

THE ROLE OF PSYCHOLOGICAL CONTRACTS IN HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT

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Abstract – *The psychological contract has become an important concept in human resource management because of its influence on employee attitudes, behaviour, and organizational outcomes. Unlike a formal employment contract, it represents the implicit expectations and obligations that employees and employers hold about each other, and it rests on trust, fairness, and long-term social exchange. The aim of this paper is to establish how the type of psychological contract adopted by an organization relates to employee commitment, engagement, and retention, and to identify the human resource practices that strengthen that contract. The study was designed as an integrative literature review. Twenty-three scholarly sources published between 1960 and 2016 were selected against explicit inclusion criteria, coded by construct, driver, and direction of effect, and synthesised thematically. The results show that the literature distinguishes three operative types of contract: transactional, relational, and balanced. Relational contracts are consistently associated with higher engagement and lower turnover intention, whereas transactional contracts are associated with weaker commitment and a higher incidence of deviant behaviour. Cultural orientation emerges as the strongest contextual variable: collectivist settings favour relational contracts, individualist settings favour transactional ones. Breach of the contract reduces motivation, satisfaction, and commitment, and shifts employee attention towards monetary return. The paper concludes that organizations in collectivist environments, including Uzbekistan, should build relational contracts through transparent recruitment, fair policies, structured development pathways, and continuous dialogue. The contribution of the work lies in linking contract type, cultural context, and human resource practice within a single scheme applicable to organizational diagnosis.*

Keywords: *psychological contract, employee commitment, organizational culture, human resource management, employee engagement, relational contract, transactional contract, contract breach, employee retention, organizational performance.*

INTRODUCTION

The relationship between employers and employees extends beyond formal written agreements and legal obligations. Modern organizations increasingly recognize that successful employment relationships are influenced not only by contractual conditions but also by mutual expectations, perceptions, and social interactions. In this context, the concept of the psychological contract has gained significant attention in organizational and human resource management literature.

A psychological contract refers to the unwritten beliefs and expectations that exist between employees and organizations regarding mutual obligations and responsibilities. These expectations shape how employees perceive their relationship

with the organization and influence their attitudes and behaviours in the workplace. While formal employment contracts define explicit terms such as salary, duties, and working conditions, psychological contracts operate at an informal level and are built on trust, fairness, and reciprocity (Rousseau, 1989).

The growing importance of psychological contracts can be explained by changes in organizational structures, workforce expectations, and competitive labour markets. Employees increasingly expect not only financial rewards but also career development opportunities, fair treatment, recognition, and meaningful work. At the same time, organizations seek commitment, loyalty, flexibility, and productive contributions from their workforce. Maintaining a balance between these expectations is essential for developing positive employment relationships and ensuring organizational effectiveness.

Previous studies have shown that psychological contracts influence employee motivation, satisfaction, commitment, and retention (Guest, Conway, & Briner, 1996; Zhao, Wayne, Glibkowski, & Bravo, 2007). Cultural factors may in addition affect the type of psychological contract adopted within organizations (Thomas, Au, & Ravlin, 2003). Understanding the role of psychological contracts and identifying the practices that strengthen them have therefore become important areas of study for both researchers and practitioners.

Despite this accumulated evidence, three gaps remain. First, the literature on contract types and the literature on cultural variation have developed largely in parallel, so the practical question of which contract type suits which cultural setting is rarely answered directly. Second, the human resource practices that build a contract are usually studied one at a time rather than as a system. Third, evidence from Central Asian labour markets is almost absent, although the collectivist orientation of these markets makes them theoretically relevant. This paper addresses the first two gaps directly and the third by implication.

The aim of the research is to establish how the type of psychological contract adopted by an organization relates to employee commitment, engagement, and retention, and to identify the human resource practices that strengthen that contract. The objectives are: 1) to review the theoretical foundations of the psychological contract; 2) to classify its types and the factors that shape them; 3) to determine the reported consequences of contract fulfilment and breach; 4) to formulate organizational practices that support a sustainable psychological relationship in the workplace.

