Our concept of the structure of psychological contracts has moved from being fairly unstructured mutual understandings based on needs (Levinson, Price, Munden, Mandle & Solley, 1963) to sets of employee and organization obligations (Schein, 1980) to a structure that has transactional and relational subcomponents of employee and organization obligations (Rousseau, 1990). In this paper, we present arguments and a test that questions the efficacy of the transactional/relational structure. We then propose and test a structure grounded in organizational behavior theory that provides a better basis for further development of the concept.

Social exchange theory (Blau, 1964) suggests that exchanges between people are more valued for their symbolism of the relationship than for their instrumentality. Current psychological contract theory would regard pay for time worked as a transactional exchange. However, if social exchange theory is correct, pay for time worked may not be as important to employees for its instrumental value as it is for its symbolism that the relationship is ongoing. In addition, Macneil (1985) in his work on contracts states that transactional exchanges are rare. All other exchanges are relational and he characterizes employment as “extremely relational”. He also states that promise centered contracts, which psychological contracts are theorized to be, are relational. Both social exchange theory and the work of Macneil would suggest that all psychological contracts and contract terms are relational.

We present data from two independent studies using diverse participants and a larger number of potential psychological contract terms. These data were factored and examined to determine if they produced transactional and relational factors. We found that they did not. In one study, both factors for employee and organization obligations appear to be relational. In the other study, the two organization obligation factors were fairly clearly relational. In this second study, a different set of employee obligation variables loaded into the two factors compared to the first study but both factors were more easily identifiable as relational than transactional.

Consistent with the work of Levinson et al (1963) and Schein (1980), we proposed that employee and organization obligations would factor into sets that were based on organization and employee needs respectively. Role and motivation theory was used to propose this alternative contract structure. As proposed, we found that employee obligations produced a two factor structure that resembled in-role and extra-role behaviours. Organization obligations produced three factors that could be identified as sets of existence, relationship and growth obligations. This proposed structure provides a stronger theoretical base from which to explore the psychological contract construct as it is grounded in an extensive body of organizational behavior literature. It also provides a basis on which managers can plan actions that meet their obligations to ensure employees maintain their in-role and extra-role behaviours.