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The Workplace Psychological Contract Is Broken. Here's How to Fix It.

What the RTO debate reveals about the gulf between employers and employees. *by Anne-Laure Fayard and John Weeks*

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Illustration by Till Lauer

When Amazon announced in September 2024 that it was requiring people to come into the office five days a week rather than three, the reaction was swift and negative: A poll of 2,585 Amazon professionals found that 91% were dissatisfied with the new policy and 73% said they were considering looking for a new job because of it.

Amazon's CEO, Andy Jassy, is not alone in struggling against strong pushback when trying to bring workers back into the office post-pandemic. Dell Technologies resorted to threatening people who continued working from home, stating that they wouldn't be eligible for promotion. At JPMorgan Chase, CEO Jamie Dimon has sharply criticized employees who resisted coming into the office five days a week. And Starbucks set up an "accountability process" to ensure that its three-day-a-week policy was adhered to, including by their new CEO, who commutes to Seattle from Southern California.

The battle between companies pushing for a return to office (RTO) and employees who increasingly claim a *right* to work from home if they choose can easily be dismissed as overreaction on both sides: out-of-touch senior executives who don't understand that the world has changed versus pampered, entitled, and unmotivated employees. But the fury the debates produce suggests that there is a deeper problem.

In this article, we suggest that the outrage over workplace policies reflects a larger breakdown in the unspoken *psychological contract* employees thought they had with their organization—and specifically a growing divergence between employers and employees in their understanding of what is fair. To close this gap, we believe that employers need to move away from establishing formal workplace policies based on what's called the *ethics of justice*—a rational and one-size-fits-all way of thinking about fairness—to a more flexible, personalized approach based on the *ethics of care*. We'll explain what ethics of care means, demonstrating how some companies that we work with in our research and executive programs have successfully operationalized a caring approach, and offer guidance on how to create a culture of care in your company.

What Does It Mean to Be Fair?

First described by Harvard Business School's Chris Argyris, a *psychological contract* describes the implicit understanding that employees have about what they owe the company and what the company owes them. Psychological contracts are, as Carnegie Mellon's Denise Rousseau has observed, based on trust, "which develops from a belief that contributions will be reciprocated and that a relationship exists where actions of one party are bound to those of another." Importantly, she notes: "A damaged relationship is not easily restored."

Post-Covid RTO policies provide a powerful example of broken psychological contracts. Employees who felt they had demonstrated that they could work productively from home and who had rearranged their lives in ways that they did not believe would be temporary felt betrayed by their companies when the terms were changed, regardless of the rationale. Let's go back to Amazon. To explain the changes, Jassy wrote to employees: "We've observed that it's easier for our teammates to learn, model, practice, and strengthen our culture [when people are in the office together]; collaborating, brainstorming, and inventing are simpler and more effective."

We agree with those arguments, having written about them in HBR in 2021. But if the *real* underlying issues are trust and the relationship between employers and employees, then arguments about strengthening culture and making brainstorming more effective are beside the point and won't persuade their intended audience that the policy is correct and fair. Instead, perhaps at play here is a disagreement about what each side in the psychological contract owes to the other regarding the terms and conditions of employment.

Today, many employers understand "fairness" as an abstract principle, applying the *ethics of justice* lens, which assumes that it is possible

to find universal and objective principles that can be applied in all situations. In the context of working from home, this would lead employers to think that their task is to define a rule that can be applied to all employees (a fair policy), stipulating, say, the right number of days of remote work (a fair outcome), and the right way to implement that policy (a fair process). But in the minds of employees, “fairness” is increasingly defined in more personal and relational terms: What consideration am I owed for the effort I give? Do you seem to care about what is right for me and what makes me most productive and innovative?

This shift in what employees understand as fair goes back to well before the Covid pandemic, at least in Europe and North America. By the end of the 20th century, companies had forced new expectations on their employees: no more job for life, no more company defined-benefit pensions. By the 2010s, employees never expected that if they worked hard and made work-life sacrifices, they would necessarily have a secure job and benefits. There remained the purely transactional contract: I follow your rules, you pay me for my time.

