

The Role of the Psychological Contract Amongst Knowledge Workers in the Reinsurance Industry

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Abstract

The core assets of reinsurance organisations lie in the knowledge, skills and experience of knowledge workers. The source of competitive advantage within the reinsurance industry lies in managers' ability to harness and foster discipline, willingness and innovation amongst knowledge workers. Innovation is a key challenge in knowledge intensive firms and it is therefore critical that executives find ways of encouraging an environment that is conducive to sharing ideas, building trust and motivating superior performance. The loyalty and retention of knowledge workers have become key managerial challenges.

This research is intended to provide an insight into the development and implications of the psychological contract amongst knowledge workers within the reinsurance industry in South Africa. In understanding the nature of the psychological contract, it is intended that employers will be able to identify how and when psychological violations take place, the extent to which they impact productivity and the implications for knowledge workers' propensity for departure. The research will provide an insight into the alignment of knowledge worker values and perceived organisational and industry values. Furthermore, this research will provide the basis for establishing a model for remedial and restorative contracting with a view to redefining new psychological contracts in order to achieve optimal performance from knowledge workers within our industry.



Declaration

I declare that this research project is my own, unaided work. It is submitted in partial fulfillment of the requirements of the degree of Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

ELIZABETH VIANA STRONG

DATE



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Chapter One:

Introduction and Research Background



1.1. Introduction

Our environment is constantly changing. Global integration, technological developments and diversity of market requirements all contribute to a changing economic context. These changes are fundamentally transforming the workplace environment and have day-to-day implications for the way in which employees experience their work environment. Employers' requirements have changed over time and now there exists a need for employees to be both loyal and disposable (Hallier, 2000). Neither of these elements is captured in the formal contract of employment.

Jack Welch states, "The psychological contract based on perceived lifetime employment ... produced a paternal, feudal, fuzzy kind of loyalty. You put in your time, worked hard and the company took care of you for life. But given today's environment ... where no business is a safe haven for employment unless it is winning in the marketplace, the psychological contract has to change" (Rodgers, 2003).

Current trends of restructuring, downsizing, globalisation, technology and increased reliance on temporary workers are resulting in fundamental changes to the nature of the psychological contract between employers and employees. It would seem that the "old" psychological contract is no longer sustainable in the current workplace.



Understanding the basis and formation of the psychological contract provides us with an opportunity of establishing, maintaining and redefining optimal employer-employee relations. Formal contracts between employers and employees are based on documented promises, rights and obligations. Such contracts define the explicit requirements for an ongoing, transaction based, working relationship. The psychological contract however, is different and operates at a more subtle, implicit level. It refers to the expectations of employer and employee which operate over and above the formal contract of employment (Argyris, 1960). The psychological contract held by an employee consists of perceptions and beliefs about the reciprocal obligations between employer and employee. (Rousseau, 1989; Schein, 1965).

As such, it remains largely undefined, misunderstood and mostly ignored. Therein lies the challenge to employers. Understanding the perceptions and expectations which define employees' psychological contracts is perhaps the key to unleashing the greater depths of productivity, willingness, energy and commitment.

Psychological contract breach and the development thereof remains a largely unexplored subject by academics. The thought processes preceding an employee's experience of psychological contract breach are fundamental to understanding why and how employees feel disappointed, betrayed and possibly unproductive within the employment relationship. While many employees may experience the disappointment of unmet expectations and broken promises, employers fail to recognise the signs of subtle "substitute



exits” and withdrawal behaviour that result from perceptions of psychological contract breach. “Presenteeism” is a term used to describe the impact of an employee who is physically at work but not functioning optimally (Volpe, 2003). While departures are severe, more dangerous to the organisation is the gradual and subtle withdrawal of the hearts and minds of employees. Presenteeism has been defined as a common challenge to management within the reinsurance industry and forms the basis of the motivation for this research.

The term knowledge worker was originally used by Drucker (1974) to describe managers who know how to allocate knowledge to productive uses. Current definitions define knowledge workers as highly educated individuals who may have been trained in one or more of the professions and combine significant levels of technical skill in problem identification and problem solving (Robertson and Swan, 2003).

Reinsurance organisations by nature of their business can be defined as knowledge intensive firms in that they are “companies where most work can be said to be of an intellectual nature and where well-educated, qualified employees form the major part of the workforce” (Alvesson, 2000). Knowledge workers within reinsurance organisations seek to differentiate themselves and their organisations through their knowledge and the application thereof. Their aim is to leverage their competitiveness by utilising their knowledge and skills in innovative and unique ways. Reinsurance organisations are therefore highly dependant upon sourcing and retaining the best knowledge workers within the reinsurance industry. Consequently, knowledge workers within the reinsurance



industry maintain a powerful position and the challenge to employers is to ensure that their motivation and satisfaction is entrenched within the employer-employee relationship.

Bribing knowledge workers will not work. Drucker (1974) maintains that attracting, holding and motivating knowledge workers by satisfying their greed needs to be replaced by satisfying their values and turning them from subordinates into fellow executives. It is intended that this research provide insight into the values and needs which determine the psychological contract of knowledge workers.

Smith and Rupp (2003) show in their study that “knowledge workers work harder because of increased involvement and commitment that comes from having more control and say in their work; they work smarter because they are encouraged to build skills and competence and they work more responsibly because more responsibility is placed in hands of employees further down in the organisation.”

The aim of this research is to gain insight into the role of the psychological contract amongst knowledge workers within the reinsurance industry in South Africa. This research will provide an insight into the values of these knowledge workers and an understanding of behavioural outcomes when psychological contract breach takes place.



Based on the findings of this research, the basis of a model for remedial and restorative contracting will be created with a view to redefining new psychological contracts in order to achieve optimal performance from knowledge workers within the reinsurance industry.

1.2. General Overview and Definitions

The following definitions are provided as a basic introduction to key terms and phrases which will define the body of this research. They are presented within the context of both local and global research and are not intended to present the full account of all academic research.

While this research is intended specifically to fulfill a requirement within the reinsurance industry it can be assumed that most definitions and findings would be applicable across various industries and useful specifically to the investment, banking and insurance sectors.

1.3. The Psychological Contract

Historically, there existed a mutual understanding between employees and employers. It was expected that employees would work hard and generally do whatever management demanded. In return, employees expected employers would provide “good jobs” with “good pay”, offer plenty of advancement opportunities, and virtually guarantee lifetime employment (De Meuse, Bergman



and Lester, 2001). This belief in an unwritten agreement between the employee and the organisation later came to be referred to as the psychological contract.

The key employer challenge remains one in which managers are required to facilitate a relationship between employer and employee in a manner which encourages employees to willingly expend energy on organisational tasks. Each party participates in the relationship only because of what they expect to receive in exchange for their participation and the basis of this reciprocal relationship is the psychological contract which Levinson, et al. (1966) describe as the mutual expectation of the individual and the organisation as articulated by its managers.

As each party enters into the relationship, it tacitly accepts the expectations of the other. Employee expectations are perceived to focus on salary, personal development opportunities and recognition and approval for good work. J.P. Kotter (1973) describes the expectations that form the basis of the psychological contract in items such as recognition, fair treatment (employee expectations) and loyalty and honesty (employer expectations).

Demands of globalising markets, increasing technological developments and diversity of market requirements, force various changes within the employment relationship. As the pressure on organisations to become more flexible, adaptable and efficient increases, they may engage in strategies that alter employee perceptions of the employment exchange (De Meuse, et al., 2001).



As companies modify their strategies, employees are likely to believe that their contributions are not in alignment with what the company (presumably) promised them. If the imbalance is perceived to exist over time employees begin to question the nature of the employee/employer relationship. As such the nature of the contract changes and the basis is formed for the concept of the old psychological contract and the new psychological contract.

For the purpose of the psychological contract, employees can compare their individual contribution/inducement ratio over time to what the organisation has presumably promised. When the employee perceives a change in what is received versus what is expected, this triggers additional cognitive analysis of the employer/employee exchange (De Meuse, et al. 2001). Rousseau's (2001) more recent work regarding the cognitive process which takes place in developing the psychological contract is discussed in chapter two and understanding a rehabilitative model in chapter six.

1.4. Psychological Contract Violation

If either party feel the minimum acceptable level of fulfillment is not met, it will view the contract as having been violated. A violation of the psychological contract occurs when an employee perceives a discrepancy between the actual fulfillment of obligations by the organisation, and promises made about these obligations (Rousseau, 1995). Psychological contract breach takes place when a perception exists that the organisation has failed to adequately fulfill the promised obligations of the psychological contract.



This may happen in the form of renegeing (where the organisation knowingly breaks a promise) or incongruence - where different understandings of a promise develop (Morrison and Robinson, 1997). Both of these create a discrepancy between the perception of what was promised and received. Psychological contract breach results in psychological withdrawal behaviour that may impact job satisfaction, organisational commitment, trust in the organisation, task performance, citizen behaviour, and turnover intentions (Morrison and Robinson, 1997).

1.5. The Knowledge Worker

The reinsurances industry operates within a knowledge-based economy and key to driving this economy is the availability and supply of knowledge workers. A knowledge economy is one in which information and knowledge are the predominant economic resource – the primary ingredient of what is made, done, bought and sold – more important than raw material, and often more important than money (Thorp, 1998). As such, knowledge workers are people who work with information and whose work is characterised by the fact that information and knowledge are both the raw material of their labour and its product.

Knowledge-based work is different from traditional forms of work – it is complex, unique and requires the application of creative activity. Knowledge workers manipulate and orchestrate symbols and concepts, identify more strongly with their peers and professions than their organisations and are more critical to the long-term success of an organisation (Despres and Hiltrop, 1996).



Knowledge workers are described as individuals whose principal value is to collect, interpret and distribute information in knowledge-oriented industries (Christian and Timbers, 1997). Knowledge workers are expected to have formal education and continuous learning.

Knowledge workers make up the majority of the reinsurance industry in South Africa and as such are of particular interest to this study.

1.6. Understanding the Reinsurance Context

A basic definition of reinsurance is the sharing of insurance policies among multiple insurers, to reduce the risk for each. Bennett (1992) describes reinsurance as the insuring again by an insurer of the whole or part of a risk that has already been insured with another insurer called a reinsurer. Risk is transferred in exchange for premium payable to the reinsurer to enable the insurer (known as the ceding office) to reduce to acceptable levels of probability that a severe claim or accumulation of claims will threaten the financial stability of the insurer. As such reinsurers provide protection against volatility and major risk exposure.

Reinsurance is an international business as reinsurers rely on their spread of business across borders and continents to allow them to spread their risk and gain access to retrocession agreements (the reinsurance of a reinsured risk elsewhere).



Globally, insurance and reinsurance companies are an important and growing class of financial market participants. They provide reinsurance for a wide variety of business and household risks, thereby facilitating economic and financial activity. They operate within a regulatory framework driven by requirements for ensuring that reserves and capital are adequate and investments are relatively safe and liquid (IAIS, 2000).

Worldwide the reinsurance industry has been under competitive pressure for years and premium rates have been charged at a rate that is deemed to be uneconomic and unsustainable (Financial Mail, 2000). In their drive to raise profitability (due to losses in core underwriting business) they have become increasingly important investors and intermediaries in a broad range of financial markets around the globe.

It has been suggested that much less is known about the financial activities of reinsurance companies as opposed to commercial and investment banking (IMF, 2002). Within the financial services sector, the industry has contributed to broadening the range of available instruments, increased the diversity of market participants, created new opportunities for corporations and financial institutions to fund their activities and hedge risks. They have significantly contributed to liquidity and price discovery in primary and secondary markets (IAIS, 2000). Their staff component is made up largely of actuaries and underwriters supported by teams of finance, IT and systems staff and general management.



1.7. Research Goals

In understanding the nature of the psychological contract, it is intended that employers will be able to identify how and when psychological violations take place, the extent to which they impact productivity and the implications for knowledge workers' propensity for departure. The research will provide an insight into the alignment of knowledge worker values and perceived organisational and industry values. Furthermore, this research will provide the basis for establishing a model for remedial and restorative contracting with a view to redefining new psychological contracts in order to achieve optimal performance from knowledge workers within our industry.

1.8. Motivation for Research

"We have too many people here who are no longer with us" - an apocryphal quotation describing the state of alienation which results from a breakdown of the psychological contract (Roosevelt Thomas, 1985).

Reinsurers are being asked to play a role similar to management consultants – to provide distribution consultancy and input on IT and systems matters, both critical issues facing insurers. The difference is that reinsurers share in the resulting business risk as opposed to consultants who take a fee (Financial Mail, 2000). Joint product development and strategic planning activities have become the platform from which reinsurers guarantee their priority position in the mind of the insurers.



Knowledge workers have become the key differentiators amongst the reinsurance organisations. Human and knowledge capital have become assets that define the inherent value of product offerings and product development partnerships.

Therefore the challenge to the reinsurance industry is to ensure that knowledge workers engage their efforts willingly and intellectually in a manner that provides compelling, competitive outcomes. It is the test of an organisation that it makes ordinary human beings perform better than they are capable of, that it brings out whatever strength there is in its members and uses it to make all the other members perform more and better (Humphreys, 2000).

The task facing management is to reach the worker's motivation and to enlist his participation, to mobilize the worker's desire to work (Drucker, 1995). This remains the challenge to managers of knowledge workers within the reinsurance industry. Understanding the psychological contract and the implications of breaching the psychological contract provides a partial insight into understanding knowledge workers and reaching their hearts and minds.

1.9. Research Methodology

The methodology selected for this research was that of a quantitative survey with a questionnaire distributed to knowledge workers throughout the reinsurance industry. The questionnaire contained statements that tested key variables identified within the literature review in Chapter 2 and covered the



data requirements for the propositions identified in Chapter 3. The survey process was facilitated with the co-operation of the Human Resources managers of all the reinsurance organisations within South Africa. The survey was conducted over a period of one month in October 2003.

1.10. Structure of the Report

The chapters of this research report are organised as follows:

Chapter 1 provides an overview of the topic and presents definitions of the key items contained in this research. Included in this chapter is the purpose and intention of the research.

Chapter 2 provides an overview of the relevant literature. It focuses on the development of the psychological contract, employer breach of the psychological contract, re-defining the psychological contract and the role of the psychological contract amongst knowledge workers.

Chapter 3 sets out the research propositions covered by the research.

Chapter 4 describes the research methodology. It defines the population studied, explains the sampling procedure and the data collection method.



Chapter 5 presents the findings and an interpretation of the data. The results of the research are explored within the context of the literature review in Chapter 2 and the propositions in Chapter 3

Chapter 6 provides a conclusion to the report and makes certain recommendations to employers. The implications of the research are discussed and future research opportunities are defined.



Chapter Two: Theory and Literature Review



2.1. Introduction

There appears to be considerable research pertaining to the psychological contract. However, the majority of the research has taken place over the last decade and has tended to focus on violations and breaches of the psychological contract. Initial research focused mainly on the nature of the psychological contract and was presented by academic giants – Argyris (1960), Kotter (1973) and Schein (1978). Argyris (1960) and Levinson (1966) have been given credit for introducing the psychological contract terminology. Thereafter very little work seemed to focus on the creation and formation of the psychological contract as a construct (Roehling, 1997).

More recently there seems to be a sudden surge in academic research and the issues surrounding the relevance and the importance of the subject seem to be focused specifically around the work of Denise Rousseau (1989,1990). A relatively small group of researchers has published several studies of the psychological contract within the past few years. Most of these studies have focused on perceptions of psychological contract violations and their effects on employees' attitudes and behaviours. (Morrison and Robinson 1997; Rousseau, 1990, 1995; Robinson, 1996 and Kim and Mauborgne 2003).

Guest (1998) and Marks (2001) actively critique the work presented by Rousseau with specific reference to the nature of the contracting parties and their existence. South African research regarding the psychological contract is limited and largely anecdotal.



2.2. Understanding the Psychological Contract

De Meuse et al. (2001) define the psychological contract within the context of traditional Equity Theory. They maintain equity theory provides a partial explanation of the way employees perceive the employment relationship. Rousseau (1990) positions the psychological contract within the context of perception and Kim and Mauborgne (2003) attach key aspects of fairness perceptions to the development of the psychological contract.

