Age and the Psychological Contract

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Definition
Psychological contracts describe the exchange relationships between employees and organizations. It consists of the unwritten mutual obligations between the two parties. In the current chapter, three ways through which age has an impact on the psychological contract are described. First, age can have an impact on the type of obligations employees exchange with their employers. Secondly, age can have an effect through influencing the type of psychological contract (i.e., transactional or relational) employees have with their organization. Finally, age influences the responses employees show towards breach and violation of the psychological contract.

Synonyms:
Aging workers, employee motivation, employment relationship, older workers.

Cross-references
Age diversity at work
Age stereotypes in the workplace
Job attitudes and age
Job crafting and age
Recruitment and Selection of older workers
Work Design and Aging
Work motivation and aging
1.1 Introduction

The aging population has important implications for workforces, organizations, and employees (1, 2). Throughout the Western world, the average age of the populations is increasing due to decreased fertility rates, increased longevity and the baby boom generation that is currently approaching their retirement age. As a consequence, workforces will be composed more and more of older workers, and with many governments increasing the statutory retirement age, the available pool of potential employees will increasingly be consisted of older workers (3). As a consequence of these changes in the workforce constitution, organizations have to adjust their policies and practices to facilitate older workers to stay and remain motivated, productive and healthy contributors in the organization. However, very few organizations actually manage to successfully implement policies and practices to retain and motivate their older workers (4). One way the employment relationship between employee and organization can be understood is through the lens of the psychological contract. The psychological contract describes the exchange relationship between employees and the organization (5), and is essential to understand the attitudes and behaviors of employees in their organizations. This chapter explores how age may affect the psychological contract between employees and organizations, and explores the theoretical processes through which age has an impact on psychological contract dynamics. I describe three ways how the psychological contract is influenced by employee age. First, age can have an impact on the obligations employees exchange with their employers. This means employers and employees develop different expectations of each other when the employees become older. Secondly, age can have an effect through influencing the type of psychological contract employees have with their organization. Research has distinguished between transactional and relational contracts (6, 7), and previous studies have shown that age may be related to the type of contract one has with the organization (8). Finally, age influences the responses employees show towards breach and violation of the psychological contract (9). Below, each of the pathways through which age may impact the psychological contract will be outlined.

1.2 The Psychological Contract

The psychological contract has been developed as a scientific construct in the early 1990s (5, 10), while being introduced in the early 1960s in the research of Argyris (11) who described it as a relationship that developed between employees and their foremen at work. The relationship consisted of expectations of employees and managers about each other’s behavior beyond what is traditionally defined in contracts such as the number of working hours and the remuneration. Argyris (11) referred to this relationship as a psychological contract between the two parties, and subsequent work by Rousseau (5, 10) developed the construct more thoroughly. Rousseau defined the psychological contract as the employees’ perceptions about the mutual written and unwritten obligations between them and their organizations. In other words, the psychological contract is a mental model about what the employee thinks the organization should do for the employee, and what the employee should do in return. These mutual obligations may have arisen from pre-employment experiences, but are also communicated via recruitment processes, communication from the organization (such as employer branding), and promises made by managers to the employee (5). Key to understanding the psychological contract is its subjectivity: employees form perceptions of the mutual obligations between them and their organizations, and these perceptions lead their attitudes and behaviors (7). Psychological contract research typically distinguishes between
three ways the psychological contract can be approached; first research has focused on the content of the psychological contract, or the perceptions of the employee about what is exchanged between employee and organization (12). Second, research focused on the type of psychological contract that employees have negotiated or formed with their organization, and has distinguished between transactional and relational contracts (6). Finally, the majority of research on psychological contracts has focused on breach of the psychological contract and its consequences on various outcomes, such as motivation and performance (7, 9). Each of these elements of the psychological contract may be related to employee age, and each of these will be discussed in greater detail below. However, to do so, first a discussion will follow on the theoretical development of the concept of age in organizations in relation to psychological contracts.

1.2.1 Theories of Age and the Psychological Contract

Research on the role of employee age in the workplace can be traced back to the early 1980s (13, 14). While initial interest primarily was on the direct effect age has on various work outcomes, such as job satisfaction and job performance (15), during the last year scientific work on the role of employee age in the workplace has advanced substantially (see e.g., 16). More specifically, theory of aged heterogeneity (17) postulates that the older people become, the more heterogeneous they become as well. Hence, recent work on aging in the workplace has acknowledged that the predictive value of employee age with respect to job attitudes and behaviors is very marginal (4; 16, 18). Because the aging process is associated with various changes, including changes in personality, life styles, health, organizational experiences and psychosocial perceptions, it has been argued that the older people become, the more different they become from their peers. Hence, older workers will also be more different from each other and therefore also show more complex patterns in relation to work-related experiences, including psychological contract perceptions, job attitudes and job behaviors. Hence, it is important to ascertain the underlying changes that cause psychological contract perceptions and job attitudes to change with age. Therefore, theories of gerontology and development psychology shed more light on the changes that people experience when aging at work. Especially the Socioemotional Selectivity Theory (SST; 19), and the Selective Optimization with Compensation model (SOC-model; 20) may inform theory about aging and psychological contracts.

