

## **Psychological Contracts with and within Organisations**

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#### **Introduction**

Jeremy was spitting venom. Tears of fury streamed down his face. “How could they do this to me after all I have given them” he shouted, “I gave them the best 10 years of my life. I was in the Office every morning at 7.30 am, never left once before 7.30 in the evening, lost the best year of my children’s lives ... and now they do this to me”. Jeremy had been made redundant from his Managing Director job with a large bank and I was his counsellor. “Clearly, they were a poor employer” I said, “they didn’t treat you well, didn’t pay well, they didn’t give you a deserved redundancy package”. “Not at all, they were terrific employers”. “Why are you so angry, then?”, I probed. We worked with the anger and Jeremy came to realise, slowly, that his negative feelings were not about a company that broke its contracts or treated employees poorly. I still remember Jeremy’s words: “I will never get into that kind of a relationship with an organisation again”. Jeremy had discovered the power of the psychological contract. He had felt angry and betrayed, not because the company had broken its contract with him or treated him badly, but because he had worked out a psychological contract with them (albeit they knew nothing about it) that if he worked dedicatedly and conscientiously the Bank would never make him redundant.

#### **This Chapter**

The aims of this chapter are to describe what is meant by the psychological contract, show how the psychological contract is an integral part of all contracts and how it can be applied to the work of counsellors, especially those who work within organisations. While the focus of the chapter is on trainee’s awareness of the ethical and professional implications of understanding and working with the psychological contract, the ideas and applications will also be of relevance to experienced counsellors, in particular those who supervise the work of others

#### **Contracts**

Contracts (overt and covert) underpin all relationships whether these are one-to-one, team or organisational. They contain the agreements, conscious and unconscious, of all parties in the relationship and the rules and procedures that guide these relationships. Overall, contracts revolve around

- ❖ “exchange” (what we will do for each other),
- ❖ a sense of “reciprocity” (two way arrangements),
- ❖ “choice” (I or we freely enter this arrangement),

- ❖ some sense of “predictability” (we can have some guarantees that this will happen),
- ❖ the future (we “will” do)
- ❖ the responsibilities of parties concerned (I will take accountability for doing x if you take accountability for doing y).

While overt contracts attempt to articulate these elements, either verbally or in written form, words and gestures are always open to interpretation. It is because they are open to interpretation that the psychological contract is part of all contracts. Individuals bring to their contracts and agreements their own assumptions, beliefs and expectations most of which will be unspoken and unnegotiated. This part of contracts is called the “psychological contract”, the subjective side that contains our hidden agendas in respect of the covert contract.

### **The Psychological Contract**

Psychological contracts are much more prevalent than overt, negotiated, agreed contracts. In our heads we work out an agreement with someone else, a team or an organisation. Unsuspectingly, we make them mentally sign it and thereafter it has all the force of a binding agreement. There is a psychological agreement in place when you hear phrases such as....”But I had expected you to.... I thought we would.... I understood it to mean that.... I hoped... anyone can see that is what should be done... I believed that.... I assumed”. Breaking the psychological contract (where someone else or an organisation does not keep the promises I have made on their behalf) often results in more pain and distress than breaking an actual contract. Sills (1997) points out that research concludes that failed or discontinued treatment in counselling is largely caused by a difference in expectations between participants i.e., differences in the psychological contract.

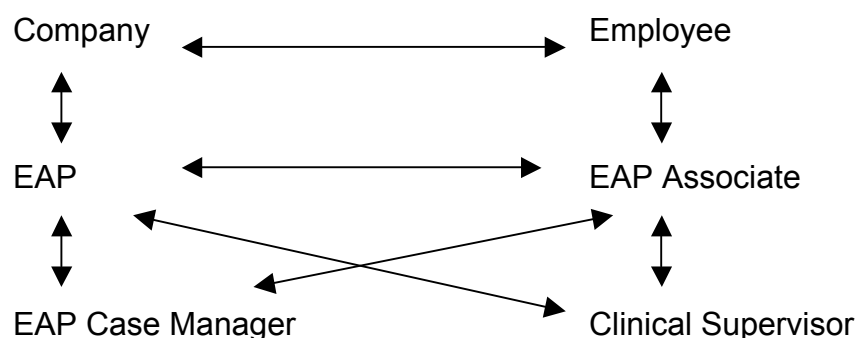
Contracts are like icebergs with the formal, agreed and overt contract as the part of the iceberg that is above water, while the unseen, unnegotiated psychological contract is the part beneath water (Hewson, 1999). Like most icebergs, the part below water is much larger than the part above water, and much more lethal. Understanding psychological contracts, how they emerge for individuals, teams and organisations is a key concept in fostering and enhancing healthy relationships. Not being aware of their existence and their power often leaves people confused as to why certain behaviour takes place. A client comes for counselling expecting the counsellor to provide answers as to why her relationships with men continually break down. Unaware of this psychological contract, the counsellor works to facilitate insight into the client’s past that contributes to her present situation. The counsellor does not acknowledge these expectations nor work with them resulting in frustration for the client who continually asks the counsellor what she should do. Eventually, the client terminates the sessions and tells her colleagues there is little point in going to counselling to someone who will not advise her on relationship problems.