Psychological contracts are by definition voluntary, subjective, dynamic and informal. As such it is difficult to define and remains an ambiguous aspect of the employment relationship. Rousseau (1994) defines the psychological contract of employment as the understandings people have, whether written or unwritten regarding the commitments made between themselves and their organisation.

Hiltrop (1996) describes the psychological contract from a more functional point of view - psychological contracts help to predict the kind of outputs which employers will get from employees and they help to predict what kind of rewards the employee will get from investing time and effort in the organisation. This definition leads logically to the equity theory explanation for the development of the psychological contract within the employment relationship presented by De Meuse et al. (2003).



Employees enter into a relationship with an employer based on the concept of a reciprocal agreement. In this exchange employees believes they are delivering a set of contributions to the organisation (e.g., effort and loyalty) and correspondingly they expect to receive a set of equally valuable inducements (e.g., job security, support and respect). Each employee as they enter this exchange engages in a psychological comparison, and based on this comparison determine if the critical inducements are being delivered by the organisation.

For the purpose of the psychological contract, employees can compare their individual contribution/inducement ratio over time to what the organisation has presumably promised. When the employee perceives a change in what is received versus what is expected, this triggers an additional cognitive analysis of the employer/employee exchange.

2.2.1. Traditional versus New Psychological Contracts

It would appear that both employers and employees acknowledge the fact that the psychological contract is changing. Organisations continue to require honesty, commitment and loyalty yet they are unable to deliver the traditional requirements of the psychological contract in terms of job security, promotional opportunities and lifetime employment. Demands of globalising markets, increasing technological developments and diversity of market requirements have forced various changes within the employment relationship. As the pressures on organisations to become more flexible, adaptable and efficient



increase, they may engage in strategies that alter employee perceptions of the employment exchange (De Meuse et al., 2001).

As companies modify their strategies employees are likely to believe that their contributions are not in alignment with what the company (presumably) promised them. If the imbalance is perceived to exist over time, employees begin to question the nature of the employee/employer relationship. As such the nature of the contract changes over time and the basis is formed for the concept of the old psychological contract and the new psychological contract.

The 104 respondents in Hiltrop's 1996 survey describe the old contract with key words such as stability, permanence, predictability, fairness, tradition and mutual respect. In contrast, the new contract was described as primarily a short-term relationship, with the emphasis on flexibility, self-reliance and achieving immediate results.

The changing nature of the psychological contract is not one that falls within the responsibility of the employer only. Employees changing needs also determine the subtle changes that take place over time. While organisations may tend to focus on corporate goals, market share and profitability, employees typically focus on short-term individual goals in terms of career progression, training and networking opportunities. This type of relationship tends to foster a short-term attachment and self-gratification (De Meuse et al., 2001).



The context of the new psychological contract requires a different work environment and different management styles. Hiltrop (1996) identifies the provision of cross-functional teams, learning, feedback and involvement as key requirements. “Maintaining commitment in the face of increased uncertainty increases the pressure on organisations to build organisational pride and recognise personal values.” To be successful organisations need to integrate as far a possible the needs and values of the organisation with those of the individual (Hiltrop, 1996). It is recommended by Kanter (1994) that companies need to switch incentives from careers, status and promotion, to personal reputation, teamwork and challenging assignments. The new promise from employers should be that employee’s skills will be enhanced and employability developed. The context of the new psychological contract places additional pressures on the organisation in terms of culture and organisational values and expectations.

2.2.2. Expectations and Values Culture

The psychological contract is dynamic and changes over time. As circumstances amongst both employees and employers change so the values and expectations of both evolve and the variables of the psychological contract alter.

Expectations of both employees and employers are presented in Kotter’s (1973) description of examples of expectations of both employees and employers.



Table 2.1 Employer and Employee Expectations

What the individual may expect to receive and the organisation may expect to give	What the individual may expect to give and the organisation may expect to receive
1. Salary	1. An honest day's work
2. Personal development opportunities	2. Loyalty to the organisation
3. Recognition and approval for good work	3. Initiative
4. Security through fringe benefits	4. Conformity to organisational norms
5. Friendly, supportive environment	5. Job effectiveness
6. Fair treatment	6. Flexibility
7. Meaningful or purposeful job	7. Willingness to learn and to develop

Not all of these expectations are captured in the employment contract or defined at the time of appointment.

Hiltrop (1997) defines the changing needs of knowledge workers specifically. Increasingly, employees want to know more about what is happening in the organisation and why managers have made decisions. They expect to contribute their own ideas and participate in the decision making process. They expect to have autonomy and meaningful work experiences and they need to feel valued and be personally recognised for their contribution to the success of the organisation.

Meeting the needs of knowledge workers places additional pressures on the development of organisational cultures and values within an organisation. More important in the new context is a genuine commitment to teamwork,



empowerment and decentralisation. There is also a greater need for a culture of honesty, openness and company-wide information sharing. Hiltrop (1997) suggests that creating a culture of openness was probably one of the major leadership challenges of the 1990s.

2.3. Development of the Psychological Contract

Psychological contracts are based on an individual's belief that a promise of a future return has been made, a consideration or contribution has been offered (and accepted), and an obligation of future benefit exists (Rousseau, 1989). As such, contracts are to be viewed as promissory and reciprocal in nature. Rousseau's definition suggests that it is perceived promises that define the development of the psychological contract.

Perceived promises are built on individual needs and expectations. Development of the psychological contract is embedded in an understanding of expectations that arise from employee needs within an organisational context.

2.3.1. Nature of Individual Needs

Edgar's Schein's concept of the organisational man and the process of management as described in Roosevelt Thomas' (1985) Harvard Business School paper, provides a basis for understanding individual needs in the context of an organisational environment.



The rational-economic view assumed that an individual's basic motivation was economic and management's strategy should be one of reward and control. Workers were rewarded with economic gains and controlled so that they would not fall victim to irrational feelings. The social-man model followed in the 1940s whereby it was suggested that the individual was motivated primarily by a desire for social contact at work and performed at work according to how well this need was met.

Maslow's self-actualisation model then followed which suggested that individuals had a hierarchy of needs which ranged from survival to social needs, to self-esteem and autonomy needs and ended with a need for self-actualisation. Individuals were considered to be self-motivated and self-controlled and capable of voluntarily integrating their goals with those of the organisation. It was expected that the manager would make the work challenging and interesting – in exchange for good performance, the organisation was to provide opportunities for self-actualising.

The complex-man model suggests that an individual is too complex to be motivated using one approach and recognises that the individual may have a variety of needs with a variety of strengths. This is based on the premise that each individual has a history of different developmental experiences and genetic configurations.

Schein (1980) concludes in later editions that individual employees forge their expectations from their inner needs, what they have learned from others,



traditions and norms which may be operating, their past experiences and a host of other sources.

Regardless of which school of motivation is applied, employers are presented with a mixture of significantly different individual need patterns amongst their employees. It is individual needs that drive expectations which form the basis of the psychological contract. While needs of groups within an organisation may be similar, the extent of their expectations may be unique with regard to the nature of their jobs, pay, fringe benefits and relationships (Roosevelt Thomas, 1985).

2.3.2. Mental Model Development of the Psychological Contract

The mental model explanation of the formation of the psychological contract lies mostly in the work of Rousseau (2001). Psychological contract comprises subjective beliefs regarding an exchange agreement between an employee and employer. A contract is promise based and over time takes the form of a mental model which is relatively stable and durable. Psychological contracts are activated to a large extent through pre-employment experiences, recruiting practices and in early on-the-job socialisation.

A mental model is the cognitive organisation of conceptually related elements. Put simply it provides a simple term for a series of conceptual events or understandings. They vary in complexity but at the most basic level, the psychological contract can be described as a mental model of beliefs regarding promises and discrete obligations. At a higher level the employment



arrangement could be understood to be a relationship and not a transaction. The basic idea is that beliefs regarding an employment relationship are interconnected in ways that give rise to broader units of meaning. Over time, psychological contracts can evolve from discrete beliefs to more elaborately organised mental models composed of many interrelated beliefs (obligations and expectations).

2.3.2.1 Pre-employment Psychological Contract Development

At the point of recruitment, both managers and applicants may be unlikely to define expectations and values until they have more information available. Roosevelt Thomas (1985) suggest that both parties may not be entirely clear about their expectations and how they wish them to be fulfilled. This may be one explanation of the tendency of recruiters and applicants to define their expectations in very general terms.

When incomplete information exists, mental models “help to fill in the blanks” (Rousseau, 2001). Mental models provide important cues for new hires regarding how to deal with lack of detailed information regarding their role and their broader relationship with the employer. The social context and locally experienced events, particularly in relation to managers and co-workers, are the most common sources of information. New employees use this information to fine-tune their initial understanding of the psychological contract regarding what they can expect in the employment relationship and what they need to provide in exchange.



Recruiters in a knowledge worker context, see themselves “buying brains” which will adapt to some as yet undefined job, while applicants want to maintain as much latitude as possible in specifying the type of job which interests them. Some expectations may be perceived as so natural that they are taken for granted and left unstated (Roosevelt Thomas, 1985).

Hiltrop (1996) asserts that most turnover occurs in the first six months of employment and presents evidence of the fact that new employees tend to enter jobs with inflated expectations which result in unmet expectations. This would suggest that both parties may be unaware of some of their expectations at the point of recruitment, yet the reality of unfulfilled expectations during the period of employment make them abundantly real.

2.3.2.1. Post-recruitment Development of the Psychological Contract

As mental models, psychological contracts are often relatively incomplete in their initial phases, motivating employees to seek out and integrate new information to better understand the employment relationship. Over time, mental models are fine-tuned, their terms changing as feedback from the environment improves their accuracy. It is expected that different psychological contracts emerge in an employment relationship depending upon whether high quality sources of information are available and consistent information is provided across sources.

Mental models tend to reach a stage of completeness where the individual’s experiences are consistent with the beliefs the mental model holds and thus



remain stable. Stable mental models provide a sense of order and structure in an environment that would otherwise be complex, unpredictable and often overwhelming (Rousseau, 2001). At this point the psychological contract remains durable and resistant to radical change.

In general employees are more willing to focus on information that supports existing beliefs therefore changing a psychological contract requires employees to be motivated to process discrepant information more deeply than they would otherwise. Mental models do change but they do so slowly. Information that differs from a person's existing beliefs must be unambiguous to produce significant change in the psychological contract.

2.3.3. Content and Nature of the Contracting Parties

2.3.3.1. Employer Representatives

Within the context of the psychological contract we are presented with two contracting parties – the employer and the employee. Researchers have debated the concept of the employer as a contracting party. Rousseau (1995) suggests that the psychological contract is formulated only in the mind of the employee and is therefore about individual beliefs, shaped by the organisation regarding terms of an exchange between individuals and their organisation. It has been suggested that the organisation cannot be viewed as a single contract holding party. This has been defined by Guest (1998) as the “agency problem” whereby there exists some ambiguity as to whether it is the organisation, or an agent of the organisation who holds the contract with the employee. Kotter



(1973) asserts that it is not the organisation but individuals within the organisation that hold the perceptions or expectations of the psychological contract. For the purposes of this paper the word organisation is used based on the understanding that, as suggested by Herriot and Pemberton (1998) in Marks (2001), the organisation is a collective and thus cannot negotiate or communicate; only its representatives can do so on its behalf. Managers of individual employees present the expectations of the organisations and deliver the obligations.

2.3.3.2. Transactional Contracting

Existing literature distinguishes between two components of the psychological contract – transactional and relational (Morrison and Robinson, 1997). Transactional contracting results in the employer explicitly and implicitly promising to provide specific, monetary remuneration for certain services performed by the employee. This results in a short contract-like agreement between the two parties.

The relational contracting by contrast, emphasises a socio-emotive interaction between the employee and employer. Relational elements revolve around trust, respect and loyalty developing over time (De Meuse et al., 2001). The relational component of the psychological contract is becoming a far more challenging and complex issue for companies as they engage in downsizing and outsourcing. Cavanaugh and Noe (in De Meuse et al., 2001) suggest that the manner in which employees perceive the relational component of the



psychological contract likely influences their future attitudes towards the organisation and their corresponding behaviours.

Rousseau and Benzoni (1995) suggest that the more traditional relational contracts implicitly depending on trust, loyalty and a degree of job security, are being replaced by transactional contracts where employees provide long hours and extra work in exchange for high pay and training and development.

Regardless of the fact that expectations and obligations between the contracting parties may be ill defined, both parties expect the other to fulfill them. When the fulfillment of the obligations is in balance a positive relationship results. When the exchange is out of balance, negative consequences may result.

2.4. Violation of the Psychological Contract

A violation of the psychological contract occurs when an employee experiences a discrepancy between the actual fulfillment of obligations by the organisation and promises made about these obligations (Rousseau, 1995). The degree of experience depends on the type of violation, the degree of discrepancy and whether the organisation is perceived to be responsible for the violation by the employee.

The experience of psychological contract violation can have serious implications for both employees and employers. Researchers have found that violation



decreases employees' trust toward their employers, satisfaction with their jobs and organisations, perceived obligation to their organisation and intention to remain (Morrison and Robinson, 1997). Violations have been found to have a negative impact on employee behaviour causing potentially valuable employees either to reduce their contributions to their organisations or to exit the employment relationship altogether. In extreme cases employees may seek revenge or retaliation engaging in sabotage, theft or aggressive behaviour (Robinson and Rousseau, 1994).

Different types of contract violation exist. Morrison and Robinson (1997) identified the term "reneging" to describe a situation where employers break promises with employees because they are unwilling to fulfill them (even though they could). In contrast "disruption" is a situation where an employer is willing but unable to honour its commitments with employees (Rousseau, 1995). It has been suggested that reneging causes more negative affective responses than disruption (De Meuse, et al, 2001).

Morrison and Robinson (1997) distinguish between violation and perceived breach. Perceived breach refers to the cognition that one's organisation has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions. They reserve the term "violation" for the emotional and affective state that may under certain conditions follow from the belief that one's organisation has failed to adequately maintain the psychological contract. Violation is therefore an emotional response arising from an interpretation process that is cognitive in nature. It is



a combination of disappointment and anger and at its most basic level involves frustration and distress stemming from the perceived failure to receive something that is both expected and desired (Robinson and Rousseau, 1994).

2.4.1. Outcomes of Psychological Contract Violation

Violation of the psychological contract leads to feelings of anger, betrayal and resentment which in turn leads to decreased employee motivation, dissatisfaction and increased turnover (Rousseau, 1989).

Once the psychological contract has been breached or violated, three options are open to the dissatisfied parties:

- 1) Attempt to renegotiate the contract
- 2) Continue the relationship in an alienated state
- 3) Sever the relationship (Roosevelt Thomas, 1985)

Signals for renegotiation may vary amongst employees from minor complaints to acts of sabotage. Failure to renegotiate may leave either party alienated yet continue the relationship but at a minimum acceptable level with a restriction on output (Roosevelt Thomas, 1985). A state of alienation may persist for years if neither party is moved to change the offending conditions. When alienation becomes too uncomfortable, the relationship may be severed, however managers are generally reluctant to fire individuals (Roosevelt Thomas, 1985).

Rousseau (1991) asserts that the negative attitudinal outcomes for employees which result from contract violation make it difficult to restore the relationship



between employer and employee. There is sufficient research available however to consider it as a possibility.

2.4.2. Terminating the Employment Relationship

An individual's ability to terminate the relationship is highly dependant upon available alternatives. In the knowledge worker context alternatives may be abundantly available but the challenge will be to ensure that the rewards offered are at least equal to those provided by the present employer. Economic downturns may impact the willingness of employees to depart, but their propensity to consider departure may continue and increase when faced with continued alienation or disappointment.

The implications for both parties are unsatisfactory. If alternatives are viewed as less rewarding, the willingness to endure alienation and dissatisfaction will be strengthened (Roosevelt Thomas, 1985). The capacity of both the organisation and the employee to endure an unsatisfactory relationship may be considerable and may depend heavily on factors in the environment and outside of the control of both parties.

