do not find that attitudes of flexibly contracted employees differ significantly from those of permanent employees (e.g. De Witte & Näswall, 2003; Pearce, 1993; Torka, 2003; Van Breukelen, & Allegro, 2000) or even find lower commitment among permanent employees compared with flexibly contracted employees (e.g. De Cuyper & De Witte, 2006a, 2006b; McDonald & Makin, 2000). Accordingly, the proposed interrelations might be flawed considering these empirical findings. A possible explanation for this diverse set of findings which shall be

<sup>&</sup>lt;sup>1</sup> Short-term relationships based primarily on monetizable exchange (Rousseau, 1995)

<sup>&</sup>lt;sup>2</sup> Open-ended relationships involving significant investments by both parties (Rousseau, 1995)

elaborated on in the following paragraphs might be the heterogeneity of existing flexible ER types (e.g. De Cuyper et al., 2008). Besides, some scholars argue that the PC mediates the effect of flexible ERs on employees' attitudes and behaviour (e.g. De Cuyper et al., 2008; Guest 2004a; McLeanParks, Kidder, & Gallagher, 1998). We therefore assume here that the PC plays a key role in research about the effects of flexible ERs on employee attitudes and behaviour. In addition, investigations studying the relationship between flexible ERs and employee attitudes as well as behaviour are assumed to implicitly give some clues about employees' PCs. Consequently, in this article particular attention is given to PC research and theory.

Overall, it can be stated that the picture is not as clear-cut as supposed and findings are inconsistent (see also De Cuyper et al., 2008). Consequently, it is clearly of practical and theoretical relevance to investigate potentially existing knowledge gaps with respect to flexible ERs and associated PCs which might cause the indicated inconsistencies. In short, our review of the literature revealed that there is no conceptual model under which the interaction of the employer's as well as employees' PC with respect to different types of flexible ERs can be studied and categorized. In particular, this review seeks to answer the following main questions: "Do flexible ERs have a negative effect on outcome variables? And within this frame which role does the heterogeneity of flexible ERs, the content, the features as well as dynamics of PCs play?" Therefore, in this article we first give a brief outline of contemporary flexible ER types. Subsequently, the foundations and evolution of the PC concept is reviewed. Afterwards, findings about flexible ERs and PCs shall be summarized and discussed. In particular, we focus on inducements by the employer in the form of HR practices and features of employees' PCs. In conclusion, a conceptual model is formed and recommendations are given to inspire future research.

Given the above account this study can contribute to the scientific literature because of three main reasons. In the first place, this study is the first investigation towards a fine-tuned

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categorization of the PC of employers and employees with a flexible ER. Secondly, it is one of the first investigations which addresses the dynamics of exchange relationships between employer's and employees' PCs - in particular with respect to employer's inducements in the form of HR practices and employees' PC features. At last, implications on how to categorize and manage the PC of flexibly contracted employees are gained.

# 2. Types of flexible employment relationships and the evolution of the psychological contract concept

2.1 Towards a definition and classification of flexible employment relationships Generally, the ER can be defined as an "economic, legal, social, psychological and political relationship in which employees devote their time and expertise to the interests of their employer in return for a range of personal financial and non-financial rewards" (Lewis, Thornhill, & Saunders, 2003: page 6). While scholars do not agree on a definition of flexible ERs (e.g. Gallagher, & McLean Parks, 2001; McLean Parks et al., 1998) the latter are in general supposed to be distinct from standard ERs or work arrangements (e.g. De Cuyper et al., 2008; Gallagher, & McLean Parks, 2001; Kalleberg, 2000). Standard ERs are generally "done full-time, would continue indefinitely, and [... are] performed at the employer's place of business" (Kalleberg, 2000: page 341). Whereas, for instance, according to the "Organization for Economic Co-Operation and Development [OECD]" (employment outlook, 2002: page 170) flexible ERs or "temporary jobs [can be defined] as dependent employment of limited duration [...]". Thus, one key distinguishing aspect between standard and flexible ERs might be contract permanency (see also De Cuyper et al., 2005). We therefore use the term "flexible ER" to refer to "all ERs different from a permanent contract or standard work arrangement".

In the last 20 years the perhaps most influential and most debated model of organizational strategies to manage flexible employment might be the "core-periphery" model by Atkinson (1984 in Boxall, & Purcell, 2003; De Cuyper et al., 2005; Torka, & Van Velzen, 2008). In the

core of this model lies, that organizations increase their functional, numerical, and financial flexibility through the division of the labour force into a small core group and a broad periphery group (Boxall, & Purcell, 2003; De Cuyper et al., 2005). The core group consists of employees with a standard ER performing vital functions for the organization, while the periphery group does not perform company-specific tasks and is therefore easily found on the external labour market (Boxall, & Purcell, 2003; De Cuyper et al., 2005). Hence, the core group is assumed to have higher levels of job security and developmental opportunities, while the periphery group receives lower levels of organizational commitment and is assumed to support the core in work fluctuations (Boxall, & Purcell, 2003; De Cuyper et al., 2005; Torka, & Van Velzen, 2008).

In line with this model Rousseau (1995) proposes to categorize contemporary ERs through two basic dimensions: a) time frame (short-term versus long-term) and b) the degree of internalization or externalization. Based on these dimensions she identified the following ER types: long-term insiders (core employees), short-term insiders (careerists), long-term outsiders (pooled workers), and short-term outsiders (temporaries & independent contractors).

However, as Kalleberg (2003) argues a distinction of employees into either insiders or outsiders is too simplistic mainly because of the huge diversity of the group of "outsiders" or employees with a flexible ER and their working conditions. In this paragraph we focus on capturing the heterogeneity of flexible contract types. To return to the categorization put forward by Rousseau (1995), she obviously overlooks for example the existence of different forms within the category of temporary workers such as in-house temporaries, direct-hire temporaries, and temporary firm workers. Indeed, the development of a comprehensive categorization that enables cross-national comparison might be one of the biggest challenges within flexible ER research (De Cuyper et al., 2005; McLean Parks et al, 1998). For instance, in some countries (e.g. The Netherlands, Germany, Sweden) temporary agency workers can have a permanent contract with the temporary work agency (OECD, employment outlook, 2002). Yet, by the application of for example "contract permanency" which – as mentioned above – is identified as one key distinguishing aspect between flexible and standard ERs, researchers might encounter the risk of excluding agency workers who have a permanent contract with the agency from the group of flexibly contracted employees. Although, these group of workers do have a non-permanent contract with the employing organization, and accordingly might be included in classifications of flexible ERs. Moreover, the facilitation of a clear distinction between flexible and standard ERs by the application of contract permanency as the distinguishing factor might require a comprehensive identification of the diversity of permanent contracts, since permanently contracted employees might for example differ by job security (De Cuyper et al., 2005). These are only two exemplars of contemporary classification problems with respect to flexible ERs.

To acquire an outline of contemporarily existing flexible ERs we therefore prefer here the working classification proposed by McLean Parks et al. (1998) that maps contemporarily existing flexible ERs, although it might not be an all-encompassing categorization of flexible ERs. According to McLean Parks et al. (1998) the following flexible ER types can be distinguished: a) floats and b) networked employees, c) in-house temporaries, d) direct-hire or seasonal temporaries, e) leased workers, f) temporary firm workers, g) subcontracted workers, h) consultants, and i) independent contractors (table 1, see Appendix: page 52, for definitions of these flexible ER categories).

