The work-life balance psychological contract: Making sense of organisational signals

Kerry Grigg
Monash University, Melbourne, Australia
Email: Kerry.Grigg@buseco.monash.edu.au

Susan Mayson
Monash University, Melbourne, Australia
Email: Susan.Mayson@buseco.monash.edu.au

Anne Bardoel
Monash University, Melbourne, Australia
Email: Anne.Bardoel@buseco.monash.edu.au
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ABSTRACT

In the current Australian business climate a combination of demographic, labour market and competitive pressures has refocussed attention on the Human Resource Management (HRM) strategies used by organisations to recruit and retain employees. At the same time a range of social, cultural and business factors have placed work-life balance on the national agenda. In response, some organisations are developing employer branding strategies around their work-life balance (WLB) programs, largely in an attempt to attract and retain the best employees. For these organisations the focus of their external and internal communication messages to their existing and potential employees is around the promise of WLB policies and a supportive work-life culture. However very little is known about how employees receive and interpret these messages. We argue that the psychological contract concept provides a useful framework to examine employees’ perceptions of the promises and commitments made by organisations and their agents. In order to provide a theoretical framework to examine this, signalling and sensemaking theory will be used to develop a set of research propositions to examine the formation of the employee’s work-life balance psychological contract to stimulate future research directions.

Keywords: Employee relations, personnel psychology, work-life balance, psychological contract

INTRODUCTION

Over recent years a combination of demographic, labour market and competitive pressures has refocussed attention on the human resource management (HRM) strategies used by organisations to recruit and retain employees (De Cieri, Holmes, Abbott & Pettit 2005; Ployhart 2006). This is in the wake of the much hyped global ‘talent wars’ (Martin 2008; Michaels, Handfield-Jones, & Axelrod 2001) and the need to recruit and attract skilled employees in the face of skills shortages across a range of industry sectors (Watson, Buchanan, Campbell & Briggs 2003). Recently, there are also increasing examples of organisations developing employer branding strategies in an attempt to attract and retain the best employees (Edwards 2005; Martin 2008). Drawing on marketing concepts, Ewing and colleagues (2002) define employer branding activities as those that establish the identity of the organisation in the minds of the potential labour market as a ‘great place to work’ above and beyond other organisations.
Prior to the global financial crisis, a tight labour market foreshadowed the emergence of employer branding as an important strategic HRM consideration. Despite the current economic downturn, employers remain concerned about attracting and retaining key talent in their organisations. Work-life balance (WLB) has also become an important HRM concern because of the changing structure of the labour market (Bardoel, Tharenou & Ristov 2000; Skinner, Pocock & Williams 2008). At the same time changing generational values suggest young people emphasise and value achievement of WLB more than their predecessors (Smola & Sutton 2002; Sturges & Guest 2004). Furthermore considerable media interest has both fuelled and reflected the general public’s interest in WLB as an issue and this has further driven the corporate social responsibility, diversity and equal employment opportunities agendas in many organisations and impacted on public policy. In Australia, the introduction of a paid parental leave scheme is a reflection of the intense public and private interest in this topic.

Consequently, an organisation’s WLB program is providing a popular basis for differentiation and employer branding and organisational communication activities (e.g. recruitment advertising, induction programs, employee handbooks) are being used to position the organisation as WLB ‘friendly’ (Collins, 2007; Harrington 2007; Sutton & Noe 2005). Organisations that actively promote their WLB credentials to differentiate themselves as an ‘employer of choice’ in a bid to attract and retain the best talent can be said to be using a WLB employer branding strategy.

Despite the emergence of organisational communication activities that promote WLB employer branding, organisational researchers have lagged behind in their understanding of how these communication activities shape the expectations of individual employees. In particular, how signalling mechanisms (Suazo, Martinez & Sandoval 2009) shape how employees make sense of their own experience of the organisation and its approach to WLB (Guest & Conway 2002).
Recently researchers have argued the psychological contract concept provides a useful framework to examine employee attitudinal and behavioural outcomes as a result of making and keeping of WLB promises and commitments by the organisation (De Vos, Buyens & Schalk 2003; Ellis 2007; Scholarios & Marks 2004). Building on the work of these researchers, it is proposed that signalling theory (Suazo et al. 2009) and sensemaking theory (De Vos et al. 2003) are useful theoretical frameworks to understand how the WLB psychological contract is formed.

This conceptual paper provides a brief overview of the work-life balance and psychological contract literature before introducing the concept of a WLB psychological contract. Finally, the paper will make a number of suggestions for future research directions to stimulate research into the WLB psychological contract field.