It is not what is written or said that makes up the psychological contract but how it is “understood” by both parties. Rousseau (1995:9) writes “the psychological contract is individual beliefs, shaped by the organisation, regarding terms of an exchange agreement”. The subjective side of the contract (the psychological meaning it has) does not come solely from within the individual but is shaped by outside factors. Contracts, in general, and the psychological contract, in particular, are “promises about the future” (Rousseau, 1995: xi). And like all promises, while we might want to believe and choose to believe aspects not within the written contract, others can “lead us on”, imply, hint at and even support hidden aspects of the contract. Contracts, and the psychological contract, are influenced by society, culture, race, religion and a host of other sociological and environmental factors. Rousseau and Schalk (2000) define the psychological contract as “an *individual’s interpretation* of an exchange of promises that is mutually agreed on and voluntarily made between two or more parties” (p.284).

### The Psychological Contract at Work in Counselling in Organisations

Let us look at the details of several interweaving psychological contracts as they pertain in a counselling arrangement within an organisational setting.

George is a professional and experienced counsellor who works as an associate for an Employee Assistance Programme (EAP). He sees employees in his own home who are referred through the EAP call line for an organisation called AVEC. It is part of George’s contact with the EAP that he engages in clinical supervision for his work and his supervisor provides an annual supervisor report to the EAP but overall has no other contact with anyone in this counselling system other than George. There is also a case manager, an employee of the EAP who oversees counselling cases and who will contact George (or indeed, George will contact her) if there are any administrative or clinical decisions to be made regarding clients (e.g., request for more counselling sessions over and above their allocated six, where there is need for referral as in the case of alcohol or drug abuse or where there are crisis issues e.g., where children might be at risk or where there is a suicidal client). Imagine the interconnection between psychological contracts when a client (let’s call her Mandy) comes to George from the Company through the EAP for face-to-face counselling. Fig 1. outlines the overt relationships and the eight conscious contracts:



*Fig 1: Eight Contracts at work in the Counselling System*

In the above counselling arrangements there are eight overt contracts:

1. The employment contract between George and the EAP
2. The counselling contract between George and the individual employee
3. The supervision contract between George and his Supervisor
4. The contract between George's supervisor and the EAP
5. The case management contract between George and the EAP case manager
6. The contract between the EAP case manager and the EAP
7. The contract between the EAP and the Company
8. The employment contract between the Company and the individual employee who is coming for counselling (in this instance, Mandy)

While there are eight overt and probably written contracts, there is double that amount of psychological contracts (16) present in the above set of relationships. So while George and the EAP have a written contract both have signed, each will have a very different psychological contract with one another. This counselling room in George's home is alive with unseen but active psychological contracts and awash with the implications of these 16 psychological contracts at work at different levels of the system. What might these psychological contracts look like and how might they infringe on the counselling work.

**The Psychological Contract in the System (An Example)**

Mandy Jones, now 35 years old, joined Avec (a fictional company) two years ago and works as Assistant Head of HR. During her induction week she read, agreed with and signed her formal contract of employment. Unknown, certainly unarticulated by her, was a psychological contract behind the written contract. This psychological contract emerged, partially, from Mandy's background and experience.

