

## ***New psychological contracts and flexicurity HR practices***

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## ***Abstract***

The objective of flexicurity strategies is to combine flexibility in the labor markets, work organization and labor relations with employment and income security. This strategy calls for a new employment relationship, also called “the new psychological contract”. In this study perceptions of strategic HR managers of 42 prominent organizations from different sectors in The Netherlands on the new psychological contract are investigated. These perceptions are related to their HR practices, to assess in which way organizations try to redefine the employment relationship. The semi-structured interviews (all recorded and transcribed) were analyzed with AtlasTi. The most important organizational obligations in the new psychological contract are providing possibilities to increase the employability of employees and the provision of possibilities to combine work and private life. Other important obligations were being an attractive employer, corporate sustainability and facilitating health promoting activities for employees. According to the strategic HR managers, the most important employee obligations are taking responsibility for their employability and being flexible. Other important employee obligations are extra role obligations, being loyal and employees taking responsibility for their health and vitality. The innovative flexicurity HR practices can be categorized into three groups: HR practices focused on work-life balance, employability and sustainability. The HR practices to manage flexicurity based on work-life balance and durable employment seem to be aligned with the demands of the new psychological contract. The HR practices based on employability, however, are not aligned with the demands of the new psychological contract as described by the strategic HR managers.

## ***Introduction***

The current turbulent times call for agile organizations that quickly respond to new demands. At the same time, feelings of security are human needs that cannot be denied

by organizations that need a committed, motivated and reliable workforce. The challenging issue concerning the tension between flexibility and security is dealt with in the flexicurity debate. The objective of flexicurity strategies is to combine flexibility in labor markets, work organization and labor relations with employment and income security. The European Commission indicates that flexicurity policies can be designed and implemented across four policy components: (1) Flexible and reliable contract arrangements (from the perspective of the employer and the employee), through modern labor laws, collective agreements and work organization (2) comprehensive lifelong learning strategies, to ensure continuous adaptability and employability of employees (3) effective active labor market policies, to ease transitions to new jobs and (4) modern social security systems (ECC, 2007). Flexicurity can be studied at international (European), national (laws and regulations), sector (collective bargaining), organizational (HR practices) and individual level (psychological contract). On a European and national level flexicurity is already on the agenda (Sharkh, 2008). In the Netherlands there are already policies and regulations to manage flexicurity on a national level (Bekker & Wilthagen, 2008). However, flexicurity practices can also be found on an organizational and individual level. At organizational level flexicurity HR practices are practices that find a balance between the needs for flexibility and security of both employees and organization. At individual level perceptions of mutual obligations in the employment relationship form the core of the psychological contract (Rousseau, 1995). Changes in the organizational environment calls for redefinition of the employment relationship, to form a new psychological contract, by developing innovative HR practices. Changes in society and the business environment have led many authors (in scientific and managerial literature) to believe that the content of the psychological contract has changed in the past decades (e.g. Anderson & Schalk, 1998; Hiltrop, 1995). According to Roehling, Cavanaugh, Moynihan & Boswell (2000) employer and employee flexibility in

dealing with each other and job security through employees maintaining and developing skills are main characteristics in this typology of new psychological contracts. However, this proposed new employment relationship still needs to be put to an empirical test (Conway & Briner, 2005). Do organizations indeed desire a new psychological contract and which obligations are included? How do organizations try to manage this psychological contracts by their HR practices? Are these HR practices aligned with flexicurity criteria e.g. providing flexibility and security for both organizations and employees? The current study addresses these questions.

## *Theory*

### **The new psychological contract**

“The psychological contract consists of the perceived obligations of the two parties to the employment relationship, the employee and the organization”(Herriot, Manning, & Kidd, 1997 p.2). It is widely assumed that the content of the psychological contract has changed as a result of changes in the employment relationships (Hiltrop, 1995; Rousseau, 1995). Theoretical models have been built to describe the shift from “old” to “new” psychological contracts (Anderson & Schalk, 1998; Hiltrop, 1995). However, there is little agreement regarding the nature of the changes (Roehling et al., 2000) and many scientific authors today question the existence of a “new” psychological contract (Conway & Briner, 2005; Van den Brande, Janssens, Sels, & Overlaet, 2002). Foremost this doubt stems from the absence of widely generalizable empirical research regarding the nature of the new employment relationship. In management literature the generation Y, employer 2.0 and even 3.0, the new employee is present all over. It is important for HR professionals to understand the nature of the changes in the employment relationship since the nature of this relationship is central in various HR activities (Roehling et al., 2000) and thus empirical research on the existence of a new

psychological contract is important. The “old” psychological contract is characterized by elements such as loyalty, predictability, stability, fairness and continuity. Continuity is one of the main elements of the old psychological contract and expresses itself in job security for the employee, perspective on promotion and organization specific education. The employer receives loyalty and involvement in return. The old employment relationship is very predictable and stable (Van den Brande et al., 2002). According to Roehling et al. (2000) although there may be a lack of general agreement on the nature of all the changes in the psychological contract, there is a strong consensus in the literature about the most important characteristics of the “new” psychological contract. These are (1) ‘employers’ responsibility to provide training, education, and skill development opportunities’ and (2) ‘employees’ responsibility to take advantage of those opportunities to develop and maintain their skills’ and (3) ‘employee and employer flexibility in their reciprocal dealings’ (p.312-313). This is in line with the ideas of Anderson and Schalk (1998) and Sparrow (2000) that the new employment relationship has a strong focus on employability and flexibility. It is assumed that these new obligations appeal to the so called ‘new employee’ or ‘employee 2.0’ (Doodeman, 2007). These generation Y employees are born between 1980 and 2000 and the first employees are now entering the labor market. This generation grew up with new technologies, social networking and multitasking. Core elements of this new generation are the high use of ICT and a highly developed networking instinct. These circumstances are assumed to influence the way these employees desire to work. Employee 2.0 is especially referred to in the popular literature and the trademarks seem to be that this generation is looking for a deeper meaning in their work. They do not want a job for life but a job or a project to which they feel committed. Personal growth and development are key subjects for the new employees. As long as the organization stimulates them and accommodates their growth, the organization will remain interesting for them (De Vos, 2006). Work is

important to them but it should not affect their private life and that is the reason why they find flexibility and the possibility to arrange their own working hours of great importance. Another characteristic of employee 2.0 is that they take responsibility for what they choose for. However, the existence of employee 2.0 with the above mentioned characteristics has not been proven yet. In this study, in search of the new psychological contract and the new employee, we depart from the first research question:

