

Employee Perception About the Impact of Psychological Contract

S. Varsha Rani

Student, Department of Commerce, Mount Carmel College, Bengaluru, India

Abstract: Psychological contract refers to mutual unwritten expectations that exist between an employee and his/her employer regarding policies and practices in the organization. Psychological contract influences job attitudes and performances of the employees. The study tested the perceptions of psychological contract and employee engagement. Variables such as knowledge on psychological contract, communication, immediate support, retention factor, satisfaction level were measured on 50 employees randomly chosen for the study. Primary data was collected from employees through a structured questionnaire and data was analysed using SPSS. The study revealed that their strong impact of psychological contract on employees and there is no gender difference in perception of unwritten contract and employee engagement.

Keywords: psychological contract, work satisfaction, employee engagement

1. Introduction

A psychological contract underpins the employment relationship. A psychological contract is a set of unwritten expectations that exist between individual employees and their employers. It is the systems of beliefs that encompass the actions employees believe are expected of them and what response they expect in return from their employer. In order to maintain a positive relationship between employers and employees it is important to understand and manage the psychological contract. It is the solution for avoiding and resolving violations by communicating the mutual expectations of both parties involved. In the recent business environment, we experience immense changes affecting the current working of organizations in terms of nature of jobs, downsizing and drastic changes in technology and market demands which have gone beyond the traditional structure of organizations. This has an adverse effect on the relationship of its workers and employees which becomes the reason for variations in misconceptualization of perceptions within the organizations. Therefore, this influences the need for psychological contracts.

A. Objectives

The study aims,

- To understand the concept of psychological contract of employees in IT firm.
- To understand the relationship between employer and employees in the organization.

- To find out the impact of unwritten contract on job performance of employees in the organization.

B. Statement of problem

In the present situation of increase in competitive environment it is vital for any employee to differentiate from others so that they are recognized by the employers for their best interest. Psychological contract plays an important role in increasing the productivity of employees by living up to the promises that the employer makes. The problem relates to studying, analyzing and evaluating the perception of employees on psychological contract.

2. Literature review

The following literature studies were done to understand the concept of the study:

Ryan Lessner and Mesut Akdere (2015) studied the changing psychological contract that affects employees in all areas of business in all countries around the world. Furthermore, the literature suggests that employees who assume responsibility for managing their own career and who are able to adapt their skills to the changing business environment are more likely to experience success than those employees who do not experience.

John Bingham, Hilary M. Hendricks (2015) studied the history of psychological contract research, along with what scholars have learned about contract contents and the processes of contract formation and change is discussed. To summarize findings related to the outcomes of breach and fulfilment, and introduce the predominant measurement strategies for accessing contract perceptions among employees. After introducing important cross-cultural findings and their implications, they have highlighted opportunities for future research to clarify and enhance the psychological contract perspective.

Rousseau made a study on Psychological Contract theory that suggests that employees with family responsibilities may negotiate new psychological contracts that include family-responsive benefits such as flexible work hours. A study conducted among personal management staff, and employee supervisors in Garment sector has found that experience and long tenure related with employee job involvement. The study also found that job involvement and quality of work life are

more among long term employees and permanent employees than contract employees.

Conway & Briner (2015) characterize the development of psychological contracts as an unfolding process in which contracts are formed, developed, changed, fulfilled or not fulfilled, and revised based on feedback the individual receives and interprets. In this way, it is noted that psychological contracts are formed from a series of exchanges which can take place over longer periods of time. This series of exchanges, in turn, helps determine an on-going exchange relationship between parties based on reciprocity. The promised exchanges that form the psychological contract are conveyed either explicitly or implicitly via messages, social cues, patterns of behavior and the like that are interpreted by the individual.

3. Operational definitions

- *Psychological Contract*- are a set of ‘promises’ or ‘expectations’ that are exchanged between the parties in an employment relationship. These parties include employers, managers, individual employees and their work colleagues. Unlike formal contracts of employment, they are often tacit or implicit, unwritten set of expectations.
- *Reward System*-benefit include health insurance, tuition reimbursement and maternity/ Paternity leave, work from home policy, Vision insurance, Life insurance and other basic rewards are included.
- *Employee engagement*- an environment and workplace that encourages every employee in organization to their best each day.
- *Work satisfaction*- employees are happy and contented and fulfilling their desires and needs at work. Work satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace.

4. Research methodology

The research is primarily descriptive in nature. The sources of information are collected through primary data through a structured questionnaire sample. The sampling size in this research is restricted to 50 employees including both male and female employees of an IT firm. Simple random sampling method is used for sampling design in which employees are randomly selected. Software used for analyzing the data SPSS is used and for interpretation of data frequency mean and standard deviation technique is being adopted and to prove the hypothesis ANOVA and Chi-square is used for analysis part.

