

Psychological Contract Fulfilment- A key to better employment relationship

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Abstract

In the current global environment, a psychological contract entail a set of expectations by a new employee concerning the promises made as an element of the new job but not officially mentioned in the official contract. The concept has been considered to be important, as these contracts direct the perceptions of employees as how to perform and how they perceive organisation and for the better understanding of employment relationship. When psychological contracts are not fulfilled it leads to adverse effects on employees and leads to psychological contract breach. The present study examined the effects of psychological contract breach on commitment of employees resulting into strained employment relationship in the organisations. A total of 200 full-time employees took part in this study. The study found that psychological contract fulfilment has a significant positive relationship with the commitment of employees; furthermore, study found that likewise commitment, psychological contract fulfilment leads to better employment relationship.

Keywords: Psychological contract, Psychological contract breach, Psychological contract fulfilment, Commitment of employees, Employment relationship.

1. Introduction

Psychological contract which was initially developed by scholar Denise Rousseau explains the casual actions, reciprocated viewpoints, general opinion and insight between the two parties. Rousseau (1990) with a more constricted point of view on the concept and definition of psychological contract explained it to be the individual's beliefs and common commitments, in the milieu of the employer employee relationship.

When an employee becomes a part of an organisation, a relationship is formed called employee- employer relationship under which employee do not realise the formation of a contract which is unstated or unspoken such contracts are termed as psychological contracts. Psychological contract refers to the expectations of employees and employers from each other which are unwritten or unrecorded and also different from formal and defined employment contract. It describes the employer-employee relationship.

The concept of psychological contract has been considered to be important as these contracts direct the perceptions of employees as how to perform and how they perceive organisation and also for the better understanding of employment relationship.

These contracts are named as psychological because of the reason that it includes and reflects the perception of both parties in relationship and promises involved.

Employees are considered to be the most vital and important asset of the organization and a lot of labour has to be put in by the organizations to attract suitable employees and sustain them in the organization. At the same time, organizations face the issue of employees' leaving the organizations. When an employee perceives that an organization has failed to deliver on such promises, a breach of the psychological contract may occur. Because of the subjective nature of psychological contracts, different individuals may have different perceptions and understandings about what these contracts entail. Psychological contract is an implied concept and is held as the assumptions of the employee, and the employer or organisation may not share the same assumptions and beliefs regarding the commitments it implies. While psychological contract breach set off negative responses from employees including raising voice, absenteeism, neglecting job responsibilities, lower level of commitment, and even intention to remain with the organisation and considered as non fulfilment of promised incentives, on the other hand, fulfilment of contracts where they get more than they expected in return of promises delivered increase their job and related performances, satisfaction from job, commitment to the organisation.

The fulfilment of psychological contract indicates the obligations of an employer towards an employee. As per Equity theory (Adams, 1963), the positive behaviour of an employee in the employment relationship signifies fulfilment of psychological contract. Consequently, Employees who are satisfied with their jobs and are encouraged by their employer may have high commitment towards the organisation and employer which in turn will reduce or lessen their intention to exit the organisation.

2. Literature Review

Blau (1964), proposed in social exchange theory that the employees who are satisfied with their employer and believe that their psychological contracts and all expectations are fulfilled are more likely to execute and perform their job more efficiently.

Psychological contracts are fundamentally defined as "individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between individual and their organisation" (Rousseau, 1995, p.9). These individual beliefs include that employees look forward to organisations to re-compensate their efforts as they are bound by mutual commitments. As per study by Morrison & Robinson (1997), Psychological contract and breach is an individual perception where employee identifies that employer failed to effectively fulfil one or more of the promises. If employees understands that psychological contract breach has happened, this understanding may have an effect on their performance and mind-set whether or not there actually was a breach of the contract.

According to Coyle-Shapiro and Kessler, (2002) employees feel appreciated if their psychological contracts are fulfilled, and in return to that they put forward to constructive results for the organisations. As per Equity theory of Adams (1963), Employees react in a positive behaviour in employment relationship is the psychological contracts are fulfilled. The fulfilment of psychological contract implies the commitment of employee towards an organisation, additionally; employees may have high trust towards the organisations who are pleased with the support from organisation which in turn will minimize their intention to exit the organisation. Conway & Briner (2002) found that fulfilment of psychological contracts results in improved task performance, higher level of commitment towards organisation, high level of belongingness with organisation and lower level of turnover of employees.

According to William H. Turnley et. al. (2003) Psychological contract fulfilment has a considerable effect on the level to which employees accomplish their in-role responsibilities

and employ in citizenship behaviours to promote the organization and other employees. Psychological contract fulfilment is further strongly associated to the citizenship behaviours that employees express toward their organization than to those targeted at other individuals.