2.5. Re-establishing the Psychological Contract

It has been suggested that it is possible to develop a set of methods and techniques to deal with the changes in the psychological contract. Hiltrop (1979) suggest setting up a system for establishing and discussing employee



expectations early in the employment relationship, checking out whether the psychological contract is still valid at later stages and then renegotiating the contract if necessary. Herriot (1992) suggests that a continual sequence of renegotiations of the psychological contract will be required during the employee's period of employment.

A new contract focusing on employability and the development and access to knowledge and skills development is only a partial solution to replace broken contracts which have resulted from downsizing and changes in the traditional job security requirements.

2.6. Knowledge Workers

Our world has moved from an industrial economy into a knowledge economy with knowledge workers becoming the new breed of sought after talent. Depres and Hiltrop (1996) state that organisations need to come to grips with the fact that creating, cultivating and managing knowledge is perhaps the single most critical issue facing them today.

Knowledge is becoming a product – this may have always been the case with professions but it is becoming more evident as product based companies start making use of their knowledge of intangibles to create new business opportunities (Tissen, 2000). Joel Barker, a futurist, claims that corporate intellectual properties will be more valuable than their physical assets in the twenty first century. Knowledge professionals are a new breed – a species of workers that find themselves in high demand around the world.



The workforce is changing. As the nature of work changes so the demand for employees to move into the knowledge economy increases. The knowledge economy will not be a full-time employment, but a right-employment economy. Most companies have already started to look at workers as professionals who possess the ability to think and act independently. In the industrial economy, people were seen and treated as workers as typified by the old saying in the UK, “workers need to check in their hands every morning, not their heads.” In the knowledge economy, people will instead be asked to not only check in their minds but also their hearts (Tissen, 2000).

2.6.1. Characteristics of Knowledge Workers

Unlike the traditional factors of production – land, labour and capital – knowledge is a resource locked in the human mind. Creating and sharing knowledge are intangible activities that can neither be supervised nor forced out of people. They happen only when people co-operate voluntarily (Kim and Mauborgne, 2003).

Knowledge based work is different to traditional forms of work. Generally knowledge work requires creativity, flexibility and the ability to engage in complex processes within an ambiguous environment while traditional work provides for distinct tasks that can be repeated according to specific rules or guidelines. Despres and Hiltrop (1996) describe the difference in the following manner:



Table 2.2 A Comparison of Knowledge Work and Traditional Work

	Traditional Work	Knowledge Work
Career formation	Internal to the organisation through training, development, rules and prescriptive career schemes	External to the organisation through years of education and socialisation
Loyalty	To the organisation and its career systems	To professions, networks and peers
Skills/knowledge	Narrow and often functional	Specialised and deep, but often with diffuse peripheral foci
Locus of work	Around individuals	In groups and projects
Focus of work	Tasks, objectives, performance	Customers, problems, issues
Skill Obsolescence	General	Rapid
Activity/feedback cycles	Primary and of an immediate nature	Lengthy from a business perspective
Performance measures	Task deliverables	Process effectiveness
Impact on company success	Little but regular and dependable Many small contributions that support the master plan	Potentially great but often erratic A few major contributions of strategic and long term importance

Knowledge workers play a crucial role in the knowledge economy. As such they will be able to demand better working conditions, greater freedom and increased job satisfaction. This means that the knowledge professional will not be easily bound to one company. The idea of employment for life is most certainly alien to this new breed of professional. They will job hop easily, going where they feel they can achieve greatest satisfaction (Tissen, 2000).

Today's new breed of knowledge workers generally has a thirst for knowledge. They value autonomy, independence and personal and professional growth. More importantly, it would appear that recognition and appreciation or acknowledgement is more important to them than cash or cash equivalents (Despres and Hiltrop, 1996). As such, it would seem that knowledge workers



need to be managed differently to traditional workers and this provides a key challenge to senior management, particularly in terms of understanding what motivates, inspires and retains this group of employees.

Difficult, even ideological changes are required of corporate leaders as they attempt to understand, nurture and co-ordinate knowledge work. This includes a review of the functional requirements of knowledge production which includes the provision of psychosocial environments conducive to the generation of knowledge work, felicitous organisational structures, a commitment to continuous learning, and a thoughtful response to the fact that knowledge workers often pledge greater allegiance to their areas of expertise than to their employers. (Depres and Hiltrop,1996). It has been suggested that classes (occupational classes) share the same psychological contract (Roehling, 1979) which may hold true for knowledge workers or sub-groups of knowledge workers.

2.6.2. Role of the Knowledge Worker within the Reinsurance Industry

2.6.2.1. Reinsurance within South Africa

South Africa accounts for 98% of the gross premium income for insurers generated by Africa yet in comparison to more developed countries, the premium represents only 1% of the world's total gross premium income. (AXCO:2000). There are currently five global reinsurers represented and registered in South Africa. The short-term reinsurers recorded gross written premiums of R4.9 billion in 2002 while the long-term reinsurers recorded gross written premiums of R1.5 billion in 2002 (Global Credit Rating, 2003).



About 50% of the business written in South Africa is retained while the balance is retroceded (further reinsured) to parent companies or retrocessionaires (other reinsurers). In South Africa underwriting losses have been significant as premiums decline and claims increase. It is believed that premium rates charged in South Africa have been inadequate (Financial Mail, 2000). The last few years have seen mergers and acquisitions in the insurance and reinsurance industry and large-scale retrenchments and information technology improvements have increased. As profitability has declined over the last decade within the reinsurance industry, so the pressure for innovation and market differentiation has increased. The need for customised reinsurance products has increased which in turn makes demands on knowledge workers within the reinsurance organisations to utilise their knowledge in a way which is innovative, creative and competitive. Profitability pressures have also placed additional demands on knowledge workers within the reinsurance industry to become more disciplined in their underwriting practices. As such the industry requires analytical, problem solvers who are disciplined and are able to apply specialist knowledge in order to understand risk and price for it appropriately. This places additional demands on employees to be processed oriented and committed to execution excellence.

Reinsurers, by nature of their business, are entrenched in the knowledge economy and can as such be defined as knowledge intensive firms. The challenge to the industry lies therefore in the management of intangible assets – the talent of key employees, human resources and their knowledge, innovation, research and development, client relationships, the knowledge captured in



services. The rapidly changing environment in the insurance and reinsurance market is providing new opportunities to capitalise on the changes within the industry. The challenge remains however as to whether the industry has the necessary human capital to take advantage of market opportunities and identify creative alternatives to drive real profitability.

2.6.3. Retention and Turnover of Knowledge Workers

While research on the psychological contract suggests that the implicit agreements made between an individual and the organisation are important in guiding both behaviour and future success, it is useful to understand whether these agreements impact retention and turnover rates amongst knowledge workers. Marks (2001) suggests that there is considerable evidence demonstrating the relationship between commitment and the psychological contract. Both concepts are concerned with the extent to which an individual is bound to an organisation. Organisational commitment and the development thereof is inherently linked to turnover and retention.

The only irreplaceable capital an organisation possesses is the knowledge and ability of its people. However when knowledge workers leave an organisation, much of the knowledge goes with them. Therein lies the challenge to organisations - to not only establish meaningful ways in which to retain and satisfy knowledge workers but to understand the very nature of the implicit, unwritten agreements which define their expectations.



Significantly, a study conducted by Larwood, Wright, Desrochers and Dahir (1998) established a “good fit of the job with the psychological contract was consistent with reduced intent to turnover, higher reported job satisfaction and lower levels of political behaviour”. Job fit to psychological contract was positively related to job satisfaction in their study.

Tulgan (2001) maintains that organisations, in general, have a problem accepting the possibility that the most talented amongst its workforce are free agents who can, will and do move out of organisations if they feel that they are unable to harness their full potential.

In South Africa, the Human Sciences research Council suggest that there is a looming crisis as knowledge workers leave the country. Under apartheid skill shortages were met through active immigration policies. However, through the period of transition, during which official emigration of the skilled has exceeded immigration fourfold, policy has seemingly ignored the looming crises (Kahn, 2003). It would appear that government immigration policy lacks co-ordination and is restrictive toward the highly skilled. While it is understandable that government will act to protect the semi-skilled or unskilled, Kahn (2003) suggests that it is counterproductive to disincentivise the immigration of skilled knowledge workers.

2.6.3.1. Compensation of Knowledge Workers

Compensation systems do not necessarily result in achieving an improved retention rate for knowledge workers. When people get the compensation they



deserve, they feel satisfied with that outcome. They will reciprocate by fulfilling to the letter their obligation to the company (Kim and Mauborgne, 2003).

In fact research suggests that many compensations systems frustrate rather than further business objectives while simultaneously displeasing the employees involved. In South Africa, Kelly's 2003 Human Capital Survey indicated that 63% of employees are loyal to their employers. They state that organisations that provide career enhancing educational opportunities, communicate consistently and provide recognition and appreciation tend to develop a loyal workforce. They claim a split between those that are motivated by money and those motivated by lifestyle benefits is about 60:40 (Kelly Human Capital Survey, 2003)

Furthermore, it is suggested that compensation programs focus on hierarchical position and nominal job content as proxies for contribution to the business, even though this is at odds with the realities of knowledge work where insights from any level can have a profound impact on the business (Despres and Hiltrop, 1996). Traditional reward systems appear to consistently reward individual achievement and specialised knowledge production which is contrary to current knowledge worker needs whereby a flexible approach across multidisciplinary teams is often required. Despres and Hiltrop (1996) provide evidence of a 1991 survey which reveals a sizable portion of a 5000 sample of knowledge workers to feel exploited, overworked, poorly utilised, mismanaged and under-compensated.



2.7. The Expatriate Challenge

The reinsurance industry employs a number of expatriates in various positions of authority and they bring with them varying degrees of global and technical knowledge and skills. Given that the local reinsurers form part of global parents this provides easy access to pools of expatriates from Europe and the US. Lewis (1997) claims that during the past two decades a persistent recurring problem within multinational corporations has been significant rates of premature return of expatriate managers. According to Marx (1996) the most frequently experienced expatriate problems are failure/performance/adaptation problems followed by the inability of spouse to adjust.

The psychological contract of the expatriate is different from that of the same person operating in his/her own country. This is because the expatriate leaves behind a lifetime's history of family, friends, hobbies and interests. Overseas the employer has a far more significant influence on the expatriate's life both on and off the job (Guzzo et al., 1994). The new expatriate's psychological contract is broad and relational because virtually all parts of his/her daily life space are open to employer influence. The implication of this greater influence increases the intensity of response to perceived contractual violations. (Rousseau, 1995).

Lewis (1997) lists the following reactions to perceived violations: formal contract termination, legal action, employee misconduct which may include work slowdown, apathy, unwillingness to assume responsibility, increased



absenteeism, poor service, vandalism, theft of company assets and time, hostility and sabotage. She recommends more attention be paid to the expectations that build the psychological contract, particularly in the areas of induction, reception and knowledge of the culture. Expectations and demands need to be reviewed and monitored before, during and after the overseas assignments.

2.8. The Importance and Relevance of the Research

The management of psychological contracts is essential to the organisation's successful functioning. (Covey, 1988 in Roehling, 1997). There is a clear business case for understanding and defining the role of the psychological contract amongst knowledge workers. A high performing employee is worth as much as five times more to a company than that of a lower performing employee (Harvard Business Review, 2003). Organisational commitment from knowledge workers within the reinsurance industry is critical in that knowledge workers dominate the reinsurance population and sustainable competitive advantage is based on the industry being able to sustain and retain them in an environment that is conducive to meeting their needs

It would appear that the psychological contract forms the basis for understanding the implicit relationship between employer and employee. It has been argued by a variety of academics (Cole, Rousseau, Schein, Tornow in Roehling, 1997) that the violation, or the perception of the violation, of the



psychological contract can have important individual and organisational consequences. These include deep, long lasting feelings of betrayal and resentment, anger and frustration, decreased employee motivation, job dissatisfaction reduced employee commitment, turnover, employee initiated litigation and unionised efforts.

Knowledge workers play a significant role within the reinsurance industry. It would appear that their role is set to increase as the nature of the industry becomes more knowledge intensive. Satisfaction and retention of knowledge workers is key to the reinsurance industry and the challenge to attract and retain knowledge workers is paramount. Understanding the basis of the psychological contract of knowledge workers is invaluable in terms of recruitment, retention and performance optimisation of knowledge workers.

In attempting to maximise knowledge worker performance it becomes critical that management are able to recognise psychological contract breach and withdrawal behaviour and find a meaningful manner in which to re-establish the contract in order to build mutually beneficial employee relations.

This research will attempt to contribute to the body of knowledge that will assist the process of finding such a model.



Chapter Three: Research Propositions



3.1. Introduction

The following research propositions have been driven by relevant sections of the literature review and are explored in the questionnaire.

3.2. Proposition 1

The New Psychological Contract of Knowledge Workers

A new psychological contract has replaced the traditional psychological contract amongst knowledge workers within the reinsurance industry. The old psychological contract is based on pay, benefits and structure while the new psychological contract is based on autonomy, alignment and challenging work.

3.3. Proposition 2

Issues of Contract

Items that are not defined in traditional formal contracts are important to knowledge workers. Traditional contracts of employment cover items which deal specifically with conditions of employment, pay and benefits. Statements that deal specifically with those items would be those pertaining to the following:

- Leave
- Health care
- Pension scheme
- Educational support



These are included in the variables structure, stability and security, pay and benefits and organisational environment (facilities and office layout).

Items which are not covered in formal contracts but form part of the psychological contract for knowledge workers as defined in the research, are:

- Autonomy
- Alignment
- Challenging Work
- Ambiguity
- Recognition
- Leadership
- Status
- Organisational Environment (culture)

3.4. Proposition 3

Unmet Expectations of Knowledge Workers

Organisations within the Reinsurance industry are failing to meet the psychological contract expectations of knowledge workers. Psychological contract items which are most important to knowledge workers are not being met by the industry as a whole.



3.5. Proposition 4

Failure to Align Psychological Contract Items

Psychological contract items which are most important to knowledge workers are perceived to be insufficiently valued by the employer.

3.6. Proposition 5

Behavioural Responses to Contract Violations

Minor psychological contract violations result in behaviour which is unproductive while major psychological contract violations result in behaviour which is destructive.

3.7. Proposition 6

Propensity for Departure

Minor psychological contract violations result in increased propensity to leave the organisation while major psychological contract violations result in confirmed intention to leave the organisation.



Chapter Four:

Methodology



4.1. Introduction

This chapter describes the methodology used in the research. Data regarding the propositions outlined in Chapter 3 was gathered from a sample of knowledge workers within four of the five global reinsurance organisations in South Africa. The methodology selected for this research was that of a quantitative survey which is best suited to industry research of primary data. Surveys allow for the collection of a large amount of data in an economical way (Saunders, et al, 2003).

The researcher collaborated with the Human Resources managers of each reinsurer in South Africa. They agreed to act as representatives and assist in the distribution and collection of the questionnaires. The details of the research, the purpose and intention of the research were communicated to the representatives who all agreed to participate in the survey.

4.2. Population

The population for this study is knowledge workers within the reinsurance industry in South Africa. The population was selected from five reinsurance organisations which make up the reinsurance industry within South Africa. At the time of conducting the research Zim Re was still active within part of the industry but it was agreed that the company is based in Zimbabwe and does not



specifically employ South African knowledge workers. It was therefore excluded.

The organisations which were invited to participate were all global reinsurers with locally based subsidiaries. They include RGA (Reinsurance Group of America), Hannover Re, Munich Re, Swiss Re and Gen Re (General Re). The human resources managers acted as representative of each organisation and performed the role of co-coordinating the questionnaire distribution and collection.

The population is all knowledge workers within the reinsurance industry in South Africa. For the purposes of the research the term “knowledge worker” was defined as an employee with specialist knowledge who fulfills the following criteria:

- Has a qualification (Diploma/Bachelors/Honours/Masters+)
- Is engaged in collection, interpretation and distribution of information
- Is involved in complex work which is process oriented
- Engages in consulting/communications based on specialist knowledge

Other than the criteria listed above, HR Managers were requested to select candidates with regard to reflecting a reasonable spread of age, race and gender within their organisations.



