

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Psychological Contracts in the Changing World: Significant Actors and Factors from the Perspective of Employees and Organizations

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Abstract:

In this age of globalization, retention of skilled and productive employees has become an issue of serious concern of human resource managers of modern organization in response to the change in demands of employees. There the issue of psychological contract emerges which is different from legal contract as it is unwritten and undocumented. So, this type of contract can be said as a contract of an organization with an employee which ensures the recognition of employees' performance with better rewarding approach. This study focuses on contemporary thinking on psychological contracts, employees' expectations and managements' efforts to meet those unvoiced expectations.

Keywords: Psychological contract, breach of psychological contract, employee expectation, unvoiced expectation, communication

1. Introduction

In 21st century, organizations in all sectors are required to compete harder with one another for acquiring and retaining effective and efficient employees for a variety of reasons. In competitive labour markets, if an organization desires that its employees put maximum effort and top-level performance and wish to lessen the voluntary turnover rate as minimum as possible, it needs to satisfy its employees' expectations (Taylor, 2011). At past the major expectations of employees were quite easy to explore for the employers. Because general expectations such as hours of work, payment, area of responsibility were set out clearly in writing in contracts of employment (legal contract). However, with the establishment of the term 'psychological contract' in the late 1950s by Argyris, the concept of expectation has been changed a lot. Unlike the legal contract, psychological contracts are implied contracts comprising expectations, obligations and perception of an exchange agreement that the two sides have of one another and their relationship above and beyond what is formally written (Argyris, 1960 & Rousseau, 1989). The impact of psychological contract breach can have long-term effects on employees and employers (Abdullah, 2017). This paper focuses on contemporary thinking on psychological contracts, employees' expectations and management's efforts to meet those unvoiced expectations.

2. Objectives

- To find out the contemporary thinking on psychological contracts and breach of psychological contract.
- To understand employees' expectations from psychological contracts.
- To realize how managements are trying to meet any unvoiced expectations of employees.

3. Methodology

This research is qualitative and descriptive in nature. Using a broad descriptive and analytical approach, this paper discusses the psychological contract through the lens of employee expectation and organizations' response to those expectations based on secondary sources of information. For this study secondary data are collected through systematic literature review of several articles, journals, newspaper, professional guidelines and previous studies in the similar fields. Around 45-50 articles are selected to review on random basis. The findings of the study are generated by completing a focused literature review from those articles.

4. Results and Discussions

4.1. Psychological Contract and Employee Expectation

The concept of the psychological contract was first found in the research of Argyris (1960), Levinson (1962) and Schein (1965). However, Rousseau (1989), first outlined the definitional and theoretical frame of psychological contract. Through different stages of experiments Rousseau concluded that psychological contracts are subjective in nature and it emerges when an employee perceives that his or her contributions make the organization obligate to reciprocity. So, psychological contract can be viewed as an individual's belief in an obligation to mutuality. Rousseau in her another writing in 2018, examine psychological contract as a four-phase dynamic process; creation, maintenance, recognition and repair. In the creation phase new employees enter the organization with the pretexting beliefs upon their management, then the employees enter the maintenance phase which reflects on going reliance on the psychological contract (i.e., a status quo) to guide the individual's interactions with the organization. When any problem occurs, or the employees decide to dismiss their connection with the organization due to the lack of fit between their expectation and management's obligation they get out of the maintenance stage. According to Rousseau this is what we call the breach of psychological contract. The psychological contract is the employee's cognitive believe that the employer has kept the promises which employee perceives were made to them (Conway & Briner, 2005). If an employee perceives that promises are not fulfilled it may negatively affect his/her attitudes, manners and productivity (Robinson, 1996).

4.2. What Employees' Value Most in the Psychological Contract

As discussed above psychological contracts are not like legal contracts. What employees want from legal contracts are very clearly specified and written in paper. But, in psychological contract employees' expectations are perceived (Wu & Chen, 2015). Before going on to find what an employee expects from a psychological contract, let's review the expectancy theory of Victor Vroom (1964). According to expectancy theory employee will exert a high level of effort only if they feel that their effort will be appraised and that the appraisal leads into organizational reward and individual goal attainment. That means people are only motivated to work when they attain their individual goals. However, individual goals or expectations vary from person to person. One's individual thinking and expectation is affected by his/her own psychological need (Meckler et al., 2003). People have different value, interest, norm, perception. People vary in terms of age, race, religion, ethnicity, education and so forth. Thus, understanding employees' expectation from psychological contract is not easy. So, what do workers want? And in 1949 a research had been conducted to answer the question (Hersey & Blanchard, 1993). Workers were asked to rank ten variables or items from top to bottom. It was found that majority ranked tactful discipline, good working conditions, management's loyalty to workers, growth in the company and job security as the items that they want most from their jobs. In a more recent survey among 268 participants Lester, Claire and Kickul (2001) examines the psychological contract obligations that are identified by employees as more important. According to mean importance ratings it was originated that workers placed a high level of importance on such areas of the contract as; opportunity for promotion and advancement (4.66), trust and respect (4.64), open and honest communication (4.62), fair treatment (4.57), challenging and interesting work (4.52) etc.

