

Psychological Contract and Employee Engagement: A Conceptual Framework

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Abstract:

This study attempts to develop a conceptual framework to understand the relationship between the psychological contract and employee engagement. The psychological contract has emerged as an important analytical framework to examine the employment relationship. The term “psychological contract” means that the person has a lot of different expectations from the organization and the organization has a lot of different expectations from the person as well. These expectations not only deal with how much work should be done for how much money, but also how workers and organizations should treat each other. Employees and employers should work together so that the goal of setting up a business can be reached. Here the study tries to understand the different aspects of psychological contract and how does it affect the employee engagement which will be tested through the empirical evidence.

Keywords: Psychological contract, employee engagement, framework, organization

Introduction

In recent years, there has been a belief among human resource management practitioners that employees from different generations have different views on how to manage a diverse workforce. Psychological contract theory is increasingly gaining traction as a means of examining the linkages between Human Resource Management (HRM) and performance (Kutala et.al. 2020). The concept of the psychological contract has been getting a lot of attention from academics, researchers, and managers in the corporate world as well because of changes in technology, more competition, downsizing, demographic diversity, and more. Both academics and people who work in the field say that the concept of the psychological contract can be used to understand and manage changes in employment relationships. In psychology, contract theory has been studied a lot about the relationship between the employer and the employee, as well as the

reciprocal expectations and obligations that each person sees in the relationship. Some research, on the other hand, says that forming a psychological contract is an important way to keep employees happy. The psychological contract talks about how people and organizations work together. It talks about this interface not just in terms of the employment contract, but also in terms of the "unwritten expectations" that are part of the exchange process that sets the rules for being a member of a group (Schein, 1980).

The psychological contract has emerged as an important analytical framework to examine the employment relationship (Conway, Guest, & Trenberth, 2011; Herriot, 2001; Rousseau, 1989). Using the term "psychological contract" means that the person has a lot of different expectations from the organization and the organization has a lot of different expectations from the person as well. These expectations not only deal with how much work should be done for how much money, but also how workers and organizations should treat each other. Employees and employers should work together so that the goal of setting up a business can be reached. This is called a "contract," which in the language of management science is called an "agreement of behavior on both sides." This means that there are two types of contracts between an employee and a company. One is a legal contract, and the other one is a psychological contract.

Psychological contract was established by an organizational scholar named Denise M. Rousseau in 1989. It includes casual measures, mutual faith, common ground, and assumptions between the two people. The psychological contract grows and changes all the time, based on how well or how poorly the employee and employer communicate in a business setting. Employers need to be careful not to give employees the wrong impression of what they're going to do, which then doesn't happen.

Review of Literature

Argyris coined the phrase "psychological contract" in the early 1960s. This contract specifically addresses how employees view the employment agreement (Hoglund, 2012). Social exchange theory, which is predicated on the reciprocity principle, is the cornerstone of the psychological contract. When someone receives a benefit, reciprocity suggests that they feel obligated to return the favour (Sonnenberg, Koene, & Paauwe, 2011). Because of this, the benefits of these social contracts are frequently ill-defined and may be intrinsic or extrinsic (Kasekende, 2017). The psychological contract, according to Guest (1998) and Rousseau (2012), is a term used to describe people's perceptions of the terms and circumstances of an exchange relationship between themselves and their employer. Every worker has opinions about the "ideal" returns (Rousseau, 2012) that their employer has consented to (either implicitly or explicitly) to provide him/her as exchange for his/her contribution.

When people feel that their organization has committed to give them specific benefits in exchange for their contributions to the organization, psychological contracts are formed (Turnley and Feldman 2000). Turnley et al. (2003), Conway and Briner (2002), Coyle-Shapiro (2002), commitment, and organizational citizenship behaviors are all improved when it appears that promises are being kept (Robinson and Morrison 1995). Subsequently, these assurances materialize into a set of duties and expectations that each employee must fulfil during their employment (Rousseau, 2012). The terms of supervisor & subordinate disparities can shape these job situations. Kasekende (2017). Numerous academics concur that the psychological contract is an informal agreement between an employer and employee that comprises a set of mutual expectations.

According to Rousseau (2012), the psychological contract is the idea that two parties have mutually beneficial agreements. The operationalization of the psychological contract is a topic of ongoing controversy in the literature, despite its significance (Kasekende, 2017). Advocates of the psychological contract thought that there were multiple ways to operationalize the idea (Augustina, 2014). In Rousseau's (2012) operationalization of the psychological contract, for instance, the three components are perceived obligations of the employee, perceived duties of the employer (organization), and perceived fulfilment or violation of employer commitments. This suggests modifications to the working relationship that could affect both the employment relationship's sustainability (Guest, 2004; Tyagi & Agrawal, 2010) and the subjective perceptions of the working relationship and job by employees (Rothmann & Cilliers, 2007; Schreuder & Coetzee, 2010).