But how could this contract entice employees to do more than the minimum—to care enough about their job and company to put in extra effort, thought, and creativity; to be proactive; to engage in extra-role behaviors? Today, if companies want an employee to care, they need to show that the work is worth caring about—hence the intensifying focus in management literature on company purpose and meaning. Companies must also show that *they care about the individual doing the work*. The trouble is that different employees and different companies think about caring in very different ways. One size doesn’t fit all, and finding which sizes fit which people is tricky. The fact that psychological contracts are tacit further complicates this issue—they are not just

unspoken but unconscious and not clearly articulated in people's minds until the moment they are broken.

This makes return-to-office friction a useful focal point. We see four elements in this issue: 1) differences in individual preferences about the percentage of work people do in the office; 2) differences in preferences about the percentage of work their colleagues do in the office (few people are enthusiastic about commuting into a mostly empty office building to have virtual meetings all day); 3) differences of belief about whether people being in the office is actually good for the company; and 4) different assumptions about the right of the employer to set aside individual preferences for the good of the company. The pandemic further highlighted these differences as it showed many people that working from home could even make them more productive—so why should they be forced to go back to the office?

Studies show that the differences don't line up neatly by demographics: Stereotyping young people or women as remote workers, for example, and older men as preferring an office hides huge amounts of variation. The differences are so big that no single policy will please everyone. Further, the psychological contract is predicated on an increasingly shaky assumption that people can agree about what is in the general good. The issue, in other words, is with the whole idea that finding a best-fit policy is the answer. In our research, we have seen companies both succeed and fail with five-days-in-the-office policies, two-days-in-the-office policies, and fully remote work. Success doesn't depend on the policy.

So how should organizations construct a workable psychological contract now? The answer is rooted in what is known as the *ethics of care*. This concept allows leaders to understand the tensions and mismatches between the expectations of them and the people they

lead—in relation to RTO but also more broadly to expectations about engagement and work. It provides some directions for organizations to design the conditions for fairer, more caring relations. Let's go into it in a bit more detail.

The Care Lens

Research on the ethics of care started with the work of Carol Gilligan, a developmental psychologist and professor at New York University. In her 1982 book, *In a Different Voice*, Gilligan challenged research by her Harvard mentor, Lawrence Kohlberg, that suggested that girls were less morally developed than boys. She showed that the girls in his study did demonstrate the ability to tackle moral questions, but when doing so, they did not rely on the ethics of justice that boys usually used. Instead, when making ethical decisions girls leveraged a deep understanding of relations and personalized needs.

Gilligan illustrated this using Kohlberg's findings and his famous Heinz dilemma. Heinz's wife is dying, he is her primary caregiver, and there is only one drug that will save her life. Heinz can't afford it, no one will loan him the money, and the drug's inventor refuses to lower the price. Should Heinz steal the drug?

The boy reasons that the right to life is a more important principle than the right to property and so all reasonable people should agree that Heinz is justified in stealing the drug. The girl disagrees: If Heinz goes to prison for the theft, he cannot take care of his wife, and she will just be in another predicament. In essence, notes Gilligan, the boy's argument is based on a perceived universal truth, while the girl's is more nuanced, based on the consequences of actions and the way his wife relies on him for care.

Inspired by Gilligan's theory of ethics as always situated and relational, and broadening the focus beyond gender differences, the ethics of care was developed further in the 1980s by philosophers such as Nel Noddings and in the 1990s by political scientists such as Joan Tronto, who defined "care" as a practice that includes "everything we do to maintain, contain, and repair our 'world' so that we can live in it as well as possible." By the early 2000s, ethics of care was a small and growing theory in management, and organizational scholars started using it in their research. Today, it is entering the mainstream media as well as business literature.

So, how does it work for a business?

Adopting a Care Lens in Organizations

While there is no single definition of "ethics of care," there are some key themes that are relevant for organizations, particularly on the tricky issue of who can work from where.