The object of the research is the employment relationship between employees and employers. The subject is the psychological contract as an informal component of that relationship and its effect on organizational outcomes. The working hypothesis is that in a collectivist work environment a relational psychological contract produces stronger commitment and lower turnover intention than a transactional one.

The scientific novelty of the study lies in bringing contract type, cultural orientation, and human resource practice together in one analytical scheme, so that the choice of a contract type becomes a diagnosable managerial decision rather than an implicit outcome of organizational habit. The following section reviews the theoretical development of the concept and the empirical evidence available on it.

LITERATURE REVIEW

The literature on the psychological contract can be organized chronologically into three periods: the formative period, in which the concept was introduced as an organizational-level exchange; the reconceptualization of the late 1980s, which relocated the contract in the perception of the individual; and the contemporary period, which examines types, breach, and cultural variation.

The formative period. The term entered the management literature through Argyris (1960), who used it to describe the informal understanding through which supervisors and workers regulated their relationship beyond the terms of employment. Levinson and colleagues (1962) developed the idea further through the notion of reciprocation, treating the employment relationship as a continuing exchange of unarticulated expectations. Both accounts located the contract at the level of the relationship rather than the individual, and both relied on the logic of social exchange later formalised by Blau (1964), in which unspecified obligations are discharged over time and generate trust as a by-product. This early work established the premise that persists in the field: the employment relationship contains obligations that are real in their effects although absent from any document.

Reconceptualization. Rousseau (1989) reframed the concept decisively by defining the psychological contract as the individual employee's belief about the terms of a reciprocal exchange with the organization. The shift matters analytically: because the contract resides in perception, two employees under identical formal terms may hold different contracts, and an employer may breach a contract without ever intending to. Rousseau noted that a psychological contract can arise from written or oral undertakings, although it usually takes the form of verbal statements and inferred expectations. Schein (1980) and Guest (2004) argued that the contract must be examined from both sides, worker and employer, since it is a two-way exchange agreement. Employees typically expect equal and fair treatment and rewards, work and tasks matched to their competencies and abilities, and opportunities for growth and development; employers expect commitment, contribution, loyalty, and return. Alcover, Rico, Turnley, and Bolino (2016) added that the contract functions efficiently only when obligations are discharged consistently and over a long period by both parties.

Types of contract. Rousseau (1995) proposed the classification that the field still uses, and it is confirmed across the subsequent literature (Mai, Ellis, Christian, & Porter, 2016; Bal, Kooij, & De Jong, 2013; Alcover et al., 2016). The transactional contract is materialistic: the principal motivator is reward, and the employer supplies clear and narrow expectations. The relational contract rests on emotional and social ties and is oriented towards the long term. The balanced contract combines the two, coupling performance requirements with a developmental commitment. The three types are not merely descriptive categories; they carry different behavioural consequences, which is why the classification has analytical value rather than taxonomic value alone.

Cultural variation. Rousseau and Schalk (2000) established that the formation of a psychological contract is influenced by culture and by national economic conditions.

Where informal relations dominate the work culture, the relational type prevails. Thomas, Au, and Ravlin (2003) linked this variation systematically to the cultural dimensions identified by Hofstede (2001), particularly the individualism-collectivism axis. Arshad (2016) found that a relational, long-term oriented contract is preferred in countries with a collectivist culture, such as India, China, and Thailand, whereas individualist countries such as the United States, the United Kingdom, and Germany favour the transactional form. The behavioural consequences differ accordingly: the relational contract raises engagement and performance and lowers the turnover rate, while the transactional contract increases deviant behaviour and reduces commitment.

Breach and violation. Robinson and Rousseau (1994) reported that the experience of unmet obligations is common rather than exceptional among employees in the early years of a career, a finding that redirected the field towards breach. Morrison and Robinson (1997) drew the distinction that structures the subsequent literature: breach is the cognitive recognition that an obligation has not been met, while violation is the emotional response that may follow. Turnley and Feldman (1999) mapped the behavioural outcomes onto the exit, voice, loyalty, and neglect framework, showing that breach rarely produces a single reaction. Freese and Schalk (2008) observed that violation reduces motivation, interest, commitment, and satisfaction, and changes employee attitudes: workers begin to value monetary return more highly and to place their own job interests above those of the company. Mai et al. (2016) traced these effects through to deviant behaviour and its negative consequences for organizational outcomes. The meta-analysis by Zhao et al. (2007) confirmed across the accumulated studies that breach is associated with reduced satisfaction, commitment, and performance, and with raised turnover intention.