Non-probability, convenience sampling was used to select the respondents from the defined population. Non-probability sampling ensures that not all members of the defined population stand a chance of being included in the sample (Saunders et al, 2003) but allows for selections on the basis of personal judgment or convenience (Zikmund, 1997). Probability sampling is recognised as a more reliable technique. However time constraints and accessibility to knowledge workers across the industry determined the need to use a more convenient method. As such, the sampling method is recognised as a limitation of the research as the findings may be found to not be representative of the entire population.

4.3. Sample size and collection

The total number of knowledge workers within the reinsurance industry is estimated to be 302. The aim of this research was to have at least 60% of reinsurance industry represented in the survey and 20% of the total knowledge worker population participate in the survey. Each organisation was asked to select a minimum of 20 knowledge workers from within their organisation. Respondents were sourced nationally where possible. Respondents were given the opportunity to decline participation in the survey. Their willingness and ability to co-operate could present an inherent bias in the data.



4.4. Questionnaire Design

The questionnaire was designed as a self administered questionnaire intended to be completed by respondents and delivered and returned through co-ordinators at each organisation.

All five reinsurers indicated a willingness to participate in the survey. Outlines of survey process were communicated with organisation representatives. An explanatory letter was sent to each representative explaining the purpose of the research, the criteria for sample selection and the questionnaire distribution process (appendix 1). The covering letter to respondents provided information on the objectives of the study and assured them of confidentiality (appendix 2).

The questionnaire was tested amongst individual knowledge workers in order to eliminate ambiguities and ensure a comprehensive cover of all key issues identified by the industry representatives. It was also tested for ease of use in terms of layout and timing.

4.4.1. Selection of Questionnaire Method

The use of a questionnaire is best suited to test a variety of variables amongst a wide range of respondents with sufficient spread for an industry response. The data is standardised and allows for easy comparison (Saunders, et al, 2003). It is economical and time efficient and allows easy access to respondents who may not be accessible.



English is the primary language of business in South Africa and as such was the only language in which the questionnaire was provided. The population group was defined as educated and formed the basis for the assumption of advanced literacy.

4.4.2. Construction of the Questionnaire

The questionnaire finally used (appendix 3) was modeled on the layout and content used by Kinnear (1999). It was designed to fit two pages with an introductory page explaining instructions and assuring confidentiality.

The questionnaire was constructed within the context of the following:

- Input from both knowledge workers and HR practitioners within the industry.
- Identifying variables that differentiate between the new psychological contract constructs and the old.
- Providing opportunities to define unmet expectations based on the assumption that items that are very important to employees and are not satisfied form the basis for contract violation.
- Identifying behaviours that result from various forms of contract violation.

The first section asked respondents to provide basic demographic information in order to provide equity feedback to participating organisations in relation to industry developments.



The second section presents a four-part explanation of the questionnaire.

- The first part of the questionnaire contains a set of 48 statements covering variables that may determine items of importance within the employment relationship. In part A of the questionnaire, respondents were asked to rate the importance of each statement. A five point Likert scale was provided ranging from “very important” to “irrelevant”. This was required for testing research propositions 1 and 2.
- In part B respondents were asked to identify to what extent the organisation has met their expectations which was required for testing proposition 3.
- Part C provided respondents with an opportunity to determine whether the company values the variables of the psychological contract construct. This part was relevant to supporting proposition 4 with regard to alignment of psychological contract variables.
- The final part of the questionnaire is covered in part D with a second table asking respondents to identify behavioural responses in instances where the company has failed to meet their expectations.



The various statements in the questionnaire were developed across a range of key variables of both the formal and unwritten contracts which underpin contract issues between employers and employees. The statements in the questionnaire that address the variables of the psychological contract are categorised in the following manner:

Table 4.1 Questionnaire Variables

Statement Number	Variables
9, 19, 21, 24, 25	Autonomy
6, 17, 32, 33, 34, 35 36	Recognition
1, 2, 28, 40, 41, 42	Career Development
5, 15, 16, 47	Relationships
26, 27	Personal Alignment
7, 11	Challenging Work
12, 13	Leadership
19, 21	Ambiguity
3, 4, 8, 10,11,18	Status
23, 28, 37, 38	Organisational Environment
29, 30, 31, 33, 39, 40, 46	Pay and Benefits
14, 20, 22, 33, 41, 43, 48	Structure, Stability and Security
44, 45, 46	Work/Life Balance



4.4.3. Distribution of the Questionnaire

The questionnaires were hand delivered to the organisation representatives. They received a covering letter explaining the process and an envelope addressed to respondents. The envelope contained the questionnaires with a covering letter explaining the purpose and process and a pre-addressed envelope for returning the completed questionnaire confidentially. Respondents were given two weeks to complete the questionnaire. Organisation representatives were asked to follow up and collect the sealed envelopes. Respondents were also given the option of faxing the completed questionnaire to the researcher. The data was collated and coded by an independent input clerk in order to avoid any possible bias by the researcher.

4.5. Limitations of the Research

The definition of “knowledge worker” used in the research and the way in which organisation representatives may have applied the definition serve as a limiting factor. Different descriptions of the term could have changed the population and the sample and yield different results. Respondents’ willingness to cooperate may also have presented an inherent bias in the data.

The use of non-probability sampling limits the generalisation of results because of a possible bias in the data and small size of the sample.



Chapter Five: Findings

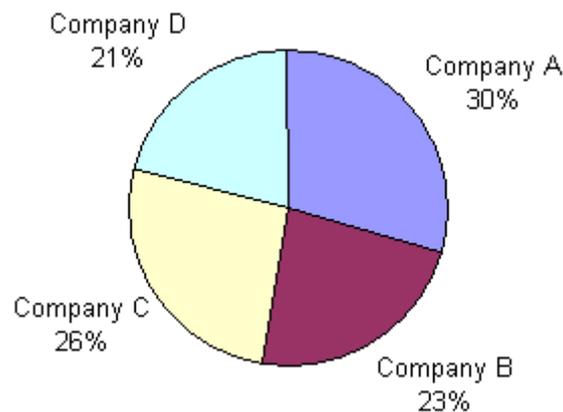
5.1 Introduction

The research results and statistical analysis and interpretation are summarised and presented in this chapter. Survey response rates, demographic analysis, statistical techniques and the corresponding results are all reviewed.

5.2 Response Rate

All reinsurers in South Africa were invited to participate. Eighty percent of the reinsurance industry participated in the survey. No one reinsurer dominated the survey and representation was fairly equal.

Figure 5.1 Distribution of Respondents by Company



One of the five reinsurers invited to participate declined. A total of 57 questionnaires were returned from the eighty questionnaires that were sent out. The response rate was 71.25%. All were completed sufficiently for statistical analysis. The sample population represents 19% of the total population of the knowledge worker population (301) for the reinsurance industry and as such is statistically relevant.



5.3 Statistical Analysis

Statements within the questionnaire were categorised and defined within broad variables and key themes that underlie the range of knowledge worker expectations. These categories are supported by relevant literature findings in Chapter Two.

The statements and the variables are presented in appendix 4 and the psychological contract variables are presented in the table below.

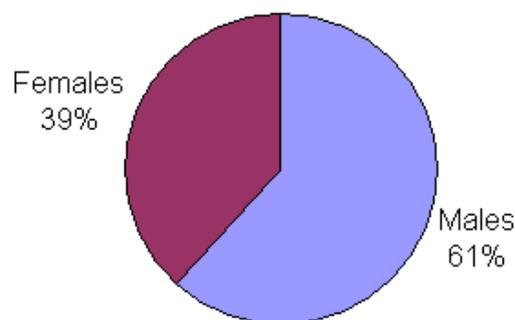
Table 5.1 Classification of Psychological Contract Variables

Variable Number	Variables
1	Autonomy
2	Recognition
3	Career Development
4	Relationships
5	Personal Alignment
6	Challenging Work
7	Leadership
8	Ambiguity
9	Status
10	Organisational Environment
11	Pay and Benefits
12	Structure, Stability and Security
13	Work Life Balance

5.3.1 Sample Demographics

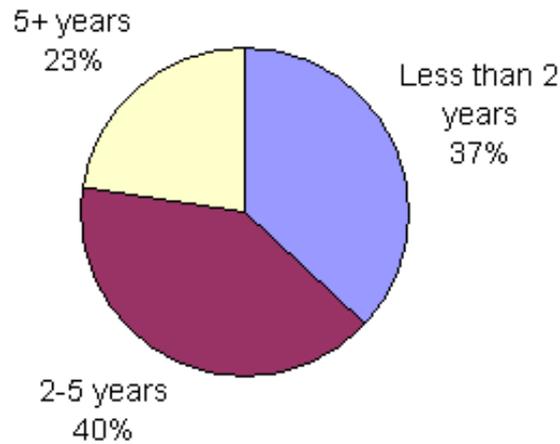
Categories included in the respondents demographics were gender, tenure, qualification, race and age. Respondents were asked to indicate which company they worked for in order for the researcher to provide feedback of trends of individual organisations against industry trends, particularly in the case of equity variations. The distribution of the sample across these categories is presented in the charts below.

Figure 5.2 Distribution of Respondents by Gender



The majority of the respondents (61%) were male which is consistent with the knowledge worker population within the reinsurance industry and consistent with the South African knowledge worker population samples (Karg, 2001 and Chick, 2001).

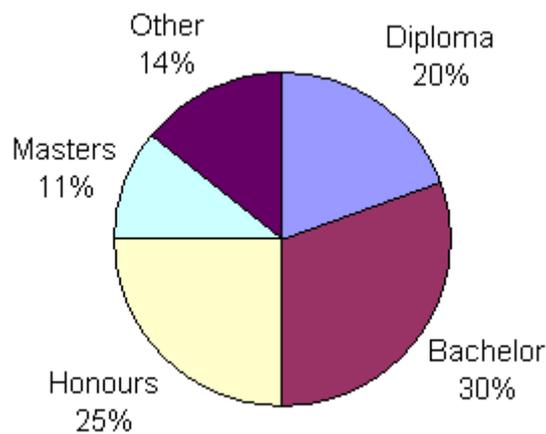
Figure 5.3 Distribution of Respondents by Tenure



The sample was fairly spread across the range of categories. The respondents predominantly fell into the 2-5 year and less than two year service range (77%).

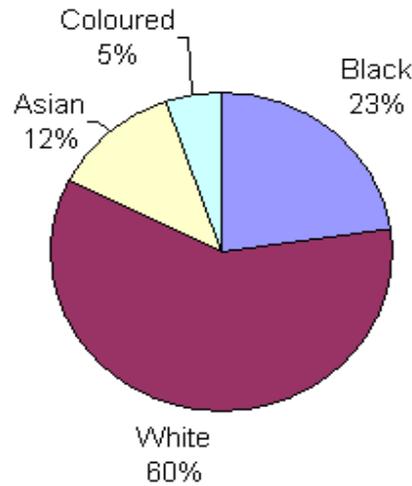
This is consistent with the literature review which suggests that knowledge workers are highly mobile.

Figure 5.4 Distribution of Respondents by Qualification



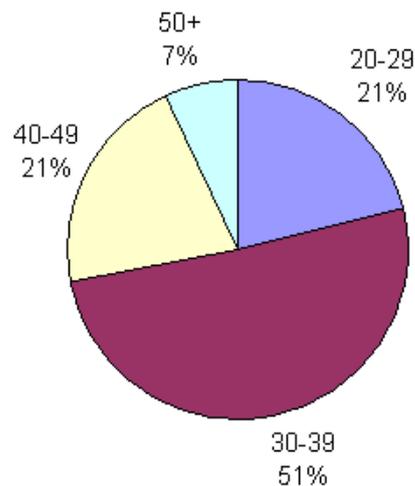
The majority of the respondents fell within the degreed category (66%) which is consistent with the knowledge worker population. For the most part other reflected diplomas and certificate courses.

Figure 5.5 Distribution of Respondents by Race



The respondents were predominately white. This is consistent with reinsurance industry population and specifically the knowledge worker population in South Africa as identified by Kinnear (1999) and Chick (2001).

Figure 5.6 Distribution of Respondents by Age



The majority of the respondents (72%) fall under the age of 40 with the predominant group being the 30-39 age group (51%).



The demographics of the sample can be viewed as representative of the South African knowledge worker population – predominantly white (60%), male (61%), less than 40 years of age (72%), degreed (66%) and with less than five years service within their current organisation (77%).

5.3.2 The New Psychological Contract of Knowledge Workers

Proposition 1: This proposition states that a new psychological contract has replaced the traditional psychological contract amongst knowledge workers within the reinsurance industry.

New psychological contract items were identified as those variables pertaining specifically to autonomy, freedom and ambiguity. Hiltrop (1996) and Kanter (1994) make specific reference to items such as autonomy, self-reliance, personal values and challenging work.

Traditional psychological contract variables are those that include the variables dealing with structure, stability and security. Hiltrop (1996) and Kanter (1994) make specific reference to stability, permanence and status.

In order to establish whether new psychological contract variables have replaced more traditional items a number of comparisons using frequency tables (appendix 5) and a statistical analysis was conducted (appendix 6). The



following table provides a more descriptive analysis of the different perceptions by respondents of traditional and new psychological variables.

Table 5.2 Ranking of Importance of Traditional and New Psychological Contract Variables

Rank	New Contract Variables	Means
1	Leadership	81%
2	Challenging Work	77%
3	Alignment	65%
4	Ambiguity	65%
5	Recognition	60%
6	Autonomy	60%
Rank	Traditional Contract Variables	Means
7	Structure, stability and security	57%
8	Pay and Benefits	56%
9	Status	55%

Leadership, particularly in response to statement 13 – Ethics and integrity of senior management (89%) – was found to be the most important variable rated by the respondents. Autonomy rated relatively low as a variable. However, within that category, statement 19, the ability to define your own job and role and statement 21, freedom to plan and execute work independently were rated as 97% and 100% irrespectively, in the very important to somewhat important range.



Within the traditional psychological contract variables, competitive remuneration package was rated the most important (88%) and within the important to somewhat important range was rated 100%. Interestingly, pension scheme rated significantly highly (72%) yet was balanced by 11% viewing it within the unimportant range. Within structure, stability and security, 68% of the respondents rated job security as very important and 76% did not rate organisational restructuring as very important.

Career Development was dropped from the ranking as a psychological contract item due to the fact that some reinsurers are defining career development as both an obligation on their part and a job responsibility on the part of the employee. This may be as a result of renewed emphasis on training from the Skills Development Act 1998. Career Development was rated particularly highly in all instances and in statements 1 and 2 (opportunities for career progression and regular relevant training opportunities) they were rated as highly important and somewhat important by 98% and 100% of respondents. On the other hand 18% of respondents did not rate item 41 – clearly structured promotional progress – as important.

Statistical analysis using significance tests as provided in Appendix 6 indicate support for proposition one. There is clearly a difference between the number of respondents that rate the new psychological variables and traditional psychological variables as very important and this can be defined at a significance level of 5% - there is a 95% possibility that proposition 1 is correct. Therefore we can conclude that the variables of the traditional psychological



contract no longer have a place amongst knowledge workers in the reinsurance industry. They have been replaced with variables which better reflect the new psychological contract common amongst knowledge workers. Proposition one has been shown to be true - a new psychological contract has replaced the traditional psychological contract amongst knowledge workers in the reinsurance industry in South Africa.

5.3.3 Issues of Contract

Proposition 2: This proposition suggests that items which are not defined in traditional formal contracts are important to knowledge workers.

Traditional contracts of employment cover items which deal specifically with conditions of employment, pay and benefits. In Chapter 3 these items were identified within the variables of structure, stability and security, pay and benefits and organisational environment factors. Statements that deal specifically with those items were identified as the following:

- Statement 46 - Leave
- Statement 31 - Health care
- Statement 30 - Pension scheme
- Statement 40 - Educational support

Psychological contract constructs are defined by a variety of expectations which are not captured in formal written documents. Variables which are not covered



in formal contracts but form part of the psychological contract as defined in Chapter 3, were identified as:

- Autonomy
- Alignment
- Challenging Work
- Ambiguity
- Recognition
- Leadership
- Status
- Organisational Environment (culture)

Status was removed from the ranking as it was found to be insignificant in that reinsurers are moving towards flatter structures and more than 10% of respondents found it to be unimportant or irrelevant. As such it was excluded from the ranking but included in the statistical analysis in order to remain consistent with testing the proposition as defined in Chapter 3.