Clearly, this great diversity within flexible ERs might cast a shadow upon associated PCs. In other words, employers and employees with different types of flexible ERs might hold different types of PCs. Yet, to derive at a sophisticated insight into the interrelations between flexible ERs and PCs it might require a deep-rooted understanding of its origins. We therefore shall review the foundations and evolution of the PC concept previous to reviewing contemporary empirical and theoretical findings on the relations between flexible ERs and PCs.

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#### 2.2.1 The roots of the psychological contract concept

The roots of the PC concept can be traced back to early work on the "social exchange theory" (e.g. Coyle-Shapiro, 2002b; Guest, 2004b). The core of this theory rests in the assumption that social relationships "have always consisted of unspecified obligations and the distribution of unequal power resources" (Blau, 1964 in Cullinane, & Dundon, 2006: page 114). In other words, human relationships are accordingly based on subjective cost-benefit analysis and the evaluation of given alternatives. In addition, the "norm of reciprocity"<sup>3</sup> (Gouldner, 1960) is supposed to be one core explanatory mechanism underlying the PC theory (Coyle-Shapiro, & Kessler, 2002a, b).

These types of social exchange concepts are evident in the work of Argyris (1960), Levinson, Price, Munden, Mandl, and Solley (1962), Schein (1965, 1980), and Kotter (1973). However, primarily overlooked by contemporary research is that the idea of an implicit exchange relationship was also addressed in prior research by Menninger's (1958) analysis of the patient-therapist relationships, by the inducement-contribution model of March and Simon (1958), and even earlier by Barnard's (1938) equilibrium model (Roehling, 1997).

Argyris (1960) used the term "psychological work contract" to refer to the power of perceptions, norms, and values held by both parties (employer and employee) to the ER. Developing this further, Levinson et al. (1962: page 21) viewed the PC as "a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to one another". According to Schein (1965, 1980) these expectations do not just comprehend a clear description of what kind of performance is required for how much compensation, but in addition a broad set of obligations, privileges, and rights. Kotter (1973) tested Schein's "matching" hypothesis

<sup>&</sup>lt;sup>3</sup> Gouldner (1960) argues that people should help those who have helped them and that this norm of reciprocity is universal.

employee expectations the more employees report job satisfaction, productivity, and reduced turnover.

In sum, the early works on the PC concept illustrate that ERs are shaped by a social as well as an economic exchange (Fox, 1974 in Cullinane, & Dundon, 2006). Common denominators which these researchers utilize are the term "expectations" and the inclusion of the employees' as well as employer's perspective into the definition of the PC. To what extent these early works are carried on in PC research after the 1990s shall be analyzed in the following paragraph. Subsequently, to highlight similarities and differences a comparison between these two time frames of research shall be given.

### 2.2.2 The research about the psychological contract after the 1990s: Rousseau's seminal work and contemporary research

Despite early works on the PC concept, it did not become prominent until the 1990s. Its revival was primarily determined by the influence of Rousseau's (1989, 1995) work. According to Conway and Briner (2005) her re-conceptualization of the PC was different from previous research in four main ways. First, in contrast to early works on the PC that emphasized "expectations", she focused on the promissory nature of the PC in defining the PC as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (Rousseau, 1989: page 123). Secondly, she moved away from the viewpoint that the PC involves the perceptions of two interconnected parties to regarding it as an individual-level subjective experience "existing in the eye of the beholder" (Rousseau, 1989: page 123). Thirdly, rather than thinking that the PC formation is caused by human needs underlying the formation of expectations, Rousseau believes that it is mainly individual's perceptions of observable behaviour that underlies the formation of PCs. Finally, early works emphasized the process of "match" between inducements offered in exchange for contributions expected, irrespective of given promises, while Rousseau made the idea of "violation" as a primary mechanism linking the PC to

different employee outcomes, popular. In this sense she assumes that PC violation causes more intense responses by employees than unmet expectations. Most research after the seminal work of Rousseau can be regarded as being in line with Rousseau's conceptualization (Cullinane, & Dundon, 2006). This corresponds to a shift from viewing the PC as an exchange concept to a cognitive model (Arnold, 1996; Guest, 1998a). However, Rousseau's work has also been criticized in contemporary research; this issue shall be discussed briefly in the following paragraph. In general, it can be said that the PC in contemporary research is mainly used as either an explanatory framework for the ER (e.g. Shore, & Tetrick, 1994) to predict employee attitudes and behaviour (e.g. Robinson, 1996) or at a more general level as a kind of thinking about the impact of economic and social changes on employees (Morrison, & Robinson, 1997) (Conway, & Briner, 2005).

## 2.2.3 The early works versus research after the 1990s about the psychological contract: A summary and definition

In the beginning the PC was viewed as an exchange model at the level of employer and employee expectations. The main difficulty of this stream of research evolved through confusions about who represents the organization and how to deal with disagreeing parties (De Cuyper et al., 2005). An attempt to deal with these confusions was given by Rousseau's conceptualization in which the PC represents a cognitive model existing at the individual level rather than an exchange model incorporating different parties.

However, some researchers emphasized the need for including the perspectives of both parties (employer and employee) into the PC (e.g. Guest, 1998b, 2004a; Tekleab, & Taylor, 2003). Furthermore, many authors agree that the PC is based on perceived promises (see Conway, & Briner, 2005, for a sophisticated overview). But there still remains confusion about whether these promises are based on expectations (Kotter, 1973) or obligations (Rousseau, 1990, 1995) or both (Guest, 1998b; McLean Parks et al., 1998). Despite these confusions, scholars have reached consensus about the nature of the PC (Van den Brande, 2002 in De Cuyper et al., 2005). The PC is implicit, informal, and subjective because its content is open to interpretation. As the PC only exists within the context of an exchange relationship, mutuality is an underlying feature of it. Hence, perceptions should cover the viewpoints of both parties (employer and employee) to the relationship, even when focusing on the PC as an individual's perception only. In addition, the PC is "obligatory" since expectations of perceived obligations must be fulfilled in order to avoid contract "violation". Finally, the PC is dynamic due to mutual bargaining and negotiation mechanisms (see De Cuyper et al., 2005; Conway, & Briner, 2005 for a sophisticated overview).

## 3. Flexible employment relationships and the psychological contract

In the following paragraphs we turn to outline research about flexible ERs and PCs. To attain a comprehensive overview of contemporary research our examination shall focus on both the employer and employee perceptions. Moreover, to get a closer look on the PC of employers/ employees with a flexible ER the three main research areas are summarized hereinafter as: the content approach, the feature approach, and the evaluation approach to study the PC (De Cuyper et al., 2005; Rousseau, & Tijoriwala, 1998). The different approaches to study the PC can be distinguished by their orientation towards the content, the features, or the state as well as process of the PC (De Cuyper et al., 2005). In addition, the different approaches shall be linked to research studying explicitly the PC within the frame of flexible ERs.

Besides, as reviewing all factors influencing the PC of employers/employees with a flexible ER might be impossible within one article we shall focus our analysis on the organizational and individual level, especially on inducements by the employer in the form of HR practices and features of individuals' PCs. Consequently, investigations directed towards factors at the environmental level are regarded as being out of the scope<sup>4</sup>. Following our review by means of a mental experiment and potentially evolving scenarios through the interaction between employer's inducements in the form of HR practices and employees' PC features, the dynamics of the PC concept and within this a potential typology of flexible ERs shall be examined.

# 3.1 The content approach to study the psychological contract and flexible employment relationships

The PC content refers to "the terms and reciprocal obligations [as well as expectations] that characterize the [...] psychological contract" whether from an employee's or employer's perspective (Rousseau, & Tijoriwala, 1998: page 685). Scholars have not yet reached consensus about which items or scales to apply to measure the PC (Van den Brande, 2002 in De Cuyper et al., 2005), arguably, caused by the subjective nature of the PC. Consequently, different researchers apply different items to measure the same content (see Conway, & Briner, 2005; Rousseau, & Tijoriwala, 1998, for a comprehensive discussion of content measures).