Mandy has twice had women managers whom she considers treated her unjustly, the last one (in her view) being responsible for her being made redundant. She comes from a hardworking family where her parents sacrificed for her education and told her that hard work and dedication were the ways ahead. She tends to get on well with male managers and usually makes a very good No. 2 to a male boss. Married with two children, Mandy is a bit anxious about the future, especially the economics. Some of the unarticulated expectations she brings to her new job and new company are:

If I work hard I will be promoted (the Head of HR is due for retirement soon)  
 If I make myself indispensable, when the cuts come I will not be made redundant

Watch out for women managers – they are out to get me  
 This new Company will see my talents and use them  
 They promote those who have abilities in this Company

While the formal and overt contract says nothing about these aspects of Mandy's work, imagine her anger, hurt and disappointment when her recent annual appraisal was poor. Her boss (a woman) told her she was under performing and that there was little hope of her taking over the HR job. It is this that brings Mandy to counselling with George where she pours out her story, amid tears of hurt and anger, about how unfairly she feels she has been treated especially, once again, let down by a female manager.

Unknown to Mandy, George has joined the EAP with high hopes that he would move from being an associate to the full time counsellor (employed by the EAP) with Avec. He has worked hard, put himself out for demanding clients and a demanding organisation (Avec) and has even put up with what he considers excessive paperwork and interference from the EAP bureaucracy. Just before Mandy appears for her first counselling session, he has read a letter from the EAP saying they have appointed another counsellor to the Avec job but would like him to stay on as her associate.

While Mandy and George each approached work with two contracts in mind (written contract and psychological contract) so did Avec and the EAP. What Avec's contract with their employees did not specify was:

- ❖ That you are expected to lend a hand when it gets busy and that will probably mean extra hours (without pay) occasionally. No one will demand this but it is "expected" (a hidden threat there!). Mandy knew this but choose to ignore it because of her home commitments with two children.
- ❖ That there are certain emotions allowed (and not allowed) within the company, especially what feelings you express to your boss and to the customers. Mandy had on several occasions got into conflict situations with her boss (HR director and female) and, publicly, had disagreed with her.
- ❖ That if you come across unethical or unprofessional practice, you keep it to yourself (Mandy had questioned the professionalism and justice of the selection and promotion system and suggested it was linked to "an old boys club" mentality).

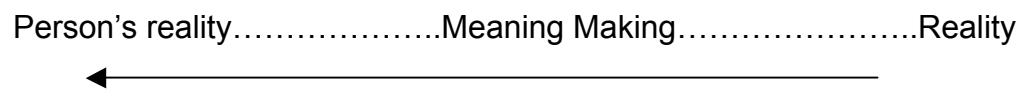
Avec are unhappy with the EAP provisions and have told the EAP management that the contract is up for review when it ends in two months time. The EAP have asked the case-manager to see how she can intervene to create a more positive image – this is an important and large account for the EAP. The case manager, unknown to George, is anxious that these sessions with Mandy are handled sensitively and plans to talk to George about the difficulties that would emerge if Mandy takes out a formal complaint (which she is thinking about) against the HR director. The case manager knows Avec would be impressed if, as a result of the counselling with George, Mandy was to drop her possible complaints charge and even better if she became "more aligned with Company values" (HR Director's words which were passed to the case manager).

The hidden, sometimes unshared and even unspoken, feelings and ideas from many of these psychological contracts (we haven't even mentioned some of the other psychological contracts loose in the system) will enter the counselling room as soon as George and Mandy begin speaking. Possible professional/ethical issues that George has to face are:

- ❖ Realising that he has to keep a neutral stance between the individual employee, the organisation and the EAP. It would be very easy for him, under pressure, to make the needs of any of these paramount to the detriment of the others
- ❖ Confidentiality: to whom does he talk about what?
- ❖ That he could be involved, by Mandy, in a complaints procedure against her boss who wants him to come to an Industrial tribunal and speak on her behalf
- ❖ That Mandy feels he is taking the side of the organisation against her and takes out a formal complaint against him through his professional organisation.