Based on the material that is currently available, it appears that there is no universally accepted operationalization for the concept of psychological contract. The assumption that there are duties between two or more parties is the most widespread operationalization of the psychological contract (Rousseau, 2012). An obligation is a future activity that the parties have agreed upon, even though disagreements may arise on the terms, fulfilment, and degree of mutuality of the commitment. According to Rousseau (2012), before entering an organization, people start to formulate their end of the psychological contract, or expected obligations..

Bal et al. (2010) are among the other academics who have investigated the idea of a psychological contract by assessing the degree to which employee and employer duties and expectations are met. Employees expect their employer (supervisor) to develop general management skills and help subordinates monitor and maintain systems, according to Bal et al. (2010). As a result, the employer has obligations in this regard. In addition, the employer's responsibilities to the subordinate/employee are expected to grow as they search for methods to innovate, enhance the company, take chances, and try new things (Bal et al., 2010).

Objective of the Study

The broad objective is to understand the psychological contract in employee engagement and the imperatives for the future with respect to the selective private higher educational institutions in Odisha. Specific objectives may be stated as follows:

1. To identify the factors of psychological contract.
2. To develop a conceptual framework with the antecedents of psychological contract and its outcomes.

Theoretical aspects and conceptual framework

While there are several theories which might prove appropriate for a discourse of this nature, the social exchange theory present us with a heuristic tool for interrogating the main issues of this study. Social exchange theory is the most commonly used theoretical framework for understanding psychological contract (breach and fulfillment) and employee retention. The theory developed by Blau (1964) suggests that when an individual enters into employment relationship, he does not only consider the economic benefit (e.g. pay) but also the socio-economic benefits such as esteem and care. Therefore, the development of positive employment relationships is dependent on both employees and their employers abiding by rules of exchange. These exchange according to Blau (1964) can be economic (e.g. Money, goods) or more social in nature (e.g., respect, care and encouragement). When individuals receive benefits, they feel obliged to reciprocate, and this norm of reciprocity is central to social exchange theory. For instance, if employees feel that their employer has not reciprocated, they may perceive the psychological contract as breach and attempt to restore the balance by lowering their organizational trust, loyalty or commitment. But when employees feel that their psychological contract is fulfilled, it leads to higher work engagement and low turnover intention, stimulate their working psychology and job involvement, produce more emotional dependence on organization, enhance employees' sense of responsibility to and intention to stay with the organization for a long time. The relevance of this theory to the research study is based on its ability to justify the role of psychological contract in determining employees' intention to leave or remain in the organization for the maximum period of time.

Employee Engagement:

Engagement is a multidimensional construct where an employee can be emotionally, cognitively or physically engaged. The more employees are engaged in each dimension, the higher the overall level of personal engagement. The content of a psychological contract is important because it establishes the deal between employee and organization (Zagenczyk, et.al. 2012). Guest and Conway (1998) indicated that the content of the

psychological contract consists of trust, fairness and the delivery of the deal. According to Devi (2009), engaged employees help organizations to perform better. Engagement in this regard refers to the level that an employee's heart and mind is being captured by an organization (Kaye & Jordan-Evans, 2003). Employees who are able to connect with others in the work environment, who know what are expected of them and who experience meaning in their work, are engaged (Luthans & Peterson, 2002).

