

“Psychological Contract and their Job Outcomes”

Amit Rana
Student, UIM
Uttaranchal University

Abstract

This research paper aims to study the Psychological Contract which represents the mutual beliefs, perceptions, and informal obligations between an employer and an employee. It sets the dynamics for the relationship and defines the detailed practicality of the work to be done. It is distinguishable from the formal written contract of employment which, for the most part, only identifies mutual duties and responsibilities in a generalized form. Also, the purpose of this research is to identify the impact of psychological contract on employee outcomes of job satisfaction and organizational commitment. To achieve that purpose the researcher selected executive level employees in SMEs in Dehradun.

Keywords: Psychological contract, Job outcome and mediating role

Introduction

According to Baruch (2004), the new ‘psychological contract’ has changed the way employees and organizations are associated with each other. The principal purpose of this essay is to clarify the changes and analyze the implications for an individual’s career choice and career management strategies. Thereby, this essay is significant. This essay will firstly briefly explain the concept of ‘psychological contract’ in relation to how employee and employer are associated with each other. This is followed by a comparison between the old and the new employee-employer relationships. Thereafter, it will discuss the implications for an individual’s career choice and career management strategies. Finally, the conclusion will be reached.

'The Psychological Contract' is an increasingly relevant aspect of workplace relationships and wider human behavior. Primarily, the Psychological Contract refers to the relationship between an employer and its employees, and specifically concerns mutual expectations of inputs and outcomes. The Psychological Contract is usually seen from the standpoint or feelings of employees, although a full appreciation requires it to be understood from both sides.

Simply, in an employment context, the Psychological Contract is the fairness or balance (typically as perceived by the employee) between:

- How the employee is treated by the employer, and
- What the employee puts into the job.

At a deeper level the concept becomes increasingly complex and significant in work and management - especially in change management and in large organizations.

Interestingly, the theory and principles of the Psychological Contract can also be applied beyond the employment situation to human relationships and wider society. Unlike many traditional theories of management and behaviour, the Psychological Contract and its surrounding ideas are still quite fluid; they are yet to be fully defined and understood, and are far from widely recognised and used in organizations.

The concept of 'psychological contracting' is even less well understood in other parts of society where people and organizations connect, despite its significance and potential usefulness. It is a hugely fertile and potentially beneficial area of study.

At the heart of the Psychological Contract is a philosophy - not a process or a tool or a formula. This reflects its deeply significant, changing and dynamic nature. The way we define and manage the Psychological Contract, and how we understand and apply its underpinning principles in our relationships - inside and outside of work - essentially defines our humanity.

Respect, compassion, trust, empathy, fairness, objectivity - qualities like these characterize the Psychological Contract, just as they characterize a civilized outlook to life as a whole.

Concept of Psychological Contract

The relationship between employers and employees is traditionally and legally based on the contract of employment (Rose, 2008). Besides, there is also psychological contract that is non-legal contract of relationship which is implicit, individual and tacit (Kew and Stredwick, 2005). Such contract is built upon mutual understanding and trust between employees and their employers, and associates certain expectations from each other (Lewis et al. 2003). Employees are expected to be loyal, accountable, and work hard for the employer, in return for a range of personal monetary and non-monetary rewards such as job security, recognition, and so on (Lewis et al. 2003). Guest and Conway (2002) also defines psychological contract as “the perceptions of the two parties...of their mutual obligations towards each other.” From this definition, it can be seen that psychological contract depends on mutual trust between the employer and the employee.

Limitations of the study

- The time period for carrying out the research was short as a result of which many facts have been left unexplored.
- The sample was taken on the basis of convenience, therefore the shortcomings of the convenience sampling may also be present in this study.
- There were some inherent limitations as far as collections of data is concerned. The respondent's response may be biased.

Types of Psychological Contract:

Transactional: This is the economic or monetary base with clear expectations that the organization will fairly compensate the performance delivered and punish inadequate or inappropriate acts; and

Relational: This is a socio-emotional base that underlies expectations of shared ideals and values, and respect and support in the interpersonal relationships.