Rousseau, (1989); Conway & Briner, (2005) identified that Psychological contract is very much firmly connected to employee's commitment, as the identification with and attachment to the organisation of an employee is affected by his/her beliefs regarding employment relationship. According to Conway & Briner (2005) Psychological contracts give a direction to employee behaviour and mind-set with the process of reciprocity; in other words, by adjusting behaviour and mindset employees act in response to organisation's fulfilment and non fulfilment of promises.

Harold Andrew Patrick (2008) found that employees value long-term relationship and involvement in the organisation. Long term relationship with organisation ensures mutual trust and loyalty, growth in career and remuneration generally depends on seniority

Xanthi-Evangelia Antonaki & Trivellas P. (2014) highlighted that sound employment relationship which includes job security, better working conditions and treatment of employee with respect and equality are strong predictors of both job satisfaction and organisational commitment.

Baharuddin et.al (2017) found that psychological contract breach has positive relationship with intention to quit while psychological contract fulfilment had significant negative relationship with intention to quit.

3. Objectives of the Research

Keeping all research points in mind the study undertaken was aimed to accomplish the following objectives:

- To examine relationship between psychological contract fulfilment and commitment of employees working in different organisations
- To examine relationship between psychological contract fulfilment and employment relationship

4. Methodology

For the purpose of study data was primarily collected by personally administering the questionnaire (Likert scale endpoints: 1 = strongly disagree, 7 = strongly agree) where all respondents were promised confidentiality of their responses and no specific identifying information was requested. Questionnaire was divided into two parts where I part consist of questions that helped in analysing commitment of employees and II part consist of questions that helped in analysing the relationship between psychological contract fulfilment and its effect on employment relation. The data collected, total of 200 respondents using purposive sampling, 66% were male respondents and 34% were female. Responses to items were captured in excel sheet, where after prepared for analysis.

Additionally, for the purpose of the study, data is referred from other sources like the library, books, journals, periodicals, websites, organizational reports, etc.

5. Analysis

For the purpose of study following statements of questionnaire Part I and II are analysed individually as below:

Part1

Part1 of the questionnaire include the statements that assess the commitment of employee.

I consider problems of organisation as my own
This organisation deserves my loyalty
I would be very happy to spend rest of my career in this organisation
I don't feel like emotionally attached to the organisation
I don't feel like part of family in this organisation
I don't feel any obligation to remain with this organisation

Below table 1 shows the respondents response on a Likert scale (1-7) for each statement above in percentage:

Table1
 Respondent's response on 7 point Likert scale in percentage

Statements	Strongly Disagree (1)	Disagree (2)	Slightly Disagree (3)	Neither agree nor disagree (4)	Slightly Agree (5)	Agree (6)	Strongly Agree (7)
1	2%	4%	1%	14%	24%	36%	19%
2	3%	2%	2%	13%	18%	40%	23%
3	3%	9%	5%	18%	21%	34%	10%
4	5%	17%	12%	17%	22%	21%	6%
5	9%	23%	11%	12%	19%	19%	8%
6	6%	19%	10%	25%	17%	18%	5%

Part2

Part2 of the questionnaire include the statements that assess the relation between psychological contract fulfilment and employment relationship:

My commitment level towards this employer is uncertain
There is a lot of difference in what employer says and practice
I don't trust this employer
To what extent do you trust your immediate manager to look after your interest
To what extent do you trust your senior manager to look after your interest

Employer do not involve you in the decision making regarding your department

Below table 2 shows the respondents response on a Likert scale (1-7 strongly disagree-strongly agree) for each statement in percentage:

Table2
 Respondent's response on 7 point Likert scale in percentage

Statements	Strongly Disagree (1)	Disagree (2)	Slightly Disagree (3)	Neither agree nor disagree (4)	Slightly Agree (5)	Agree (6)	Strongly Agree (7)
1	4%	11%	10%	20%	21%	23%	11%
2	2%	7%	8%	20%	24%	31%	9%
3	11%	25%	10%	18%	16%	14%	6%
4	0%	4%	4%	18%	33%	28%	13%
5	1%	2%	4%	17%	30%	32%	16%
6	5%	20%	6%	18%	20%	21%	10%

7. Hypothesis and testing

In order to gain useful knowledge, this paper attempted to support the following hypotheses

Hypothesis H1

H0 – Psychological Contracts fulfilment has a significant positive relationship with organisational commitment.