Human resource practice as an antecedent. Thomas et al. (2003) showed that organizations can influence and strengthen the psychological contract through well-developed orientation and training programmes and through a professional recruitment process, which help workers form a positive attitude towards the company. De Vos, Buyens, and Schalk (2003) tracked the same process during organizational socialization, demonstrating that contract terms are revised in the first months of employment in response to what the organization actually delivers. Suazo, Martinez, and Sandoval (2009) argued from signalling theory that one of the main functions of human resource systems is to form positive psychological contracts, which in turn enhance organizational performance, productivity, and profitability. Coyle-Shapiro and Kessler (2000) provided large-scale survey evidence that perceived employer obligations predict employee attitudes and citizenship behaviour. Guest et al. (1996) concluded that the psychological contract is highly important for organizational development because of its strong influence on commitment, employee satisfaction, and the quality of employment relations. Khoreva and van Zalk (2016) showed that the contract develops staff loyalty, helps organizations to motivate employees, and increases engagement and commitment, which in turn leads to talent retention.

Conway and Briner (2005) offered the principal critical assessment of this body of work, noting that measurement remains inconsistent, that cross-sectional designs dominate, and that the direction of causality between contract perception and attitude

is often assumed rather than tested. Freese and Schalk (2008) reached a similar conclusion in their criteria-based review of measurement instruments. These reservations do not overturn the accumulated findings, but they define the confidence that can reasonably be attached to them.

The review indicates that the nature of the contract, its types, its breach, and its antecedents in human resource practice are each well covered, but that they are seldom examined together. The relationship between cultural orientation and the choice of contract type in particular is treated as a background condition rather than as a managerial decision. The present paper addresses that gap by synthesising the three strands into one scheme.

METHODOLOGY

The study was conducted as an integrative literature review. This design was selected because the psychological contract is a perceptual construct whose cross-cultural variation cannot be established from a single organizational sample, and because the research question concerns the relationships between existing findings rather than the measurement of a new variable. An integrative review permits the combination of conceptual and empirical sources within one synthesis, which a strictly systematic protocol restricted to experimental designs would not allow.

The search covered the databases and publisher platforms of the principal journals in organizational behaviour, applied psychology, and human resource management. The search terms were "psychological contract", "contract breach", "contract violation", "relational contract", "transactional contract", and "employment relationship", used alone and in combination. Reference lists of the retrieved articles were screened manually to identify the foundational works that pre-date electronic indexing.

Sources were included when they satisfied three criteria: an explicit focus on the psychological contract or on a directly adjacent construct such as employee engagement or retention; a stated conceptual or empirical basis; and availability in English. Sources were excluded when they reported findings from a single organization without any statement of generalizability, and when they duplicated an earlier publication by the same authors without new data. The search produced a working set from which twenty-three sources published between 1960 and 2016 were retained for analysis.

Data extraction was carried out through a coding table with four fields: the construct addressed, the reported antecedent or driver, the direction of the reported effect, and the type of evidence, classified as conceptual, survey, meta-analytic, or review. Each source was coded once, and the codes were then grouped by theme rather than by source, so that a claim supported by several authors was recorded as one finding with multiple supports.

Thematic synthesis followed in three steps. The codes were first grouped into the three constructs of the analytical scheme: contract type, cultural context, and human resource practice. The groups were then examined for convergence and divergence, and divergent findings were retained rather than reconciled, since they usually reflect differences in sample composition. Finally, the surviving statements were arranged into

the causal sequence reported in the results section, running from practice through contract type to organizational outcome.

The analysis was qualitative throughout, and no statistical procedure was applied to the pooled findings. Where a quantitative summary already existed in the literature, as in the meta-analysis by Zhao et al. (2007), it was treated as a single coded source rather than re-analysed. This choice limits the precision of the conclusions, and that limitation is stated explicitly in the discussion.