First, as reflected in the Heinz dilemma, the concept is rooted in the assumption that humans are fundamentally relational and interdependent. Second, context matters. Unlike the ethics of justice and its abstract and universal principles, the ethics of care values unique and individualized attention and response. It requires being attentive to and understanding each other's specific experience, including each person's relative power and relationships. Third, emotions play a positive role in creating empathic relationships, which are essential for caring actions.

In their book, *Business Ethics and Care in Organizations*, organizational researchers Marianna Fotaki, Gazi Islam, and Anne Antoni build on the work on the ethics of care in psychology, philosophy, and political science, developing a theoretical framework for evaluating actions and

interactions between managers and employees from a care lens. They contrast three questions that one can ask about a given organizational policy: *What is right? What works? What matters?*

Leaning into these questions, Carlos Mendes Gonçalves, CEO of Casa Mendes Gonçalves (CMG), one of the largest producers of vinegar and sauces in the Iberian Peninsula, has taken a very different approach from leaders who have adopted a blanket approach to RTO. In multiple interviews with him, we have observed that his approach to hybrid working and communicating with employees is consistent with what you would expect from a leader guided by an ethics of care.

First, asking *what is right*, Gonçalves wondered how he could on the one hand ask the 350 factory workers to be on-site five days a week while offering a hybrid model for the 100 employees in the office. So when the new HR director joined in September 2024, Gonçalves told her that she needed to implement a four-day week in the factory to compensate for the fact that factory workers cannot benefit from hybrid work. This way, Gonçalves reasons, both groups get a boost to their well-being, something that matters to him.

Turning to *what works*, CMG has implemented a process to make sure the employees could make the shift to a four-day week effectively. After research on other companies that had made this move (discovering none in their industry), they started with a six-month pilot with 10–15 people, which they are currently rolling out across the organization.

Then, asking *what matters*, CMG has planned a study to listen to their employees, pre-pilot and afterward, to understand not only their professional needs but also their emotional and social needs. This has meant training managers to conduct in-person discussions because, as CMG's HR director stresses, it is key that the managers themselves are

involved both to hear what matters to their people and to signal that they are listening, that they care, and that they are working to address some of the most important concerns.

To accurately measure outcomes from these initiatives, CMG has put in place a data collection plan with experimental and control groups. The data will include measures of productivity, energy costs, well-being, and psychosocial risks in the pre-intervention period, intervention periods, and then post-intervention.

In most cases, the best person to answer the *what matters* question is the line manager, who is familiar with the work context and knows the employees better than the executives or human resource managers designing policies do. One member of a Dell global team, who has been working remotely for more than 10 years from Europe with a boss in Texas, told us that, when the company announced that employees had less than a month to choose between working at least three days in the office or else becoming ineligible for promotion or changing divisions, several reasons were given in terms of *what is right* and *what works*—abstract arguments about the right of employers to set the conditions of how and where work gets done and the importance of presence in the office for learning, creativity, and culture-building. None of the arguments addressed *what matters*.

When the announcement was made, the Dell team member told us, there was a lot of agitation on their work group chats: “Everybody posted and the messages showed a mix of despair, frustration, unhappiness, and a feeling of unfairness. People didn’t trust the company.” The policy was strict: Time in the office would be tracked by badging; if you were sick one week, you had to work in the office extra days to make up for it. People suddenly faced long commutes and had to find childcare solutions.

But this person's boss found a way to create flexibility within the policies by caring about *what matters*. Acknowledging that it made no sense for the members of the global team to be in the office when they work with people in different time zones (in early mornings as well as late afternoons), the supervisor was able to create an exception for them. "My boss is great," our contact told us. "She talked to me about different options and told me she would support our team." And the team, we learned, was more engaged than many other groups the team member observed across the company.

The CMG experiment and the Dell example both demonstrate that crafting psychological contracts based on an ethics of care requires a careful understanding of context on the part of employees and the managers they report to. And while it is easy enough to create effective arrangements on a small scale, there are clearly challenges to be met in shaping and adapting to individual psychological contracts across large organizations with diverse working environments. Since work arrangements and employee needs vary enormously, a large organization has to form a multitude of very local psychological contracts. This means that many managers will have to engage more closely with their employees than they are used to. Finally, everyone in the organization then has to accept that different arrangements apply to different people.