- *What are the new mutual obligations in the psychological contract according to strategic HR managers?*

### **Flexicurity HR practices and the new psychological contract**

The obligations in the new psychological contract reflect the flexicurity strategies on employee level. The obligations mentioned in psychological contract literature relate to flexibility and other forms of security. To combine the obligations in the new psychological contract with flexicurity, the new psychological contract is assessed on items that address employee security and employee flexibility. Employee security can be defined as the extent to which employees experience income-, job-, employment- and combination security (Wilthagen & Tros, 2004). Job security is a form of security which enables employees to remain in the same job. Employment security, is the security to remain in employment, but not necessarily in the same job or with the same employer. This kind of security is derived from the level of human capital of the individual. Income security is the security to maintain one's income under conditions of unemployment, illness and accident. And finally combination security is the possibility to combine working life with private life, also called Work Life Balance (WLB). Job security has declined over time (Fullerton & Wallace, 2007) and made way for an increased focus on employment security and income security. In an economy characterized by permanent

changes and changing job and skill requirements, employability is a key enabler of sustained employment and income. Employability is defined here as the “worker’s perception of his or her possibilities to achieve a new job” (De Cuyper & De Witte). The perception to achieve another job (internal or external from the current organization) is developed from employees interpretation of the labor market situation and their ability to make the required labor market transition, including the employees’ know-how, skills and knowledge of the labor market and their adaptability (Van der Heijde & Van der Heijden, 2006). The content of the new psychological contract is often described in terms of job security is replaced by employment security. In this study, we will focus on the employment security and WLB. In general, employability, which increases employment- and income security, has been accepted in the careers literature as a reflection of the new psychological contract (Maguire, 2002). According to Herriot, Hirsh and Reilly (1998) it is employees themselves who are behind the increased demands for training and development as a consequence of a broken ‘old’ contract (security for loyalty). Martin, Staines & Pate (1998) also provide support for this employee-driven demand thesis: the increased value placed on training and development is associated with employees trying to adjust to a climate of increasing job insecurity by making themselves more employable. This means that training and development have become a more valued part of the psychological contract of employees. So it has been argued that employability reflects the new psychological contract in which employees recognize that career self-management will provide a fair deal for the future and a greater likelihood of employment success (Clarke & Patrickson, 2008). Although employability is essentially regarded as the responsibility of the employees, it is also widely acknowledged that employers have a significant role to play (Maguire, 2002). As stated before, according to Roehling et al. (2000) one of the other most important characteristics of the new psychological contract is ‘employers’ responsibility to provide training, education, and skill development

opportunities'. This means that it is the organization's role to support employees by providing them with opportunities to enhance their employability (Clarke & Patrickson, 2008). The changes in the employer-employee relationship have had influences on their perceived obligations. Organizations are now more likely to offer higher wages and provide development opportunities in exchange for hard work and a short term contract, instead of offering long-term employment (Pascale, 1995). This means that the employment relationship is based on future employability rather than employment security (Clarke & Patrickson, 2008). Flexibility is also of greater importance for employees. As a result of changing work force demographics and work values, employees increasingly desire flexibility to meet their individual preferences and circumstances to combine work and private responsibilities (Wilthagen & Tros, 2004). This means that combination security has increased in importance. According to Geurts, Taris, Demerouti, Dijkers and Kompier (2002) a large part of the Dutch employees cannot optimally combine work with the obligations of their private life. Therefore, employees have an increasing need for controlling how much, when and where to work (Peters, Den Dulk, & Van der Lippe, 2008). This refers to the voluntary use of flexible work arrangements in the form of 'employee friendly flexibility'. These are flexible working practices sought by employees to enhance their WLB (Peters et al., 2008). Examples of these practices are the following: flexible start and finish times, term-time working, voluntary part-time work, job-share, compressed working weeks, shift swapping, self-scheduling, time off in lieu, sabbaticals and career breaks (Fleetwood, 2007).

- *Which innovative HR practices are developed to manage the new psychological contract?*
- *Which innovative HR practices are flexicurity proof?*

## ***Method***



## Research design

An exploratory, qualitative research design was chosen. Semi-structured interviews were held to provide a holistic and contextual portrayal of the research domain (Flick, 2009). By using open-ended questions in depth information can be gathered. This information will contribute to theory building. This study is part of a larger project. The perceptions of organizations (strategic HR managers and employer representatives), employees and unions are all incorporated in the project. In this first part of the project, perceptions of strategic HR managers of leading organizations are subject of investigation.

## Sample

Our sample comprises strategic HR managers of 44 organizations in the Netherlands. As it is the goal of this study to find innovative HR practices in the Netherlands that address flexicurity and perceptions of the new psychological contract, purposive sampling was chosen. Our sample of top HR managers not only design the HR strategy in their own organizations, they also shape employment relations in the Netherlands by negotiating with the unions and participate in networks in which HR policies are discussed with their peers of other organizations. As innovative practices were sought, leading organizations in employment relationships were our target population. Starting point was the *Intermediair* best employer nomination in 2008. In this study best employment conditions and employee satisfactions were combined to be granted this nomination. It is our assumption that these organizations are trendsetters for HR practices. This list of best employers 2008 was studied, using the SBI'93 short corporation classification (ROA, 1998) to assess in which organizational sectors organizations for our study should be recruited. Organizations in the Banking and Insurance Industry, Professional Services, large (international) industrial organizations and National Government are heavily represented in the list. A prominent social network of ten strategic HR managers of the large industrial organizations was contacted, and nine of these organizations participated in the study. Because the public sector was not present in this sample, organizations in

the underrepresented sectors were then actively sought by recommendations of the respondents and by searching in HR magazines for organizations in these sectors that were in the news because of prizes they won for their HR practices or because they were interviewed because of innovative HR practices. This resulted into a more representative sample when compared to the 25 best employers list. However, because contextual factors are crucial in the adaptation of HR practices, it was necessary to also include sectors and businesses that were underrepresented in the best employer lists. To be certain that no practices that are only applicable in certain sectors were missed, a wider range of sectors is represented in our sample than just the best employers sectors making the results more generalizable across sectors. The response of the organizations to participate in this study was very positive, of the 50 organizations that were approached, 42 participated in the study. Seven organizations did not want to be interviewed. Reasons why organizations did not want to participate were, among others, not having the time to do the interview within the tight schedule (from March 2009 until June 2009), because of restructuring as a result of the credit crunch, difficult CLA bargaining, not having a clear vision on the subject or just not being interested. One organization gave their permission but dropped out in a later stage, because of an unexpected restructuring in the company. After interviewing all 42 organizations, it became clear that four interviews were not suitable for this study: The High Tech Campus, AWWN, IC Talents and the Municipality of Eindhoven. Although these organizations were recommended as highly innovative, and the interviews provided interesting general information on the new employment relationship, these managers did not apply these insights into their own organizations by developing new HR practices.