5. Analysis and findings

Table 1
Demographic profile of employees

Demographics	Category	Percentage
Gender	Male	58
	Female	42

The above table shows the classification of respondents based on the demographic profile. Among 50 respondents 58% were male and 42% were female respondents respectively.

Table 2
Gender wise representation

Particulars	Category/ Scale	Percentage	Grand Mean	Standard Deviation
Knowledge on Psychological Contract	Strongly agree	2	3.2467	0.75536
	Agree	22		
	Neutral	52		
	Disagree	20		
	Strongly disagree	4		
Communication	Strongly agree	26	3.7800	1.05540
	Agree	28		
	Neutral	28		
	Disagree	14		
	Strongly disagree	4		
Immediate support	Strongly agree	8	3.6900	0.70087
	Agree	38		
	Neutral	40		
	Disagree	14		
	Strongly disagree	-		
Retention factor	Strongly agree	12	3.5120	0.79196
	Agree	16		
	Neutral	54		
	Disagree	18		
	Strongly disagree	-		
Satisfaction	Strongly agree	14	3.6800	0.87017
	Agree	36		
	Neutral	30		
	Disagree	20		
	Strongly disagree	-		
Perceptions among male and female employees	Strongly agree	10	3.6667	0.91597
	Agree	42		
	Neutral	46		
	Disagree	6		
	Strongly disagree	6		

The above is the table of additional factors considered for the purpose of this study.

6. Chi-square analysis

Chi-square test enables the researcher to find out whether the divergence between expected and actual frequencies is significant or not.

- H_0 -There is no difference in the perception of psychological contract between male and female employees.
- H_1 -There is difference in the perception of psychological contract between male and female employees.

The table significant being 0.05, the above table shows that

Table 3
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.745 ^a	4	.442
Likelihood Ratio	5.200	4	.267
Linear-by-Linear Association	1.216	1	.270
N of Valid Cases	50		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is 1.68.

the calculated significant value 0.442 is greater than 0.05 and hence the null hypothesis is accepted. Thus according to the employees there is no difference in the perception of psychological contract between male and female employees.

A. Analysis of variance (ANOVA)

Analysis of variance is a statistical method used to check if the means of two or more groups are significantly different from each other.

- H_0 -There is no difference in the perception of psychological contract between male and female employees.
- H_1 -There is difference in the perception of psychological contract between male and female employees.

The table significant being 0.05, the above table shows that

Table 4
Anova

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.737	1	1.737	1.222	.275
Within Groups	68.263	48	1.422		
Total	70.000	49			

Is there a difference in how male and female employees look at unwritten contracts followed in organization?

the calculated significant value 0.275 is greater than 0.05 and hence the null hypothesis is accepted. Thus according to the employees there is no difference in the perception of psychological contract between male and female employees.

7. Findings and suggestion

A. Findings

- The study shows that average numbers of employees are aware about unwritten psychological contracts in the organization.
- Constant communication between employees and employer has positively impacted the performance of employees.
- The immediate support, trust, guidance and suggestions have resulted in improvement of employee performance.
- Employees feel they are fairly rewarded compared with other people performing similar roles.
- The study also reveals that there is no higher

difference in how male and female employees perceive psychological contracts in organization.

- Though the majority of respondents tell there is no difference in how they are treated as per their gender. But, around 20% have felt there is a difference.

B. Suggestions

- The term psychological contract is new to many organizations. Therefore, it has to create awareness among employees.
- As per the survey undertaken, 18% of respondents have suggested that constant interaction between employer and employee can improve employee loyalty.
- Employees need to trust the managers to look after their best interest.
- As per the retention factor, 38% of respondents feel that the social atmosphere and environment has to be improved.
- It is not only from the management views of expectation; the employees must also cope-up with the management for their best welfare.

8. Conclusion

This study shows that not all employees understand the importance and significance of psychological contract and hence they feel that it does not influence their performance. Employee engagement is considered to be a vital aspect behind the efficiency of the employees and thereby productivity of the organization. Here in this paper several factors related to psychological contract such as communication, trust, satisfaction, immediate support between the employees and employers effect the employee engagement. In the above study, the male employees were around 58% and female employees were 42%. Further the statistical analysis of the mentioned variables of the psychological contract with employee engagement revealed that there is no difference in perception about employees and there is significant impact on the employee engagement.

A. Scope for further study

This study can be conducted in other retail outlets and even retail giants by taking into various other variables.

References

- [1] Weralupitiya, A & Jayarathna, Dinethi Yasodara. (2016). Impact of Psychological Contract On Employee Retention: A Case of Apparel Sector in Sri Lanka," in International Research Journal of Human Resources and Social Sciences.
- [2] <https://files.eric.ed.gov/fulltext/ED501612.pdf>
- [3] https://en.wikipedia.org/wiki/Psychological_contract
- [4] <https://cdn.auckland.ac.nz/assets/psych/about/our-people/documents/Rosie%20Curwen%20-%20The%20>
- [5] <https://www.emc.com>about>