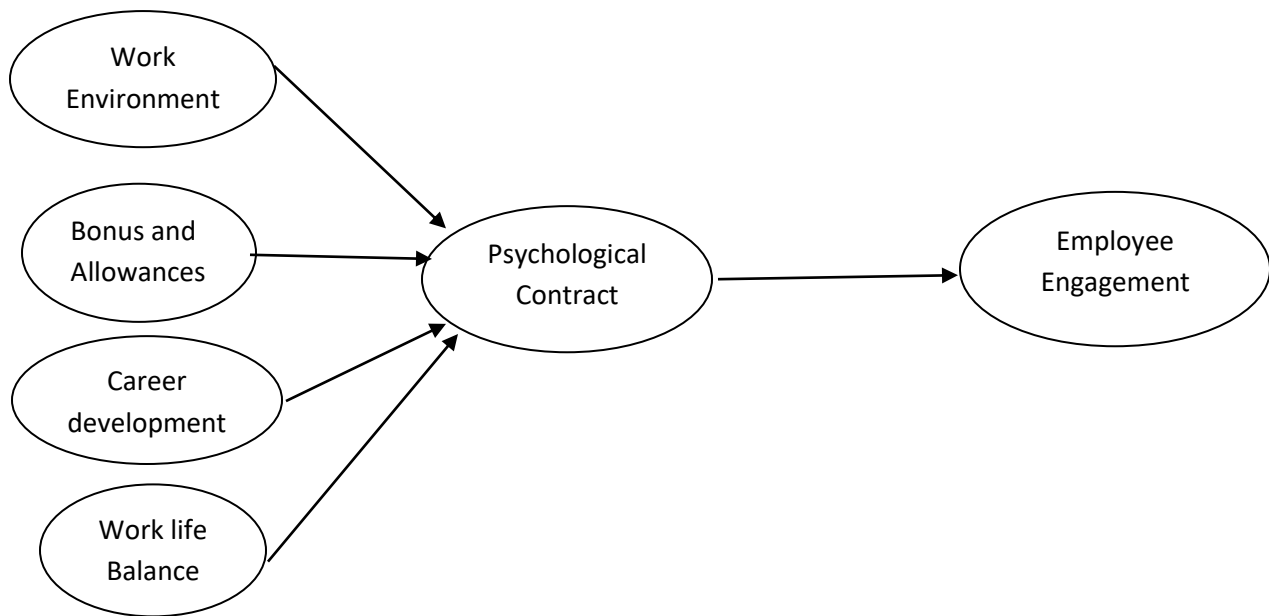


Fig. 1. Conceptual Model on Psychological and employee retention

Hypotheses

H₀₁: Good work environment does not have significant relationship with psychological contract.

H₀₂: Bonuses/allowances have no significant relationship with psychological contract.

H₀₃: Personal/career development has no significant relationship with psychological contract.

H₀₄: There is no significant relationship between work-life balance and psychological contract.

H₀₅: There is no significant impact of psychological contact on employee retention.

Research Methodology:

Research methodology is critical for guiding the manner in which the objectives and questions of research should be addressed. Beginning with the philosophy, the current study will be governed by a positivist research philosophy. This philosophy embarks upon

the idea that truth, reality or knowledge cannot be subjective in nature and hence, it should be proven using scientific or statistical evidence (Saunders et al., 2019). As a result, the use of positivist research philosophy will be conducive to the current study for reducing any sort of bias that arise due to the acquisition of subjective information.

In alignment with the philosophy, a quantitative research approach will be adopted. The quantitative research approach will be instrumental in acquiring data in a numeric form that can be statistically analyzed from a large sample size, which will increase the reliability of the results gained (Ghauri et al., 2020).

Moreover, the study will adopt a descriptive research design. Descriptive research design is concerned with finding trends and patterns. Additionally, it facilitates the verification of the causal relationship between the defined set of variables (Rahi, 2017). Thus, it will be instrumental for the current study to empirically analyze the developed assumptions.

Lastly, the study will adopt a deductive reasoning approach. The deductive reasoning approach is concerned with the analysis of hypothetical assumptions for providing precise and factual results (Rahi, 2017).

Data collection and Data Analysis procedure

As the current study is concerned with addressing a gap in the literature which is not been previously addressed, it is critical to acquire primary data. The use of primary data will help the current study in gaining customized, familiar and objectively aligned information (Ghauri et al., 2020). In this regard, a self-developed questionnaire instrument will be used to acquire this information from the mid-level employees of organizations. The questionnaire will be developed by adapting to standard scales and review of existing literature. The target population of the current study will be the employees of the private higher educational institutes as they are the most vulnerable to psychological contract. Further, the study will use a simple random sampling procedure to choose these respondents. The simple random sampling method will allow each and every mid-level employee to be part of the current study which, in turn, will reduce any sort of bias that may arise due to the purposive selection of participants (Taherdoost, 2016).

Moreover, the sample size of the current study will be limited to 400 employees taking into account the time constraints within which this study should be completed. The employees of higher education in private organizations will be personally contacted. The data collected through this survey will be statistically analyzed using SPSS software. The study will employ both descriptive and inferential statistical methods to comprehensively analyze the data acquired. Also, reliability statistics will be used to analyse the reliability of the developed questionnaire after conducting a pilot study.

Significance/Contribution of the study

Satisfied and highly engaged employees are the keys to veil the benefits of higher productivity as well as the performance of the organization. Nonetheless, psychological contract may disrupt the entire outlook of the employees towards the firm. Thus, resulting in higher turnover intentions for escaping such negative emotions. This will further have a negative impact on the organization's overall productivity and reputation in the long run. As a result, it becomes critical for the firm to take relevant steps to evaluate and eradicate the same before it suffers from its implications. However, the prevailing literature only presents fragmented evidence pertaining to its implications and the manner in which psychological contract at the workplace can be curbed. In alignment with this, the current study will contribute theoretically to the existing literature that does not provide sufficient evidence in this context. Moreover, the study will also contribute practically to the organizations that maybe unaware of the root cause of higher turnover rates.

Limitations of the study

Limitations unfold the barriers that a researcher encounters while conducting research which may potentially impact the findings of the study. The current study too may suffer from some limitations. Firstly, the study aims at acquiring primary data through the questionnaire instrument. As a result, it is quite possible that the responses may suffer from bias, past perceptions or even neglect. Moreover, the sample size is restricted to 400 employees and hence, the increase in sample size may reflect different results. Secondly, it can be outlined that the current study is being conducted in India which represents a geographical limitation. Therefore, the findings of the current study may not be applicable elsewhere.

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