## Interview questions

Face-to-face semi structured interviews were designed to answer the research questions.

1. What are the “new” obligations of organizations in their psychological contracts according to strategic HR managers?
  - Which organizational and employee obligations do the strategic HR manager perceive in the employment relationship?
  - Have these obligations changed over the past years within the organization?
  - How would you describe the ideal employment relationship?
2. What forms of security do your employees need? Has there been a visible change in the past years? (Ask the following forms: job security, employment security, income security and combination security)
3. Compared to peer organizations: which innovative HR practices or CLA-agreements are developed in your organization? How do these innovative practices relate to the new psychological contract? How do these innovative practices address the needs of flexibility and security of both organization and employee?

## Procedure

The selected organizations were approached by e-mail and telephoned by the researchers afterwards. The interview questions were sent to the respondents in advance, to ensure that the subject was relevant for the respondent, or that maybe somebody else was the best informed person in the organization. In some cases two respondents were present at the interview. The interviews were conducted in the months March through August 2009. The interviews lasted approximately 1,5 hours and were recorded on a digital voice recorder and on tape. Before each interview, permission was asked to tape the conversation. By using two recorders the validity of the study improved as the chances to lose information were reduced to a minimum. During the interviews

two researchers were present. One of them conducted the interview and the other took notes and checked the process of the interview. This way it was secured that all subjects were covered. Three experienced interviewers each conducted a number of interviews. The first three interviews were held done in pairs of two interviewers to reduce possible differences between interviewers. Furthermore, the continuity of the interviews were monitored in regular meetings to increase reliability.

### **Analysis**

The interviews were transcribed verbatim. To organize and analyze the data, labels were ascribed to the texts through the program ATLAS.ti. This is a computer-assisted qualitative data analysis software package. ATLAS.ti allows you to label passages of text that can later be retrieved according to the codes applied (Spencer, Ritchie, & O'Connor, 2003). This cross-sectional code and retrieve method offers a systematic overview of the scope of the data and it aides finding themes in the data (Spencer et al., 2003). Therefore, based on the above theoretical framework and interview questions, a list of themes was set up. The following themes were used to form a list of codes to label the data: (1) The new psychological contract, (2) Employee flexibility (3) Employee security (4) Innovative HR practices. The coding was done by two researchers, by discussing which code should be attached to a certain text fragment. Profound arguments were given for multiple code suggestions and in the end the best option was chosen. In a few discussions multiple codes were given to one text fragment. A third researcher read all the interviews separately and summarized the interviews into the six categories. This researcher checked whether all the information from the coded transcripts was present in the summarized schemes, to ensure no relevant data was lost. Furthermore, most double codes were removed as the third researcher had a decisive voice in appointing the fragments to a certain code. To analyze the data the separate codes were put together under "families" in the program ATLAS.ti. This facilitates the analysis on a

broader perspective and helps getting grip on the data for making comparisons and connections (Spencer et al., 2003). In this phase the “families” have been studied and analyzed more thoroughly. For example if a code has been used notably more times than other codes, these codes have been the subject of further analysis. A quote could also be subject of further investigation because it contrasted with other quotes. Multiple appearance of two codes together was also a reason to study these codes more intensively. The following phase of the analysis was composing schemes which consisted of the categories mentioned above per organization. This was done to analyze whether patterns or sectoral influences could be found. Since every organization operates in their own context this was also of great importance to take into the analysis. The context variables were analyzed in the same manner as the other codes. The context variables that were quoted the most as to be relevant or other remarkable context variables were taken into further consideration. Direct quotes from respondents have been used extensively in the analysis below. This allows readers to assess the evidence themselves.

## ***Results***

In this section the responses to the interview questions are presented. To allow readers to assess the evidence themselves, direct quotes from participants are used throughout the analysis below. The complete transcripts (in Dutch) are available on request. The 38 interviewed organizations are numbered. The numbers behind the citations refer to the number that has been attributed to each of the organizations.

### **The new psychological contract: Organizational obligations**

Organizations perceive the following new or changed obligations: Work-life balance, job and employment security, providing learning and development opportunities to enhance employability.

## Work life balance

Organizations, in general, say they feel their employees seek flexibility possibilities to combine their work and private life (16/38), and indicate that this has changed over the years, and will become even more important in the future. They often refer to generation differences in the workforce: *“The current generation just asks other things than the older generation. I observe this with my own children. They cannot imagine that they have to go on for a lifetime, forty hours a week. People just want to have a sabbatical once in a while or they want to work part-time or they want to be able to fill this in according to their own needs”* (organization 19). The overall opinion of organizations is that employees do use their flexibility arrangements. According to some organizations, the extent to which employees seek WLB depends on their life phase. Some organizations only recently observed an increased need for WLB because the younger union members start asking for flexible arrangements, whereas the older union members did not ask for it (3/38). A single organization stated that virtually anything is possible in terms of employee flexibility, but employees do not dare to use these possibilities because it goes against the organizational culture of working many hours and being present and visible. Employees fear their chances of career development would decrease as their role models in the top never used these possibilities. Since employees seek more WLB, organizations say it is their obligation to offer the possibility for employees to combine their work and private life (23/38). *“The organization allows them to adjust their working hours in a way that supports their private situation very well”* (organization 1). Another organization states: *“We only have money and leisure time. So you get money and leisure time and these can be exchanged against each other, you can buy or sell. It used to be one size fits all. Now it is my size fits me. That is what employees want”* (organization 35). A lot of organizations that do not offer these WLB possibilities yet are working on it or at least thinking about it: *“The changes in the working hours law, we are going to take a serious look at what extra possibilities this offers for another kind of schedule, so we can improve the WLB”* (organization 7). The reason that some organizations not yet offer these arrangements is intertwined with the work done in the organization. For example,