For instance, Rousseau (1995) - based on the assumptions of the "transaction cost theory"<sup>5</sup> (Coase, 1937; Williamson, 1979) and the seminal work of MacNeil (1974, 1985)<sup>6</sup> - makes a distinction between transactional and relational types along a contractual continuum. Transactional contracts focus on short-term and monetizable exchanges while relational

<sup>&</sup>lt;sup>4</sup> It is not the aim of this study to argue that environmental factors such as national culture and national law do not have an impact on the PC of employers and employees, in contrast to this, we expect an enormous effect of environmental factors on PCs (see Rousseau, & Schalk, 2000 for a sophisticated overview of cross-national perspectives to the PC), but this should be addressed by future research.

<sup>&</sup>lt;sup>5</sup> According to the transaction cost theory (Coase, 1937) organizations exist as alternatives to the market mechanism when it is more efficient to produce in a non-price environment or within the firm. Williamson (1979) developed this theory a step further by identifying the critical dimensions characterizing a transaction and coupling these to the institutional governance structures of transactions. In so doing Williamson (1979) identified the following primary dimension determining a transaction: uncertainty, frequency of exchange, and the degree to which investment are transaction-specific. He concludes that non-specific transactions (transactional relationships) are efficiently organized by markets, while recurrent transaction-specific (relational relationships) exchanges are more efficiently governed internally.

<sup>&</sup>lt;sup>6</sup> The bottom pillars for the transactional-relational distinction as applied by Rousseau (1989) was also set by the traditional contract theory as described in the seminal work of MacNeil (1974, 1985).

contracts focus on open-ended relationships involving significant investment by both parties. However, this typology was not always supported in empirical studies (e.g. Rousseau, 1990; Robinson, Kraatz, & Rousseau, 1994), based on content items measuring promised obligations. Consequently, two supplementary types were formed, based on the dimensions tangibility (specified vs. unspecified performance) and time frame (short-term vs. long-term) (Rousseau, 1990, 1995). The balanced contract refers to "open-ended and relationshiporiented employment with well-specified performance terms subject to change over time". The transitional contract reflects "the absence of commitments regarding future employment as well as [...] no explicit performance demands" (Rousseau, 1995: page 98). This categorization is summarized in table 2 (see Appendix: page 53).

In addition, typologies resulting thereof seem to depend on the form of data used (De Cuyper et al., 2005). For instance, Tsui, Pearce, Porter, and Tripoli (1997) distinguish four types of exchange relationships or PCs based on their categorization of HR practices and the level of mutual investment. The "quasi-spot contract" refers to a relationship in which the investment of the employer and employee is low and mainly based on economic exchange while a "mutual investment contract" consists of high investments of both parties and a mainly social exchange. "Underinvestment" and "overinvestment" refer to a PC in which the investment of either the employee or the employer is low. This initial typology is identifiable in the work of Tsui and Wu (2005) and summarized in table 3 (see Appendix: page 53).

Empirical research studying the PC content and flexible ERs can be described as being scarce. Nonetheless, there is some evidence that the PC content of flexibly contracted employees can be regarded as being narrower and more transactional compared with the PC content of permanent employees (Claes, Schalk, Guest, Isaksson, Krausz, Mohr, and Peiro, 2002; De Cuyper, Rigotti, De Witte, & Mohr, 2008; Millward, & Brewerton, 1999; Millward, & Hopkins, 1998; Silla, Gracia, & Peiro, 2005 in Caballer, Silla, Gracia, & Ramos, 2005). In addition, some studies found that employees with a flexible ER show lower levels of positive

attitudes (e.g. Eberhardt, & Moser, 1995; Forde, & Slater, 2006) and engage less in organization citizenship behaviour (OCB) (e.g. Coyle-Shapiro, & Kessler, 2002a; De Gilder, 2003; Van Dyne, & Ang, 1998).

Yet, there is also some evidence that not all flexible ERs inevitably lead to a transactional PC and through this to negative effects on outcome variables. For instance, Van Dyne and Ang (1998) found that employees with a flexible ER having positive attitudes about their relationship with the organization exhibit higher degrees of OCB. Similarly, by using a sample suggested to choose for a flexible ER on a voluntary basis, McDonald and Makin (2000) found that these temporary employees had higher instead of lower levels of job satisfaction and organizational commitment. Coyle-Shapiro and Kessler (2002a) found that the engaged degree in OCB by temporary workers increase if the employing organization provides these employees with necessary or increased inducements. This finding is partially in line with the results found by Millward and Brewerton (1999). Accordingly, only temporary agency workers having a temporary contract with their temp agency - in contrast to those having a permanent contract with their temp agency - report a rather transactional PC with their employing organization. In addition, Engellandt and Riphan (2005) found that the level of employee effort differs by the type of flexible contract and increases for those positions in which the potential for upward mobility is more likely.

Given the above account of found evidence, although there is some evidence for the suggested negative effect of flexible ERs on outcome variables, this might not hold true for each case. It seems that effects differ depending on the type of flexible ER and on delivered inducements in exchange for contributions. Therefore, a more sophisticated analysis might comprise the heterogeneity of flexible ER types and the diversity of inducement as well as contribution forms.

Hereby, both the employer's as well as employees' perspective seems to be of relevance. In the same vein, for instance, Coyle-Shapiro and Kessler (2002a) and Silla et al.

(2005) incorporate employer's inducements, despite this they make use of a one-sided measure through the application of employees' reports, exclusively. In contrast to this, Swedish researchers have just begun to explore the PC content of employers as well as employees by using questionnaire items (Isaksson, Bernhard & Gustafsson, 2003 in Bernhard-Oettel, & Isaksson, 2005) and interviews with employers (Isaksson, 2001 in Bernhard-Oettel, & Isaksson, 2005; Knocke, Drejhammer, Gönas, & Isaksson, 2003 in Bernhard-Oettel, & Isaksson, 2005) with respect to their level of mutual expectations. It was found that permanently contracted employees report a significant higher degree of expectations towards the employer while the perceived levels of employee obligations do not differ noteworthy by contract type (Isaksson et al., 2003 in Bernhard-Oettel, & Isaksson, 2005). In addition, these researchers discovered that the PC content in terms of employee expectations of agency workers is narrower compared with non-agency workers and that employers report more limited obligations of short-term contractors compared with permanent employees (Isaksson, 2001 in Bernhard-Oettel, & Isaksson, 2005). Although these kinds of studies might contribute to the closing of the indicated knowledge gaps, it might be too early to draw conclusions from the found results.

In sum, it remains difficult to assess universally applicable PC types. Primarily, because the content approach is up to now mainly limited to the assessment of perceived promises, no matter from whether the employees' or employer's perspective, and does not encapsulate the "exchange of promises" such as which kind of inducements are exchanged for what sort of contributions<sup>7</sup>. Hence, to investigate the interaction between the employer's and employees' PC content it might require a comparative method to contrast the PC content of the employer with that of the employee and/ or vice versa. As argued by Schalk and Freese (1998) a stock-taking of the current PC might be obligatory as a point of destination. For the assessment of

<sup>&</sup>lt;sup>7</sup> This may not be an issue in idiosyncratic research inquiries (De Cuyper et al., 2005), since this requires a focus on the individual level, exclusively.

the employer's PC as applied by Tsui et al. (1997), different HR practice<sup>8</sup> types might be a helpful source of measurement.