Psychological Contracts and Job Outcomes

“Psychological contract is defined as a person’s perception and expectations about the shared obligation in an employment exchange relationship (Rousseau, 1989)”. Psychological contract is something that is beyond or more than expectation. It is an implicit unwritten and non verbal expectation of employees and employers (Schein,1978). “Psycho logical contract is a relationship of the mutual obligation between employee and employer (Rousseau, 1989)”. “Each individual hold his / her different perception of mutual obligation under the contract (Robinson, Kraatz & Rousseau 1994)”. “Psychological contract is belief or perception and promise that rules and regulations accepted by employees and employer (Robinson & Rousseau 1994)”. MacNeil’s (1985) explained two major types of contracts; Transactional contract and the relational contract. “Transactional contracts are economically based and short-term oriented (Morrison & Robinson, 1997; Raja at al., 2004; Rousseau, 1990).” Rousseau (1990) defined those having their contract as transactional characterized as have “high competitive wage rates and absence of organizational commitment” (p.391) generally organizations temporarily hire individuals for specific purpose in order to meet current requirements. The relational contract includes long term and extensive obligations, based on exchange of socio -emotional components such as loyalty, commitment and trust (Raja et al., 2004; Robinson, Kraatz & Rousseau 1994; Rousseau, 1990; Rousseau & McLean Parks, 1993).

“Generally, in relational contract firm hire individuals and train them in order to meet future needs (Miles & Snow, 1980)”. “Rousseau (1990) argues that in relational psycho logical contract employees want to make a long-term relationship with their employers or organization.” The employees’ relation with the firm changes with the phases of time.

Job satisfaction can be defined as “a positive or negative evaluative judgment of one’s job or job situation” “(Weiss & Cropanzano, 1996, p. 2). Job satisfaction is said to be a function of the perceived relationship between what one wants from one’s job and what one perceives it as offering (Locke, 1969). Following this logic, a discrepancy between promised and received inducements is likely to lead to feelings of dissatisfaction.”

Hoppock’s (1935) found a strong correlation between workers’ emotional adjustment and their levels of job satisfaction. “Lock (1976) found that individuals react affectively when they get outcomes inconsistent with their expectations. These affective reactions can be positive when outcomes encountered are valued and pleasant. Consistent with this argument it is likely that job satisfaction will be more positive when it is felt that

received outcomes are consistent with an individual's expectation". Relational contract based on exchange of socio - emotional components such as loyalty, commitment and trust, therefore employees in relational contract are generally more satisfied (Raja et al., 2004; Robinson, Kraatz & Rousseau 1994; Rousseau, 1990; Rousseau & McLean Parks, 1993). Relational contract was positively related to job satisfaction and transactional contract was negatively related to job satisfaction (Millward & Hopkin 1998; Raja et al., 2004). Keeping in view this literary support, we propose the following hypothesis.

Literature Review

Several studies have highlighted the positive impact of psychological hardiness on performance behaviors (Bartone, Roland, Picano & Williams, 2008; Bartone, Eid, Johnsen, Christian & Snook, 2009; Eid & Morgan, 2006; Johnsen, Espevik, Saus, Sanden, Olsen, & Hystad, 2017; Lo Bue, Kintaert, Taverniers, Mylle, Delahaij & Euwema, 2016; Maddi, Harvey, Khoshaba, Lu, Persico, & Brow, 2006; Maddi, Matthews, Kelly, Villarreal & White, 2012; Westman, 1990; Zach, Raviv & Inbar, 2007).

The IBT study was the first 12 year longitudinal study exploring the impact of psychological hardiness on employee performance. In the year 1975, Maddi and his colleagues started collecting data from all levels of IBT employees. A sample of 259 employees was studied regularly for 12 years. Hardiness was measured through different sets of questionnaires which cover the three attitudes (commitment, control and challenge) and performance data was retrieved from organization. The study found the individuals with high hardiness have better performer despite of very stressful circumstances.

Westman (1990) investigated the moderating effect of hardiness on the relationship between stress and performance. A sample of 326 office cadets from the Israel Defense Forces reported their stress levels during a critical course event, with hardiness being measured at the beginning and at the end of the course. As expected, hardiness was found to be positively related to objectively assessed performance measures throughout the course and also with the first performance appraisal conducted a year later. Hardiness was also found to be a moderator in the relationship between stress and performance.

