Industrial and Organizational Psychology (2021), **14**, 45–49
doi:10.1017/iop.2021.59

CAMBRIDGE
UNIVERSITY PRESS

COMMENTARY

How COVID-19 is shifting psychological contracts within organizations

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Rudolph et al. (2021) presented 10 topics that are influencing the present and future of work and organizations in the wake of the COVID-19 pandemic. In this commentary, we seek to expound on a related issue, specifically how the pandemic is influencing the nature of psychological contracts between employees and their organizations. We first describe psychological contracts, and then we present ideas for research to examine the changing nature of psychological contracts. We conclude with implications for how leaders and industrial-organizational (I-O) psychology practitioners can manage psychological contracts during the pandemic.

The Slippery and Shifting Nature of Psychological Contracts

The global pandemic has created massive change in the way people work, study, travel, and live in general. The quarantine and shelter-in-place mandates in March 2020 led to a swift move to virtual work and virtual schooling, and eventually, with the slowdown of the economy, to significant cost cutting, furloughs, and terminations across industries. Amid the uncertainty around when it will be safe to open schools and businesses, employees have a high level of anxiety about their personal health and safety, job security, and continued ability to provide for their basic needs. Leaders are working to ensure their organizations are responsive to the constantly changing medical and socioeconomic political landscape while staying fiscally and operationally afloat. Leaders are making strategic course corrections to remain sustainable in the uncertain mid and long term. With all these going on, it can be argued that the psychological contract between employees and their organizations is shifting. Some articles in the popular press have described how employee expectations are changing as new ways of working are being adapted during the pandemic (Caprino, 2020; Spratt, 2020).

Psychological contracts are slippery by nature because these refer to individuals' unwritten and often unspoken expectations about the terms and conditions of the exchange relationship between themselves and another party, that is, their employer (Coyle-Shapiro et al., 2019). Psychological contracts represent people's interpretations of verbal and written agreements, as well as their expectations of the organization based on observations of historical patterns. Typically these include what employees believe they will receive by way of compensation, benefits, work assignments, organizational support, resources, career development, work–life balance, job security, and interpersonal treatment in return for their talent, effort, performance output and quality, cooperation, loyalty, and commitment to the organization's objectives. Psychological contracts also tend to be influenced by individuals' values, beliefs, background, and personality, as well as the organization's own culture.

Ideally, employees and employers will have aligned expectations of each other; when the terms of these contracts are sufficiently fulfilled, the exchanges are beneficial and both parties are highly

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https://doi.org/10.1017/iop.2021.59 Published online by Cambridge University Press

satisfied and committed to each other. But because psychological contracts are implicit and mainly "in the eye of the beholders," when one party believes the other did not keep to the terms of the perceived agreement (psychological contract breach), negative consequences can occur. These include diminished job satisfaction, organizational identification, and commitment; reduced organizational citizenship behavior; and increased turnover intentions (Shore et al., 2018). Interestingly, research shows that the effect of the objective breach is less significant than that of the employees' emotional feelings of violation, distrust, and anger toward the other party, for example, the manager or organization (Zhao et al., 2007).

Within the pandemic context, a variety of new research questions arise. To start, how do psychological contracts change under situations of uncertainty and economic crises? Has the content, depth, and breadth of these contracts shifted? For example, in our experience in higher education, the written employment contracts for faculty have not changed. But in the process of employing adjunct faculty for the upcoming schoolyear, we have noticed that prior to contract signing, adjuncts now wish to receive more information. In the past, adjuncts mainly wanted to know about the course content, the number of students, schedule, and compensation. They now want to discuss questions such as: Will we be teaching online or in a hybrid form? Will the university issue and reinforce specific campus safety protocols? Will the university require that all employees and students present on campus (must) wear a mask? Will the university allow me to switch from on-ground teaching to teaching online at any time during the semester? If teaching online, will the university provide me with training and compensate me for technology and other expenses? How will I be evaluated, especially if I typically teach in-person but now have to shift to the online modality on very short notice?