For instance, in a comprehensive review of the workforce governance and HRM literature Tsui and Wang (2002) identified the following five HR practices as best distinguishing the two prototypical forms (transactional versus relational) of contracting: a) job definition (specified versus open-ended), b) basis for reward (individual versus group), c) participation and voice (limited versus extensive), d) training (little versus comprehensive), and e) employment security (low versus high) (table 4, see Appendix: page 54, for a summary of HR practices associated with the two prototypical forms (transactional vs. relational) of PCs). Thus, from an employer's perspective a rather transactional PC might contain the following: specified job definitions, individual basis for reward, limited participation and voice, few training opportunities, and low employment security (Tsui, & Wang, 2002). In contrast to this, a rather relational PC might contain the following: open-ended job definitions, group basis for reward, extensive participation and voice, comprehensive training opportunities, and high job security (Tsui, & Wang, 2002).

Yet, as indicated above to derive at a more fine-tuned categorization of PCs it might require more than a distinction between either transactional or relational PCs. Hereby, the feature approach to the PC might be of relevance. Therefore, the following paragraph shall be directed towards reviewing research findings about the feature approach to study the PC. The main difference of the feature approach compared to the content approach might lay in the assessment of PCs based on broad dimensions along which PCs might vary (e.g. Conway, &

<sup>&</sup>lt;sup>8</sup> To derive at a sophisticated understanding of the PC content the investigation of specific kinds of inducements and contributions is regarded as necessary. Scholars do assume that HR policies and practices affect the relationship between employers/ employees and associated PCs (e.g. Guzzo, & Noonan, 1994; Rousseau, 1995; Schalk, & Freese, 1998; Tsui, & Wu, 2005), in addition, empirical findings show that HR practices act as a source of communication between employers and employees (e.g. Guest, & Conway, 2002; Westwood, Sparrow, & Leung, 2001). In a similar vein, here we assume that HR practices might act as employer's inducements involved in the exchange relationship. Hence, as a point of destination at the organizational level HR practices seem to be sufficient to assess the PC from an employer's point of view.

Briner, 2005) instead of measuring content items or scales. Hereby, "the contract content can be thought of as comprising nouns (e.g. 'job security' or 'career development'), [...while] features are adjectives that characterize summary features of the contract and the way it was conveyed or interpreted (e.g., 'explicit', 'unwritten')" (Rousseau, & Tijoriwala, 1998: page 685).

# 3.2 The feature approach to study the psychological contract and flexible employment relationships

Researchers applying the feature approach to measure PCs assume that transactional PCs can be distinguished from relational ones along five different dimensions, called features: stability, scope, tangibility, focus, and time frame (e.g. McLean Parks et al., 1998; Rousseau, & McLean Parks, 1993; Sels, Janssens, and Van den Brande, 2004).

Advocates of the feature approach argue that the content approach to study the PC is insufficient because of its reliance on content items which are applicable to particular employee groups and not at all for other employee groups (Conway, & Briner, 2005). In addition, Rousseau and Tijoriwala (1998) argue that PC features are relevant to the understanding of the process whereby the communication between employer and employee affects the content and fulfilment of the PC. In other words, the feature approach might be a good measure for the assessment of how contract-related communication between the involved parties shapes the PC.

Moreover, until now there is only one theoretical contribution by McLean Parks et al. (1998) available that applies the feature approach to measure the PC within the frame of flexible ERs. According to McLean Parks et al. (1998) the following eight dimensions highlight the differences and similarities between different types of flexible ERs: stability, scope, tangibility, focus, time frame, particularism, multiple agency, and volition. The definitions of these PC features are summarized in table 5 (see Appendix: page 55).

According to Guest (1998b) the list of features applied in this approach seems to be derived intuitively rather than based on theoretical inquiries. Indeed, the theoretical framework applied to this approach in contemporary research is based on the work of Rousseau and McLean Parks (1993) and its five dimensions, exclusively (e.g. McLean Parks et al., 1998; Van den Brande, 2002 in De Cuyper et al., 2005). Although recent research supports a six-factor solution by adding employability (Ulbricht and Bernhard, 2003 in de Cuyper et al., 2005) and/or exchange symmetry (Sels et al., 2004). Clearly, much more future empirical research is needed to validate these different dimensions to derive at a categorization of flexible ER types along the transactional – relational continuum.

In summary we can say that the most relevant limitations of this approach might be that there is no consensus on which dimensions to include into the framework as well as on how to interpret the different dimensions and the inclusion of the employees' perspective, exclusively. A possible investigation of the interactions between the employer's and employees' PC might require among other to turn out more clarity about how HR practices<sup>9</sup> and employees' PC features may be interrelated and how these potential interrelations affect outcome variables. Hereby, the evaluation approach to study the PC might be of relevance. Therefore, in the subsequent paragraphs we turn to explore inquiries directed to the PC state and process (see e.g. Guest, 2004a, b for a description of PC state and process). In particular, the PC fulfilment, breach/violation, and change shall be addressed.

# 3.3 The evaluation approach to study the psychological contract and flexible employment relationships

3.3.1 Psychological contract fulfilment, violation, and change: A review of relevant literature According to Roussau and Tijoriwala (1998: page 690) evaluation oriented assessments of the PC refer to "comparative judgements regarding the individual's actual experience relative to an existing psychological contract". Hereby, evaluations directed towards contract fulfilment,

<sup>&</sup>lt;sup>9</sup> Here regarded as inducements by the employer.

violation, and change are included (Rousseau, & Tijoriwala, 1998). According to Rousseau (1989: page 128) PC violation refers to the "failure of organizations or other parties to respond to an employee's contributions in ways the individual believes they are obligated to do so". Consequently, PC fulfilment includes the extent to which the promised terms have been met. Nevertheless, PC fulfilment is assumed not to be the opposite of PC violation (Rousseau, & Tijoriwala, 1998) since PC "fulfilment is a matter of degree" (Rousseau, & Tijoriwala, 1998: page 691), thus, employees may perceive that some promised terms have been met, but not all. Hence, Morisson and Robinson (1997) argue that a distinction can be made between PC breach and violation. In their view, PC breach refers to a cognitive comparison of what was promised and delivered while PC violation is assumed to be the affective and emotional reactions that may result from PC breaches. The main disadvantage of making such a distinction might be that PC breach refers to any kind of perceived discrepancy (Conway, & Briner, 2005) although some discrepancies may not be of relevance for PC violation.

Generally, empirical research incorporating this distinction shows that PC violation is the norm rather than the exception (e.g. Coyle-Shapiro, & Kessler, 2000; Robinson, & Rousseau, 1994), however, there is a limited amount of studies available. Furthermore, these studies refer to violations caused by the employer and make use of a sample containing permanently contracted employees, exclusively. There is also some evidence that flexibly contracted employees in general report higher levels of fulfilment compared with permanent employees (e.g. Isaksson et al., 2003 in Bernhard-Oettel, & Isaksson, 2005; Guest, MacKenzie Davey, Patch, 2003 in Guest, & Clinton, 2005; Guest, & Conway, 1998 in Guest, & Clinton, 2005). However, these studies also contain some restrictions with respect to including the employees' perspective and justice or trust as critical dimensions for PC fulfilment, exclusively. Furthermore, as argued by Guest et al. (2003, in Guest, & Clinton, 2005) a possible explanation for the found results may be that provided that flexibly contracted

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employees have narrower and transactional PCs, fulfilment is made easier. However, this viewpoint subordinates that all types of flexible ERs lead to similar or equal PC contents.