The variable organisational environment had two elements to it. The one included formal items such as office layout and facilities while the other had more informal aspects such as culture of trust and culture of learning and sharing which had been identified as important to knowledge workers in Chapter 2.



The variables of the formal and psychological contract were ranked as very important in the following manner:

Table 5.3 Ranking of Formal Contract and Informal Psychological Contract Variables

Rank	Unwritten Psychological Contract Variables	Means
1	Leadership	81%
2	Challenging Work	77%
3	Organisational Environment (culture)	76%
4	Alignment	65%
5	Ambiguity	65%
6	Autonomy	60%
7	Recognition	60%
Rank	Formal Contract Variables	Means
8	Structure, Stability and Security	57%
9	Pay and Benefits	56%
10	Organisational Environment	24%

Frequency tables and hypothesis testing is captured in appendices 7 and 8. They reflect confidence levels of more than 90% on all informal contract variables indicating that there is less than 10% chance that the proposition is incorrect. It is significantly probably that variables identified in psychological contracts are important to knowledge workers. The findings in fact show that



formal contract variables are not significantly more important to knowledge workers.

The individual statements said to be captured in proposition 2 were found to be equally insignificant – their frequency table reflects the low value assigned to these items (with the exception of pension scheme which appeared to be important to respondents across a range of ages).

Table 5.4 Frequency Table for Individual Formal Contract Items

Formal Contract		Responses				
No	Statements	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant
30	Pension Scheme	72%	17%	2%	5%	4%
31	Health Care Benefit	61%	28%	2%	2%	7%
40	Educational Assistance	46%	37%	5%	7%	5%
46	Substantial Leave	51%	40%	4%	5%	0%
	TOTAL	57%	31%	3%	5%	4%

These findings are supported in the literature. Successful organisations need to integrate as far a possible the needs and values of the organisation with those of the individual (Hiltrop, 1996). It is recommended by Kanter (1994) that companies need to switch incentives from careers, status and promotion, to personal reputation, teamwork and challenging assignments. Kanter defines this as employability security.



5.3.4 Unmet Expectations of Knowledge Workers

Proposition 3: Organisations within the Reinsurance industry are failing to meet the psychological contract expectations of knowledge workers.

The population for this finding was redefined as only those respondents who identified items as important or somewhat important and indicated that their needs were not met or met to some extent. Individual items which stood out as being largely unmet were the following:

- Infrastructural support (crèche, collection services)
- Clearly structured promotional progress
- Incentives for idea generation
- Facilities (canteen, gym)

In combination with “unmet” and “met to some extent” the ranking changes somewhat:

- Facilities (canteen, gym)
- Incentives for idea generation
- Clearly structured promotional progress
- Progressive leadership

Either way it is clear that there is a definite failure by the industry to meet the needs of knowledge workers with regard to facilities and incentives for ideas generation. These items, however, were not overwhelmingly indicated by



respondents to be the most important of items. Far more relevant, is the analysis that uncovers which of the variables identified as important and somewhat important, continue to be unmet. The variables of significant importance which were rated the highest in terms of met or unmet expectations are ranked in the following table:

Table 5.5 Ranking of Unmet Expectations of Psychological Contract Items of Importance

Rank	Unmet Psychological Contract Variables of Importance	Means
1	Recognition	76%
2	Organisational Environment	76%
3	Leadership	74%
4	Structure, Stability and Security	73%
5	Autonomy	72%
6	Status	70%
7	Work Life Balance	64%
8	Career Development	64%
9	Relationships	63%
10	Challenging Work	64%

Table 5.6 Ranking of Expectations which are being Met

Rank	Psychological Contract Variables of Importance which are Met	Means
1	Alignment	42%
2	Ambiguity	42%
3	Pay and Benefits	38%
4	Relationships	38%
5	Challenging Work	37%



The reinsurance industry can pride themselves to some extent on aligning the values of knowledge workers and providing an ambiguous environment. More significant perhaps are the unmet expectations of recognition and leadership. Organisational environment while ranked as an expectation which is unmet this is largely due to the more formal requirements of facilities and infrastructural support which ultimately were not highly rated as items of importance.

Significance tests conducted in the statistical analysis indicate a confidence level of 95-99% for all items except alignment and ambiguity. The proposition is supported as it would appear that organisations are not meeting the psychological contract needs of knowledge workers.

5.3.5 Failure to Align Psychological Contract Items

Proposition 4: Psychological contract items which are important to knowledge workers are insufficiently valued by the employer.

Part A and C of the questionnaire were used to establish the outcome of this proposition. The respondents indicated that they found the following items to not be valued by their organisations:

- Infrastructural support (crèche, collection services)
- Clearly structured promotional progress
- Flexibility to work on own terms (work from home, flexitime)
- Incentives for idea generation



The items they identified as being highly valued by their organisations were:

- The company being a recognised leader in its field
- Identification with the business goals of the organisation
- Pension Scheme
- Educational Assistance (bursaries) and Organisational Restructuring

These items were not identified as most important to the respondents. It therefore follows that an analysis of items which were rated as important by individuals but not valued by the organisation be presented in Appendix 10. The ranking of these items is presented below.

Table 5.7 Variables of Importance Perceived to be Unimportant to the Industry

Rank	Variables of Importance	Means
1	Structure, Stability and Security (8)	48%
2	Leadership (1)	43%
3	Pay and Benefits (10)	42%
4	Organisational Environment (facilities) (13)	42%
5	Recognition (7)	38%
6	Autonomy (9)	38%
7	Relationships (12)	37%
8	Career Development (6)	36%
9	Status (11)	29%
10	Ambiguity (5)	25%



Table 5.8 Variables of Importance Perceived to be Important to the Industry

Rank	Variables of Importance	Means
1	Challenging Work	78%
2	Alignment	75%
3	Ambiguity	75%
4	Status	71%
5	Career Development	64%

Table 5.7 reveals a low means level (i.e. below 50%) in terms of variables found to be undervalued by employers. This is supported by the statistical analyses in appendix 10 which reveals an insignificant probability on all constructs. We can therefore conclude that this survey does not support proposition 4 and the reinsurance industry as a whole is indeed perceived to value items which are important to knowledge workers.

5.3.6 Behavioural Responses to Contract Violations

Proposition 5: Minor psychological contract violations result in behaviour which is unproductive while major psychological contract violations result in behaviour which is destructive. In the analysis the assumption is made that unmet expectations of variables which rate as highly important serve as major contract violations and unmet expectations of variables which rate as somewhat important serve as minor contract violations.



Behavioural responses were classified according to the severity of the behaviour into seven different categories. The statement classification can be found in appendix 13.

- Potential for rebuilding – Respondents are willing to consider asking for changes or become more demanding.
- Unwilling – This is the first step in withdrawal behaviour whereby respondents participate reluctantly and work to rule.
- Unproductive – Respondents tend to waste time and behave inflexibly.
- Ineffective – Respondents start missing deadlines and making mistakes.
- Destructive – Behaviour becomes dangerous to the organisation in that respondents may disregard rules, waste money and behave inappropriately.
- Increased propensity to leave – respondents may start thinking about leaving.
- Confirmed propensity to leave – they are attending interviews and will leave depending on the job market.

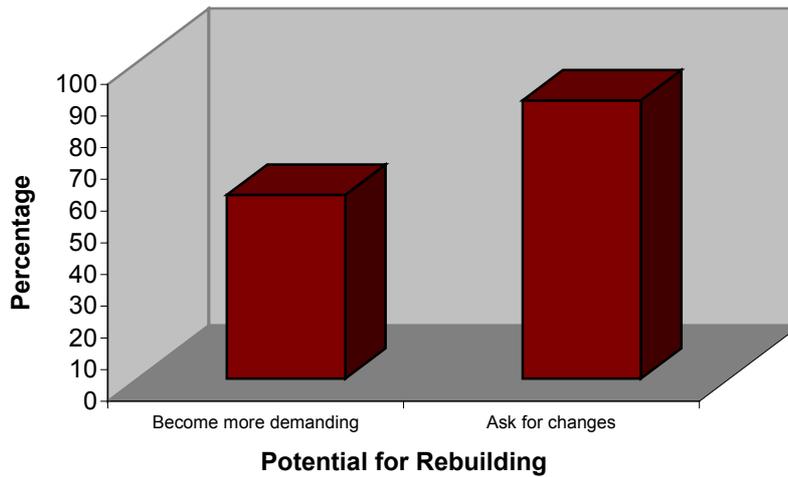
Descriptive analyses reveal the following for each behavioural response:

This category reflects a high percentage of respondents as being willing to articulate their needs and confront the needs of the psychological contract. When their needs are unmet they tend to say something about it which is largely positive for organisations.



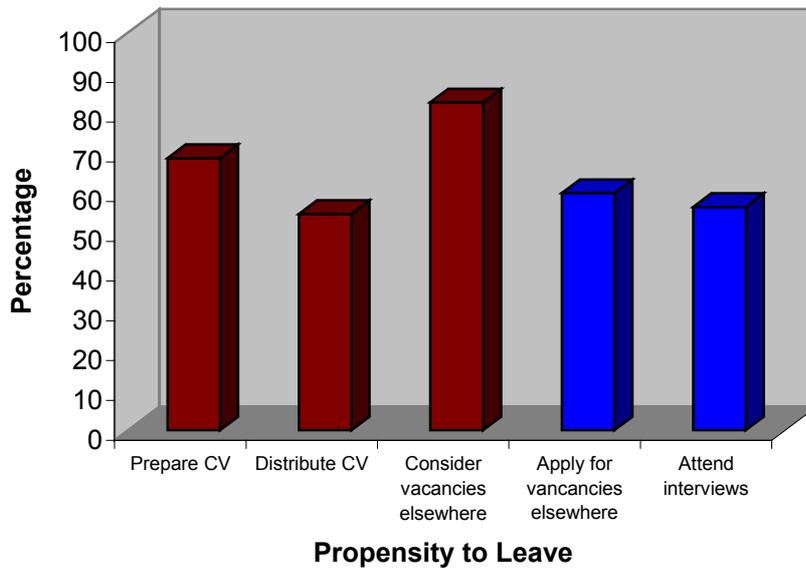
Figure 5.7 Potential to Rebuild the Relationship

In contrast are the indications of respondents' willingness to depart which is reflected in figure 5.8 below. Respondents appear to less likely to fall within the range of confirmed propensity to leave yet it would seem they are certainly thinking about it in that they are considering vacancies elsewhere.



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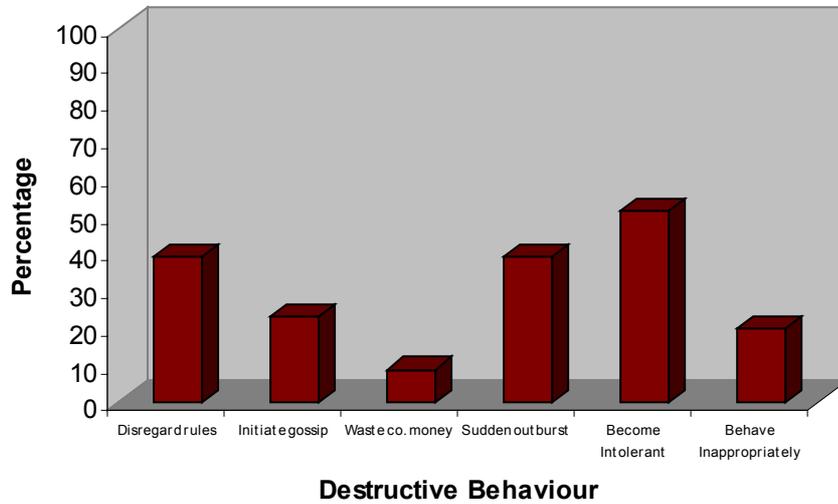
Figure 5.8 Propensity to Leave



Of concern to employers may be how destructive behaviour might become in the event of unmet expectations or major psychological contract violation. This survey indicates that generally knowledge workers within the reinsurance workers will not engage in destructive behaviour. They are far more willing to engage in withdrawal behaviour, consider vacancies and prepare their CVs. Becoming intolerant and being prone to sudden outbursts seem to be the most popular choices relative to a low overall selection. Figure 5.9 reflects the ranking of behaviours within the destructive category below.

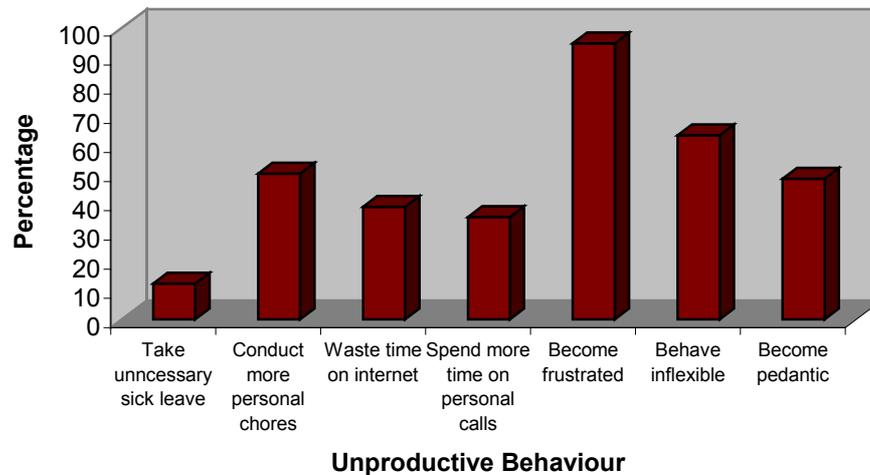


Figure 5.9 Destructive Behaviour Responses



Unproductive behaviour is also of particular interest as it was indicated as the most highly selected category with “becoming frustrated” as the most common response amongst all respondents. Knowledge workers tend not to engage in abusing sick leave according to these results which is highly positive aspect to managing absenteeism.

Figure 5.10 Unproductive Behaviour Response



In conducting a statistical analysis of the data the following hypothesis testing was used:

- Null hypothesis: There is no association between the extent of the psychological contract violation and the respondent's behaviour.
- Alternative hypothesis: There is an association between the extent of the psychological contract violation and the respondent's behaviour.

The chi-squared contingency table test was used to analyse the data (appendix 11) and provided the following outcomes.

With regard to unproductive behavioural responses to minor contract violations the null hypothesis could be rejected at a 1% significance level. The chance that this the proposition is wrong is less than 1% and the conclusion therefore is



that the extent of the psychological contract violation does have an influence on the respondent's productivity.

With regard to destructive behavioural responses to major psychological violations the null hypothesis could be rejected at a 1% significance level. The chance that the proposition is wrong is less than 1% and the conclusion therefore is that the extent of the psychological contract violation does have an influence on how destructive the respondent is.

In analysing individual responses the following findings will prove to be useful to the industry:

To varying degrees knowledge workers will engage in the following behaviours when their expectations are unmet:

- Become frustrated (95%)
- Ask for changes (88%)
- Consider vacancies elsewhere (82%)
- Participate reluctantly (77%)
- Prepare CV (68%)

Knowledge workers will generally never:

- Take sick leave unnecessarily
- Waste company money
- Miss deadlines
- Behave inappropriately



Knowledge workers will generally on occasion:

- Consider vacancies elsewhere
- Participate reluctantly
- Behave inflexibly
- Leave early/promptly

Generally, knowledge workers will often:

- Become frustrated
- Ask for changes
- Participate reluctantly

Generally , knowledge workers will always:

- Become frustrated
- Refuse to work overtime
- Ask for changes

It is of interest to note that the respondents generally will not engage in destructive behaviour. There is however a high tendency to become frustrated and withdraw. These substitute exits have greater implications for management as they are often subtle behaviour withdrawals that are not easily observed. Destructive behaviour is more obvious and therefore easily apprehended. Subtle withdrawals may indicate an unwillingness to confront the disappointment of psychological contract violation and may result in the increased propensity for departure which is explored in proposition 6.