### **Making Meaning – Underlying Psychological Contracts**

How do people, teams and organisations as well as individuals, construct this reality called the psychological contract? Mostly through their meaning-making apparatus. We do not meet reality as it is – we experience it through a series of filters (meaning making perspectives, cognitive schemas) that interpret that reality for us. Figure 2 presents this in a lineal way



*Fig. 2: Interpreting Reality*

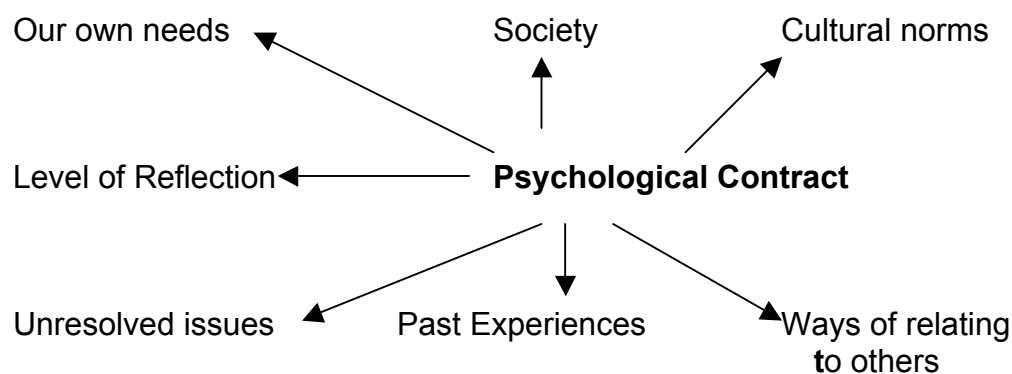
We never know reality; all we know is our interpretation of it. Hence, the many differences in interpretation that exist about the same reality e.g., five people looking at a cow can see five different realities: one a steak, one a painting, one a price, one a family pet and another a case of foot and mouth disease. A new counsellor joins the staff in a GP surgery. She offers her clients a confidential setting assuming the doctors understand this, while the doctor who refers patients for counselling expects her to talk to him about referred clients so that together they can provide help. The GP nurse also expects this team approach. The client has never thought about the issue. The counsellor assumes the doctor has cleared contact arrangements with the client and phones to make an appointment. She finds herself talking to the client's partner who knows nothing about this arrangement and asks who she is, phoning her husband. The number of different ways of interpreting the same reality (what confidentiality means) is already immense.

How we perceive is more or less determined by our meaning making perspectives (We see things, not as *they* are, but as *we* are). We fit reality

into this already-existing mould which defines the shape and texture of what is given us in reality. In that sense all contracts are psychological contracts since all are sent through our meaning making perspectives. As these perspectives change so do our understanding and interpretations. In one sense, there are no contracts, only psychological contracts because it all depends on interpretations

How are these filters created? Where do they come from? Some are inherited (e.g., religious beliefs and attitudes, culture, locality, race, gender) and until held up to the light for examination are never changed or adapted. We continue to interpret reality as others have taught us without critical reflection. Other filters come from our experience. There is some evidence that we cannot perceive or see what, in some way, we have no experience of before. Furthermore, we cannot see what we cannot emotionally deal with. One of Freud's major insights was that if we cannot tolerate or find reality too painful, we change it. He named the human being's infinite capacity to change the meaning of reality as defence mechanisms. Defence mechanisms are filters (meaning making perspectives) we have developed to help us interpret reality. Of course, they create the reality we want and not the one that is there.

Psychological contracts emerge from the way we make meaning (interpret) reality and that in turn is a result of a number of factors (Figure 1)



*Figure 3: Influences on the Psychological Contract*

Each of these elements impacts the way in which we encounter and make sense of reality. Our own present needs influence our perception. Individual and personal needs in attending a party will largely determine what it means for different individuals: for one person who is hungry it is an opportunity to eat; to another who is looking for business, a chance to find customers; for the lonely person, an environment to make friends and so on. So also with organisations. We bring our own needs to them and through these needs we set up "psychological contracts". It is the same with counselling. A client may well expect that a counsellor become a friend (never articulated). She brings him presents, sends cards between sessions and asks to meet outside the

counselling room. When he gently reminds her that this is a counselling relationship, she feels hurt and embarrassed, and rejected. He, on the other hand, wonders if he is being too harsh in the situation and begins to think it might be helpful for her to write down her thoughts and send them to him between sessions as part of the counselling.