Henceforth from those studies, it can be said employees' expectation and value differs but somehow it centers around psychological aspects. As people are not like machines, therefore, the emphasis they put on various items in organizations are closely linked with psychological context. Another way to find out what employees' value most in modern work place is through the level of job satisfaction. Management can affect worker job satisfaction through fulfilment or breach of psychological contract (Rousseau, 1998). The latest Workplace Employee Relations survey (2004-2005) among 22451 employees across all job sectors in UK suggests that majority of employees are satisfied when they are provided with sense of achievement, scope for taking initiative, job security, influence over job, training and the like (Taylor 2011).

4.3. Organizations' Response to These Unvoiced Expectations of Employees

Management should try to understand and meet the perceived unvoiced expectations of employees as much as possible. Failure to accomplish employers' obligation can be a major source of employee's frustration (Blau, 1992). Even any inaction on the part of management may likely lead to a perception of breach of psychological contract (Taylor, 2011). Many modern organizations have failed to understand these needs and values. Today's firms in many cases are struggling to meet and greet the continued expectations of their workforce (Cappelli, 1999). So, the big question mark for each manager is how to manage the expectations of employees which are vague, unwritten, complex and most important changes over time. Some of the modern researchers on psychological contracts have come up with the solutions.

Also, there are examples of many giant firms trying to meet every single detail of employee expectation. Customer assistant Irvine says that most management of Tesco understand the demand for time off during exams and coursework for staffs who are students. As employees' needs are diverse and multidimensional, organizations should focus on every individual separately. Hence communication is vital. Morrison and Robinson (1997) suggest that one of the conditions responsible for breach of psychological contract is incongruence. Incongruence occurs when there is confusion among employers and employees about the perceived obligations and expectations. Such misunderstanding can be dissolved by proper communication. Adams (2007) suggests some effective ways to managers for strengthening psychological contract. According to him, reward employees when they work beyond contract, ensure equal treatment, maximize employee involvement, maximize opportunities, embrace work-life balance initiatives are the ways through which employers can respond to the expectations of employees better. In their book, Conway and Briner (2005) advocate some approaches which have become very authoritative among managers in the UK. Involving employees in change management,

communicate clearly and repeatedly, careful monitoring of employee's needs, negotiate changes rather than imposing are some of those approaches. And perhaps one best way to understand what employees' value is by viewing employees as resources. Honest recognition of employees leads to organizational success (Currie, 2001). From above discussion it is clearly found that organizations, nowadays, has been popularly familiar with psychological contract and its growing attention. Psychological contract is the unwritten employees' expectations upon management which largely define any employment relationships. In fact, employees' job satisfaction mostly depends on how well organizations are satisfying these unwritten and unvoiced expectations. Breach of psychological contract happens when an employee perceives that his or her organization has failed to satisfy any reciprocal obligations or promises. Generally psychological contract is subjective in nature and it varies from employee to employee depending on their psychological needs and characteristics. Managers should play a huge role in dealing with any unique and uncertain expectations of the respective individual in their organization. Proper communications and interactions are essential to achieve a fit between employee and employer expectations.

5. Conclusion

Over the last few years, the notion of psychological contract has been a popular one. No wonder it has become the area of interest and investigation by many researchers and scholars. In this competitive world where the demand for recruiting and retaining effective and efficient employees is too high, employers are focusing on understanding the growing needs of their employees' perceived expectations and values. But the complexity is that, unlike the legal contract the expectations in psychological contract are unwritten. It is rather an implicit agreement of 'give and take' (Turnley & Feldman, 1999). The psychological aspect and expectation of employees in modern age is a changing process. Peoples need, want differs in the context of numerous geographical, demographical, economic factors. Even in the absence of any real contract breach an employee may regard that the contract has not fulfilled only because of his/her individual perception. So, it can be said that, employers should be employees' focus on understanding employees' psychological differences. In fact, a good manager is the one who can take dynamic steps to reduce instances of perceived breach or violation (Taylor, 2011).

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