5.3.7 Propensity for Departure

Propositions 6: Minor psychological contract violations result in increased propensity to leave the organisation while major psychological contract violations result in confirmed intention to leave the organisation. As with proposition 5 analysis, the assumption is made that unmet expectations of variables which rate as highly important serve as major contract violations and unmet expectations of variables which rate as somewhat important serve as minor contract violations.

In analysing the data the following hypothesis testing was used:

- Null hypothesis: There is no association between the extent of the psychological contract violation and the respondent's propensity to leave the organisation.
- Alternative hypothesis: There is an association between the extent of the psychological contract violation and the respondent's propensity to leave the organisation.

The chi-squared contingency table test was used to analyse the data (appendix 12) and provided the following outcomes.

With regard to increased propensity to leave the organisation, the null hypothesis could be rejected at a 1% significance level. The chance that the proposition is wrong is less than 1% and the conclusion therefore is that the



extent of the psychological contract violation does have an influence on the respondent's willingness or intention to leave the organisation.

With regard to confirmed intention to leave the organisation, the null hypothesis could be rejected at a 1% significance level. The chance that the proposition is wrong is less than 1% and the conclusion therefore is that the extent of the psychological contract violation does have an influence on the respondent's confirmed propensity to leave the organisation.

In analysing individual responses the following findings will prove to be useful to the industry:

- 32% of respondents will not prepare their CVs
- 46% of respondents will not distribute their CVs
- 18% of respondents will not consider vacancies elsewhere
- 40% of respondents will not apply for vacancies elsewhere
- 44% of respondents will not attend interviews

One can conclude that knowledge workers within the reinsurance industry may to a large extent be considering vacancies elsewhere and may be preparing their CVs. However what is of interest and consistent with the literature, is that more than 50% of the respondents will consider applying elsewhere and will attend interviews as a result of unmet expectations.

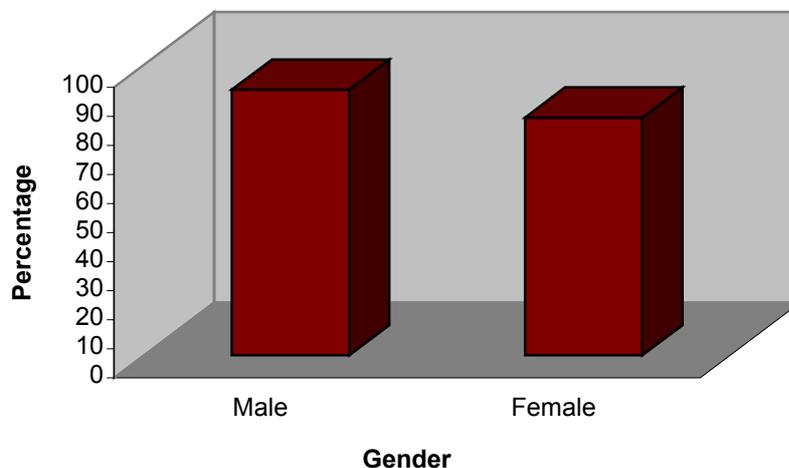
5.4 Dimensions of Demographics and Psychological Contract Variables

The following findings were not intended as findings to support the research propositions yet they are notable within the industry and of significant interest to participating organisational representatives.

5.4.1 Gender Comparisons

Statement 29 – a competitive remuneration package, was rated as very important by 88% of respondents. Generally, males and females both rate competitive remuneration package as equally important (91.4% males and 81.8% females).

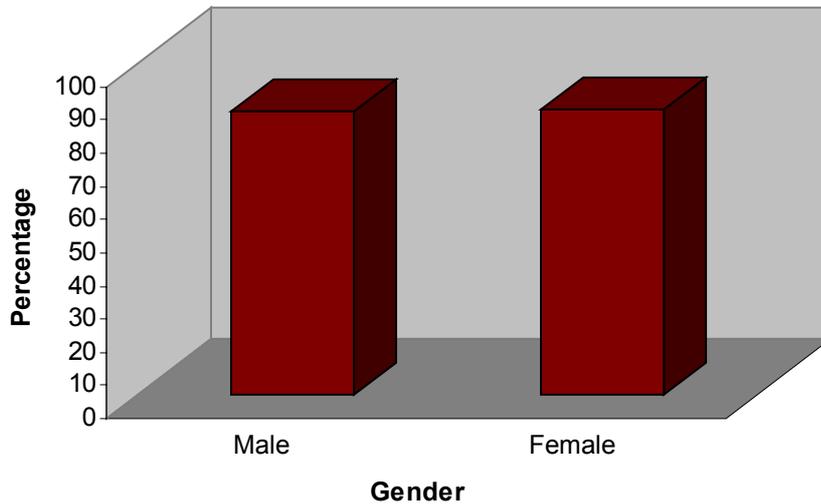
Figure 5.11 Remuneration Package



Likewise, work-life balance may be assumed to be more important to females than males, yet the findings of this survey reflect the contrary. Statements 44 and 45 (flexibility to work on own terms and time for personal life outside of

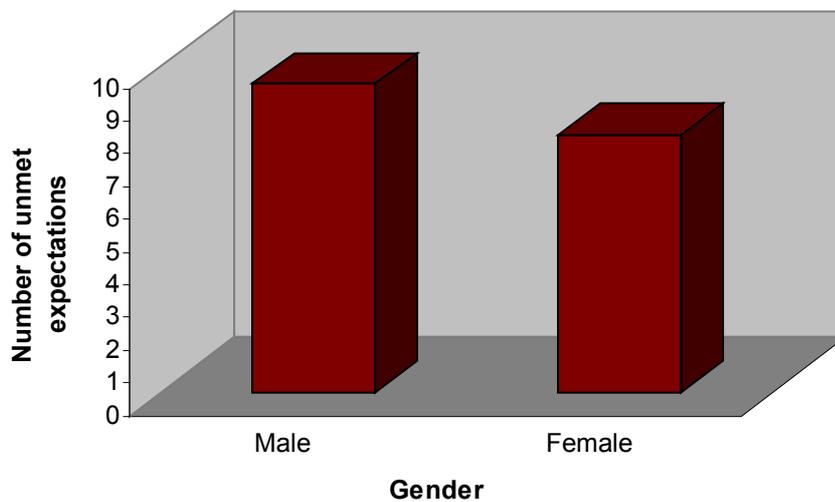
work) indicate that males and females find work-life balance as equally important: 85.7% male and 86.3 female.

Figure 5.12: Work - Life Balance



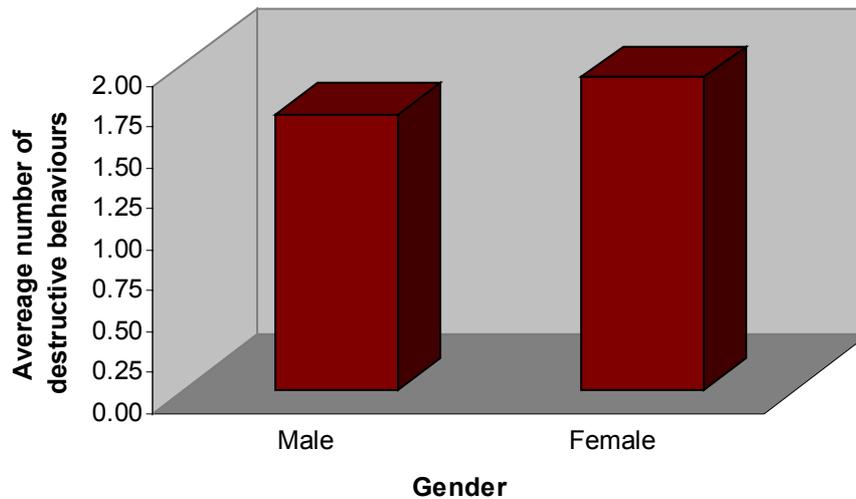
Differences between the genders start becoming apparent when dissatisfaction is explored. Dissatisfaction in terms of unmet expectations were rated as higher for males than females (9.42 unmet expectations per male and only 7.86 per female).

Figure 5.13: Dissatisfaction in terms of Unmet Expectations



Destructive behaviour rated more highly for females than males which may indicate that males engage in more subtle withdrawal behaviour as opposed to the more obvious demonstrations of destructive behaviour which include disregarding rules and behaving inappropriately

Figure 5.14: Destructive Behavioural Responses

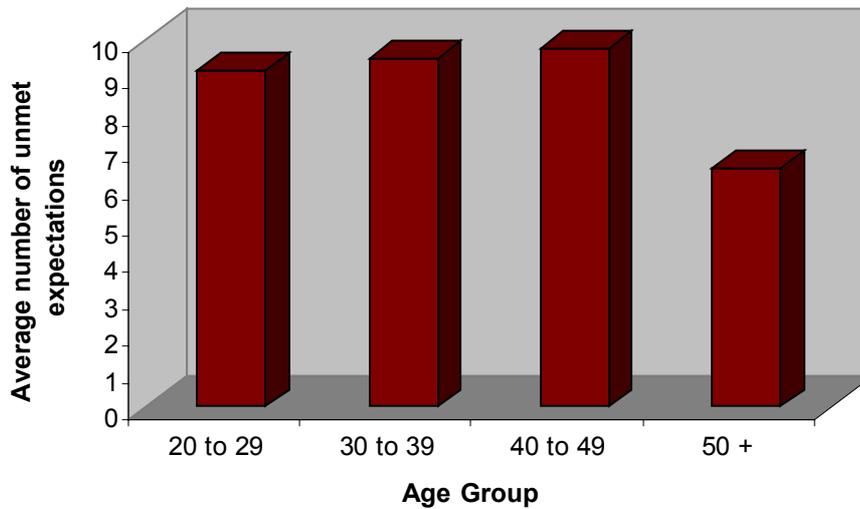


5.4.2 Age Rankings

Psychological contract may be assumed to vary with different age groups. This was not the case amongst our knowledge workers in that there was significant value placed on new psychological contract variables across all the age groups.

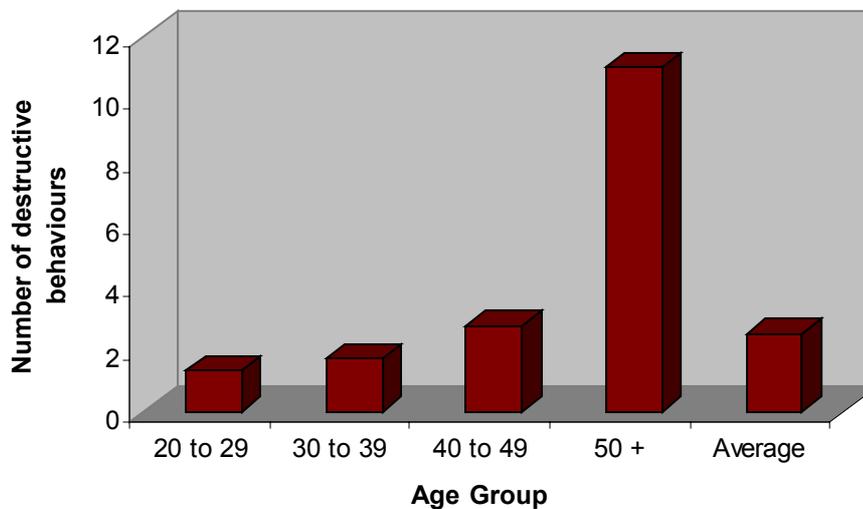
What was of interest was the fact that younger employees experienced more unmet expectations (53%) than older employees (47%). Furthermore, the 50+ age group experienced the least unmet expectations. The table below demonstrates the differences.

Figure 5.15: Unmet Expectations According to Age



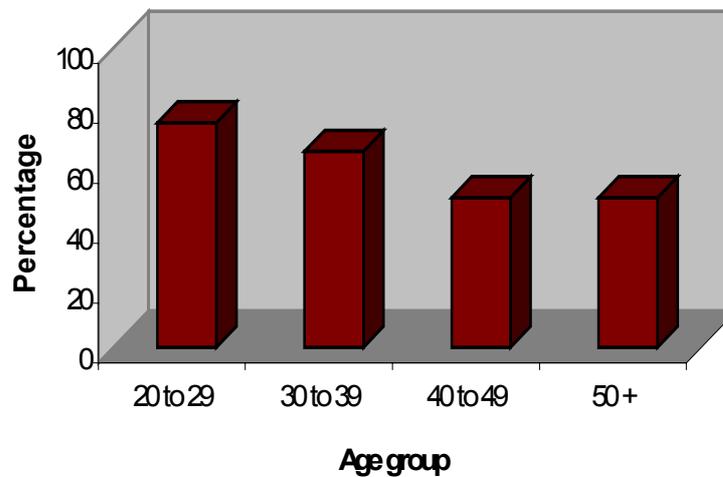
There is a significant change in the behaviour of the 50+ age group however when exploring the behavioural responses. One can conclude that older employees may engage in more destructive behaviour as a result of unmet expectations. It would seem there is a trend related to increasing age and more destructive behaviour.

Figure 5.16: Destructive Behaviour According to Age



Contrary to common assumptions, younger knowledge workers appear to value job security more than older employees as the figure below demonstrates. This too may reflect a trend that as employees age they worry less about job security. This trend needs to be explored further.

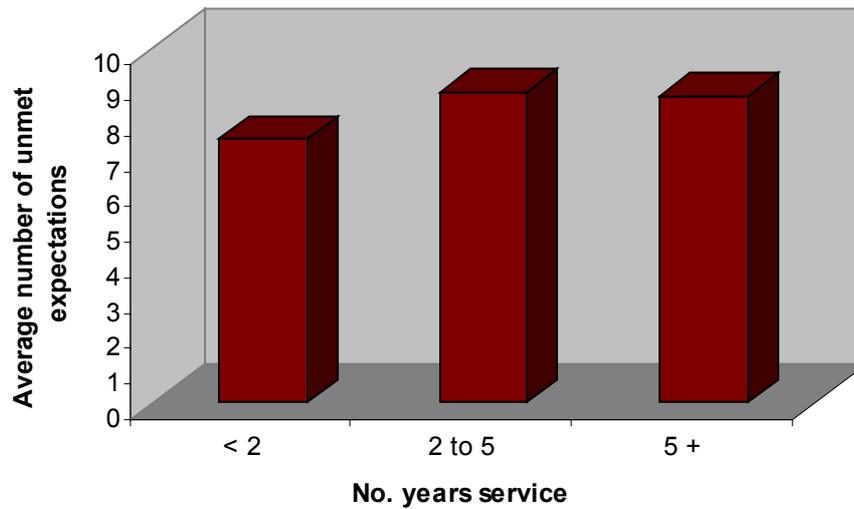
Figure 5.17: Job Security According to Age



5.4.3 Tenure Rankings

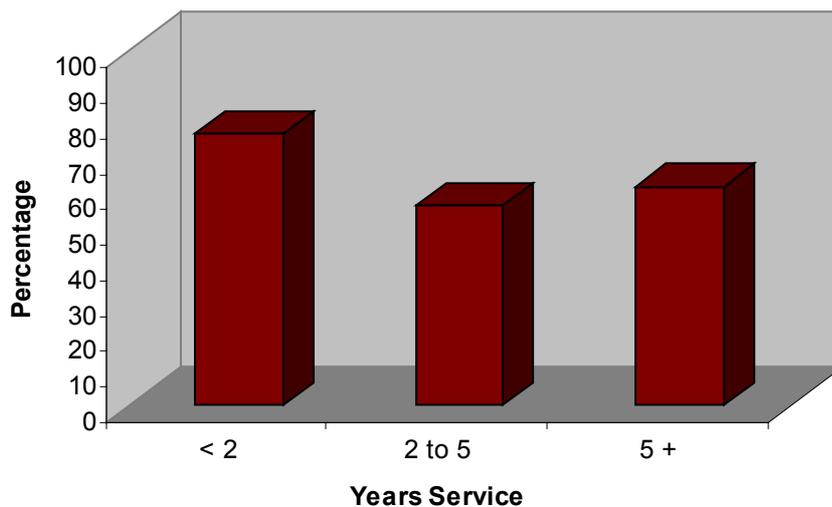
Researchers have explored the relationship between length of service and loyalty amongst knowledge workers in South Africa (Kinnear, 1999). It would seem that generally longer serving employees have more unmet expectations than newer employees and this would be expected to be true for most employee populations. The trend shows that unmet expectations increase over time.