Hypothesis H2

H0- Psychological Contracts fulfilment has a significant positive effect on employment relationship.

8. Results

To examine the above hypothesis Pearson coefficient of correlation is applied to the data collected to determine the relationship and effect of psychological contract fulfilment and organisational commitment which shows the following results.

Hypothesis 1

H0 – Psychological Contracts fulfilment has a significant positive relationship with organisational commitment

Summary Output-

Table 3

Results of Pearson coefficient of correlation

Multiple R	0.28772	r= .28	Pearson correlation	
R Square	0.0828			
Adjusted R Square	0.0778			
Standard Error	6.6795			
Observations	187			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	17.1885	2.7567	6.2351	2.98E-09
X	0.2742	0.067	4.0874	0.00006495

Pearson Correlation (r) = .28

Degree of freedom (df) = N-2 i.e. 200-2 = 198

Alpha= 0.05 & P-value= 0.00006 i.e. P-value 0.00006<0.05 (Significant)

There is a significant positive relationship between the psychological contracts fulfilment and the commitment level of employees, $r(198) = 0.28$, $p < .01$ or 0.05 i.e. $.00006 < .05$ that means when psychological contracts are fulfilled, commitment of employees is increases.

We do not reject the Null hypothesis, that Psychological Contracts fulfilment has positive effect on organisational commitment.

Note: Mean values of the responses have been taken for the purpose of calculation i.e. mean of the responses per respondent for each question.

Hypothesis 2

H0- Psychological Contracts fulfilment has a significant positive effect on employment relationship.

Summary output

Table 4

Results of Pearson coefficient of correlation

Multiple R	0.3533	r= .35	Pearson correlation	
R Square	0.1248			

Adjusted R Square	0.1201			
Standard Error	0.8635			
Observations	187			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	2.8551	0.3563	8.0115	1.23309E-13
X	0.3564	0.0693	5.1371	0.00007041

There is a significant positive relationship between the psychological contracts fulfilment and the employment relationship, $r(185) = 0.35$, $p < .01$ or 0.05 i.e. $.00007 < 0.05$

We do not reject the Null hypothesis, that Psychological Contracts fulfilment has positive effect on Employment relationship.

Note: Mean values of the responses have been taken for the purpose of calculation i.e. mean of the responses per respondent for each question.

Pearson Correlation (r) = 0.35

Degree of freedom (df) = $N-2$ i.e. $200-2 = 198$

Alpha = 0.05 & P-value = 0.00007 i.e. P-value $0.00007 < 0.05$ (Significant)

9. Discussion

This present study shed light on the relationship between psychological contracts and commitment of employees towards organisation. It has been found that psychological contract fulfilment create the sense of being appreciated in the employee which in return put forward to constructive emotional results for the organization. Many scholars had emphasized that employees who consider that the employer has fulfilled their expectations and had taken care of them well will be more probable to execute their task efficiently. Psychological contract breach have a negative effect on the commitment of employees working with organisation as they feel cheated when psychological contract breach is observed. Primary objective of the study was to identify whether there is any relationship between psychological contract fulfilment and commitment of employees working in different organisation, in accordance to this study found that there is a significant positive relationship between fulfilment of psychological contract and commitment of employees, in other words, with the fulfilment of psychological contract commitment of employees increases and vice versa. Both are positively correlated to each other.

Employees are considered to be the most vital asset of the organisation and to keep employees happy is a key to success for any organisation. To retain the talented workforce organisation need to maintain a congenial working environment. A healthy employment relationship helps to maintain good working environment in the organisation. Another finding of this study indicates that fulfilment of psychological contracts leads to better employment

relationship as there is a significant positive relationship between the two; in other words, psychological contract fulfilment leads to better employment relationship.

10. Conclusion

The paper contributes to the existing body of literature on employees' commitment in organizations on observation of psychological contract breach and positive effect of psychological contract fulfilment on employment relationship. There exists significant relationship of factors namely: psychological contract breach and fulfilment with commitment of employees and employment relationship. And these factors have seen to be the most dominant attributes that will make an employee stay longer with the organization where as in case of psychological contract breach it is otherwise i.e. if contract breach is observed employees can get attracted to other organizations and vice versa in case of fulfilment. Organisation must focus on the expectations of employee and should lay down clear policies of organisation, working norms and expectations from employees in order to minimise the chances of contract breach and violations so that commitment of employees is restored in the organisation leading to a better employment relationship. Organizations should be aggressive to create passion and excitement, and to build workplace a happier experience for all their employees. This can be accomplished by making a positive psychological contract which results in better employment relationships.

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