the 24 hours economy has a large effect on this flexibility. Many organizations have to work around the clock, which influences employee flexibility. *“So in that way, flexibility in working hours is always an issue. We are a 24 hours company. And then you have to deal with changing shifts or you have to deal with people who always have to work evenings or nights”* (organization 4). For these organizations it is harder to implement employee friendly flexibility since also a lot of flexibility is asked from the employee. Unions can play a large role the provision of WLB practices: *“We would really want to respond to desires of people, to offer more WLB. We have come up with an individual schedule system, people would be able, we know for sure, to realize 80-90% of their preferences. For example, every week the Tuesday evening off. But we can’t push it through. They [the unions] have many reasons, but in the end they just say we do not want it. The unions do not want it and we know the majority of the employees do want it, but they say no way, veto, we are at war if you do that”* (organization 22). Some organizations say legislation can be restraining for their flexibility arrangements: *“Then they have worked too many hours and we get fined. The flexibility of the employee declines, also because of the working hours act”* (organization 17). A final condition to provide flexibility is the availability of performance-related and results oriented pay. This is illustrated by the following statement of an organization that does not have a performance related pay system: *“Teleworking is allowed but it has to be an exception and it cannot be structural. We have some hesitations about that..... Maybe it is a cultural aspect. I think our managers do not manage on results. It is now more attendance-related pay, so you have to be there physically. And results-oriented is something we want to work on; setting targets and added value. We think this is an important condition to facilitate teleworking”* (organization 31). Many organizations that have a results oriented pay system say that it doesn’t matter where their employees work as long as they perform. This brings along a lot of flexibility: *“It is a pilot.....so some people work at home or in another working space and everything becomes looser and you are managing on results rather than on attendance”* (organization 8). However, this also means that managers should be able to distinguish between good and better employees when using a results-oriented pay system. Many

organizations (19/38) feel their managers are struggling with this differentiation: *"You have to train managers in having those conversations. These are the dynamics of performance management. The challenge is to send people away with a feeling that they really can do something about their conversation skills....From the past there has been a tendency in the Netherlands to rate everybody the same. So we have to challenge the management every year to differentiate with grading. Who is really good and who scored below standard?"* (organization 1). *"We have difficulty differentiating between high potentials and less high potentials because we are typical Dutch and do not dare to express this to one another and in my experience we neglect a part of the high potentials and the attention for the high potentials is too low. We are working on that but the organization is struggling with the thought to make that differentiation between the workforce"* (organization 11). This means that in order to have a performance related pay system, and with that more flexibility for the employees, managers should be able to differentiate between their employees. Also the kind of position employees hold, has an influence on WLB practices: *"You cannot let all people do their work where they please. For example, when you work in an office, behind the register or behind the counter, well you cannot do that at home. So there are many jobs that do not qualify"* (organization 35). Furthermore, this can also bring along certain problems: *"Because you create this discrepancy between the people who have to be present and people who can work from their home this may lead to tensions"* (organization 3). This means that there are many factors involved in the decision to offer WLB practices and to what extent. Offering WLB is done mostly out of the interest of the employees. Some organizations feel that the balance is gone, and say that employees see flexibility as a right and not as a favor: *"The reasoning is really done from the employee perspective and not from what the company needs. It is almost an acquired right, that naturalness"* (organization 10).

Summarizing: Many organizations say they offer employee friendly flexibility arrangements and see this as an obligation towards their employees. They do this in general to meet the needs of employees to combine their work and private life. The forms of flexibility offered (e.g. teleworking, part-time work, self scheduling) are often dependent on organizational



specific variables, such as 24/7 operations, unions, legislation and performance- or attendance based pay systems. Having a performance based pay system seems to be a facilitator of WLB practices. However, many managers indicate that their supervisors have difficulties making differences between employees.

### **Job and employment security**

Some organizations perceive the obligation to provide job security. As one organization says: *"We want to be a good employer, and in that sense we feel responsible. We are very aware of that durability and reliability in the psychological contract we make with the employees on the moment we literally say, bring him on board"* (organization 16). For some organizations this fits with their business model. For example for one organization's employees it is difficult to perform their job in another sector or organization because they cannot use their skills somewhere else (e.g. a pilot) or it takes many years to train their employees. Therefore they do not want to lose these valuable employees. As one organization puts it: *"We need the security to have and retain well-educated people"* and therefore they offer life time employment: *"It is a fact that people stay here for the rest of their lives, employees feel that the same way. It is sort of saying around here that when you work here for three months, you will work here the rest of your life"* (organization 18). Another organization (16) states: *"We feel the responsibility for someone of 25 who joins us, we know, we don't want to, but we know we take the responsibility for the rest of his career. And why is that? In this environment, a 24 hours company, crane drivers. This is a craft but you do not learn this in college. You learn this in practice"*. The business model of an organization seems to determine what they can offer their employees. For some organizations (5/38) it fits their business model to offer job security and even life time employment because they need to keep the knowledge. Organizations in the same sector with the same amount of capital or knowledge workers could have a different approach. Another organization offers employment security in exchange for more flexibility from their employees. *"There has been so much unrest with our people if we want to change things. So you know what we will do, we set a term of employment security... we can easily arrange that, then we will give you that as an*

*opportunity, but from our side we want to make some flexible arrangements with you, so more employability.... We have never been able to fill in this last end of the deal. So what you see is that those people did have five years of employment security with continuation, and we as a company got very little in return, no flexibility”* (organization 22). They agreed on this employment security, because there was no other way for change, so unions forced them into this employment security. Furthermore, there are organizations that still want to offer loyalty and trust, but do not unconditionally offer life time employment. They do want something in return and this trade-off has to be questioned continuously: *“We do feel a certain caring obligation. But there has to be offered something in return, in terms of these mutual values. I think many of my colleagues see it as too self-evident what we offer, it has always been like this. And in a modern employment relationship I feel you have to keep asking this over and over”* (organization 24). So there is a small shift visible within these organizations concerning the securities offered to employees. On the other hand there are many organizations that emphasize the decline of employment- and job security in their organizations, and the increasing focus on employability. For example: *“Traditionally this organization had the expectancy of life time employment. Therefore, job security was very high, but what we promise now is the stimulation of development....employability”* (organization 1). *“Employment security is a difficult thing because people come from a world in which it seemed to be an institute, a safe harbor. This is no longer the case. Then you are going to translate this theme of employment security into employability. Developing people to make them less vulnerable. We have been working on this for a few years now”* (organization 21).