Society, as mentioned above, is highly influential in helping create how we interpret reality and so set up psychological contracts. Society and cultural norms, often handed down to us from others and imbued with meaning from them, create expectations for us, give us the meaning of events and happenings and through their influence set up assumptions. Our own ability to reflect, superficially or in depth, will also influence the psychological contract. Critical reflexivity is a key to understanding our ways of making meaning and hence our level of awareness of expectations and how we interpret events. The absence of reflection in life leaves individuals and groups open to mindless routines where the underlying assumptions we bring to all our relationships are never questioned or held up to the light. Likewise, our own unresolved issues, past experiences and ways of relating to others result in perceptions and ways of seeing that create our expectations and assumptions. Psychological contracts are a result of an interweaving of these elements. Hence their power and depth.

### **Managing the Psychological contract**

It is often the difficulties within the psychological contract that results in ethical charges, formal and informal complaints, legal stances and breakdowns in professional (and indeed personal) relationships. It is imperative to look at how counsellors, supervisors and others involved in helping relationships can “manage” this side of the contract.

Hewson (1999) articulates suggestions that are helpful ways of managing the psychological contract in a healthy manner:

- ❖ All parties are involved actively in developing the contract
- ❖ The contract provides a mental set or overall perception of what end goal is in mind for everyone
- ❖ Contracting creates a guard against the abuse of power and all participants are aware of and patrol the boundaries of power
- ❖ Overt contracts are designed to minimise covert agendas
- ❖ Transparency, honesty, openness and dialogue are built into contracting
- ❖ Contracts are often developmental (they change and need to change over time e.g., marriage) and need to be re-negotiated. The psychological contract is part of that development.
- ❖ Contracts are emotional arenas as well as rational agreements
- ❖ Pay heed to the social, political, organisational and professional contexts in which contracts are lived and played out
- ❖ Pick up subtle shifts in expectations from those who are part of the contract – articulate these expectations

- ❖ Track the relationships to see if any new needs emerge (e.g., in counselling and psychotherapy, transference issues)

From these underpinnings, I offer three ways in which the psychological contract in any relationship can be identified and addressed so that it can be a healthy part of the contract relationship.

## 1. Using Transactional Analysis

Using a very simple version of Transactional Analysis (Berne, 1966) I try to get individuals to take a stand within one of the ego-states and speak their needs and expectations from within it. Training managers and working with supervisors in a large government organisation, I taught them the TA model within 10 minutes using a few principles:

- ❖ There are three positions we can speak from, communicate from or listen from. The Child state is that part of us (still alive within us) that remains the child and reacts as you would have done as a child: the Adult state is that reasonable, rational side from which we make adult decisions and the Parent state is that set of injunctions we use or our parents used on us.
- ❖ We can move through these three states depending on the situation and what happens to us e.g., a manager can move into Child state and be hurt and sulk as a result of a comment made, be Parent in telling off an employee, be Adult in working with them to make the best decision about a way forward
- ❖ Complications arise when we talk to each other across the states (e.g., Adult talks to Child, or Parent, or other Adult, Child talks to Adult, Parent or other Child etc.

After this initial introduction, I then play the role of a new employee/supervisee coming into the organisation and having a fictional conversation with the manager or supervisor. I come to the manager from the “Child-employee” state and make statements such as:

“I am thrilled to be here and know this will be great fun. I wonder if it is possible for me to be your favourite employee. In fact, it would be truly marvellous if I could be the only employee you look after. Also, until I get up to speed, could you be available for me anytime I need you. I would also like you to have all the answers so that when I am stuck you will offer me a way through”.

Participants almost always laugh at this role-play. It’s amusing and puts into words how a child might think were he or she an employee aged 3 or 4 and could put their needs into words. I make the point, of course, that the child is still alive and active within us and while none of us would put the above “irrational needs” into words, they often are played out transactions we go through at work. Issues of envy and jealousy, favouritism, patronage as well as bullying, harassment, cliques are often child areas played out in the adult arena of work.

What would happen were they to change roles and have the Child-manager now speak to the Adult-employee? Were they honest with each other and staying solely with their roles, what kind of conversation would emerge? The Child-manager might say, "Please don't cause me any problems. I need this to be very enjoyable for both us. I want you to love me all the time, never say anything bad about me to others. Come on, let's play... If you hurt me I will never talk to you again".

This exercise is one of the most powerful ones for bringing out and articulating hidden agendas (the psychological contract) in its most startling and vivid manner. It makes explicit the hidden assumptions and expectations we bring to relationships and organisations. It can be used where there is any relationship involved, counsellor/client, supervisor/supervisee, teacher/pupil etc.