Zach, Raviv, and Inbar (2007) designed a special training program for the purpose of improving the performance of security personnel. They had incorporated hardiness training as a part of the overall training program. They argued that hardiness training is very important for a profession like security forces which is very demanding in nature. They conducted the training for security officers under two conditions, first were under normal condition and second were under stressful conditions which included factors like sudden fire, presence of a commander during a certain task, high passing criteria and so on. The objective of the study was to examine the impact of hardiness training on performance. Hardiness level was reported by participants at the beginning of the training whereas performance data was collected under normal conditions and under stressful circumstances both at the beginning and at the end of the course. The study found a positive relationship between hardiness and performance among security personnel officers. The authors reported that individuals with high hardiness are less likely to experience the ill effects of physical and psychological strain, which enables individuals to perform better.

Bartone et al., (2008) studied 1138 military 'Special Force' candidates. In United States Army, the 'Special Forces' are considered as most elite and demanding of all military units. Participants for Special Forces undergo multiple rigorous selection processes and a previous record shows that only 45-55% of the participants succeed in the selection process. So, the objective of the study was to examine the impact of hardiness on the completion of the assessment and selection course. The results found a significant impact of hardiness on successful completion of the course. 'Special Forces' course graduates were found to be more hardy than non-graduates.

Research Objectives:

- To explore psychological contract and its outcomes in some selected SMEs in Dehradun.
- To examine the relationship between psychological contract and its outcomes.

Research questions

Does your employer treat / help you good in every situation whether it is good or bad?

Does your employer helps in achieving your goals in the organization with his own efforts (in the time of Appraisal)?

Whether your employer provides you regular training regarding the new things or new technologies used in organization?

Does your employer provide some activities in the team /organization by which the confidence of the employees boost up and you feel confident to face upcoming challenges?

Data Collection:

Primary data was collected through survey method by distributing questionnaire to organization culture the questionnaires were carefully designed by taking into account the parameters of my study.

Secondary Data:

Data was collected from books, magazines, web sites, going through the records of the organisation, etc. It is the data which has been collected by individual or someone else for the purpose of other than those of our particular research study. Or in other words we can say that secondary data is the data used previously for the analysis and the results are undertaken for the next process.

DATA ANALYSIS AND INTERPRETATION

This section contains students' personal attributes such as the age, gender, marital status and other attributes such as existence of mentoring, type of mentoring, various forms of mentoring and extent to which goals and objectives of mentoring are clearly defined. The reason for their inclusion is to shed more light on the characteristics of students involved in the research and describing issues affecting the relationship between mentoring and academic performance, career efficacy.

REGRESSION ANALYSIS

Following table 4 and 5 depicts the regression analysis of the study.

Table 4: Impact of Psychological Contract on Job Satisfaction

Variable	Impact of Psychological Contract on Job Satisfaction
R Square	0.734
Adjusted R Square	0.729
F	132.57
Significance	0.000
B- Constant	0.308

Standardize Beta	0.857
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According to table 4, R square which is the explained variance is 0.734 at a significant level of 0.0. This suggests that the influence of psychological contract on job satisfaction is significant. This result means that 73% variance (R square) in job satisfaction is explained by the independent variable psychological contract. Therefore, H1 is accepted.

Table 5: Impact of psychological contract on Organizational Commitment

Variable	Impact of Psychological Contract on Organizational Commitment
R Square	0.872
Adjusted R Square	0.869
F	326.28
Significance	0.000
B- Constant	0.864
Standardize Beta	0.934

According to table 5, R square which is the explained variance is 0.872 at a significant level of 0.0. This suggests that the influence of psychological contract on organizational commitment is significant. This result means that 87% variance (R square) in organizational commitment is explained by the independent variable psychological contract. Therefore, H2 is accepted.

CONCLUSION

The purpose of this research is to identify the impact of psychological contract on employee outcomes of job satisfaction and organizational commitment. To achieve that purpose the researcher selected executive level employees in SMEs in Dehradun. A well-structured questionnaire was employed to gather data from sample of fifty executive level employees. According to the regression analysis, there is a positive impact of psychological contract on job satisfaction and organizational commitment.

Further, according to the correlation analysis there is significant relationship between psychological contract and the employees' outcomes in the form of job satisfaction and organizational commitment and it has strong positive relationship. Hence, it could be concluded that having a better psychological contract between the employees and the organization enables to obtain positive employee outcomes in the form of job satisfaction and organizational commitment.

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