### **Employability**

Most organizations say they provide possibilities for employees to increase their employability. They invest much in their employees and want to see them develop themselves (30/38): Organization 3: *“Combing performance and learning. We see to it that people add value to the organization now, but also by learning, at the same time can add value to themselves and to the organization in the future. By doing this we create*

*security for people in the external labor market, as well as in the internal labor market”.*

Organization 26: *“There is serious guiding on careers. Which training do they need? Is that speaking in public, communication, project management? We have a wide range of training and education we offer to people”.* The majority of organizations see providing training and education as their most important obligation. This is a rather unanimous view.

### **Other new obligations**

Another obligation many organizations see for themselves is being an attractive employer: *“We as employers have to strive to be continuously attractive for employees”* (organization 6). With this they mean they want to offer challenging and diverse work to their employees, inspiring leaders, good rewards and an enjoyable work atmosphere. Especially good rewards and challenging work is stated often as an important organizational obligation for their employees. According to some organizations, the generation now entering the labor market is much more interested in the image of an organization than earlier generations: *“Young people want to know what this company means for nature, charity or meaningfulness; what does society gain from my work?”* (organization 15). *“The generation that is now entering the labor market, have more interest in the corporate image. This new generation wants to belong to something. So they are much more interested in sustainable entrepreneurship, green, eco, all those sort of things in which the average employee might not be so interested in”* (organization 35). This means that strategic HR managers perceive this new generation to be more interested in the corporate image. They are looking for meaningful work and they want their organization to convey this message. Organizations are catching up on this by adopting this obligation. Another obligation a few organizations say they perceive is to facilitate practices for employees to become or stay healthy: *“People are responsible for their own health, but organizations are adopting this issue. That we, at least offer facilities or organize health market, fit tests etcetera”* (organization 8). *“We have a*

*relatively old population. In the past they have certainly done physically hard work. A lot has changed there. But still you have to do a lot with health- and vitality policies. We have heavily invested in this. We have our own vitality centre”* (organization 18). This is especially visible in labor intensive organizations. For these organizations vitality problems will be more urgent since labor intensive work has a major influence on the health and well-being of employees. These organizations see it as their obligation to provide possibilities for their employees to become or stay healthy.

## **New psychological contract: Employee obligations**

### **Flexibility**

While on the one hand flexibility is offered by organizations for their employees so they can combine their work and private life, on the other hand also flexibility is asked of employees. Flexibility is asked for various reasons and in different forms. These forms of flexibility are context specific. First of all there are organizations who ask flexibility in working hours from their employees because of their operations like in retail or because they work project-based, for example. *“We ask a great deal of flexibility. You take into account certain needs but on the other hand we say well it is a characteristic of this sector, it is all about flexibility and long opening hours”* (organization 12). Second, there are organizations who want numerical flexibility in their organization so they can “refresh” their workforce. They do not want people to stay too long in the organization, they want their employees to keep adding value to the organization. *“One very important advantage of flexibility is that you can get rid of people much faster if that is necessary”* (organization 2). *“We are going to say goodbye to each other, sometimes these can be very intense processes and in some cases there can be law suits involved, but we do persist because it is our policy. We will not let it go. It is essential to refresh. And you have to do it socially in the right manner and we do this. And it is a pity, but you are going to work somewhere else”* (organization 25). Organizations ask for flexibility and generally offer employability in return: *“I invest in your talent and in exchange you are not going to*

*whine when we have to get rid of you”* (organization 2). Furthermore, many organizations (20/38) choose to have a percentage of the workforce on flexible contracts via temporary work agencies. Organizations see as the main advantages of this form of flexibility that they can adjust their workforce to the supply of labor: *“So it is a sort of lifejacket idea. You inflate the lifejacket when necessary and when you do not need it you deflate it. This way we can breathe with our labour supply”* (organization 33). This form asks a lot of insecurity from employees. In general it can be said that employee flexibility is an often mentioned obligation, and different forms of flexibility are asked. There are some organizations that struggle with this subject. As one organization (16) says: *“Flexibility with us is a word, a word you cannot use outside this room. When I am in the cafeteria and I mention the word flexible then everyone is looking. And when I say it three times too loud then they go on strike, as a matter of speech. So flexibility is a threat”*. Another organization (22) had the same problem and therefore they agreed on a period of employment security: *“There has been so much commotion with people when we tried to change things so you know what we did, we agreed on a period of employment security....We can make this agreement, we give you this possibility but from our side we want to make some flexible arrangements with you”*. However they never got this flexibility in return and it is still an issue for this, and a few other, organizations.

### **Employability**

The vast majority of organizations feel that employees should not hold on to old job- and employment securities, but they should focus on employability: *“Because you apply for a job and you chose very specifically and once you’re inside you start waiting until that employer tells you what to do, what your next step should be, development. Why do you give that control away?...It also has to do with, you have to carry out a new behavior to keep security in the sense of employability. So you are prepared for developments. We sometimes say, well Darwin already said it; the ones best capable of adapting will survive. So it is important to work on your employability”* (organization 25). However, this

change is not yet visible among most employees. As one organization puts it: *"I have to be careful not to talk in generalizations, but we know that large groups of employees look at the employment relation with very traditional, almost patriarchal expectancies. The organization takes care of me"* (organization 24). This citation illustrates very well how many organizations see that employees are still looking for other securities than employability. Some employees feel threatened by the fact that organizations want them to be employable: *"We want permanent employability inside but also outside the organization. And when you say this people start saying: do you want to get rid of me? People are not very involved with, or do not find it logical to invest in something which may not be helpful right away for our company, but what could help someone in his further career. This notion is far from being developed"* (organization 10).