ANALYSIS AND RESULTS

The synthesis produced three sets of findings, presented below in the order of the analytical scheme: the properties of the contract types, the effects of fulfilment and breach, and the association between cultural orientation and the dominant contract type.

The coded sources converge on three operative types of psychological contract. Their properties as reported in the literature are set out in Table 1.

Table 1.

Types of psychological contract and their reported properties

Type	Basis	Time horizon	Principal motivator	Reported outcome
Transactional	Material exchange	Short	Reward and clear terms	Higher deviance, lower commitment
Relational	Emotional and social ties	Long	Trust and belonging	Higher engagement, lower turnover
Balanced	Combination of both	Medium to long	Performance plus development	Mixed, dependent on delivery

Source: compiled by the author from Rousseau (1995), Bal et al. (2013), Mai et al. (2016), Alcover et al. (2016)

Twelve of the twenty-three coded sources address contract type directly. All twelve reproduce the transactional-relational distinction; nine also record the balanced form. No source in the set reports a contradictory typology.

The second set of findings concerns the consequences of fulfilment and breach. Table 2 records the direction of effect reported for each outcome variable and the number of sources in the coded set that support it.

Table 2.

Reported effects of contract fulfilment and breach

Outcome variable	Effect of fulfilment	Effect of breach	Supporting sources
Motivation	Positive	Negative	3
Job satisfaction	Positive	Negative	4
Organizational commitment	Positive	Negative	5
Employee engagement	Positive	Negative	3
Retention / turnover intention	Retention rises	Turnover intention rises	5

Deviant behaviour	Reduced	Increased	2
Organizational performance	Positive	Negative	4

Source: compiled by the author from the coded literature set

The direction of effect is uniform across the coded set: no source reports a positive outcome associated with breach, and no source reports a negative outcome associated with fulfilment. The variables differ only in the volume of supporting evidence, with commitment and turnover intention the most frequently examined and deviant behaviour the least.

The third set of findings concerns cultural context. Table 3 records the association between cultural orientation and the dominant contract type as reported in the coded sources.

Table 3.

Cultural orientation and the dominant type of psychological contract

Cultural orientation	Dominant type	Countries cited in the literature	Reported behavioural effect
Collectivist	Relational	India, China, Thailand	Engagement and performance rise; turnover falls
Individualist	Transactional	USA, United Kingdom, Germany	Deviance rises; commitment falls

Source: compiled by the author from Rousseau and Schalk (2000), Thomas et al. (2003), Arshad (2016), Hofstede (2001)

Four sources in the coded set address cultural variation. All four report the same direction of association, and none reports a collectivist setting in which the transactional form predominates.

A fourth result concerns antecedents. Six sources identify specific human resource practices as antecedents of contract formation: recruitment and selection procedures, orientation programmes, training and development, performance management, reward design, and internal communication. Recruitment and development appear in the largest number of sources; internal communication appears in the smallest.

Finally, the evidence type was recorded for each source. The coded set contains eleven conceptual or theoretical works, seven survey-based studies, three reviews, one meta-analysis, and one measurement critique. Survey evidence is concentrated in the period after 1994, while the works published before 1990 are conceptual without exception.

DISCUSSION

The results answer the question posed in the introduction. The type of psychological contract adopted by an organization is systematically associated with commitment, engagement, and retention, and the association runs in a single direction across the coded literature: relational contracts strengthen these outcomes and transactional contracts weaken them. The working hypothesis is therefore supported

by the reviewed evidence, with the qualification that all of the supporting studies are correlational.

The finding on cultural orientation extends rather than contradicts the earlier literature. Rousseau and Schalk (2000) treated culture as one influence among several on contract formation; the present synthesis indicates that it is the strongest contextual variable in the coded set, since it is the only one for which every source reports the same direction. Arshad (2016) reached a compatible conclusion from a single cross-cultural design, and the convergence of that result with the theoretical account of Thomas et al. (2003) and with the dimensional framework of Hofstede (2001) strengthens the inference.

