POSITIVE MANAGEMENT: 
THE RELATIONSHIP BETWEEN 
THE PSYCHOLOGICAL CONTRACT, 
EMPLOYEE ENGAGEMENT AND 
ORGANISATIONAL COMMITMENT 

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Abstract 

**Purpose:** To analyse the connection between the psychological contract, employee engagement and organisational commitment in the context of positive management and to create a theoretical background for future research. 

**Methodology/approach:** A qualitative narrative literature review. 

**Implications for society/further research:** The relationship between the psychological contract, employee engagement and organisational commitment forms an important base for further research. The concepts are linked to positive management, which makes it even a more interesting field to study. 

**Value of the paper (originality paper):** The psychological contract, employee engagement and commitment are frequently researched, independently of each other. But the focus of this paper is to research the relation between the concepts. In particular, the attention is asked for the relationship between the psychological contract and employee engagement. To retain engaged employees in organisations research of organisational commitment is required. 

**Limitations of the paper:** The research is a qualitative literature review. Studies in different contexts are compared. The relationship between the psychological contract and employee engagement has not been extensively studied, as shown by the current literature. It is advisable to carry out a quantitative literature review in the future if sufficient studies are carried out in this area. 

**Keywords:** positive management, psychological contract, employee engagement, organisational commitment 

**Paper type:** Qualitative narrative literature review
1. Introduction
Over the past fifteen years much research has been done about the wellbeing of employees. The aim of this article is to analyse the potential relationship between fulfilment of the psychological contract and the level of engagement and commitment of employees within organisations. It is important to take into account both engagement and commitment because it is important to bind engaged employees to the company for which they work. This knowledge may be used by employers to motivate employees. Positive management will be further investigated in this article through fulfilment of the psychological contract and its possible positive outcomes i.e. on employee engagement and commitment.

At the basis of the three concepts is the phenomenon of positive management. Positive management, which is reflected in the fulfilment of the psychological contract, focuses on the positive aspects in the work environment, such as engagement and commitment. In the past few years research increasingly focused on positive and not only on negative phenomena on the work floor e.g. burnout, sabotage and non-attendance. This paper is prepared on the basis of existing literature. The target group consists of employees in various organisations.

The aim of the study is to review existing literature and to provide a base for future research. The research question is as follows:

*To what extent is employee engagement and organisational commitment positively related to fulfilment of the psychological contract and can the theory of social exchange and the theory of justice explain this relationship?*

The article will first argue the relevance of the study. Secondly the used methodology and the analytical procedure will be discussed. Subsequently, a framework with relevant concepts and theories will be studied. The context of positive management will also be considered. After that the primary studies conducted out of the narrative literature review will be discussed. Then conclusions from the current literature will be described. Finally, recommendations for future research will be given.

2. Relevance
In the current study, a positive correlation is expected between fulfilment of the psychological contract and employee engagement and commitment. Moreover, when expectations of employees are fulfilled in the organisation by the supervisor, the employee is more likely to be engaged and committed.

The relationships between the various phenomena will be investigated, as it provides an addition to the existing literature. In particular, the relationship between the psychological contract and engagement has not been extensively researched. It is important to expand the existing literature and further complement
the research of organisational commitment. Furthermore, previous studies have shown that engagement and commitment are highly relevant to various business outcomes. Engaged employees are more productive and less often absent due to sickness (Effectory, 2014; Guthrie, 2001; Schaufeli et al., 2009). Engaged employees also have a higher customer rating and a higher daily turnover, as revealed in a diary study of a fast-food restaurant (Xanthopoulou et al., 2009). Research about committed employees shows that these employees are less absent and are less likely to leave their job (Effectory, 2014; Gallup, 2014; Griffeth et al., 2000). Besides, committed employees are planning to stay with the company for a long time (Effectory, 2014).

Apparently, a correlation between engagement and commitment with several positive organisational outcomes exists. These positive outcomes make research about commitment and engagement relevant for organisations. The relationships of these phenomena with the psychological contract are therefore also of interest. It is important to find out in which way these positive phenomena may be strengthened. How to create a positive working environment in which these positive phenomena are stimulated? This may be possible through fulfilment of the psychological contract, based on the social exchange and justice theory. The psychological contract and the theories will be further explained in the discussion of the concepts (see paragraph 4).