Socio-emotional selectivity theory states that in young adulthood time is perceived as expansive (19). Young people prepare for a long and unknown future and therefore primarily focus on growth and knowledge-related goals. For older people, however, the experience of approaching the end of life causes a shift towards present-related emotional goals over knowledge goals, and a focus on emotional well-being. Older people increasingly focus on the present, and in particular on maintaining positive feelings and avoidance of negative feelings (19, 21). Although older people may be sensitive to emotional situations, they are more focused on maintaining positive feelings (21). The central idea of SST is that with increasing age, people have a different time perspective, and these changes in time perspective are predictive of how they perceive their psychological contract should be, and how they react to psychological contract experiences. Time perspective causes people to shift from knowledge-related goals to emotional goals and well-being, and this also has implications for psychological contracts.

The SOC-model of aging (20) postulates that people experience losses in their capabilities when they age. To cope with these losses, they will use a number of strategies to adapt to their environment, namely selection, optimization, and compensation. People select by narrowing their range of activities to fewer but more important or rewarding goals. For
instance, employees may give up job responsibilities or involve others in their less central tasks because the overall workload becomes too high. Optimization refers to acquisition of, and investment in, means and abilities to achieve the goals people set in their work. For instance, people who perceive that their competencies are becoming obsolete may search for alternative strategies to maintain their performance. Finally, people compensate for losses through employing alternative means to maintain a desired level of functioning. For instance, people use pragmatic means (e.g. how they present themselves to others; 22) to make up for losses they experience. More specifically, people act in ways that ‘minimize the effects of developmental losses on the evaluation of their performance in the workplace’ (22, p. 96). Previous research has shown that people who are successful in employing their SOC-strategies obtain a more satisfactory level of performance at work (16). Hence, the SOC-model may play an important role in explaining how older workers cope with age-related losses in forming their psychological contracts with the organization. Below, the chapter discusses how aging may impact the three elements of the psychological contract, based on the main theoretical notions of aging.

1.3 Age and Content of the Psychological Contract

The content of the psychological contract is the first element that can be affected by employee age. The content of the psychological contract refers to the employee’s beliefs about what the employer is obligated to the employee and what the employee owns in return (5). Research has shown that obligations that employees expect their organizations to deliver include financial rewards, interesting jobs, a nice working atmosphere, career development, and work-life balance (23). Conversely, perceived employee obligations include inrole behavior, such as job performance, extra-role behaviors, flexibility, loyalty and ethical behavior (23). Surprisingly, there is not much research on the role of age in the development of these obligations. Schalk (24) reported that in general, employee obligations tend to increase with age, while employer obligations show a more complex pattern. Based on findings that older workers become more benevolent, Schalk (24) concluded that older workers form a psychological contract that emphasizes the employee’s contributions over that of the organization. Hence, a first conclusion is that over the life course people will expect less from their employer, while their perceptions of their own obligations may be stable even increase with aging.

Theoretically, SST predicts that older people have a more constraint future time perspective and therefore prioritize emotional goals over knowledge goals (21), and the SOC-model states that in order to cope with age-related losses, older people become more prevention-focused (20). As a consequence, older workers should be less focused on employer obligations such as development, and more on obligations such as work-life balance and social atmosphere, as they are more aligned with emotional goals. However, research on the direct impact of age on perceived obligations is scarce. Bal (25) reported a negative correlation between age and developmental obligations, but found no significant relation of age with other employer obligations. Hence, there is some tentative evidence for an effect of age on content of the psychological contract, indicating a decrease of employer developmental obligations over the life course, and increase of employee obligations with age.

1.4 Age and Psychological Contract Types

Type of psychological contract refers to the nature of the relationship between employee and organization, and instead of describing the specific obligations which are part of the exchange
relationship, types define the more generic nature of the relationship. The most often studied psychological contract types are transactional and relational contracts (5). Transactional contracts refer to the short-term monetizable aspects of the relationship where there is little mutual involvement in the lives and activities of each other (6). The focus is purely materialistic. Relational contracts, however, entail aspects of the relationship that focus on mutual agreement with both exchanges of monetizable elements and socioemotional elements, including career development. The focus is on establishment of a long-term and open-ended relationship (6). Because of the focus of relational contracts on career development, it could be argued that older workers over time develop a more transactional and less relational contract. However, given the emotional nature of relational contracts, it can also be argued that older workers develop a more relational contract over time and given older workers’ longer average tenure in organizations, they might also develop less transactional contracts. Research shows inconsistent patterns of relationships. A meta-analysis of Vantilborgh and colleagues (8) showed that age was negatively related to transactional contracts, while it was unrelated to relational contracts. Another study by Bal and Kooij (18) found that the extent to which age has an impact on type of contract, depended upon how central the role of work in the lives of older workers was. While work centrality did not matter for younger workers, they found that for older workers, the centrality of work in their lives determined whether they were willing to invest in the relationship with the organization and develop a relational contract. In contrast, older workers with low work centrality were more likely to have a transactional, tit-for-tat relationship with their organization. However, given the complex nature of the meaning of age as well as type of psychological contract, there is no definitive answer to the question whether older workers have more transactional or relational contracts.