In short, the above account of findings highlight that by now the employer perspective to PC fulfilment and violation is primarily neglected. In addition, it might be questionable if trust and justice are the only critical dimensions underlying PC fulfilment, especially with respect to different types of flexible ERs. For instance, other variables such as perceived organizational support, affective organizational commitment, and procedural as well as interactional justice might be other dimensions underlying PC fulfilment, since these variables are found to moderate the link between perception of HR practices and employee work performance (Kuvaas, 2008). Moreover, empirical studies about PC fulfilment and violation within the frame of flexible ERs might be too scarce to reveal clear conclusions.

Besides, research studying the process or change of the PC over time, is measured mainly with newcomers (e.g. De Vos, Buyens, & Schalk, 2003; Rousseau, 1990; Robinson, Kraatz, Rousseau, 1994; Thomas, & Anderson, 1998). It is assumed that changes in the PC only occur when the perceived discrepancy is outside tolerance boundaries (De Cuyper et al., 2005). However, until now research in this field is restricted to the content approach, the employer perceptions are not taken into account, and investigations incorporating flexible ERs are not available. In addition, the full process of the PC is unexplored, since all empirical studies focus on the recruitment, selection, and socialization phases, and do not incorporate the development of the PC along several years including pre- and post-employment inquiries.

In sum, the most relevant knowledge gaps of this approach might be the following. First, the whole process of PC development and change is under-researched; this includes pre- and post-employment inquiries as well as investigations incorporating the interactions of PC content and fulfilment/violation. Secondly, the employer's perspective to this process is primarily neglected, for instance the viewpoint that PC violations might also be caused by employees is under-researched. Gaining insight into the whole PC process and to which

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extent outcome variables are affected within this process might require an understanding of underlying mechanisms. Therefore, in the following paragraph we shall give a brief summary of the most relevant theoretical paradigms used within PC literature.

### 3.3.2 Psychological contract fulfilment, violation and change: A summary of underlying theoretical paradigms

In PC research primarily the following three theoretical paradigms are applied, underlying the casual mechanisms that affect the PC evaluation: the social exchange, justice, and human needs paradigms (Lambert, 2007a). The two leading paradigms of social exchange and justice mainly emphasize that employees/employers engage to exchange relationships to gain reciprocity either by employer inducements or employee contributions (see paragraph 2.2 in this article) and that breaking promises is perceived as injustice as keeping promises is perceived as justice (e.g. Morrison, & Robinson, 1997; Robinson et al., 1994; Shore, & Barksdale, 1998). A third theoretical paradigm evolves from the idea that how an employee reacts to PC fulfilment and breach depends on how the inducements and contributions involved, facilitates or hinders the employees' opportunities to satisfy his/ her human needs (Hackman, & Oldham, 1975, 1976; Lambert, Edwards, & Cable, 2003).

In a general sense, two kinds of comparisons are implicit in the two leading theoretical paradigms. First, it is assumed - as mentioned in the former paragraph - that employees compare promised inducements by the employer with those actually delivered (e.g. Lambert et al., 2003; Lambert, 2007a, Rousseau, 1989, 1995). Secondly, according to the norm of reciprocity employer's inducements are compared with employees' contributions (e.g. Lambert, 2007a; Rousseau, & Tijoriwala, 1998).

Most PC research is directed towards the comparison between promised and delivered inducements (e.g. Coyle-Shapiro, & Conway, 2005; Robinson, 1996; Tekleab, Takeuchi, & Taylor, 2005). Research focusing on the comparison of inducements to contributions can be described as being underdeveloped. Nonetheless, in a recent study Lambert (2007b) applied

theoretical equations to model the comparison process that links promised/ delivered inducements and contributions. She found that what is actually delivered to employees matters more than what is promised and that inducements matter more than contributions. In addition, Lambert et al. (2003) found that the effects on outcomes depend on the particular inducement involved, for instance excess inducements on pay may increase employees' satisfaction whereas excess inducements on task variety may decrease satisfaction as it means having to perform too many tasks. Although investigations studying directly the mentioned comparison of inducements with contributions within the frame of flexible ERs and PCs are not available, the following effects of flexible ERs on outcome variables are generally predicted in line with the two leading paradigms. First, flexibly contracted employees are assumed to compare the delivered inducements referring to others such as permanently contracted employees and might perceive that they are not receiving valued inducements while permanently contracted employees do. This might have a negative effect on outcomes among flexibly contracted employees compared with permanent workers (e.g. De Cuyper et al., 2008). Secondly, the PC that is supposed to be dominant among employees with a flexible ER (e.g. narrower and transactional) might hamper the development of trust within the ER. This, in turn, might facilitate the development of less favourable employee attitudes and behaviours among the flexibly employed work force compared with the permanently employed workers (e.g. De Cuyper et al., 2008).

Yet, given the above described picture of flexible ERs effect on outcome variables the following questions remain unsolved: Are there any differences, and if yes, to what extent within different types of flexible contracts with respect to effects on outcome variables? In addition, does it make a difference when different types of inducements as well as contributions are incorporated? Hereby, some more clarity might be gained through the inclusion of the human needs paradigm. The human needs paradigm, in consideration of the preceding finding by Lambert et al. (2003) and the results by Coyle-Shapiro and Kessler

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(2002a) that contingent workers are more reactive to delivered inducements than permanent workers, might emphasize that there are differences in terms of effects on outcome variables, perhaps also within different flexible ER types when different types of inducements (e.g. different types of HR practices such training opportunities or participation and voice) are involved. In addition, Kinnie, Hutchinson, Purcell, Rayton, and Swart (2005) found that the importance of HR practices for employees varies by the type of HR practice and employee group involved. Although this study was not conducted within the frame of flexible ERs, the same might count for flexibly contracted employees.

In conclusion, an examination of how these different theoretical paradigms and our analysis of the relevant literature might be useful to predict the outcomes of flexible ERs and associated PCs shall be outlined in the following paragraph.

#### 4. Conclusion: Towards a conceptual model for future research

This review highlights the complexity involved in flexible ERs and associated PCs. More specifically, we investigated and questioned existing assumptions about the impact of flexible ERs on PCs through a review of existing findings about this topic.

In general, our analysis revealed that there is compelling evidence that under particular external and internal circumstances flexible ERs might not have a negative effect on outcome variables (e.g. Coyle-Shapiro, 2002a; Engellandt, & Riphan, 2005; McDonald, & Makin, 2000; Millward, & Brewerton, 1999; Van Dyne, & Ang, 1998). More specifically, our most relevant findings are threefold. First, in line with prior research we assume that a comprehensive analysis of flexible ERs and associated PCs requires an incorporation of the diversity of different flexible ERs types (e.g. De Cuyper et al., 2008; Guest, 2004a), in addition it might be of relevance to incorporate the diversity of different inducement as well as contribution types. Secondly, in a similar vein as for instance Rousseau (1995) we assume that a fine-tuned categorization of PCs might require more than a distinction between either transactional or relational, although our assumptions go a step further in expecting that there a many other forms of PCs<sup>10</sup>. Hereby, the feature approach might be a good measure of how contract-related communication between the involved parties shapes the PC (see Rousseau, & Tijoriwala, 1998). Thirdly, to get an insight into the dynamics and interactions of employer's/ employees' PCs it might require the exploration of the whole PC process or change. In addition to this, an investigation of the interactions between employer's and employees' PC might necessitate, among others to turn out how HR practices<sup>11</sup> and employees' PC features are interrelated. Different theoretical paradigms might be useful to evaluate the effects of the exchange relationship on outcome variables. In short, we found that within the frame of flexible ERs the extent to which delivered inducement types by the employer in the form of HR practices interacts with the employees' PC features and what kind of effects this exchange might have is broadly under-developed theoretically and empirically.