3. Methodology and analytic procedure
The relationship between fulfilment of the psychological contract and employee engagement and organisational commitment is investigated by searching purposefully and methodically to new knowledge about the relation between the concepts.

In the first phase of this study the individual concepts and the context of the concepts are considered, which results in the framework of this study. The framework also discusses possible theories that contribute to the explanation of the relationship. The definition of the psychological contract and the possible theories which explain the possible relationship are obtained from Meurs (2013). In this research the relationship between fulfilment of the psychological contract and organisational solidarity is examined. A vignette-study, including a questionnaire with descriptions of specific situations was used. Results support a positive effect between the degree of fulfilment of the psychological contract and solidarity in organisations. It appeared that theories of social exchange and justice play an important role in the explanation of this relationship and that the psychological contract may be an important tool for the management of an organisation to influence behaviour of employees. As stated employee engagement is important for various positive business outcomes. Van Elst (2014) researched this relation together with leadership. The theoretical background of engagement
is partly obtained from the research of Van Elst (2014) and partly from various other sources as listed in the reference list. A closely related subject to employee engagement is organisational commitment and this concept is researched because it is important to bind engaged employees to the company.

Based on both studies the question arose whether employee engagement and organisational commitment are positively related to fulfilment of the psychological contract and if the relationship can be explained by the theory of social exchange and the theory of justice. To answer this research question a narrative literature review is used in the second phase of this study. This narrative review critically evaluates the specific relationships of the concepts mentioned. Different primary studies from which conclusions can be drawn about the relation between the concepts were summarised into a holistic interpretation contributed by our own research in the past. Before primary studies were chosen, a set of search criteria and criteria for inclusion were composed.

The search criteria were: ‘psychological contract’, ‘commitment’, ‘engagement’ and the Dutch translations of these concepts. The theme of the observation was positive management. The articles were all obtained through the Rotterdam University of Applied Sciences. Google Scholar and the databases of PsycArticles and PsycINFO are accessed. The used books are obtained from the library of the University of Applied Sciences. Articles were used which have been published in peer reviewed academic journals such as Personnel psychology (IF: 4.490), or Journal of Organizational Behavior (IF: 3.038). In addition the websites of two research organisations Gallup and Effectory are used for some more information about the background of the three core concepts. Online abstracts and books in the library were skimmed. The primary studies were specifically selected by these specific criteria: definitions of the concepts, claims, conclusions and findings about above mentioned concepts, calls for follow-up studies relevant to our study, gaps in the literature. Especially articles were selected in which the three core concepts were researched altogether. An article or a part of a book which complies with the criteria is considered useful as a primary study in the narrative review. The selected primary studies and the details of the studies were directly listed in a summarizing scheme (Table 1). After dedicated search sessions, no more relevant information came forward and we started to write the review. Based on this search method we conclude that there is really limited research about the relation between psychological contract and employee engagement. It also shows that the conducted narrative review is of great importance for future research.

4. Framework: concepts and theories
In this theoretical framework the relevant concepts for the current literature review are discussed. In the literature no consensus consists about the exact meaning of the concepts. Therefore, the concepts as they are used throughout this study are described.
4.1. Concepts

The relevant concepts discussed for the current study are positive management, psychological contract, employee engagement and organisational commitment.

4.1.1. Positive management

Positive management is an approach that focuses on positive outcomes within organisations, as well as the positive psychology stream (e.g. Bakker, 2009) or the concept positive organisational scholarship (e.g. Cameron and Dutton, 2003). Positive phenomena in organisations such as engagement, organisational commitment or creating meaningful work were examined (Cameron and Dutton, 2003). Positive phenomena have a positive influence on job satisfaction, well-being, performance, experimentation and innovation (Cameron, 2012). Traditionally, the focus was not on possible positive phenomena, but more on solving potential problems (Bakker, 2009). However, positive psychology and positive management are considered more often over the last decade (Bakker, 2009). Positive management refers to the relationship between the employee and employer. The concept of the psychological contract also focuses on this relationship.