Psychological contracts are often categorized as either transactional (focused more on the explicit terms of the exchange agreement) or relational (focused more on maintaining a high level of emotional and interpersonal relationships between the parties). For short-term and gig employees with transactional contracts, how fairly are they being treated? Do they have access to the same safety protections and benefits as full-time employees? For those with relational contracts, how is the pandemic changing the nature of these longer term agreements? Within higher education, faculty with tenure or rolling contracts, wonder how the pandemic will affect their job security? To what extent are they in danger of being furloughed or even laid off? What are the new expectations for teaching (especially online), research, and service especially if this pandemic goes on with no clear indicators as to when things will go back to normal? How is this uncertainty affecting professors' level of organizational trust, personal engagement, and performance at work?

The depth of psychological contracts may also shift. In the past, the focus might have been on surface-level reciprocal exchanges of labor vis-a-vis rewards and work conditions. Now employees could be paying increasing attention to "ideological currency" (Thompson & Bunderson, 2003). That is, they are seeking organizational responses that are aligned with their values and beliefs. For example, employees may increasingly want to see that the organization is indeed demonstrating espoused values such as care and inclusiveness at this time. They may be asking such questions as these: If on the job, what happens if I become infected with COVID-19? Will the organization take full care of me and my loved ones if I am infected? Are my leaders practicing true inclusiveness by listening and actively taking my concerns and ideas into account?

Given the novel situation this pandemic poses, how can we tell when a psychological contract has been breached or is about to be breached? What is the effect of psychological contract breaches in a highly uncertain and resource-deficient environment? For example, employees in the healthcare sector face significant work demands in precarious environments, and many are being infected or getting burned out. Frontline employees have complained that their organizations did not do enough to protect them or provide the necessary resources such as personal protective equipment (Jewett et al., 2020). Are there any red flags that organizations should be monitoring? Related to contract breach, it would be useful to monitor how organizations manage the people they have furloughed. What were these employees promised? What happens if the pandemic

https://doi.org/10.1017/iop.2021.59 Published online by Cambridge University Press

continues and organizations falter and renege on their promises? What social, psychological, and physical health consequences result from this experience? How can trust, once lost, be rebuilt? These questions could be explored not just using the traditional lens of social exchange but also in terms of perspectives such as conservation of resources, affective events theory, and organizational trust.

What individual and contextual factors affect psychological contract breaches? For example, women may experience more stress and disruption during the pandemic, especially if they have children and have to balance virtual work, childcare, home schooling, and other responsibilities at home. To what extent do women perceive that they are getting the necessary support and flexibility from their leaders and organizations? We have also heard anecdotally that men and women feel that they are working more now at home than when they were in the office; they are starting to get burned out. They wonder whether the change in workload is real or perceived, and they that wish their managers and organizations could do more to help. At the same time, they are reluctant to speak up and appear to work less because they might not be demonstrating loyalty and could be next on the chopping block. Such questions could be examined using the lenses of work–life balance, work–family conflict, job-demands resources theory, job-demands control theory, organizational justice, and perceived organizational support. Moreover, do personality factors (e.g., resilience, psychological capital, openness to change, learning mindset) moderate the extent to which people react to psychological contract breaches?

Another group that is significantly affected during the pandemic is older workers. These workers under normal circumstances tend to espouse more loyalty (relational contracts) with their organizations. Now, however, they could experience more contract breach because of the sudden way work has changed and gone virtual around them. Would differences in cognitive ability and learning agility affect the way older workers adapt? Additionally, because older workers are in greater danger from the COVID-19 virus, they may be unwilling or unable to take risks at work (e.g., older faculty refusing to teach in-person classes). This potentially affects how the organization evaluates their performance and commitment, adding to the older workers' psychological burden.