Consequently, to inspire future research we propose an interaction model (figure 1) under which the PC of employers as well as employees with a flexible ER and the effects of the exchange relationships might be analysed and categorized. However, it is not feasible to develop a full typology of exchange relationships since many other forms of flexible ERs and PCs might evolve over time (e.g. caused by the dynamic nature of ERs and PCs). Yet, the conceptual model advanced in this article might be adopted by researchers to assist their analysis of particular aspects of the PC of employers/ employees with a flexible ER. To illustrate how this might work in general we shall make use of some prototypical scenarios that might evolve from the interaction of employer's inducements in the form of HR practices and employees' PC features.

<sup>&</sup>lt;sup>10</sup> We shall elaborate on this in more detail in the subsequent paragraphs 4.3 and 4.4.

<sup>&</sup>lt;sup>11</sup> In the sense of inducements by the employer.

# 4.1 An interaction model to analyse the psychological contract of employers/ employees

As argued by Schalk and Freese (1998) to investigate the PC as a point of destination a stocktaking of the current PC should take place. Hereby, from an employees' point of view the mentioned different features can be used to assess the PC of employees with different types of flexible ERs (see McLean Parks et al., 1998 for a comprehensive overview of this method). For instance, taking a rather traditional point of view and considering the example of a temporary factory worker and a consultant the following PC content profiles might evolve. McLean Parks et al. (1998) assume that most temporary factory workers' employment is on limited basis, with a low probability to be hired on a long-term basis, their universal skills are easily replaceable, and the contract terms are static as well as specified. In other words, from a traditional point of view this example case might be prone to result in a rather transactional PC content profile. Whereas a consultant might be hired to perform a unique set of skills for a specific agency the contract might be more flexible in order to allow adaptations for changing needs, and the consultant might earn some socio-emotional rewards from, for example, the nature of the task (McLean Parks et al., 1998). From a traditional point of view this example case might be more prone to result in a rather relational PC content profile compared with the example case of the temporary factory worker<sup>12</sup>.

Subsequently, the found employee PC content profile and associated delivered contributions can be compared with delivered inducements by the employer (or vice versa) in the form of HR practices along the proposed different types of HR practices. Before proceeding with some scenarios that might evolve from this comparison, it should be noted that through the ongoing exchange relationship the PC is prone to change as time passes. This

<sup>&</sup>lt;sup>12</sup> It is not the aim of this article to claim that all temporary factory workers' PC content profiles are rather transactional, while all consultants' PC content profiles are rather relational. We make use of these two example cases to illustrate two prototypical and extreme cases that might evolve. Although, more diversity might exist within the group of temporary factory workers as well as consultants with respect to the above mentioned terms than illustrated here (see e.g. OECD, employment outlook, 2002).

proneness to change might underline the necessity of continuously assessing the current PC in

order to investigate its dynamics.

### *Figure 1:* The psychological contract of employer's and employees with a flexible employment relationship (based on Tsui & Wang (2002) and McLean Parks et al. (1998))



\* F (1...n) = different types of flexible employment relationships

To turn back to the proposed conceptual model in simplified terms there are four prototypical scenarios that might evolve from the comparison of the employees' PC features and delivered HR practices by the employer. These scenarios are summarized in figure 2. Subsequently, we shall turn to outline emerging potentially different effects on outcome variables by the application of the mentioned theoretical paradigms to evaluate the PC. At last, recommendations for managerial practice and future research as well as limitations of this study shall be given. Noteworthy, although we refer in figure 2 to transactional, respectively relational, HR practices and PC features this distinction is considered as being approximate, since in practice the existence of such extreme results might be rather improbable.

Figure 2: HR practices compared with PC features

Transactional			
FIT (1)	MISFIT (3)		
Transactional	Relational		
MISFIT (4)	FIT (2)		
V Relational			

### Fit Scenarios (1 and 2):

*Combining rather transactional HR practice profiles with rather transactional PC content profiles or rather relational HR practice profiles with rather relational PC content profiles* In general, there is some evidence for the norm of reciprocity since it has negative effects on outcome variables when promised terms are not delivered by the employer (e.g. Lo & Aryee, 2003; Robinson, & Morrison, 1995; Sturges, Conway, Guest, Liefooghe, 2005; Turnley, & Feldmann, 2000) and employees might perceive their contributions to the organization as payments for future compensation by the employer (Coyle-Shapiro, 2002b; Lambert 2007a). In addition, Kinnie et al. (2005) found that some HR practices, which are here regarded as inducements by the employer, are more important for particular groups of workers. For instance, "involvement" seems to be important for managers and professionals, while it was found not to play a crucial role for workers (Kinnie et al., 2005). In combination, according to these findings it can be assumed that as long as the PC feature profile of the employee matches with the delivered HR practice profile no negative effect on outcome variables shall be observed. However, incorporating the human needs paradigm a different picture might emerge. According to the needs paradigm it can be assumed that the effects on outcome variables shall vary from low to high depending on how well human needs are satisfied (Hackman, & Oldham, 1975, 1976; Lambert, 2007a). For our assumption the human needs paradigm might highlight a positive effect on outcome variables - provided that the found HR practice profile equals the employees' PC feature profile and the HR practices in exchange for delivered contributions by the employee do facilitate the satisfaction of employees' human needs. In addition, what might influence this situation is that the level of positive effect shall increase as the level of fulfilment rises. In contrast to this a negative effect on outcome variables can be expected, given that the found HR practice profile equals the employees' PC feature profile and the HR practices under consideration in exchange for delivered contributions do hinder the satisfaction of employees' human needs. In addition, what might influence this situation is that the level of negative effect shall increase as the level of positive effect no outcome variables can be

#### *Misfit Scenarios (3 and 4):*

Combining rather relational HR practice profiles with rather transactional PC content profiles or rather transactional HR practice profiles with rather relational PC content profiles

A discrepancy might arise when a HR practice profile based on rather relational terms is combined with a rather transactional employees' PC feature profile. For instance, in the light of our example cases and in consideration of one HR practice this discrepancy may arise when a temporary factory worker receives comprehensive training opportunities. According to the social exchange and justice paradigms this overinvestment into employees can be perceived as unfair from the employer's perspective. Consequently, this perceived unfairness might result in a decrease of offered training opportunities. However, arguably how employers react on such a potential breach or violation of their PC might at least partially depend on the reactions of the employees. According to the social exchange and justice paradigms employees should perceive this injustice towards the employer and try to resolve this discrepancy between delivered inducements and contributions by increasing their own contributions (Lambert, 2007a). Nonetheless, as argued by Lambert (2007a) it might not be probable that employees accept blame for harming the employer due to cognitive distortions. Accordingly, employees might show a tendency of lessening the feelings of guilt by adapting the perceptions of delivered amounts to restore equity (Adams, 1965 in Lambert, 2007a). Thus, for the case example of the temporary factory worker this would suggest that he/she does not perceive offered comprehensive training opportunities as injustice towards the employer but rather perceives the offered training opportunities as less than comprehensive and in addition might attributes this relative high investment of the employer to external causes as long as the discrepancy is not too extreme (see e.g. Brehm, Kassin, & Fein, 2002; Baumeister, Stillwell, & Heatherton, 1994).