Other research on the relation between age and types of psychological contracts has focused on the degree of balance in employer vs. employee obligations (26). Vantilborgh and colleagues (26) found that in line with the benevolence hypothesis, older workers tend to report more underobligations, while younger workers were more likely to report overobligation. This means that older workers perceived their own obligations to the organization to be higher than what the organization should do for them, while younger workers reported that the organization owed them more than they owed the organization. This indicates that while younger workers, who have more expanded future time perspectives (19), focus on learning and development and consequently expect the organization to deliver upon these obligations. Older workers, however, have a lower future time perspective and therefore have lower expectations concerning what the organization should do for them, and they may fulfill their emotional goals through different means than the organization. In sum, there is mixed evidence of the relationships of age with type of psychological contract. While meta-analytic evidence suggests that older workers have less transactional contracts, there is also evidence that hints at the contingent nature of the relation between age and relational contracts, with a potential moderating effect of work centrality. Hence, the extent to which older workers develop different types of psychological contract depends upon how they experience the aging process, the role of work in their lives, and the goals they have in their lives and at work.

1.5 Age and Psychological Contract Breach and Violation

The majority of studies on psychological contracts have focused on breach and violation of the contract (7, 9). Contract breach is defined as the cognition by the employee that the employer has failed to fulfill one or more elements in the psychological contract (27). Contract violation is subsequently defined as the emotional reaction following a breach.
Previous meta-analytic work has shown that contract breach and violation are associated with a range of outcomes, including lower work motivation, job satisfaction, organizational commitment, and job performance, and higher employee turnover (7, 9). Hence, psychological contracts become salient for employees and organization when there is a disruption, and employees perceive a breach, since this may have severe consequences for employee attitudes and behaviors, which may be related to negative consequences for the organization as well. It is not surprising given the importance of breach that most of the research on the role of age in psychological contracts has focused on how age influences breach and reactions to breach.

The first published study on the role of age in psychological contracts was in fact a meta-analysis looking at the moderating role of age in the relations between contract breach and job attitudes (9). Based on SST, the authors argued that when workers become older, they are more focused on emotional goals and maintenance of emotional well-being, and hence when they are confronted with a negative emotional experience such as a breach, they are focused on maintaining their existing relationships. Hence, it was expected that older workers would react less intensely when a contract breach occurred as it would disrupt their relationship with the organization. Bal et al. (9) found overall support for this hypothesis, and found that younger workers reacted more strongly to breach in relation to trust and organizational commitment. However, they also found that older workers reacted more strongly in relation to job satisfaction, and hence, more research was needed to ascertain the specific relationships.

Theoretically, SST proposes that older people have fewer future opportunities, and therefore concentrate on emotional well-being, and the SOC-model proposes that in order to cope with age-related losses, people become more focused on prevention of losses and maintenance of well-being and current functioning (19, 20). Hence, it is to be expected that age may have different effects on breach and violation, and in particular the way people react to breach and violation. Following these theoretical notions, a number of studies have focused on explaining the different reactions people show in response to breaches. A study of De Lange and colleagues (28) investigated the relations between breach and work motivation, and in particular they ascertained the role of age-related factors as moderators. Based on the idea that the aging process entails different changes, they looked in particular at the role of future time perspective and regulatory focus. Their study indicated that older workers indeed experienced a lower future time perspective as well as a lower promotion (i.e., learning and development) focus. Moreover, they found that people with high future time perspective and a low prevention focus reacted more strongly to contract breach in relation to work motivation. Their study shows evidence for a mediated moderation effect: the relations of contract breach with outcomes are dependent upon employee age, but via future time perspective and regulatory focus. Taking this idea further, Bal and colleagues (29) tested a model where the relations between breach and organizational commitment were moderated by two age-related factors: future time perspective and occupational expertise. The authors showed that while age was related to lower future time perspective, it was related to higher occupational expertise, as people develop their expertise over time. They showed that while high future time perspective (i.e., younger workers) was related to stronger reactions of breach on commitment, they also showed that high occupational expertise (i.e., older workers) also related to stronger reactions to breach. Thus, they concluded that the overall effect of age on the reactions to breach may be nullified through the differential effects age has on time perspective and expertise. Thus, by disentangling the effects age has on how people experience their environment and themselves, the reactions to breach can be studied in greater detail. Finally, a study of Bal and Smit (30) focused on the emotion regulation aspect of SST, and proposed that older workers may be better in regulating their emotions once a
breach has occurred. They found support for this notion; the relations of psychological contract breach with positive and negative affect were moderated by age, and in line with their predictions, emotion regulation strategies were also important in relation to breach. While in general suppression of emotions is negative, the study showed that because older workers are better in expressing their emotions, suppression has adverse effects for older workers in response to breach, while it was beneficial for younger workers in response to breach. Their results show that younger workers do not yet have developed the appropriate emotion regulation strategies and therefore should be careful with expressing what they feel, while older workers in general have better skills to express themselves after a breach has occurred.