## 2. Using Scenario Planning

A second way of identifying and managing psychological contracts is through scenario planning or scenario learning. We don't know the future, nor, despite our best efforts, can we predict it. But we try:

Income tax will not go up: Interest rates will fall  
 The Northern Ireland troubles will end, won't end  
 The price of houses will increase by 12%  
 We'll live happily ever after  
 I will have a job here for life

Scenarios are not predictions, they anticipate possible futures. Scenario planning is about imagining possible futures so that we are ready for whatever happens. Shell initiated this method of planning in the 1980's and began from the premise of thinking about "What would happen if.... The price of oil fell? Or if USSR was dismantled, or if the cold war finished? Shell was the only Company that had scenarios for these possibilities. Others didn't – why? Because they had predicted the future – the price of oil would not fall, USSR would not be dismantled, there was no chance of the cold war ending. Rather than attempt to predict for ourselves it makes more to sense to ask the "What....if" questions:

What if ..... You were to get ill and couldn't work anymore  
 What if.....you took a year's sabbatical and set off around the world  
 What if.....you change houses  
 What if.....your most significant relationship broke down?  
 What if... you live to be 60, 70, 80, 90.

The "miracle question" of DeShazer is a wonderful case of scenario learning – you wake up tomorrow morning and a miracle has happened. What would be different? We run through the events as if they were already happening – it's a simulation game. That is why armies play games: simulation games are ways of anticipating what a potential enemy might do. Pilots learn by

simulation before they tackle real flying. So clients can learn by imagining and trying to live life without problems or symptoms (“You wake up tomorrow morning and your depression is gone – what would be different”: “Imagine you and your partner are talking again and in a healthy, mature relationship – what is different from the present?”).

In devising possible futures we create stories that show our contracts in the future. So scenario planning for counselling contracts at work (which put us in touch with the psychological contract hidden in the overt contract) is to consider scenes such as the following:

What if.....this person does not get better?  
 What if..... there is someone at serious risk?  
 What if.....as a result of counselling the person leaves the organisation?  
 What if.....I uncover cases of sexual harassment here?

Playing out such scenarios allows consideration of what is often not considered, articulated, spoken about or even allowed into individual, team or organisational consciousness namely, the psychological contract.

### **3. Asking the Question: “What are we not talking about?”**

A third way of managing psychological contracts is to review relationships with a particular question: “What are we **not** talking about?” This incisive question enables participants in relationship (dyads, teams, organisations) to look at some of the difficult areas of that relationship that will contain the unspoken elements. It is often here that the psychological contract content appears. I sometimes ask individuals in team development exercises to write out the answers to three questions:

What can I talk about in the team today that will be easy for me to discuss?  
 What can I talk about, but it will be difficult?  
 What can I not talk about just now?

My hope is that in answering these questions, particularly the third question, that the team members will get in touch with elements of the psychological contract. Recently, on a team development day, several participants articulated one area in that they could not talk about at the moment i.e., withdrawn and sullen mood of the team leader. They talked about their collusion in not talking about or challenging the leader with this behaviour and were able to deal with it in an adult way, as was the leader. The psychological contract between them was that it would have been too painful and conflictual to manage.

## **Conclusion**

This chapter has concentrated on understanding the content and process of the psychological contract (the subjective side of all contracts) as it pertains for individuals working in organisational settings. Ignoring this element of

contracts and concentrating on the overt and agreed contract often results in not understanding why people feel let down, betrayed and hurt even when this overt contract has not been broken. In many ways it is the psychological contract that is the most important part of any contract for this is the “reality” of the contract to most people even if it is the emotional and psychological and hidden part of the overall contract. Awareness of the existence and implications of psychological contracts in counselling helps practitioners stay in touch with the unarticulated needs and requirements (often unconscious) of clients. Helping clients articulate these expectations allows both parties to deal with them in an adult manner. Much professional/ethical boundary breaking in counselling takes place because these unsaid assumptions and hopes are not recognised, acknowledged and managed.

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## **Critical Discussion: Reflective Questions:**

What are some of the filters (meaning-making perspectives) that influence how you see your contracts with clients?

Can you think of, and articulate, a psychological contract you have with another person, team or organisation e.g., your clinical team?

How might you deal with the unreasonable demands made on you as a result of a “psychological contract” a client has with you?

How might organisations help employees effectively manage their psychological contract with them?

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