Incorporating the human needs paradigm might reveal more clarity into the above given example. According to this paradigm it depends on how well training opportunities offered to the temporary factory worker facilitate or hinder his/her ability to satisfy his/her human needs. Accordingly, on the one hand, if the temporary factory workers' contribution in exchange for comprehensive training opportunities hinders his/her potential human needs, it can be suggested that the offered extensive training opportunities might have a rather negative, not positive effect on outcome variables, although the investments of the employer are higher compared with the contributions of the employee. In addition, it might be important to say that when the level of offered training opportunities increases, the negative effect on outcome variables is assumed to rise. On the other hand, if the temporary factory workers' contribution in exchange for comprehensive training opportunities facilitates his/her potential human needs, it can be suggested that the offered comprehensive training opportunities might have a positive effect on outcome variables. In addition, it might count when the level of offered training opportunities increases the positive effect on outcome variables increases.

An alternative discrepancy might arise when a HR practice profile based on rather transactional terms are combined with a rather relational employees' PC feature profile. For

instance, in the light of our example cases and in consideration of one HR practice this discrepancy may arise when the consultant receives little training opportunities. According to the social exchange and justice paradigms from the employer's perspective excess in contributions by the employee should not harm the organization (Lambert, 2007a) and therefore might have a positive effect on outcome variables. Yet, from an employee's perspective this underinvestment into employees can be perceived as unfair. Consequently, this perceived unfairness from the employee's perspective might result in decreasing the delivered employee contributions in order to restore equity. In addition, given that contributions require individual resources, it is hard to imagine a situation in which excess contributions might have a positive effect (Lambert, 2007a) on outcome variables such as employee attitudes and behaviour.

Considering our example case within the frame of the human needs paradigm the following assumptions about effects on outcome variables might evolve. On the one hand if the consultants' contributions hinder his/her potential human needs, it can be suggested that the offered few training opportunities might have a rather negative effect on outcome variables. In addition, it might count when the level of offered training opportunities decreases the negative effect on outcome variables increases. On the other hand, if the consultants' contributions facilitate his/her potential human needs, it can be suggested that the offered few training opportunities might have no effect on outcome variables. However, in this case it might be questionable if the facilitation of the consultants' human needs really compensates for delivering a little amount of training opportunities, as long as a relative high level of unsolved discrepancy between employee contributions and employer inducements exists. This assumption might underline the necessity of considering the whole delivered HR practice profile, since probably other delivered HR practices might compensate for the offered little training opportunities. However, a sophisticated analysis of these aspects and their

interrelations might exceed the scope of this study and might therefore be a potential source of focus for future research.

### 4.2 Limitations

In this article we focused on the organizational and individual level to study the PC within the frame of flexible ERs. More specifically, our investigation is directed towards employer's inducements in the form of HR practices and employees' PC features.

However, there might be other factors at the environmental level such as national law and/or culture (e.g. Rousseau, & Schalk, 2000; Thomas, Au, Ravlin, 2003), at the organizational level for example in the case of agency workers the involvement of the hiringin company in agency HRM (Torka, & Schyns, 2007), and at the individual level for instance personality characteristics (e.g. Raja, Johns, & Ntalians, 2004) that affect and/ or interact with the PC of employers/ employees with a flexible ER. In addition, for reasons of simplicity a potentially important variable assumed to moderate the effects of flexible ERs on outcome variables, namely "volition" (see e.g. Krausz, Brandwein, & Fox (1995); McLean Parks et al., 1998) is primarily excluded from our scope of analysis.

Moreover, a more sophisticated analyses of the effects of PC breach/ violation might contain not only that there are negative, respectively positive, effects on outcome variables such as employees' attitudes and behaviour, but also an all-encompassing examination of what kind of outcome variables are affected an to what extent (see e.g. Zhao, Wayne, Glibkowski, & Bravo, 2007).

### 4.3 Implications for practice

We assumed in this article that the PC is a key variable involved in research about flexible ERs and their effects on outcome variables. While our study is theoretical and conceptual rather than empirical, by given the PC such a key role we believe that our investigation of the scientific literature suggests some compelling issues of concern for managerial practice.
Foremost, the finding that the effects on outcome variables differ by type of flexible ER might highlight the necessity for organizations to manage different groups within the periphery in different ways, depending on their PC feature profiles involved. In this sense and as the PC is prone to change over time and thus dynamic in its nature (e.g. De Cuyper et al., 2005), it might be of importance for the whole HR flow process (see Beer, Spector, Lawrence, Mills, & Walton, 1984 for an overview of HR flow content). This dynamism involved in the PCs might underline different roles of the PC within different phases of the HR flow process. For instance, during the inflow phase the assessment of employees' PC feature profiles might be a good tool to maximize the person-organization fit (see e.g. Kristof, 1996 for a brief overview of P-O fit literature) and might enhance an organization's capacities to recruit and select the right employees for the right positions in terms of flexible contracts. In addition, during the socialization phase the continuous measurement of employees' PC feature profiles might be a good tool to monitor as proposed by Rousseau and Tijoriwala (1998) how contract-related communication between the involved parties shapes employees PCs and through this individual and, hence, organizational outcomes.

This monitoring tool effect might also be of importance during the preceding phases of inflow and outflow; applying particular HR practice profiles to particular employees according to the employees' individual PC feature profiles might help organizations to actively impact outcome variables towards the desired direction. More specifically, of importance for organizations might be that delivered inducements - especially for flexibly contracted employees (Coyle-Shapiro, & Kessler, 2002a) - count most (Lambert, 2007b) and that effects on outcome variables differ by type of delivered inducement (Lambert et al., 2003) as well as that particular employees are more reactive to specific kinds of HR practices (Kinnie et al., 2005). Considering these findings in the light of our proposed interaction model might predict that delivered HR practices, dependent on the type of HR practice involved, might have different effects on individual and organizational outcomes, dependent on the type

of employee PC feature profile involved. In short, the proposed interaction model in this article might predict that the key distinguishing aspect between efficient and inefficient ERs, even within flexible ERs and dependent on the involved type of flexible ER, might be the maximization of the balance between the type of delivered inducements in exchange for particular types of contributions.

In conclusion, the management of flexible ERs as well as ERs in general and associated PCs might involve more than previously assumed by scholars such as Tsui et al. (2005) who assume that mutual high investments equal the most efficient way to manage human resources. Given our results there might exist many other forms of efficiency maximizing exchange relationships even within flexible ERs. Thus, the exploration and strategic management of existing but perhaps unknown or forgotten efficient exchange relationships that match organizational and individual needs remains a compelling issue for contemporary and future human resource management.

## 4.4 Implications and recommendations for flexible employment and psychological contract research

Our contribution to research on flexible employment and associated PCs is principally twofold. First, by the proposed conceptual model we introduced an operatinalizable frame within which the PC of both employers and employees with a flexible ER can be analysed. Secondly, our proposed interaction model might be a valuable tool towards an empirical examination of the dynamics involved in exchange relationships as well as a typology of different flexible ERs in consideration of different inducements in exchange for contributions.

Moreover, given our account of found results we derived at the following recommendations for future research on flexible ERs and associated PCs. Foremost, we want to emphasize the importance of capturing the heterogeneity involved in flexible ERs once again. As indicated by Kalleberg (2003) the mainstream of contemporary research might be simplistic in its approach to study flexible ERs by not addressing the diversity of flexible ERs.

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Consequently, in line with prior research (e.g. Guest, 2004a) we propose that future research should include not just comparisons of permanently and flexibly contracted employees but also different flexible work arrangements should be compared with each other with respect to their effects on outcome variables.

Clearly, more empirical studies are needed to close the existing knowledge gaps with respect to the PC content of flexibly contracted employees. By now relatively little is known about the relationship between type of flexible ER and through this resulting PC content.