*"It is also a process for the employee to change their way of thinking. That not only the employer takes care of that but that as an employee you are also the architect of your own career"* (organization 14). The majority of organizations feel it is the obligation of the employee to become employable and that it is their own obligation to facilitate this by providing training and education opportunities. Some organizations (4/38) take this one step further by stating that employability is voluntary but not without responsibility, which means that there are consequences for not actively managing your own employability by not taking training: *"You have to make sure that when a person's position becomes obsolete, the person does not. The person must have a set of skills, knowledge and competences with which he can function in another place. So if you take care of that, that he is not only good in what he does today, but if that work is gone tomorrow, what are you going to do tomorrow? If the answer to that question is probably nothing because I cannot do anything, know nothing and some people do not want anything, well then they have a problem. And so we say employability is voluntary but not without responsibility"* (organization 21). Another organization has made this formal by changing their Collective

Labor Agreement (CLA). They have put employee obligations in their CLA which states that they have to manage their own employability and take initiative in following education. In line with the previous, there are also some organizations that say the employees are themselves responsible for their employment. For example, one organization invests a lot in the employability of employees. In exchange they feel that they can keep the employee until they are no longer valuable for the organization: *“That is the way I would say the relationship with the employee would look like. That as long as you work with someone, you invest in the talent of this person to make sure, where ever this person might end up in the future, he is able to keep on creating wealth. I think this is a good deal. And that is a deal which is interesting for the employer, because as the employer invests better in talent to create wealth, the employer is capable of saying goodbye easily”* (organization 2). Another organization states: *“Organizations can have a trade-off for the fact that it is a shorter employment contract. They say you have to be able to develop another career besides this one. So if you want to arrange flowers then we think that is a good idea in that way”* (organization 15). There are also a few organizations (4/38) who say they listen to the preferences of their employees. If their employees like to be in a certain job and the clients and the employee are satisfied, then they will not influence the employee by making him change his job. One organization states: *“So not everyone has to change places. For a while we did think we needed to set a maximum position period, so you were required to change positions after 5 years. But people get very frightened by this. It is much better to facilitate this for the people who want it and you also preach it and say this is what we want, but the people who become very frightened do not have to change in function”* (organization 7). Finally, there are also a few organizations that are not that far in the employability stage as they would like to be. They are still in the stage of making employees aware of the fact that it can also be very useful for themselves to continue learning but they are not yet actively

managing employability. As one organization (1) clearly puts it: *“What we especially promise in the factories is we want to make people employable so they will not be dependent on our organization. In the past this was way more a real dependency relationship. Whereas now this is much more the personal drive of the employee and we stimulate this. However, we walk faster in this area than the employee can follow”*. Another organization (11) says: *“The willingness for mobility is still very low”*. Organizations paint the picture of employees who are not actively managing their employability in the internal and external labor market. For example, one organization that offers internal and external internships to take a look around in- and outside the company states that in practice there are very few people who use this possibility. Furthermore, some organizations say there is not much interest for the training possibilities they offer. Especially among production workers, organizations see little interest in their education programs: *“We invested in language courses last year. And we didn’t prolong this course because we thought people did not put in enough effort”* (organization 29). Another organization says: *“There are different groups, when you look at the factories; production employees are not so involved with their employability”* (organization 1). On the other hand there are some organizations that say the willingness of their employees to develop themselves is very high. First of all there seems to be a difference regarding the education level of employees. Several organizations indicate this factor of influence on the meaning of security for employees: *“Insecurity is not that much of an issue on higher levels”* (organization 3, 11). One organization (2) diminishes this effect by saying: *“There is a degree of education effect on security, but you should not exaggerate this”*. Another factor is given by organization 37: *“You could say that in general more people work for the government who are by nature security seekers”*. This was confirmed by the majority of the organizations in the education and environment and quarry services sectors.



Finally, there seems to be a generation difference: *“What you see now and that is truly a generation difference. So you have a generation who has life-time employment and now we have life-time enjoyment. Now those people come and say yes this is fun. It’s becoming more like soccer contracts”* (organization 35). Another organization notices that younger employees are somewhat easier with thinking about a job also outside their current organization. They feel the flexibility in that manner is increasing with people who just leave school and are more actively managing their own employability. However, according to the following statement, this has nothing to do with age but with the length you have spend in certain positions and the way you have been educated: *“We did teach those people a trick of what they are doing. We did not make them employable and they have been told for 20 years, education? No, that is not necessary. You are very good in stamping, you go along and stamp all day long.....Well those are all tricks and at a certain point we say well we do not do that trick anymore. Now we have to think of something new for you. But when people have been doing the same for over 20 years, did not get any education, did not develop themselves, have not been stimulated to be flexible, well then they are not going to be that anymore”* (organization 21). These statements indicate that it might not be an age difference but a difference in approach by the organizations and the fact they used to let employees stay in one position for a long time. This has affected the employees’ vision on employability.

### ***Other obligations***

Other obligations that are mentioned by strategic HR managers are extra role obligations, loyalty and health and vitality.

Extra role obligations are for doing more than what is formally expected in a certain position. These obligations are mentioned by the organizations in terms of showing passion, walk the extra mile and being motivated. *“For which I ask in return a high*

*dedication and commitment to the company.....we want to give a lot as long as we get this in return. Commitment is especially important....and that is doing more than is asked from you. And thinking across the boundaries of your own function, with much dedication. So not working one hour longer and taking it back the next day. We still know that from the past, but I am horrified about that”* (organization 31). Loyalty also seems to be an important employee obligation, according to some organizations. This loyalty is being referred to by organizations in terms of dedication, commitment, engagement and allegiance. These terms have been mentioned multiple times by different organizations: *“What you want the most is that people are committed to the organization. That is the most important. That everyone is always happy and whistling at work that is not a goal in itself....But commitment and engagement is”* (organization 38). Another obligation asked by some organizations of their employees is being healthy and vital: *“Now is the deal, if you want to stay with this organization then this is possible but there are a few conditions attached to this. First of all, you yourself have to make sure you stay physically fit”* (obligation 13). This obligation is mostly demanded by labor intensive organizations where the employees have to do hard physical work. But also organizations for which this is important because of the work they do, like pilots, police officers and security officers. For these organizations it is accepted to say this is an employee obligation. There are on the other hand also organizations (3/38) for which it is not that accepted that they demand healthy and vital employees. It is legally difficult for them to ask this of their employees. These organizations also feel it is their own obligation to provide facilities and practices to make it easier for employees to be and stay healthy. But in return they do expect employees to take their responsibility and do something with these offered practices.

## **The new psychological contract and innovative HR practices**

To answer the research questions which innovative HR practices are developed to manage the new psychological contract and which innovative HR practices are flexicurity proof, which innovative HR practices mentioned by the strategic HR managers regarding flexibility align with the new psychological contract as described by the strategic HR managers, the innovative HR practices are linked to the obligations in the new psychological contract: work life balance, employability and sustainable employment.