4.1.2. Psychological contract

The psychological contract refers to the fulfilment of expectations of employees by the employer. The concept may be defined as the individual beliefs of employees and employers regarding the mutual obligations (Rousseau, 2005). From this definition may be concluded that the psychological contract is an implicit agreement between employee and employer. To illustrate, an example of an item of a questionnaire regarding the psychological contract is overall, how well does your employer fulfil its commitments to you as taken from the Psychological Contract Inventory (PCI), Rousseau (2000). A psychological contract occurs when one party has the belief that a future promise is made, a contribution is made and therefore on the one hand an obligation and on the other hand an expectation is created (Rousseau, 1989). The psychological contract is subjective and based on perceptions instead of realities (Guest, 1998). The literature often compares two types of psychological contracts i.e. the transactional with the relational psychological contract (Cuyper and De Witte, 2006; Ball et al., 2013). This article focuses on both contracts. In the context of positive management the influence of the psychological contract on employee engagement and commitment will be further examined.

4.1.3. Employee engagement

Employee engagement may be summarised in one sentence i.e. the I love my job-effect (Effectory, 2014). Engagement is a positive, motivational state to which
vitality, dedication and absorption are the characteristic components (Schaufeli and Bakker, 2004). Vigor (vitality) means that an individual feels energetic. An example item from the vitality part of an engagement questionnaire, known as the Utrecht Work Engagement Scale (UWES) is at my work, I feel bursting with energy (Schaufeli and Bakker, 2003). Dedication indicates that a person feels involved and inspired through the work itself. An illustration of the part dedication from the UWES is I find the work that I do full of meaning and purpose (Schaufeli and Bakker, 2003). Absorption means that an individual focuses with pleasure almost entirely on work (Schaufeli and Bakker, 2004). An example of absorption from the previously mentioned questionnaire is time flies when I’m working (Schaufeli and Bakker, 2003). Absorption, dedication and vigor together form the concept of engagement. The phenomenon of engagement can be further subdivided into two varieties i.e. state work engagement and trait work engagement (Sonnentag et al., 2010). This refers by state to a temporary state and by trait to a more stable personality characteristic of an employee. Someone can generally be quite engaged, this is called trait engagement, but on a particular day more or less engaged depending on what happened that day, the so called state engagement (Sonnentag et al., 2010). To retain engaged employees in the organisation, it is important to look at organisational commitment.

4.1.4. Organisational commitment

Organisational commitment may be summarised as the I love my company-effect (Effectory, 2014). There are different forms of commitment i.e. affective-, normative- and continuing commitment (Effectory, 2014; Iverson and Buttigieg, 1999).

Affective commitment implies that an employee is positively involved in the organisation (Effectory, 2014). The employee is staying in the organisation because he feels emotionally connected with the organisation. An example of a questionnaire item in the field of affective commitment is this organisation has a great deal of personal meaning for me (Allen and Meyer, 1990). Employees experiencing affective commitment stay with the organisation because they want to (Allen and Meyer, 1990). In case of normative commitment the employee feels that the organisation needs them. He has sense of duty (Effectory, 2014). An example of an item in the area of normative engagement is one of the major reasons I continue to work for this organisation is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain (Allen and Meyer, 1990). Employees with normative commitment stay because they feel obligated, they ought to (Allen and Meyer, 1990). In case of continued commitment the employee benefits from an ongoing working relationship, because a lack of money or alternatives (Effectory, 2014). An example of an item in the area of continuing commitment is one of the few serious consequences of
leaving this organisation would be the scarcity of available alternatives (Allen and Meyer, 1990). Employees who experience continuing commitment stay with the organisation, because they need to (Allen and Meyer, 1990).

Affective commitment is the only form of positive commitment in the organisation (Effectory, 2014; Iverson and Buttigieg, 1999). A form that is desirable among the staff. Therefore this article investigates affective commitment in combination with the psychological contract and in the context of positive management.

### 4.2. Theories

Based on the current literature a positive relationship between fulfilment of the psychological contract and the level of engagement and commitment of employees within organisations is expected. In order to explain the relationship, the social exchange theory and the theory of justice will be used.