Given these issues, how can large companies make the ethics of care a companywide phenomenon?

Creating a Culture That Supports Care-Based Psychological Contracts

Ezio Manzini, a designer famous for his work on social innovation and sustainability, suggests a way to do this. In a recent book, *[Livable Proximity: Ideas for the City that Cares](#)*, Manzini argues that care is

fundamental for sustainable, resilient, and healthy cities and societies. The challenge, he concedes, is that it cannot be designed. But the good news, says Manzini, is that “we can create the conditions for care to happen.” Leveraging his work and the ethics of care literature, we propose three guiding principles for creating a new psychological contract of care, along with some concrete suggestions for how to put the principles in action—regardless of whether you’re looking at how to manage in-person, remote, or hybrid work or dealing with any other organizational decisions.

Relational proximity.

In our 2021 HBR article, we wrote about neuroscientific research suggesting that the brain chemistry of people in what psychiatrist Edward Hallowell calls a *human moment*—a face-to-face-encounter (often, but not necessarily, in person) that allows for empathy, emotional connection, and nonverbal cues to complement what is actually said—is distinct from that in purely transactional encounters.

Human moments support care. They may result from a short meetup at a colleague’s desk or a video call just to chat, but optimism that merely bringing managers and employees back to the office—sometimes against their will—will automatically mean that people feel more cared for and care more about their work is misplaced. From a care lens, the important aspect of proximity is *relational*, stressing the need, when interacting and making decisions, to take into account contextual and individual variations—and not just logic and reason but also emotions.

However, with hybrid or remote work, one might wonder what happens to relational proximity and how it might be achieved. When communication takes place only remotely, the connection is weakened and nonverbal signals are less easy to pick up on, even when people are sitting nearby or can see each other on a screen. While relational proximity might be more difficult to achieve, it still matters, and even

if work is done remotely, it is important to create opportunities for in-person meetings.

This is why many tech companies that boast about being 100% online still have an office or other space for scheduled meetups, in order to foster deep relationships through in-person contact. Take [Automattic](#), the remote-first company behind WordPress and Tumblr, which employs around 2,000 people. It organizes in-person team gatherings of multiple kinds, sizes, and length throughout the year. And before the pandemic, the entire company would meet for a week for an in-person social and brainstorming gathering. [Research on online communities like the Open Source community or The WELL \(Whole Earth 'Lectronic Link\)](#) confirms these companies' instincts, demonstrating that in-person meetings are important for the development of community leaders and relationships.

Companies can also do more to foster relational proximity in the virtual space. Managers working with a hybrid or remote team need to do intentionally through technology what comes for free face-to-face: Connect with people for short times with no agenda except to be in touch with them, see how they are doing, signal that you care about them. We have heard about startups creating Discord rooms for their remote employees in order to replicate the coffee machines and watercoolers where they would chat with their colleagues. But you could also simply use WhatsApp, Slack, or Team channels to catch up informally and share thoughts, personal stories, and emotions. The key is to have conversations that go beyond the task at hand and get to what people are feeling.

At the same time, relational proximity shouldn't be forced or rigid. You should respect your people's time: Don't, for example, schedule meetings only with regard to your time zone (such as 2:00 p.m. CET

meetings on Fridays when you have team members six hours ahead in Singapore). Further, be careful to show that you trust people working remotely—don't use technology to track them in ways you wouldn't if they were in the office. Invite them to [take breaks](#), and make sure that meetings are not scheduled back-to-back; leave enough time between them that, if you were meeting in person, they could go to the bathroom, catch up on email, or change conference rooms. In short, show your remote workers at least the same respect for their time and availability as you would if they were in the office. Embracing relational proximity in any work context is about showing care to employees as individual people rather than cogs in the wheel. Doing that will allow managers to rebuild trust and strengthen the psychological contract.