Figure 5.18: Unmet Expectations According to Length of Service



In terms the earlier finding of the importance of job security to younger employees this is supported by the trend found within longer serving employees. New employees rate job security as considerably more important than longer serving employees.

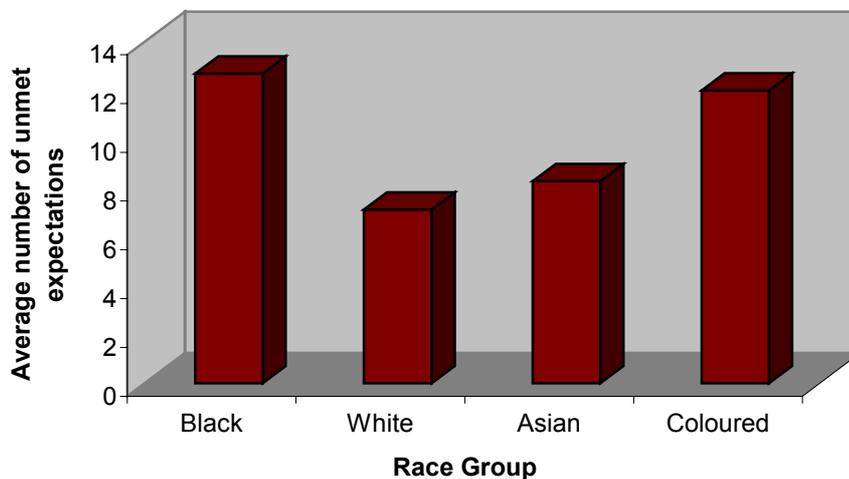
Figure 5.19: Job Security Importance According to Length of Service



5.4.4 Equity Rankings

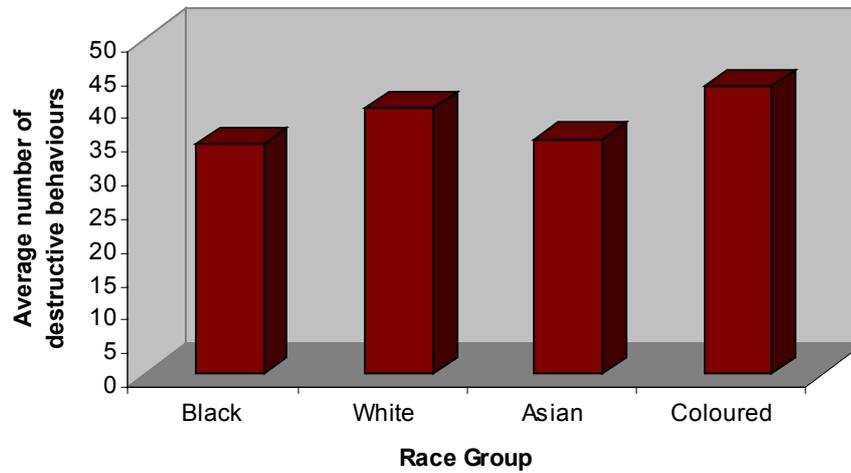
Black and Coloured respondents reflected greater unmet expectations than White and Asian groups. Based on this finding one might assume greater levels of dissatisfaction amongst Black and Coloured knowledge workers within the reinsurance industry.

Figure 5.20: Unmet Expectations According to Race



Given the dissatisfaction levels above, it is worthwhile analysing the differences in propensity to depart amongst the different race groups. Surprisingly the most dissatisfied race group do not indicate a greater propensity to depart. Coloured and White respondents reflect a greater indication of intending to depart. Figure 5.16 reflects the comparisons across the various race groups.

Figure 5.21: Propensity to Depart According to Race



These findings from the research reveal various values and behavioural responses of the respondents which can be attributed to knowledge workers within the reinsurance industry.



Chapter Six:

Conclusion and Recommendations



6.1. Introduction

This research has provided findings which enable inferences to be drawn on the rest of the knowledge worker population within the reinsurance industry. While not all the research propositions presented in Chapter 3 have been found to be true, the implications for the industry and the insights are numerous.

6.2. Industry Implications

Based on this research we can conclude that the industry is faced with a number of challenges. Perhaps the most interesting one is that of the challenge of leadership being the most highly valued variable and the pressure on senior management to provide both progressive leadership and maintain a culture of ethics and integrity. Providing knowledge workers with sufficient freedom and challenging work will continue to be consistent challenges across all categories of employees.

What is particularly relevant is the perception presented in proposition 4 of organisational and employee alignment of psychological contract variables but the failure in proposition 3 to meet the most important needs and expectations of respondents. The challenge to employers will be to explore the gap between “what gets said” and “what gets done”.



While informal psychological contract variables are indicated as important to knowledge workers (proposition 2), organisations would do well to not ignore the significance of items such as competitive remuneration package and the perceived failure to provide organisational facilities and structural support (proposition 3).

It would appear that there are significant items of importance which are not captured in formal contracts which are viewed as very important to knowledge workers. This has significant implications for management in terms of reviewing selection and interviewing formats. The discussion guide in appendix 14 may serve as a guide for psychological discussion and renegotiations if necessary.

Significantly, knowledge workers can be said to value job security and find organisational restructuring unimportant while organisations are perceived to find organisational restructuring very important.

The reinsurance industry may not be plagued by knowledge workers engaging in destructive behaviour (proposition 6) yet what is significant is the fact that they are generally all considering vacancies elsewhere. Some may claim that they will not attend interviews but departure is not ruled out as an impossibility.

It would seem that assumptions about black mobility can also be laid to rest within this industry amongst knowledge workers. It is our White and Coloured



populations who are significantly poised to consider following through with departures.

While knowledge workers may not engage in destructive behavioural responses, more dangerous to the industry is the form of “subtle exits” which may occur in place of departures. These subtle exits are evidenced in their willingness to participate reluctantly and it is in those acts that we realise we have lost the hearts and minds of our knowledge workers. Participating reluctantly and becoming frustrated does not enable innovative knowledge workers to place our industry at the forefront of the financial services sector.

There is good news for the industry in that knowledge workers are prepared to ask for changes and become demanding. This indicates a willingness to restore contracts and offer employers the opportunity to renegotiate contracts.

6.3 A Model for Contract Renegotiation

It has been suggested that it is possible to develop a set of methods and techniques to deal with the changes in the psychological contract. Hiltrop (1979) suggest setting up a system for establishing and discussing employee expectations early in the employment relationship, checking out whether the psychological contract is still valid at later stages and then renegotiating the contract if necessary. Herriot (1992) suggests that a continual sequence of renegotiations of the psychological contract will be required during the employee’s period of employment.



In considering a model for renegotiating psychological contracts, employers should keep in mind that trust and commitment produce voluntary co-operation and voluntary co-operation drives performance which may ultimately lead people to go beyond the call of duty.

”People care about the decisions you make, but they care even more about the process you used along the way” Chan Kim and Mauborgne (2003).

This is supported by Atkinson (2001) who suggests that there is evidence that change to the psychological contract should be possible without significant damage to the relationship; it may be more a question of how things are done rather than what is done.

For companies seeking to harness the energy and creativity of committed managers and employees in a knowledge economy, the central idea that emerges from our research is that individuals are most likely to trust and co-operate freely with systems – whether they themselves win or lose by those systems when fair process is observed.

Fair process responds to basic human need. Everyone wants to be valued as human beings not as personnel or human assets. Knowledge workers want their ideas to be taken seriously and they want to understand the rationale behind specific decisions. People are sensitive to the signals conveyed through a company’s decision-making processes. Such processes can reveal a company’s willingness to trust people and seek their ideas – or they can signal



the opposite. Three principles emerge – engagement, explanation and expectation clarity” Chan Kim and Mauborgne (2003).

6.3.1 Recommendations for contract negotiations:

1) Define organisational expectations and obligations

Defining organisational expectations at pre-placement or pre-promotion stage is critical. Using the list of variables defined in this research (appendix 4) could be extremely useful in finding out what applicants may expect and defining what management may be prepared to deliver.

A discussion which is explicit and transparent regarding psychological contract items would be extremely useful. It may be useful to base it on a structured format as provided in appendix 14 – Psychological Contract Discussion Format. Doing so would place the onus on management to be able to define expectations of the organisation and provide the opportunity to discuss possibilities and limitations.

2) Review psychological contract issues regularly

It would be careless to wait for withdrawal behaviours or departures to attempt to start contract discussions. It will be useful to find out what is important and continue revisiting those priorities.



3) Define personal and organisational alignment

Most important is that the industry moves past the perceptions of what is important and is perceived to be acting on items of importance to knowledge workers.

6.3. Conclusion

Investing time and energy into understanding the nature of the psychological contract amongst knowledge workers is driven by more than the need to meet the requirements of the social contract as defined by Donaldson in White (1993).

Smith and Rupp (2003) show in their study that “knowledge workers work harder because of increased involvement and commitment that comes from having more control and say in their work; they work smarter because they are encouraged to build skills and competence and they work more responsibly because more responsibility is placed in hands of employees further down in the organisation.”



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Appendix 1

Date

Name of HR Manager

Name of Company

Dear

**Research on the role of the psychological contract amongst knowledge workers
in the reinsurance industry**

Thank you for agreeing to participate in the above research and to assist in the distribution of the questionnaires.

Please would you distribute the questionnaires to at least 20 knowledge workers within your organisation. For the purposes of the research, a knowledge worker is defined as an employee with specialist knowledge and who fulfills the following criteria:

- Has a qualification (Diploma/Bachelors/Honours/Masters+)
- Is engaged in collection, interpretation and distribution of information
- Is involved in complex work which is process oriented
- Engages in consulting/communications based on specialist knowledge

Other than the criteria listed, potential candidates need to reflect a reasonable spread of age, race, gender and level in the organisation.

Confidentiality of all respondents is guaranteed and all research regarding your company, industry trends and recommendations will be made available to you. Envelopes will be provided for purposes of confidentiality and it is recommended that respondents seal their own envelopes.

I would be grateful if you could ensure that the questionnaires are available for collection by no later than the 10 October 2003. I will contact you on that date to arrange for collection.

I will telephone you on completion of the research to discuss how you wish to receive feedback on the results.

Your assistance is much appreciated.

Yours sincerely

LIZA STRONG

Contact details: Phone:

011 684 0330

Email: lstrong@gcr.com



Appendix 2

22 September 2003

Dear Respondent

Reinsurance Research Report: The Role of the Psychological Contract amongst Knowledge Workers in the Reinsurance Industry

Attached is a questionnaire which forms part of the research I am currently conducting on behalf of the Gordon Institute of Business Science. The research has been designed to gain insight into understanding the development, maintenance and redefinition of the psychological contract (the unwritten contract within the employment relationship) in order to find meaningful ways to motivate and retain key employees within the Reinsurance Industry.

The sample population will include knowledge workers from all reinsurance companies within South Africa.

For the purposes of the research, a knowledge worker is defined as an employee with specialist knowledge and who fulfills the following criteria:

- Has a qualification
- Is engaged in collection, interpretation and distribution of information
- Is involved in complex work which is process oriented
- Engages in consulting/communications based on specialist knowledge

The aim of the research is to obtain your views of what is important to you in the employment relationship and to establish to what extent the organisation satisfies your needs and the outcome thereof. Our aim is to identify trends in the breach of the psychological contract (the unwritten contract) and establish key indicators in order to develop a model for reinsurers to remedy the relationship.

Neither you nor the organisation will be identified in the questionnaire below which should take **10-20 minutes** to complete. I would appreciate it if you would complete and return the questionnaire to _____ by the 9 October 2003. Envelopes will be provided for purposes of confidentiality and it is recommended that you seal your own envelope. Should you wish to rather fax the questionnaire, please feel free to do so – 011 447 2225 or email at tmyers@global.co.za. Should you fax or email our only request is that you indicate the company name so that we are able to monitor company response rates.

Your assistance is much appreciated

Yours sincerely
LIZA STRONG



Appendix 3

RESEARCH QUESTIONNAIRE

SECTION 1: DEMOGRAPHIC DETAILS OF RESPONDENT & ORGANISATION

The following information will be used to make group comparisons only and your questionnaire will not be analysed on an individual basis. All questionnaires will be collated by an independent researcher. Please circle one number for questions 1 – 6

QUESTION		ANSWER				
1	Gender: 1 = male, 2 = female	1	2			
2	Years of service with current organisation 1 = <2 years, 2 = 2 – 5 years, 3 = >5 years	1	2	3		
3	Highest University or equivalent qualification obtained: 1 = Diploma, 2 = Bachelors, 3 = Honours, 4 = Masters +, 5 = Other, please specify	1	2	3	4	5
4	Race: 1 = black, 2 = white, 3 = asian, 4 = coloured	1	2	3	4	
5	Age: 1= 20-29 2= 30-39 3= 40-49 4= >50	1	2	3	4	
6	Company Name	RGA	Hannover	Munich	Swiss	GCR

SECTION 2: DETERMINANTS OF ITEMS OF IMPORTANCE WITHIN THE EMPLOYMENT RELATIONSHIP

PART A:

Please rate to what extent the items listed within the employment relationship are **important to you**.

PART B:

Please indicate whether the organisation has **met your expectations** with regard to these items by placing a cross in the columns provided.

PART C:

In the last two columns, please indicate **whether, in your opinion, your company places importance on these factors** by placing a cross in the yes column if your company does place value on these factors and in the no column if your company does not appear to value these factors. Remember this is **your opinion**.

PART D:

In the second table please indicate how **you respond or how you believe you may respond** in instances where the company has failed to meet your expectations.

It is important that you answer all the items.



FACTORS	PART A					PART B			PART C	
	Individual Importance					Individual Expectations Met			Company Importance	
	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant	YES	To some extent	NO	YES	NO
1.	Opportunities for career progression									
2.	Regular and relevant training opportunities									
3.	Networking opportunities									
4.	Membership of professional bodies									
5.	Working in teams									
6.	Regular performance feedback									
7.	Challenging work assignments									
8.	Access to 'leading edge' technologies, equipment and products									
9.	Autonomy									
10.	The company being a recognised leader in its field									
11.	Opportunities for involvement in strategic issues									
12.	Progressive leadership									
13.	Ethics and integrity of senior management									
14.	Well defined job requirements									
15.	Relationships amongst peers									
16.	Relationships with management									
17.	Regular performance evaluations									
18.	Opportunities for involvement with senior/global management									
19.	Ability to define your own job and role									
20.	Clear expectations and direction from your immediate manager									
21.	Freedom to plan and execute work independently									
22.	Clearly defined responsibilities and accountabilities									
23.	Culture of trust									
24.	Opportunities to manage conflict									
25.	The ability to influence your immediate work environment									
26.	Identification with the business goals of the organisation									
27.	Identification with the organisational values									
28.	A culture of learning and sharing learning									
29.	A competitive remuneration package									
30.	Pension scheme									
31.	Health care benefit									
32.	Recognition for your qualifications through the pay system									
33.	Recognition for your experience through the pay system									
34.	Incentives linked to performance									
35.	Incentives for idea generation									
36.	Informal rewards and recognition									
37.	Facilities (canteen, gym)									
38.	Office layout									
39.	Infrastructural support (crèche, collection services)									
40.	Educational assistance (bursaries)									
41.	Clearly structured promotional progress									



FACTORS		PART A					PART B			PART C	
		Individual Importance					Individual Expectations Met			Company Importance	
		Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant	YES	To some extent	NO	YES	NO
42.	Flexible career progression within the organisation										
43.	Job security										
44.	Flexibility to work on own terms (eg: work from home; flexi-time)										
45.	Time for personal life outside of work										
46.	Substantial leave										
47.	Socialising and teambuilding at work										
48.	Organisational restructuring										

PART D:

Please indicate how **you respond** or how **you believe you may respond** in instances where the company has failed to meet your expectations.