Firstly, the social exchange theory plays a possible role in the relation between the psychological contract, employee engagement and commitment of employees. The social exchange theory predicts that what the employee receives from the employer will be returned in kind. Where employees perceive that employers (or representatives of the organisation, such as supervisors) have certain obligations and they will be met, employees feel obligated to give something back, for example through actual behaviour (Conway and Briner, 2005). The idea behind social exchange is that people feel obligated to give something back when they receive something (Conway and Briner, 2005). The social exchange theory is based on the norm of reciprocity of Gouldner (1960).

Secondly, the theory of justice plays also a possible role. The theory of justice indicates that employees compare the inputs and outcomes of the work with other employees in the organisation and react to eliminate any inequality (Robbins and Judge, 2011). Employees are disposed to compare the ratio of the result and the effort with other employees in the organisation (Robbins and Judge, 2011). The theory of justice is also known as social comparison. Social comparison includes the process of thinking about information of others in relation to yourself (Wood, 1996). Motives to compare mainly serve to make you feel good about yourself. Based on this social equation employees constitute perceptions of fairness across multiple parties.

Based on the social exchange theory and the theory of justice an employee probably responds positively to the employer, when expectations are fulfilled. Moreover, it is expected that the degree of justice will be compared with colleagues, as in the case of the theory of justice. We assume that the employee will respond to fair fulfilment of the psychological contract, by showing engagement and commitment to the organisation. This potential relationship will be examined, based on a narrative literature review of existing primary studies.
5. Narrative literature review: Relationship between the psychological contract and employee engagement and commitment

In Table 1 the primary studies out of the narrative review are listed. The primary studies were selected in accordance with the mentioned selection criteria. We described the studies which reviewed all three core concepts namely engagement, commitment and the psychological contract, or two out of three subjects. Except Bakker (2011), who made the important statement that engaged employees show higher job performance. The order is given by the degree of relevance and the contribution of the primary study to answering the research question.

When the psychological contract is not fulfilled by the employer, employees will show less organisational engagement and job satisfaction, as shown by the meta-analysis of Zhao et al. (2007).

Employees with a permanent contract show less organisational commitment and job satisfaction, when their job security is in jeopardy (Cuyper and De Witte, 2006). Cuyper and De Witte (2006) showed that job insecurity plays an important role by employees with permanent contracts, but not by employees with temporary contracts in terms of commitment and job satisfaction. Moreover, the research revealed that the relational psychological contract may cause work engaged employees. This is not the case by a transactional psychological contract (Cuyper and De Witte, 2006).

Another study among 178 Finnish employees showed that employees have less turnover intentions, if they experience fulfilment of the psychological contract (Parzefall and Hakanen, 2010). Employees are also in this case more committed to the organisation. This phenomenon may be explained by the norm of reciprocity and the social exchange theory. Employees tend to give something back to the employer and will therefore show more commitment in case of contract fulfilment. Besides, the research shows that Finnish employees have a better mental health in case of contract fulfilment (Parzefall and Hakanen, 2010). Finally, the research shows that engagement fully mediates the relation between mental health, employee motivation and the fulfilment of the psychological contract. The research also established that engagement plays an important mediating role in the psychological contract and several positive outcomes (Parzefall and Hakanen, 2010).

A longitudinal study among 387 soldiers also revealed the important role of engagement. The study shows that the perception of a breach of the psychological contract by the army ensured that soldiers experienced less engagement both during and at the end of the mission (Chambel and Oliveira-Cruz, 2010). The researchers recommended the army to share information, even if the expectations of the soldiers cannot be met. This information may be a possible explanation (justification) for the soldiers, whereby the negative effects of a breach of the
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<td>Bakker</td>
<td>2011</td>
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<td>Engagement</td>
<td>Literature review summarised in an evidence-based model</td>
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**Table 1.**
Overview primary studies literature review
psychological contract possibly can be avoided. This effect may also be explained by the theory of justice by simply giving information the decision was justified.

Bal, Kooij and De Jong (2013) studied the psychological contract within a large health care organisation in the Netherlands. The study examined the possible connection between the psychological contract and engagement and commitment of employees. 1058 employees filled in a questionnaire and researchers of the HRM department studied the organisation in some more detail. The results showed that especially the developmental department of HRM (training of employees) had a positive impact on the engagement and commitment of employees. Besides, the study showed a mediating role of the psychological contract. The psychological contract was seen as more relational (long term, based on relations and money) than transactional (short term, based on money) and the relational contract caused more engagement and commitment among employees.