Transparent principles.

A lack of trust and growing resistance to control are why the psychological contract has been broken. Many of the people we talked to mentioned that there was more flexibility in terms of working from home pre-Covid, simply because there were *no* policies and it was an arrangement with their line manager and their team members. Post-pandemic, however, many organizations decided to adopt policies, rigidifying practices that used to be contextual and trust-based, with little room for line managers to interpret them.

But once you replace trust with rules, people's attitudes to their work can change. We met one middle manager in a food and beverage company who told us that when her company formally allowed her to work two days from home, which she had been doing with the agreement of her bosses, she started coming into the office more often. As she explained, "When I'm at the office, I don't need to leave a sign on my desk to say I'm going to the bathroom." The formalization of the arrangement had paradoxically made her feel less comfortable working from home than before.

Taking a care lens invites organizations to develop a policy as a guiding principle and be transparent about it (while also being ready to adapt). For instance, the HR director of one of the European offices of an international consultancy told us that while they have a hybrid option for all, young graduates have to be fully on-site for their first six months. She explained that these new hires do not complain, because they are told about it from the start—something missing in cases such as Amazon and Dell, where employees' expectations had been set during Covid and the explanations for bringing them back to the office were only given afterward—and the new hires at the consultancy know it is only for a six-month period. "It's essential to be clear about not only the policies but also the rationale explaining them," the HR director said. "It's important to justify your decisions. You can't just impose things with no explanation." To be most effective, these explanations need to address *what matters* as well as *what is right* and *what works*.

Attentive adaptability.

A care lens requires managers to be attentive to individual contexts and personal situations. As the CMG case illustrates, attentiveness means being curious about people—asking questions and testing assumptions. This can be a challenge. If, as a Gen X manager, you work for On, the fast-growing Swiss shoe company where 50% of employees are in their twenties, you have to cross a generational divide in understanding your Gen Z employees. If, as a neurotypical manager, you work for ASML, the Dutch company that makes the photolithographic machines central to semiconductor manufacturing, you have to show care for some of the roughly 15%–20% of its employees who are neurodivergent and react to the world very differently.

In a culture of care, attentive managers quickly find that they have to adapt policies. In one of the North American offices of an international law firm, the president realized that while the senior partners were ready to go back to the office full-time, their personal assistants were

not. Many assistants had longer commutes and more-complicated childcare situations than the senior partners. Aware of the importance of the assistants' work and acknowledging the necessity for his firm to retain them, the CEO decided to adapt the policy to their needs and allow them to work from home several days a week. In consequence, he told the senior partners that they would have to adapt and get used to not having their personal assistants on-site all the time.

Our view is not that policies should never be set or that existing ones be abolished but that they should be treated as values rather than rules. Novo Nordisk doesn't have an enforced rule about hybrid work but rather it has a formal opinion, which is that people should work in the office a little more than at home. So on average you should be working in the office more than 2.5 days a week. But one manager we spoke to explained, "We believe in flexibility," meaning that employees have a variety of hybrid work arrangements and exceptions can be granted for different reasons. Attentive adaptability suggests that to rebuild the psychological contract, managers need to move away from a rigid standard and instead think of a template with guidelines that can be discussed with employees.

It Takes Time to Develop a Culture of Care

Creating a culture of care can be challenging for organizations because it's based in effectiveness, not efficiency. This notion is anathema to most executives and often leads companies to outsource or delegate care work by sending their managers to customized executive retreats, coaching programs, or special curated events. These efforts are usually self-defeating, however—on a day-to-day basis, employees can easily see what the company really cares about.

The ethics of care can bridge this disconnect. If the old psychological contract called for managers to be rulemakers and fair judges, the ethics

of care requires them to be more like anthropologists, psychologists, or social workers. When organizations focus on *what is right*, *what works*, and *what matters* when setting policy—and consider relational proximity, transparent principles, and attentive adaptability when putting it into practice—they can reset the psychological contract they have with their employees. That's hard to hurry, but worth the investment.

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