**LITERATURE REVIEW AND RESEARCH PROPOSITIONS**

The paper will draw on two streams of theory to guide the literature review and to inform the development of a conceptual framework and research propositions to inform future research. While the psychological contract concept and WLB literature is used to frame the discussion, more specifically signalling and sensemaking theories provide the foundation to explore employee perceptions of WLB psychological contract formation. Signalling theory refers to the job applicants or employees use of cues or signals (e.g. HRM policies) from the organisation to make assessments of the organisation (Rynes, 1991; Turban 2001; Turban & Greening 1997) and to form psychological contracts (Guzzo & Noonan 1994). Signalling theory provides a useful mechanism to understand the role HRM policies and practices play in communicating the psychological contract (Guzzo & Noonan 1994; Suazo et al. 2009). Sensemaking theory is used to explain the cognitive process humans go through when faced with incongruous information or events, to sort through and make sense of the information (Weick 1995). It is useful because it can be applied to understand how employees perceive work-life promises made by
organisations and as a lens to understand why employees respond to perceived psychological contract breach in the way they do (De Vos & Meganck 2009).

Figure 1 presents the conceptual framework illustrating the proposed process by which employees form WLB psychological contracts. The conceptual framework presented in this paper does not purport to show direct cause and effect relationships. What it does provide is an overview of the key concepts and proposed interactions between the variables that could form the basis of future research.

[Insert Figure 1 here]

Psychological Contract

While there is no clear consensus among researchers on the definition of the psychological contract (Cullinane & Dundoon 2006; Guest 1998; Guest & Conway 2002), there is widespread agreement it is an important concept to examine the explicit and implicit, or hidden, aspects of the relationship between employer and employee (Guest & Conway 2002; Maguire 2003). The psychological contract is one underpinned by norms of reciprocity and a social exchange process and these themes feature in the various definitions used in the literature. According to Rousseau (1995), the psychological contract outlines the unwritten beliefs held by the employee and organisation about the exchange relationship that operates between both parties. Rousseau and Tijoriwali (1998) suggest the psychological contract is a reflection of the individual employee’s perceptions that promises have been made and considerations offered in exchange, which bind the employee and employer to a set of reciprocal obligations. For the purposes of this paper the psychological contract refers to the individual employee’s beliefs about the terms and conditions of a reciprocal exchange agreement between that person and the organisation (Robinson, Kraatz & Rousseau 1994; Rousseau 1990). For the purposes of this paper the WLB psychological contract refers to the employee’s beliefs and expectations of what the organisation will
provide in terms of WLB enhancement and the employee’s experience of the organisation’s efforts to deliver on those WLB promises and commitments (De Vos et al. 2003).

**Work-life Balance (WLB)**

Early definitions of WLB focused on work-family balance and the ‘family-friendly’ programs introduced as part of workforce diversity management to enable employees to meet their family responsibilities (Lewis & Rapoport 2005). As the ‘balance’ literature has evolved, a more expansive definition including work-life balance has emerged that looks beyond family care responsibilities (Harrington 2007). This is due to the widespread recognition that WLB issues are highly salient for many people beyond traditional caregivers (Spector et al. 2004). The more expansive WLB concept will be used in this review and WLB strategies are defined as those that enhance the autonomy of workers in the process of co-ordinating and integrating work and non-work aspects of their lives (Felstead, Jewson, Phizacklea & Walters 2002; Sturges & Guest 2004; Wallace 1999).

A considerable growth in the research and interest in the WLB concept has been witnessed in the United States (Drago & Hyatt 2003) and Australia (Bardoel, De Cieri & Santos 2008; Skinner et al. 2008) over recent years. In Australia, WLB has transcended the academic sphere to become a recurring topic of focus in the mainstream print (e.g. Doran 2007; Shepherd 2007) and broadcast media (e.g. Dwyer 2007, Armstrong 2007). The ongoing interest in WLB in Australian society, as evidenced by the media interest, has placed increased pressure on organisations to respond to the changing WLB needs of its employee stakeholders (Pocock 2003).

The justification for examining the formation of WLB psychological contracts is twofold. Firstly, WLB programs are being increasingly used by organisations as an employer branding strategy to differentiate the organisation and enhance its reputation as an employer (Backhaus & Tikoo 2004; Duxbury & Higgins
Secondly, work-life balance features as one of the ‘content’ or ‘composite’ items employees cite as an expectation of the employment relationship in psychological contract research (De Vos et al. 2003; Ellis 2007; Guest & Conway 2002; Herriot, Manning & Kidd 1997).