Taking a Systemic View of Psychological Contracts

A common critique of the psychological contract is the vagueness by which the construct is defined. Precisely who is the other party the employee is having a relationship with: the supervisor, the senior leaders, or the organization as a whole? Often, the focus is on the employees' perception of the contract, but it is critical to consider the other perspectives as well. Employees may perceive a contract breach, but leaders might not interpret it as a violation, or vice-versa. What happens then? For example, public school teachers worry about their safety and do not wish to go back to their classrooms, yet school district leaders who receive federal mandates to open up the schools might perceive this to be a breach of the teachers' psychological contract (Reston, 2020). How do differences in contract perceptions affect the relationship between the parties? What are the consequences when one party perceives a breach while the other party does not?

It is also important to view the psychological contract from a systems perspective, looking at all different parties with exchange relationships within an ecosystem. Psychological contract fulfillment and breaches at one level can have a trickle-down effect on psychological contracts at other levels (Bordia et al., 2010). For example, in the higher education setting, if program directors or deans perceive that the university has not upheld its part of the psychological contract with regard to faculty and staff safety and online learning support, this could have a negative effect on faculty, which could influence how they interact with students and ultimately exert a negative effect on student learning and satisfaction. Moreover, the university as a whole and the professors have psychological contracts with their students. To illustrate, Harvard, MIT, and other universities

https://doi.org/10.1017/iop.2021.59 Published online by Cambridge University Press

filed lawsuits against the US federal government regarding the prohibition of international students from enrolling exclusively in online courses. This action would result in making the students subject to deportation from the United States (Redden, 2020). The universities are concerned about their "psychological contract" with their international students; they are seeking to protect these students and fulfill their educational responsibilities in an equitable manner. Moreover, international students are a critical constituency because they provide significant revenues, representing major trickle-up financial effects to university employees and the universities overall.

Research and Practice Opportunities

In the prior section, we described several research avenues that I-O psychologists could explore in light of the pandemic. We encourage researchers to take a systems view, incorporating multiple stakeholders and different levels of psychological contract relationships, as the effects of the pandemic are broad and far reaching. We also recommend research that focuses on psychological contracts within a specific industry or sector that has been significantly disrupted by the pandemic, such as health care or education. In addition to surveys, qualitative methods such as in-depth interviews should be used to gain a deeper understanding of the implicit and shifting nature of psychological contracts from the perspective of both parties in the relationship (e.g., contrasting written faculty contracts and psychological contracts in university settings). Incorporating perceptions about the employees' and organizations' values and moral responsibilities (i.e., care, safety) would also expand the scope of psychological contract elements.

From a practice perspective, it will be important for leaders and I-O professionals to address challenges such as: How can we anticipate when psychological contracts have shifted or have been breached? What elements of the contract in terms of work tasks, responsibilities, schedules, performance appraisal, compensation, benefits, and so forth, need to be updated? How can we better clarify and negotiate psychological contracts with our employees (or stakeholders) in this time of crisis and uncertainty? How can we reduce anxiety and burnout while sustaining optimism and organizational commitment?

These types of challenges offer several opportunities for I-O psychologists to help organizations manage psychological contracts more effectively. These areas include frequent authentic and transparent communication; enhancing leader–member exchange/trust-based relationships; making realistic promises and providing clear guidelines; building skills in negotiation and conflict resolution; providing psychological safe and inclusive forums where employees can have a greater voice; assessing job demands and resources; providing critical COVID-related benefits, remote working tools, and training; providing coaching and mentoring; allowing more autonomy and flexible work arrangements; and building personal resilience. Caprino (2020) notes that although the top priorities for employees are personal health and safety, there is also an increased desire and expectation for inclusive leadership, interpersonal connectivity, organizational agility, and work flexibility.

Conclusion

The COVID-19 pandemic has shifted employee expectations about their relationships with their organizations. Thus, it is important for I-O psychologists to address emerging research questions about psychological contracts using a systems approach. Moreover, leaders and I-O practitioners need to develop and employ best practices to ensure that employee–organization relationships are aligned for organizational survival, sustainability, and growth.

https://doi.org/10.1017/iop.2021.59 Published online by Cambridge University Press

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Cite this article: Lopez, PD. and Fuiks, K. (2021). How COVID-19 is shifting psychological contracts within organizations. *Industrial and Organizational Psychology* **14**, 45–49. https://doi.org/10.1017/iop.2021.59

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