RESPONSES		Individual responses to instances of unmet expectations			
		Always	Occasionally	Often	Never
1	Disregard rules				
2	Participate reluctantly				
3	Contribute the minimum required				
4	Refuse to work overtime				
5	Arrive late				
6	Leave early/ promptly				
7	Take "sick" leave unnecessarily				
8	Conduct more personal chores				
9	Waste time on the internet				
10	Miss deadlines				
11	Become forgetful				
12	Initiate gossip				
13	Spend more time on personal calls				
14	Take longer lunches				
15	Waste company money				
16	Become frustrated				
17	Behave inflexibly				
18	Become more demanding				
19	Become pedantic				
20	Give in to sudden outbursts				
21	Become intolerant				
22	Behave inappropriately				
23	Prepare CV				
24	Distribute CV				
25	Consider vacancies elsewhere				
26	Apply for vacancies elsewhere				
27	Attend interviews				
28	Make mistakes				
29	Ask for changes				
30	Other:				

Question 30 - Please feel free to add any other responses which your believe demonstrate how you behave or feel when your expectations are not met which have not been covered by the questionnaire.



Appendix 4

Classification of Psychological Contract Variables

Variables	Statements
Autonomy	Autonomy Ability to define own job and role Freedom to plan and execute work independently Opportunities to manage conflict The ability to influence your immediate work environment
Recognition	Regular performance feedback Regular performance evaluations Recognition for qualifications through pay systems Recognition for experience through pay systems Incentives linked to performance Incentives for idea generation Informal rewards and recognition
Career Development	Opportunities for career progression Regular relevant training opportunities A culture of learning and sharing learning Educational assistance Clearly structured promotional progress Flexible career progression
Relationships	Working in teams Relationships amongst peers Relationships with management Socialising and teambuilding
Personal Alignment	Identification with business goals Identification with organisational values
Challenging Work	Challenging work assignments Involvement in strategic issues
Leadership	Progressive leadership Ethics and integrity of senior management



Cont.

Variables	Statements
Ambiguity	Ability to define own job and title Freedom to plan and execute work independently
Status	Networking opportunities Membership of professional bodies Access to leading edge technologies Company being a recognised leader Involvement in strategic issues Involvement with senior/global management
Organisational Environment	Culture of trust A culture of learning Facilities Office Layout
Pay and Benefits	Competitive remuneration package Pension scheme Health care benefit Recognitions for experience through pay system Infrastructural support Educational assistance Substantial leave
Structure, Stability and Security	Well defined job requirements Clear expectations and directions form immediate manager Clearly defined responsibilities and accountabilities Recognition for experience through pay system Clearly structured promotion progress Job security Organisational restructuring
Work Life Balance	Flexibility to work on own terms Time for personal life outside of work Substantial leave



Appendix 5 Proposition 1 Frequency Tables % Response

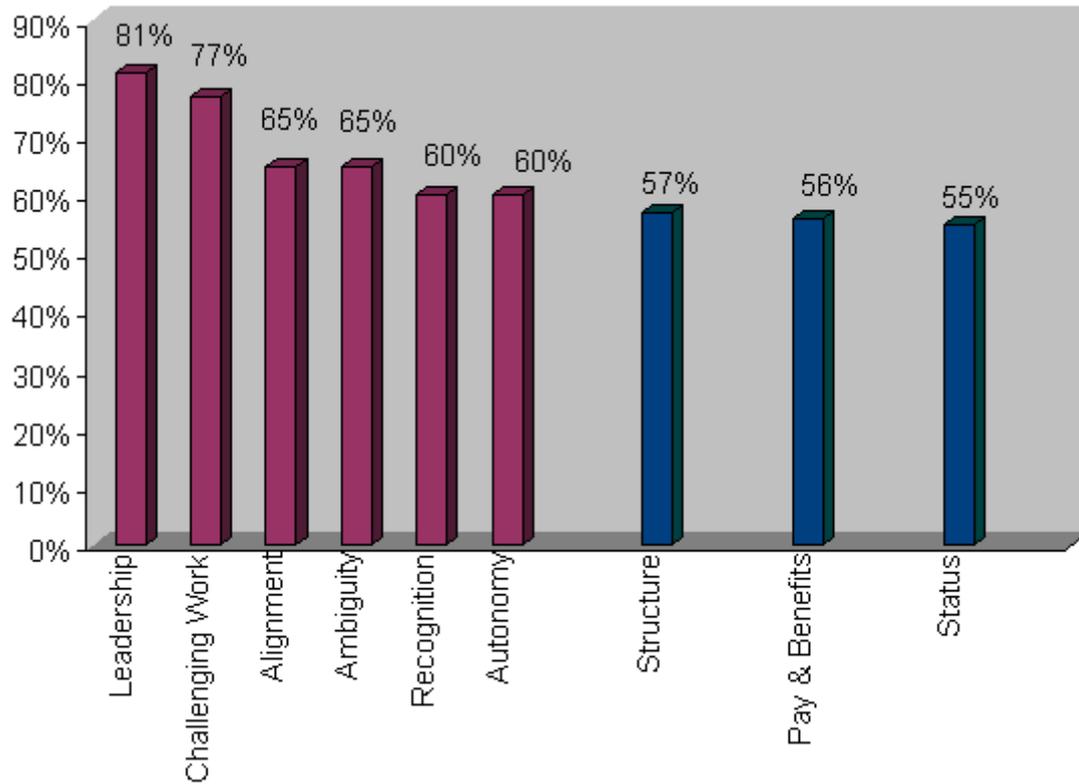
Traditional Psychological Contract		Responses				
No	Statements	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant
30	Pension Scheme	72%	18%	2%	5%	4%
33	Recognition for experience through the pay system	68%	28%	4%	0%	0%
20	Clear expectations and directions from immediate manager	65%	25%	7%	4%	0
14	Well defined job requirements	63%	26%	4%	5%	2%
43	Job security	63%	28%	4%	0	5%
31	Health Care Benefit	61%	28%	2%	2%	7%
22	Clearly defined responsibilities and accountabilities	54%	30%	7%	5%	0
41	Clearly structured promotion progress	63%	28%	4%	12%	2%
	TOTAL	63%	26%	4%	4%	2%

New Psychological Contract		Responses				
No	Statements	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant
9	Autonomy	53%	40%	8%	0%	0%
19	Ability to define own job and role	60%	37%	4%	0%	0%
21	Freedom to plan and work independently	70%	30%	0%	0%	0
25	The ability to influence immediate work environment	59%	34%	5%	2%	0%
26	Identification with business goals of the organisation	65%	32%	0%	4%	0%
27	Identification with organisational values	58%	28%	2%	2%	7%
7	Challenging work assignments	65%	26%	4%	5%	0
11	Opportunities for involvement in strategic issues	77%	21%	2%	0%	0%
34	Incentives linked to performance	81%	16%	4%	0%	0%
13	Ethics and integrity of senior management	89%	7%	4%	0%	0%
	TOTAL NEW	68%	27%	3%	1%	1%



Appendix 6 Proposition 1 Graphs and Statistical Analysis

Graphical Description of Traditional and New Contract Variables



Statistical Analysis for Proposition 1:

	New Contract	Traditional Contract	Difference				
Difference between obs p	0.69627	0.63158	0.06469				
	p	1-p	n	P(1-p)/n	Sqrt[p(1-p)/n]		
Std error (p)	0.06469	0.93531	57	0.001061511	0.032580832		
	P	Alpha	Z-value	Std Err (p)	Z* {Std Err(p)}	LCL	UCL
95% Confidence Interval	0.06469	0.05	1.959961082	0.032580832	0.063857163	0.00083	0.12855
90% Confidence Interval	0.06469	0.1	1.644853	0.032580832	0.053590679	0.01110	0.11828



Appendix 7 Proposition 2 Frequency Tables % Response

Formal Contract Variables		Responses				
No	Variables	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant
10b	Organisational Environment (formal)	24%	42%	5%	23%	6%
11	Pay and Benefits	56%	28%	5%	7%	4%
12	Strucuture, stability and security	57%	29%	7%	5%	2%
	TOTAL	52%	30%	6%	8%	4%

Informal Contract Variables		Responses				
No	Variables	Very Important	Somewhat Important	Undecided	Unimportant	Irrelevant
1	Autonomy	60%	35%	4%	0%	0%
2	Recognition	60%	31%	5%	4%	0%
3	Alignment	65%	29%	2%	4%	0%
4	Challenging Work	77%	22%	1%	0%	0%
5	Leadership	81%	13%	4%	2%	0%
6	Ambiguity	65%	34%	2%	0%	0%
7	Status	55%	36%	6%	3%	1%
8	Organisation Environment (culture)	76%	19%	3%	2%	0%
	TOTAL	63%	30%	4%	2%	0%



Appendix 8 Proposition 2 Statistical Analysis

Formal Contract Variables		Hypothesis Tests per construct	
No	Variables	P-value	Result
10b	Organisational Environment (formal)	0.999964586	Not significant at all
11	Pay and Benefits	0.167268283	Not significant at 10%
12	Strucuture, stability and security	0.157964163	Not significant at 10%
	TOTAL	0.357837069	Not significant at all

Informal Contract Variables		Hypothesis Tests per construct	
No	Variables	P-value	Result
1	Autonomy	0.059	Significant at 10%
2	Recognition	0.074	Significant at 10%
3	Alignment	0.012	Significant at 5%
4	Challenging Work	0.000023	Significant at 1%
5	Leadership	0.000002	Significant at 1%
6	Ambiguity	0.014	Significant at 5%
7	Status	0.240	Not significant at 10%
8	Organisation Environment (culture)	0.000040	Significant at 1%
	TOTAL	0.021	Significant at 5%

Appendix 9 Percentage of Met and Unmet Variables of Importance

Construct : Recognition		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	24%				
	No / To some extent	76%				
Construct : Organisational Environment		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	24%				
	No / To some extent	76%				
Construct : Leadership		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	26%				
	No / To some extent	74%				
Construct : Structure, Stability and Security		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	27%				
	No / To some extent	73%				
Construct : Autonomy		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	28%				
	No / To some extent	72%				



Construct : Status		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	30%				
	No / To some extent	70%				
Construct : Work Life Balance		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	36%				
	No / To some extent	64%				
Construct : Career Development		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	36%				
	No / To some extent	64%				
Construct : Relationships		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	38%				
	No / To some extent	63%				
Construct : Challenging Work		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	37%				
	No / To some extent	63%				



Construct : Pay and Benefits		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	38%	1.654503665	0.950987409	0.049012591	Significant at 5%
	No / To some extent	62%				
Construct : Alignment		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	42%	1.162096076	0.877401724	0.122598276	NOT significant at 1%
	No / To some extent	58%				
Construct : Ambiguity		Individual Importance (Part A) Very / Somewhat Important	Test Statistic	P (Z < Test Stat)	p-value	Result
Individual Expectations Met (Part B)	Yes	42%	1.140965294	0.873057766	0.126942234	NOT significant at 1%
	No / To some extent	58%				



Appendix 10 Proposition 4

Statistical Analysis of Employee and Employer Alignment of Variables of Importance

Construct : Structure, Stability and Security		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	52%	0.621626707	NOT significant at all
	No	48%		
Construct : Leadership		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	75%	0.834157472	NOT significant at all
	No	25%		
Construct : Pay and Benefits		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	58%	0.859630696	NOT significant at all
	No	42%		
Construct : Organisational Environment		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	58%	0.874059535	NOT significant at all
	No	42%		
Construct : Recognition		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	62%	0.956810124	NOT significant at all
	No	38%		
Construct : Autonomy		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	62%	0.958014599	NOT significant at all
	No	38%		
Construct : Relationships		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	63%	0.967489673	NOT significant at all
	No	37%		



Construct : Work Life Balance		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	65%	0.983827268	NOT significant at all
	No	35%		
Construct : Status		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	71%	0.998547117	NOT significant at all
	No	29%		
Construct : Ambiguity		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	75%	0.999854365	NOT significant at all
	No	25%		
Construct : Alignment		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	75%	0.999895822	NOT significant at all
	No	25%		
Construct : Challenging Work		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	78%	0.999988218	NOT significant at all
	No	22%		
Construct : Career development		Individual Importance (Part A)	p-value	Result
		Very / Somewhat Important		
Important to Company (Part C)	Yes	64%	0.977628865	NOT significant at all
	No	36%		



Appendix 11 – Proposition 5 Statistical Analysis

[(O-E) ^ 2] / E	Unproductive				Test Statistic
	Never	Often	Occasionally	Always	
None	1496.558	90.85894	1947.856	574.5957	7715.748955
Minor Violation	27.5959	44.97905	22.82458	39.36866	
Major Violation	1368.292	28.83096	1733.212	340.7774	

[(O-E) ^ 2] / E	Destructive			Test Statistic
	Never	Often	Occasionally/Always	
None	1031.248	103.095	2398.333	6309.598529
Minor Violation	0.761493	50.22543	1734244	
Major Violation	802.1312	153.7881	1752.675	



Appendix 12 – Proposition 6 Statistical Analysis

[(O-E) ^ 2] / E	Increased propensity to leave				Test Statistic
	Never	Often	Occasionally	Always	
None	816.9199	176.332	231.3675	779.9664	4268.202767
Minor Violation	106.6822	1.271222	167.2532	81.62963	
Major Violation	929.4394	154.8953	388.2841	434.1619	

[(O-E) ^ 2] / E	Confirmed propensity to leave				Test Statistic
	Never	Often	Occasionally	Always	
None	718.5305	51.2952	518.6339	331.7055	3444.857748
Minor Violation	72.24186	9.369713	91.76416	39.38756	
Major Violation	786.0302	24.95271	621.157	179.7895	



Appendix 13 – Behaviour Classification

Statement	Behaviour	Outcome
18	Become more demanding	Potential for rebuilding
29	Ask for changes	
2	Participate reluctantly	Unwilling
3	Contribute the minimum required	
4	Refuse to work overtime	
5	Arrive late	
6	Leave early / promptly	
14	Take longer lunches	
7	Take sick leave unnecessarily	Unproductive
8	Conduct more personal chores	
9	Waste time on the internet	
13	Spend more time on personal calls	
16	Become frustrated	
17	Behave inflexibly	
19	Become pedantic	Ineffective
10	Miss deadlines	
11	Become forgetful	
28	Make mistakes	
1	Disregard rules	Destructive
12	Initiate gossip	
15	Waste company money	
20	Give in to sudden outbursts	
21	Become intolerant	
22	Behave inappropriately	
23	Prepare CV	Increased propensity to leave
24	Distribute CV	
25	Consider vacancies elsewhere	
26	Apply for vacancies elsewhere	Confirmed propensity to leave
27	Attend interviews	



Appendix 14 Psychological Contract Discussion Format

Variables	Statements
Autonomy	To what extent do you like to work independently? Would you prefer to define your own job and role?
Recognition	Do you enjoy receiving feedback? How often would you like to receive performance feedback? Do you prefer formal or informal rewards and recognition?
Career Development	Do you value the opportunity for career progression? Would you prefer a structured or a flexible career path?
Relationships	Do you like working in teams? Do you enjoy socialising and teambuilding?
Personal Alignment	Which of the company values can you identify with?
Challenging Work	Do you prefer challenging work assignments or routine, standardised tasks? How important is it to you to be involved in strategic issues?
Leadership	Are the ethics and integrity of senior management important to you?
Ambiguity	Do you like a well structured day or can you respond flexibly to changing circumstances?
Status	How important is your job title ? Do you need to know your next promotional opportunity?
Environment	How important is the size/position of your office? What facilities are important to you?
Pay and Benefits	How important is the type of pension scheme/health care benefit to you?
Structure, Stability and Security	Is job security important to you? Do you enjoy organisational change? Do you think it is important to change job responsibilities from time to time?
Work Life	Do you value flexibility in terms of working from home