**WLB psychological contract formation: A signalling theory perspective**

Using Suazo, Martinez and Sandoval’s (2009) conceptual work as a guide, we propose that signalling theory is a useful framework to examine how effectively communicated WLB programs and awareness of WLB policies can create psychological contracts in the minds of individual employees. Spence’s economic research (1973, 1974) on job market signalling has provided the foundation for research on a range of organisational issues. Notably Rynes (1991) and Wanous (1992) used signalling theory to examine perceptions of organisational attractiveness from the job applicant’s perspective. While Spence (1973, 1974, 2002) views the role of signalling from the employer’s perspective, other researchers (e.g. Casper & Harris 2008; Rynes 1991; Turban & Greening 1997; Turban 2001; Suazo et al. 2009; Wanous 1992; Williams & Bauer 1994) have extended the work of Spence to include the applicant’s perspective. Signalling theory is relevant to this discussion because it helps to understand how HRM policies and the communication of those policies (e.g. via recruitment process and induction) work to form the individual employee’s psychological contract (Guzzo & Noonan 1994; Suazo et al. 2009).

According to signalling theory, when faced with a lack of information about the organisation, job applicants use cues or signals from the organisation to imagine life inside the organisation including the organisation’s intentions, actions and characteristics (Rynes 1991; Turban 2001; Turban & Greening 1997). For example, in a study by Casper and Buffardi (2004) an organisation’s WLB policies (schedule flexibility and dependent care assistance) were related to applicants’ anticipated organisational support and job pursuit intentions and Williams and Bauer (1994) demonstrated that an organisation’s diversity management policy may enhance its attractiveness as an employer. Both studies acknowledge that the
respective WLB and diversity management policies promoted by the organisations signalled a proactive approach to the management of and support for WLB and diversity.

While the aforementioned studies have focussed on job applicants and their job pursuit intentions or perceptions of organisational attractiveness, Casper and Harris (2008) have extended this concept to existing employees. Drawing on signalling theory, Casper and Harris (2008) provided empirical support for the notion that for women, the existence of WLB policies indirectly facilitates organisational attachment, including affective commitment and decreased turnover intentions, through perceptions of organisational support. In other words, the employee’s awareness of WLB policy availability (irrespective of their use) signal the organisation’s support for the employee leading to the more distal outcomes of increased affective commitment and reduced turnover intentions.

The current discussion is underpinned by the belief that signalling theory may provide a particularly useful lens for examining the formation of the WLB psychological contract (Guzzo & Noonan 1994; Suazo et al. 2009). While signalling theory has been used to explain the role of HRM policies in shaping the employee’s psychological contract, the role of effective communication of those policies from the employee’s perspective is less well understood. Of relevance to this review, research by Guest and Conway (2002) demonstrated the importance of effective organisational communication (eg. recruitment, induction, staff handbook) by the employer in communicating the psychological contract to the organisation’s employees. Given that many organisations are now using a range of organisational communication methods to communicate their HR policies and practices to position themselves as ‘employers of choice’ and strengthen their employer brand (Joo & McLean 2006; Joyce 2003), signalling theory and the empirical work of Guest and Conway (2002) would suggest effective communication and awareness of WLB policies and practices will develop WLB psychological contracts for individual employees.
Proposition 1: Perceived effectiveness of communication of WLB promises/commitments will be positively related to extent of employees’ WLB psychological contract.

Proposition 2: Awareness of WLB policy availability will be positively related to extent of employees’ WLB psychological contract.

WLB psychological contract formation: A sensemaking process perspective

While signalling theory does provide a useful lens for examining the role of WLB policies and communication of policies and practices in forming the employees’ psychological contract, it does not address the importance of the employees “lived” experience within the organisation. Nor does it provide any insight into how an employee cognitively reconciles the signals employers send in relation to WLB support and the employee’s actual experience of reality within the organisation. Following De Vos, Buyens and Schalk (2003) and Hamel (2009), we propose that sensemaking theory provides an additional theoretical lens from which to examine how employees form their WLB psychological contract.

According to Weick (1995) when humans are faced with incongruous information or events, they employ sensemaking behaviours to sort through and make sense of the information. HR practices such as WLB, are communicated both explicitly and implicitly through either human (e.g. recruiters, managers, co-workers) or administrative (e.g. policies, training, manuals/handbooks) contract makers (Rousseau, 1995). It is possible that signals sent out by the organisation about its supportive approach to WLB (by way of WLB policies and recruitment advertising, induction programs etc.) may be at odds with the employee’s own experience at the organisation. Consistent with Weick’s conceptualisation of sensemaking and supported by the empirical work of De Vos, Buyens and Schalk (2003), employees will use cognitive processes to reconcile and constantly re-interpret the complex web of signals sent out by the organisation and their own actual experiences to form their WLB psychological contract. That is, the extent to which they believe the organisation has made promises or commitments to provide WLB support.
In the De Vos et al. (2003) study this process was conceptualised as *unilateral adaption of perceived promises to interpretations of experiences*. In their study of newcomers to an organisation the authors suggest unilateral adaption of perceived promises to interpretations of experience explains how newcomers change their perceptions of promises conveyed by their employer as a consequence of their interpretations of their employer’s actions. Applying this to the realm of WLB policies and programs, employees will continually reinterpret and readjust their WLB psychological contract if their experience of the organisation’s WLB culture and supervisor support does not align with the signals sent out from the organisation about its approach to WLB.