### ***Innovative HR practices and Work Life Balance***

Examples of innovative HR practices based on the providing of this WLB are presented below:

*Work-life balance:*

- Sustainable schedules
- Men working part-time
- New working
- Sabbatical always a possibility
- Self scheduling

Organizations want to increase their own flexibility and in return they offer flexibility for their employees. An example of an organization (16) that introduced more sustainable schedules says: *“We applied another planning system through which it became a sustainable schedule, a healthy schedule...what you see is that it was a real win-win situation. People received a nice and regular schedule. We looked more critically at the planning process so we could put people into service on the moment we expected it to be busy. And it also has some more flexibility that when it becomes more busy then we expected in advance: sustainability and flexibility”*. Another example is the new working concept. As one organization (8) explains: *“The new working is, among other things, flex working, but it is broader. It is more about giving more space to time and place*

*independent working. We do not only have to be at home but it can also be, it is also about meeting. Time and working, time and place independent working and meeting people...you should have a concept where employees also ask themselves where, on which location can I add the most value to the employer".* This example illustrates this flexibility tradeoff very well. When employees urgently need flexibility this is possible in this flexible working concept. On the other hand this concept asks flexibility of the employees about where to work to add maximum value to the organization. Since the psychological contract is a mature reciprocal relationship, organizations expect their employees to offer something in return for their WLB. The most HR practices based on WLB are aimed at employees walking the extra mile for the organization, for example by being more flexible when asked. This increases the internal numerical flexibility of the organizations. The internal numerical flexibility handles fluctuations in capacity utilization principally by varying the number of hours worked. If organizations are willing to listen to their employees when they need flexibility, employees will do something in return by for example being flexible when the organization needs flexibility. In this way offering WLB practices are flexicurity proof HR practices.

### ***Innovative HR practices and employability***

A second very important characteristic of the new psychological contract, according to the strategic HR managers, is employability. This means providing training and education by organizations and employees taking responsibility for managing their own employability. Below a list of these HR practices aimed at employability are presented:

#### ***Employability***

- Digital career centre
- Mobility/career centre
- Internal flexpool
- Digital databank for vacancies or projects

- Digital competency databank
- Geographical mobility: flexibility over sites/locations
- Preventive mobility phase
- Reallocation of older (57+) employees
- Budget for employability, career development
- Education aimed at older employees
- Education to obtain regular diploma's
- Collaboration with educational institutions to validate work experience into official diploma's (EVC's)
- Budget for training and education
- Centre for knowledge and professional development

The HR practices based on development are very diverse. Organizations offer money for their employees to use for education; job related or competencies related, there are possibilities to change positions (temporarily) within the organization or outside the organization or possibilities to follow application training to gain more insight in how employees want to pursue their career. Most practices, such as the career and mobility centers and cooperations with other organizations, are based on internal and external mobility. This means that employees are offered the possibility to change functions inside or outside the organization. This way the employees can develop themselves and this makes them more employable for their current employer and more attractive for future employers. Another example of the mature reciprocity in these HR practices is the education of older people: *"It is all called personal effectiveness. We have developed this for 40, 50, well for 50 years and older. So the flexibility we ask of people is that we expect from people they ask themselves the critical question well I am 45 now, what am I going to do with my career the next 20 years? That is a change in the mindset of people. The security we offer people is that we are willing to invest in training programs...so*

*people could also leave this company in a responsible manner. That could also be the result”* (organization 23). In sum, the trade-off in these HR practices can be found in the organizations no longer offering job- or employment security, but employability. This means they can more easily let the employees go when they feel necessary, which increases their flexibility. Furthermore employees become more employable, which increases the internal functional flexibility of the organization. This means the organization can better handle changing output requirements by reorganizing work processes and relying on a more multi-skilled workforce. In return, employees gain the security they will become more employable and valuable on the labor market.

### ***Innovative HR practices and sustainable employment***

Another group of innovative HR practices organizations have implemented to manage flexicurity is based on sustainable employment. Sustainable employment is an element that was found as being important in the new psychological contract, as described by the strategic HR managers. Examples can be found below.

#### *Sustainable employment*

- Sustainable and flexible shift work schedules
- Vitality (health) policies
- Energy profile
- Diversity policies related to life stages
- Talent management

Some organizations explicitly want to have sustainable relationships with their employees. This durability can be found in healthy and vital employees or in talent management. Talent management is important for certain organizations because they do not want to lose the talent in which they have invested. Some organizations have vitality centers and energy profiles to offer the possibility for employees to stay healthy and fit

for their position. In return organizations expect from employees to take responsibility and use these facilities to remain fit and healthy. Organizations increase their flexibility because there are more vital employees who are employable. Employees find security in the form of being healthy and able to perform well in their job. This increases their job security and employability since they have more chances at remaining at their company and if not, they are fit and vital employees, which increases their chances at the labor market. Other examples are diversity policies related to life stages. One organization, which implemented this, says: *“Life phase aware diversity policy...It is about recognizing, appreciating, developing and utilizing the individual talents everybody has...This gives people a feeling of security because you are recognized for who you are and you do not have to be in a certain mould, but recognized and appreciated for”* (organization 8). In this example the organization gains flexibility through a more diverse workforce and the employees feel secure in each life phase. Sustainability, and especially health and vitality are important obligations in the new psychological contract, according to some strategic HR managers. Offering vitality centers is an important obligation for them, however, if employees also see this responsibility for their health and vitality as an obligation for themselves remains unclear.

## ***Discussion***

In this study the alignment of managing flexicurity with the new psychological contract was addressed. The most mentioned organizational obligation was the provision of opportunities for development as the organizations want their employees to become or stay employable. Multiple reasons for this organizational obligation were given. Organizations want to enhance their functional flexibility, so they can employ their employees in different tasks and positions. Some organizations do not aim for long term employment relationships and consider development opportunities as a trade-off.

Because the employees increase their chances on the labor market, organizations feel free to end the employment relationship if the employee does not add enough value to the organization any more. Contrary to the theory on the new psychological contract job and employment security are offered by some organizations as strategic choice in the new psychological contract. These organizations mentioned different reasons for this obligation: the skills and competencies of the employees were rare and/or organization specific, the mission of the organization was to strive for long-term relationships with customers and they believed that their employment relationship should reflect this, or the organization was proud of their history of offering lifetime employment and considered this to be at the core of the organizational culture. Providing job and employment security may fit the business model of the organization, like in capital or knowledge intensive organizations. Other organizational obligations of the new psychological contract were being an attractive employer by offering good employment conditions, having a corporate responsible image ("green organization") and being involved in the vitality and health of employees. This is especially important for labor intensive organizations.