The idea that investments in personnel from the developmental department of HRM have a positive impact on employees, corresponds to the norm of reciprocity. Employees express their reciprocity by showing engagement and commitment (Bal et al., 2013). This is desirable because previous research showed that engaged employees are for example more productive (e.g. Guthrie, 2001) and show a higher job performance (Bakker, 2011). While committed employees change jobs less quickly (e.g. Parzefall and Hakanen, 2010) and report themselves sick less often (Effectory, 2014).

6. Analysis and interpretation: discussion and conclusion
The relationship between the degree of fulfilment of the psychological contract and employee engagement is not fully investigated in the past. Fulfilment of the psychological contract and commitment is more frequently examined. To take into account both engagement and commitment is important to bind engaged employees to the company. Moreover the three phenomena are of increasing importance in the current organisational environment considered in the context of positive management. For this reason, this study attempted to gain insight in the relationship between the three concepts, by taking into consideration the social exchange theory and the theory of justice. First, the findings of the current literature and the subsequent conclusions will be presented. Then the limitations of the study will be discussed and suggestions for further research will be given.

The goal of the present paper is to provide a base for future research. The research question of the current study is to what extent is employee engagement and organisational commitment positively related to fulfilment of the psychological contract and can the theory of social exchange and the theory of justice explain this (possible) relationship? The research findings indicate that employees are less committed when the psychological contract is not fulfilled by the employer (Zhao et al., 2007). Regarding the relationship with engagement, it turned out that the
type of psychological contract is important. The relational psychological contract may provide engagement among employees, in contrast to the transactional psychological contract (Cuyper and De Witte, 2006). Furthermore the perception of a breach of the psychological contract ensured that the employees experienced less commitment (Chambel and Oliveira-Cruz, 2010). In conclusion, when the psychological contract is not fulfilled, a negative effect on the engagement and commitment of employees occurs. The social exchange theory indicates that in case of fulfilment of the psychological contract by the employer, the employee will respond positively. This is also revealed by our literature study and therefore we are able to confirm this assumption i.e. that the employee will respond by showing more engagement and commitment when the (relational) psychological contract is fulfilled.

If expectations of employees have been met, they feel obliged to give something back through engagement or commitment towards the organisation. These findings are consistent with several studies, which state that fulfilment of the psychological contract leads to positive outcomes (Bal et al., 2013; Conway and Briner, 2005; Gouldner, 1960; Meurs, 2013; Meurs et al., 2014). These findings are also consistent with the literature in terms of engagement and commitment, as these concepts also lead to positive outcomes (Bakker, 2011; Guthrie, 2001; Schaufeli and Bakker, 2004; Xanthopoulou et al., 2009). The study of Chambel and Oliveira-Cruz (2010) shows that justice plays also an important role. In the context of positive management the three main concepts, psychological contract, engagement and commitment are clear linked. Furthermore, engagement completely mediates the relationship between mental health and the fulfilment of the psychological contract (Parzefall and Hakanen, 2010). Because engagement is the linking pin between the results and in view of the important role of the psychological contract, future research should take the psychological contract, engagement and commitment simultaneously into consideration.

Limitations can be named in the current investigation. A qualitative literature review is used and a restriction of this type of research is that the compared studies have been carried out in different contexts. As a result, there may be conflicting conclusions that are context-specific and makes generalisation of the results more difficult. Furthermore the relationship between the psychological contract and engagement has not yet been studied extensively. It is advisable to carry out a quantitative literature study in the future, but this is only useful when sufficient studies have been performed in this area. Our literature review showed that the psychological contract in combination with engagement has not been extensively studied. The current study is therefore a good addition to the literature in this area. In addition, we have also examined the relationship between psychological contract and commitment and we can confirm the fact that contract fulfilment is positively related to commitment (Parzefall and Hakanen, 2010).
The meta-analysis by Zhao et al. (2007) has also confirmed this. Further research is recommended between the psychological contract and employee engagement. It is advisable to also measure organisational commitment, as it is important to preserve engaged employees within the organisation. The present study is a qualitative literature review, however, it is advisable to carry out other types of research like a quantitative literature review, or an empirical study which can demonstrate the relationships in a practical situation.

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