Work-family culture (Thompson, Beauvais, & Lyness 1999) and supervisor support (Lambert 2000) have received extensive attention in the WLB literature and reflect how the employer’s action and attitudes towards WLB support are perceived by employees. According to sensemaking theory, the employee’s perceptions of the organisation’s work-family culture and supervisor support for WLB will lead the employee to re-interpret the signals sent out about the organisations support for WLB and this will influence his/her WLB psychological contract. In other words, if the employee experiences a supportive organisational work-family culture and supervisor, this will re-confirm and reinforce the signals being sent by the organisation and heighten the employee’s WLB psychological contract. On the other hand, it is conceivable that a negative experience of work-family organisational culture and supervisor support will dampen the employee’s expectations in terms of WLB support and WLB psychological contract formation. We propose that employee perceptions of work-family organisational culture and supervisor support will play an important moderating role in forming the employee’s WLB psychological contract.

*Proposition 3a: Employee perceptions of a supportive WLB organisational culture will moderate the relationship between perceived effectiveness of communication of WLB promises/commitments and extent of employees’ WLB psychological contract.*
Specifically, the WLB psychological contract will be stronger when employees perceive a supportively WLB organisational culture.

Proposition 3b: Employee perceptions of a supportive WLB organisational culture will moderate the relationship between awareness of WLB policy availability and extent of employees’ WLB psychological contract. Specifically, the WLB psychological contract will be stronger when employees perceive a supportive WLB organisational culture.

Proposition 4a: Employee perceptions of a supportive supervisor will moderate the relationship between perceived effectiveness of communication of WLB promises/commitments and extent of employees’ WLB psychological contract. Specifically, the WLB psychological contract will be stronger when employees perceive supervisor support for WLB.

Proposition 4b: Employee perceptions of a supportive supervisor will moderate the relationship between awareness of WLB policy availability and extent of employees’ WLB psychological contract. Specifically, the WLB psychological contract will be stronger when employees perceive supervisor support for WLB.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Existing empirical evidence demonstrates the important signaling role specific HRM policies perform in shaping employee perceptions of positive organisational support. Less well understood is the signaling role HRM policies perform in forming the individual employee’s psychological as conceptualised by researchers including Guzzo and Noonan (1994) and Suazo et al. (2009). Given the increased focus of organisations over recent years to promote their WLB credentials in a bid to position themselves as
“employers of choice” and the important role communication plays in shaping realistic expectations within the psychological contract this paper identifies a number of important research directions.

By drawing on signaling and sensemaking theories the paper makes two important contributions to the development of theory in both the WLB field and psychological contract domains. First, the paper provides a conceptual framework to understand how individual employees interpret organisational signals such as WLB policies and programs and the impact that interpretation has on the formation of the WLB psychological contract. Second, we, through the use of sensemaking theory suggests a framework through which employees reconcile their own personal experience of the organisation’s approach to WLB and readjust their expectations (and WLB psychological contract formation) through the important moderating role of perceptions of organisational culture and supervisory support for WLB. While most research into psychological contracts has focused on the outcomes of psychological contract fulfillment or breach (e.g. trust, job satisfaction, commitment, intention to leave and performance) this conceptual paper extends the call by other researchers to understand how employees form their psychological contract in the first place (Morrison & Robinson 1997; Suazo et al. 2009).

A number of implications for both research and practice in human resource management extend from this paper. First, we hope this paper stimulates the interest of both researchers and practitioners into better understanding how individual employees form their WLB psychological contract and the important role the existence and communication of WLB policies play in shaping those psychological contracts. Second, by including employee perceptions of WLB organisational culture and supervisory support as moderating variables in the conceptual framework it is hoped both academics and practitioners will better understand the critical role of both factors. While organisational and supervisor support play an important role in implementing WLB policies and programs in the workplace, we argue they also play an important role creating employee expectations in the first place as employee’s make sense of their experiences at the organisation. Finally, by theoretically grounding the relevant concepts (ie. awareness and communication
of WLB policies, WLB organisational culture and supervisor support) in signaling and sensemaking theories it is hoped researchers and practitioners will better understand the complex and reiterative process employees go through as they receive organisational signals and then reinterpret those signals in light of their own experience in the organisation as they build their own expectations over the WLB support they will receive from the organisation. We believe that research in this area will also stimulate research into better understanding the consequences of sending mixed signals to employees in relation to WLB support.
REFERENCES


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Figure 1: Work-life balance psychological contract formation

Employee perceptions of WLB organisational culture
Employee perceptions of supervisor support

Employee’s awareness of WLB policy availability
Employee’s perceptions of effectiveness of communication of WLB promises/commitments

Strength of WLB psychological contract