The most important employee obligations, according to the strategic HR managers, are being flexible when asked by the organization and taking responsibility for their employability. In general, the majority of organizations want their employees to be the architect of their own career. Organizations find themselves in different stages concerning employability. Some organizations say it is voluntary for employees to manage their employability, while other organizations already add consequences to employees not taking responsibility for their employability. Other employee obligations are extra role obligations, such as walking the extra mile for the organization, being loyal to the organization and employees taking responsibility for their health and vitality. However, most organizations also stated that their employees do not take these responsibilities yet. According to the strategic HR managers, most employees are still



seeking more stable securities on the labor market, such as job- and employment security. It is questionable whether employees regard managing their own employability as their obligation towards employers in their psychological contracts. It seems that it is the wish of organizations that employees change their longing for job security, but that employees have not adopted that idea yet, according to the majority of the strategic HR managers. These changes in the psychological contract seem to be initiated by the organizations and much less by their employees. In the next phase of the research project, the perceptions of employees with regard to the obligation of employability will be investigated.

The innovative HR practices used by the organizations to manage the new psychological contract can be categorized into the following groups of HR practices: (1) practices based on WLB, (2) practices based on employability and (3) practices based on sustainable employment. The first group of innovative HR practices based on WLB is aligned with the demands of the new psychological contract as they offer flexibility and more chances for the employees to combine their work and private life. According to the strategic HR managers, employees do value these possibilities and use it to a large extent. The trade-off in these HR practices, flexibility for flexibility, seems to be one which is aligned with the new psychological contract, as described by the strategic HR managers. Examples are sabbaticals, sustainable work schedules and “new working”. The HR practices based on employability are not optimally aligned with the demands of the new psychological contract as described by the strategic HR managers. Organizations stated that most employees are not yet the architects of their own careers and therefore do not take responsibility for their own employability. The HR practices based on the trade-off between offering more possibilities for employees to become employable in return for more functional and numerical flexibility for the organization are not optimally aligned with the demands of the new psychological contract. Career

centers, education budgets and cooperation with other organizations to manage external mobility are examples of these HR practices. The HR practices based on sustainable employment are to a great extent aligned with the demands of the new psychological contract, as described by the strategic HR managers. Health and vitality, basic elements for sustainable employment, are important organizational obligations in the new psychological contract as defined by some strategic HR managers. However, whether employees also see perceive the obligation of taking responsibility for their health and vitality remains unclear. Further research on this subject is needed with employees.

The terms with which strategic HR managers describe the ideal new psychological reflect the spirit of reciprocity. A mature, equitable, responsible relationship between employee and employer with autonomy, trust and flexibility as important features. Reciprocity is regarded as a trade-offs between the interests of the organization and the employee: for instance taking responsibility for your own career and organizations providing learning and development facilities.

### **Limitations**

The strengths of this study (e.g. a representative sample sector wise, the large sample size, the interviewing of people who are involved in setting the scene regarding employment relations and setting out HR strategies, the analysis of verbatim transcripts) are, as with most research, accompanied by potential weaknesses. First of all, for this research one or two strategic HR managers of 42 organizations have been interviewed. This has several implications. As this study was aimed at discovering intended HR practices, interviewing the HR managers who set up the HR strategy provided useful information. However, since only one or two persons per organization have been interviewed, this means their answers could be very subjective and not verifiable. Although we asked for documents describing the HR practices, the perceptions of the HR practices by the employees were not included in this study. This lack of triangulation

is a recommended starting point for further research. Another limitation of this study was that given the large number of interviews, multiple interviewers were used. The “interviewer effect” (a portion of total response variance which can be attributed to a particular interviewer characteristic) must be taken into account.

### **Conclusion:**

The new psychological contract as described in the literature is not (yet) totally visible. Organizations do offer flexibility and employability opportunities and the trade-off is that they offer less job- and employment security, which corresponds with the characteristics of the new psychological contract as described in the literature. On the other hand, as stated by the strategic HR managers, most employees do not yet take full responsibility for their employability, since they are still looking for job- and employment security. Employees do seek flexibility, which is in line with the characteristics of the new psychological contract as described in the literature. In sum it can be said that most organizations indeed represent the obligations of the new psychological contract as they seem to be the initiators of the changes in the psychological contract. However, most employees are not (yet) in this stage as perceived by their strategic HR managers and do not represent all of these obligations, especially the most important employee obligation, taking responsibility for their own employability is not recognized. Since this study solely assessed the opinion of organizations, it is difficult to say which psychological contract is present from an employee viewpoint. It is, however, clear that organizations are looking for employees that are willing to invest much in their relationships with their employer. In sum it can be said that organizations ask a lot from their employees: the employees have to take responsibility for their own employability, employees are expected to stay healthy, flexibility is asked of them along with commitment, engagement and walking the extra mile for the organization. The questions that can be asked are: What do the organizations offer in return? And is this really an

equivalent, reciprocal relationship? Organizations do offer some things in return. Mostly this is in the form of possibilities to develop oneself, but also WLB possibilities and responsibilities are offered. This question is especially relevant when looking at the percentage of employees that have these types of psychological contracts with their employer. Van den Brande et al. (2002) found that only 23% of their Flemish respondents have a strong psychological contract and 14.5% have an investing psychological contract. This means that the majority of the Flemish employees have a different type of psychological contract than what most organizations are looking for, according to the obligations found in the new psychological contract as described by the strategic HR managers. Furthermore, the employees who do have a strong or an investing psychological contract have an average or a higher education and are in middle management job positions or in senior management job positions (Van den Brande et al., 2002). According to Lepak and Snell (1999) the appropriate mode of investment in human capital will vary for different types of human capital. The value and uniqueness of employees are dimensions that differentiate human capital. This means that different types of employees have to be managed differently with different HR practices. Employees with a strong or investing psychological contract have perceive many of the obligations elements organizations are looking for; however organizations have to be aware of the fact that the majority of employees have a different kind of psychological contract and this has implications for how the management of these employees.

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