Yet, as argued by for example Guest (2004a) there might be other factors than the type of contract that have an impact on employees' PCs. In this review we focused on the organizational level and, in particular, on the impact of employer's inducements in the form of HR practices. In this sense the most relevant finding might be that the same type of HR practice might have a different effect on particular employees (Kinnie et al., 2005; Lambert et al., 2003). We believe that the effects of HR practices on outcome variables depend on the employees' PC feature profile involved. In addition, another potential future research direction might involve the viewpoint that different bundles of HR practices might result in different HR practice profiles and have different effects on employees' PC features.

Further, within the frame of flexible ERs the distinction of PCs into either transactional or relational might be insufficient to capture the heterogeneity of flexible ERs and different inducement as well as contribution types. Hereby, as indicated in the former paragraph even a classification of PCs into four different types as proposed by scholars such as Rousseau (1995) or Tsui et al. (1997) might be insufficient, since many forms of exchange relationships might exist. Furthermore, in line with our findings the feature approach to study the PC seemed to be a more sophisticated source of PC investigation. However, the feature approach to study PC within the frame of ERs is mainly underdeveloped theoretically and empirically. Much more future research is needed to validate the dimensions underlying PCs and potential interactions of these dimensions resulting in different PC contents.

By now, investigations studying the employer's perspective to the PC rely on contentmeasures, exclusively, and also do not incorporate the exchange of promises, respectively the link between delivered inducements by the employer in exchange of contributions by the employee. Consequently, we would like to emphasize the importance including the employer's perspective in future research. In this article we proposed different theoretical paradigms underlying the PC evaluation, which might predict the effects of the exchange relationship involved in flexible ERs on outcome variables. By now PC research incorporating flexible ERs and the evaluation approach are restricted in focusing on the employee perspective and on justice or trust as critical dimensions for PC fulfilment or violation. According to Lambert (2007a) an alternative dimension underlying the casual mechanisms of employees' PC evaluation are human needs. Clearly, more empirical research is needed to validate these dimensions. In addition, the exploration of potential other dimensions underlying PC evaluations within the frame of flexible ERs, for example, upward mobility (Engellandt, & Riphan, 2005), perceived organizational support, or affective organizational commitment (Kuvaas, 2008) might be a possible direction for future research.

Moreover, the whole PC process is unexplored. Therefore, more future research should incorporate investigations directed towards pre- and post-employment inquiries as well as inquiries focusing on the interaction between PC content and fulfilment/violation.

In conclusion, the approach advanced in this article to study the PC within the frame of flexible ERs can be regarded as neither an exchange model nor a cognitive model. In line with the following Turkish proverb: "No matter how tall a tree grows its fruits always fall to ground" we believe that contemporary PC research cannot be regarded as distinct from its roots, therefore, in our view perceiving the PC as a combination of both models, and thus as a rather "cognitive exchange model" might be a more fruitful source of gaining a sophisticated understanding of this concept.

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## **Appendix: Tables**

Category	Definition
[a] Floats	Full-time employees who are moved around within different departments or divisions within the organization as a regular part of their job
[b] Networked	Individuals whose work is performed outside the boundaries of their home organization
[c] In-house temporaries	Workers hired by the organization to meet variable scheduling needs, listed in a 'registry' (i.e., performs function of temporary agency)
[d] Direct-hire or seasonal temporaries	Workers for whom organizations advertise and recruit for the purpose of filling position vacancies as needed
[e] Leased workers	Employee leasing company effectively 'rents' an entire workforce to a client employer
[f] Temporary firm workers	The temporary firm is the employer, rather than the client organization who utilizes the workers
[g] Subcontracted workers	Work is transferred to another organization whose employees perform the tasks on or off the premises of the client company
[h] Consultants	Organizations either contracts with a professional consulting firm or with independent consultants for the completion of a project
[i] Independent Contractors	Brought into the firm to

Table 1:Working categorization of flexible employment relationships according to<br/>McLean Parks et al. (1998)

\* Adopted from McLean Parks et al. 1998

	Performance Terms						
	Specified	Not specified					
Duration							
Short Term	Transactional	Transitional					
Long Term	Balanced	Relational					

## Table 2: Types of psychological contracts according to Rousseau (1995)

\* Adopted from Rousseau (1995)

Table 3: Types of psychological contracts according to Tsui and Wu (2005)

	Expected Contributions						
	Low/ narrow	High/ broad					
Offered Inducements							
Low/ narrow	Quasi-spot contract	Underinvestment					
High/ broad	Overinvestment	Mutual investment					

\* Adopted from Tsui & Wu (2005)

HR practices	Etzioni (1961)	Ouchi & Johnson (1978)	Ouchi (1980)	Walton (1985)	Lawler (1988, 1992)	Osterman (1987, 1988)	Mahoney & Watson (1993)	Romme (1999)	Arthur (1992, 1994)	Peck (1994)	Huselid (1995)	MacDuffie (1995)	Delery & Doty (1996)	Kalleberg et al. (1996)	Youndt et al. (1996)	Ichniowski (1997)	Wood & Menezes (1998)	SUM
Job-focused ER																		
Specified jobs	X	X	X	X	X	X			X	X			X			X		10
Individual evaluation rewards	X	X	X	X	X	X		X	X				X		X	X		11
Hierarchical mentoring		X		X	Х			X	X							X		6
Short-term rewards	X	X	Х	X				X		X								6
Limited participation & voice				X			X		X			X	X	X		X	X	8
Low employment security		X		X	X	X							X			X		6
Limited training				X					X	х		X	X	X	X	X		8
Organization- focused ER																		
Open-ended jobs	X	X	Х	х	Х	Х		X	X	х			X			X		11
Participative decision & voice		X		X	X		X	X	X		X	X	X	X		X	X	12
Common values	X	X	Х	X														4
Skill-based pay					Х										X	X		3
Group-based evaluation pay		X		X	X			X			X	X			X			7
Developmental appraisal		X											X		X		X	4
Internal careers						X					X	X	X	X				5
High employment security		X		X	X	X				X			X			X		7
Comprehensive training		X		X					X	X	X	X	X	X	X	X		10
Merit & incentive pay				X		X		X										3
Profit-sharing stock owner				X	X			X	X		X		X	X				7
Extensive benefits									X									1

Table 4: Human resource practices associated with two prototypic employment relationship approaches according to Tsui and Wang (2002)

\* Adopted from Tsui, & Wang (2002); based on a review of the workforce governance and HRM literature by Tsui, & Wang (2002)

Dimension	Definition
Stability	is the degree to which the psychological contract is limited in terms of its ability to evolve and change without an implied renegotiation of the terms
Scope	is the extend to which the boundary between one's employment relationship and other aspects of one's life is seen as permeable
Tangibility	is the degree to which the employee perceives the terms of the contract as unambiguously defined and explicitly specified, and clearly observable to third parties
Focus	is the relative emphasis of the psychological contract on socio-emotional versus economic concerns
Time frame	refers to the length of the contract and is subdivided into two dimension: 'duration' of the time frame is the extend to which the employee perceives the relationship to be short- or long-term and 'precision' of the time frame is the extend to which the employee perceives the duration of the relationship to be finite (defined) or indefinite (undefined)
Particularism	is the degree to which the employee perceives the resources exchanged within the contract as unique and non-substitutable
Multiple agency	a multiple agency relationship exists when an act by an employee simultaneously fulfils obligations to two or more entities, with full knowledge and sanction from both
Volition * Adopted from McLean I	is the degree to which employees believe they had choice in the selection of the nature of the employment relationship, including, but not limited to, the degree to which they had input or control into the terms of the contract or formation of the deal

Table 5: Dimensions of the psychological contract according to McLean Parks et al. (1998)

\* Adopted from McLean Parks et al. (1998)