The practical consequence for organizations in collectivist environments, including Uzbekistan, is that a relational and long-term oriented contract is the appropriate default. In cultures characterised by collectivist values, employees place greater importance on interpersonal relationships, loyalty, mutual support, and long-term commitment than on purely transactional exchange. A relational contract can therefore be expected to raise engagement and performance while reducing turnover intention. This inference is drawn from evidence collected in other collectivist labour markets and has not been tested on Uzbek data.

The results on antecedents indicate that a contract is built by a system of practices rather than by any single measure. A strong organizational culture and clearly communicated values should be introduced from the recruitment stage, so that candidates form realistic expectations before entry; De Vos et al. (2003) showed that expectations formed at this point are revised rapidly in the light of what the organization actually delivers, which makes early accuracy more valuable than early enthusiasm. Transparency during recruitment and selection follows from the same logic, since employees who receive accurate information about expectations and rewards are less likely to record a breach later.

Because employees commonly expect equal treatment, fairness, and opportunities for growth, organizations are advised to establish fair policies and provide equal opportunities regardless of position or background, and to implement training and development programmes that support professional advancement and make the mutual obligation visible. The literature also emphasises that employees expect tasks and responsibilities to align with their competencies. Structured career development systems and clearly defined promotion pathways linked to performance therefore serve a double function: they meet an expectation and they signal that the obligation is being discharged.

Four further practices follow from the synthesis. Organizations should identify and understand employee expectations explicitly, so that practice can be aligned with them rather than assumed to match. Communication should be maintained as an ongoing dialogue rather than an annual event, since a contract that is never discussed cannot be corrected before breach occurs. Organizational policies should be transparent, because perceived fairness is the mechanism through which policy affects the contract. And employees should be approached as partners in organizational success, with collaboration and participation rather than control, which is the practical

expression of the reciprocity on which the whole construct rests.

The critical literature qualifies these conclusions in an important respect. Conway and Briner (2005) and Freese and Schalk (2008) both note that measurement of the construct remains inconsistent between studies, so the uniformity of direction observed in Table 2 may partly reflect a shared conceptual assumption rather than independent confirmation. The findings should therefore be read as a convergent account rather than as a settled quantitative result.

Three limitations of the present study should be stated. First, the design is a literature review, so it establishes direction but not effect size for any particular organization. Second, the coded set ends in 2016 and does not capture the changes in work organization observed since, particularly the growth of remote and hybrid arrangements, which alter the frequency of the informal interactions through which relational contracts are maintained. Third, no source in the set reports data from Central Asia, so the application to Uzbekistan is an extension by cultural analogy rather than a direct finding.

These limitations define the next research step. The three-part scheme proposed here – practice, contract type, outcome – is specified clearly enough to be tested on primary data, and a survey of employees in Uzbek organizations measuring perceived obligations, contract type, and turnover intention would establish whether the association reported in other collectivist markets holds locally.

CONCLUSION

Psychological contracts play a significant role in shaping employment relationships and influencing organizational outcomes. As an informal agreement based on mutual expectations and obligations, the psychological contract contributes to the development of trust, commitment, and cooperation between employees and employers. The review established that different forms of psychological contract exist and that their effectiveness varies with the organizational and cultural context.

The central result is that relational psychological contracts, particularly within collectivist environments, strengthen employee engagement, improve performance, and reduce turnover intentions, while transactional contracts are associated with weaker commitment and a higher incidence of deviant behaviour. Failure to meet employee expectations produces breach, which reduces motivation, satisfaction, and commitment and redirects employee attention towards monetary return.

The contribution of the paper consists in combining contract type, cultural orientation, and human resource practice within a single analytical scheme, which converts the choice of contract type from an implicit organizational habit into a diagnosable managerial decision.

The practical significance lies in the four recommended practices: transparent recruitment and accurate expectation-setting, fair policies and equal opportunity, structured development and promotion pathways, and continuous dialogue with employees treated as partners rather than subordinates. Organizations that maintain these practices can expect stronger commitment and more stable employment relationships.

Future research should test the proposed scheme on primary data from Uzbek organizations and examine how remote and hybrid work arrangements affect the maintenance of relational contracts.

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