In sum, these studies show that age has a strong effect on how people react to psychological contract breach and violation. In general, older workers tend to react less intensely, but these reactions are dependent upon age-related changes people experience over their lives. Because people when they become older have fewer opportunities in their future, are less promotion-focused and more prevention-focused, they are inclined to react less intensely when they experience a contract breach. However, older workers also have accumulated skills and expertise, through which they feel more entitled and show stronger reactions to breach. Moreover, they have developed more appropriate emotion regulation skills and therefore their reactions may also be qualitatively different from those of younger workers. However, future research is needed to further ascertain how younger and older workers differ in their reactions to breach and violation.

1.6 Conclusion

This chapter explored the role of employee age in psychological contracts. Psychological contracts describe the unwritten, mutual obligations between employees and their organizations, and are subjectively experienced by employees. Research has shown that psychological contracts, and in particular perceptions of breach and violation, are profoundly related to various outcomes, including lower motivation, commitment and performance, and higher employee turnover (7, 9). There are three elements of the psychological contract that can be influenced by age: the content, the type, and the reactions to breach and violation. Building on theoretical notions of SST (19) and the SOC-model (20), age can have a three-folded effect on the psychological contract.

First, age can impact the obligations that employees perceive their organization has towards them and the obligations that employees themselves have towards their employer. While there is some research on this, indicating some benevolence of the older worker, there is still much left to be investigated. More specifically, there is little known on whether obligations become less or more important as employees grow older, and whether obligations will change more qualitatively. For instance, while work-life balance may be important for younger workers to have flexibility to develop themselves in other areas outside their work, for middle-aged workers work-life balance can be important to be able to fulfill demands from work, family and other domains, while for older workers work-life balance may be important to balance the demands of the job with the decreased physical capabilities that are associated with the aging process (31). Hence, there may be no main effect of age on these types of obligations, but the reasons why people think their employer is obligated to deliver something may differ substantially according to someone’s age, or needs resulting from age-related changes, including time perspective and prevention focus.

Second, age may have an impact on the type of relationship one has with the employer. Meta-analytic evidence shows a decline of transactional contract with age (8), but this effect may also be due to a selection of survivors within organizations. Perhaps
employees with more relational and less transactional contract may be more likely to stay in the organization, while others with a more transactional contract leave or are made redundant more easily. Hence, a negative correlation could be due to employees leaving the organizations, and older workers being the survivors within the organization. Theoretically, there are multiple reasons why older workers should have more transactional and more relational contracts, and it is through research looking at contingency factors that we obtain more understanding of the process through which older workers develop their psychological contracts over time. For instance, Bal and Kooij (18) showed that work centrality may be an important factor that determines whether older workers still invest in their relationship with the organization, or just accept a transactional agreement that only entails a number of hours and salary in exchange for work. Hence, future research can also shed more light on the relationships between age and type of psychological contract.

Finally, age can have an effect on how people respond to psychological contract breaches. Meta-analytic work (9), and primary research has shown that older workers may show different reactions to contract breaches, but these reactions may differ depending on the age-related changes that people experience with the aging process. For instance, research of Bal et al. (29) showed that future time perspective and occupational expertise may have contrasting effects for older workers on the relationships of breach with organizational commitment. Moreover, Bal and Smit (30) showed the importance of emotion regulation strategies for younger and older workers, and De Lange and colleagues (28) showed the important of time perspective and regulatory focus. In sum, these studies show that it is important to assess the underlying changes associated with age that actually cause people to perceive their psychological contract differently, and react in a different way to contract breach and violations. Age can thus have differential effects on the psychological contract, and thus via influencing the exchange relationship between employee and organization, may have important effects on employee attitudes and behavior in the workplace. A final note should be made about the majority of research on psychological contracts, which has been primarily cross-sectional in nature, or has used limited longitudinal designs. Therefore, it is impossible to separate aging effects from generational or cohort effects in the psychological contract literature. Hence, future research should also take into account the possible generational impact on psychological contracts at work (31).
References


