

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Impact of Psychological Contract on Employee-Employer Relationship and Organizational Performance

Himanshu Kataria

Research Scholar, Institute of Management Studies and Research,
Maharshi Dayanand University, Rohtak, Haryana, India

Abstract:

The primary purpose of this paper is to found a relationship between psychological contract and employee-employer relationship. A deep literature has done from the past few decades on psychological contract: how it is related to employees' beliefs and perceptions, violation of psychological contract and how violation affects employees' attitude and behavior. As the world is changing because of downsizing, layoffs, mergers and acquisitions and outsourcing an organization cannot survive only by having good technology or with good training and development programs but an organization have to focus on one thing that cannot be copy by other organization. The question is what that thing is? It is called employee-employer relationship. Organizations now, implement new ways to improve the employee-employer relationship. In this paper stress is on the concept of employee-employer relationship and the impact of psychological contract on employee employer relationship is highlighted and also the various strategies that an organization can adopt for improving their employee-employer relationship.

Keywords: Psychological contract, employee, employer, beliefs, perceptions

1. Introduction

The roots of an organization development and growth lie within the healthy relationship among employee and organization. In the past few decades employment relationship has blossomed. The employment relationship is gaining its importance because of changing scenario; employees are getting no secure jobs. An employment relationship can be managed by people management practices. People management practices comprise of Human capital, Employee behavior and Quality of the employee relationship. *Human capital is the stock of competencies, knowledge, social and personality attributes and creativity of employees within the organization. * Quality of employee relationship leads to creation of trust and justice on one hand and psychological contract on other hand. *Employee behavior is the source of positive or negative employee attitude towards their work. These three components are interrelated in the sense that all of them required good employment relationship. Past few decades of research are witness that psychological contract is becoming an important criteria for the employment relationship. Previous research focus mainly on the process of formation of psychological contract, how it is managed in organization /work place and contributing factors towards violation of psychological contract. Here along with discussion of psychological contract how the psychological contract affects the employee - employer relationship is also discussed.

2. Psychological Contract

In this paper psychological contract is considered as the focus point as all other components of people management practices are supposed to be either positively or negatively related to psychological contract. A clear understanding of this concept is important for both individuals and organizations because of high tech environment, downsizing and changing employment relationship, as psychological contract is not like formal employment contract, and is not made only once at the time of recruitment but it is revised throughout the employee's tenure in the organization (Rousseau and Parks, 1993). As it is directly related to human capital a little ignorance could have drastic results on both employee as well as organizational outcomes. Because of worthy outcomes in the past few decades psychological contract is gaining its importance in organizations as well as in the research area. In this competitive era psychological contract provides an opportunity to a fundamental knowledge about organization-employee and employee-employer relationship (Agarwal and Bhargava, 2008). Concept of psychological contract arises from social exchange theory. Social exchange theory focuses on the mutual obligations between worker and supervisor and also on the importance of employees' motivation and the role of motivated employee in the achievement of organizational goals (Aselage and Eisenberger, 2003). The roots of the concept of psychological contract started with the work of Argyris (1960) followed by Levinson, Price, Munden, Mandl, Solley (1962) and by Schein (1965). According to them psychological contract is the expectations about the reciprocal obligations that compose an

employee-organization exchange relationship. However early writings were vague on psychological contract as they implying that they consist of mutual perceptions (Kotter, 1973; Levinson et al.; 1962; Schein, 1965). But later on Rousseau (1989) made a clear distinction between psychological contract, composed of expectations held by an individual that may or may not be shared by others, and implied contracts, which consist of commonly understood or shared expectations. Also psychological contracts are the beliefs that employees hold towards their organization regarding the terms of the informal exchange agreements (Rousseau, 1989, 1990). For employees these are promises/considerations that should be kept by organization.

In total psychological contract are not expectations about what an employer or organization should give in exchange of past performance, but, psychological contracts are the beliefs or perceptions about the promises (either explicit or implicit) made by organization or employer. Macneil (1985) described beliefs can arise from overt promises, sometimes employer discuss some HR practices at the time of recruitment and considered by the employees as promises and hence formed psychological contract. These are the mutual obligations in which both employee as well as employer is obliged to keep their promises. Obligations such as hard work, accepting training or transfer can be offered in exchange for promises, either implied or stated, of pay, promotions, growth or advancement (Robinson and Rousseau, 1994). In this paper, a connecting link between psychological contract and employee-employer relationship and organizational performance is tried to be established. As past researches show that psychological contract is important to study because of its outcomes related to both employees as well as organization. Past studies revealed that the psychological contract directly related to employee attitudes such as motivation, commitment, and satisfaction (Robinson & Morrison, 1995; Shore & Tetrick, 1994; Sparrow, 1998), and on the other hand organizational performance. In this paper we tried to establish a connecting link between psychological contract and employee-employer relationship.

3. Two Sides of Psychological Contract

3.1. Psychological Contract Fulfillment; Psychological Contract Violation

Fulfillment of psychological contract is the reason of job satisfaction, motivation to do work, contribution in decision making, loyalty towards organization and commitment towards their organization whilst on the other hand violation of psychological contract could produce worse effects for employee as well organization. Psychological contract is the perceptions of the different parties (employee and employer) to the employment relationship of what each owes the other (Rousseau, 1995). Psychological contract is the combination of beliefs, values, expectation and aspirations of employee as well as employer. According to Robinson and Rousseau (1994) psychological contracts are subjective, the perceptions about the employment contract that reside in the eyes of the beholder. Psychological contract could be in terms of written/unwritten or explicit/implicit form or spoken/unspoken. However, it's not necessary that two parties have same beliefs towards a single object. Employees and organization considerations sometimes may clash and situation of violation of contract may develop, however, on the other side same consideration may result in fulfillment of contract. Mutual obligations are the essence of the employment contract (Rousseau, 1989) defining the relationship between employee and employer. Obligations such as hard work, accepting training or transfer can be offered in exchange for promises, either implied or stated, of pay, promotion, growth or advancement (Robinson & Rousseau, 1994). These obligations are held by an employer or employee or organization, that each is bound by promise or debt to an action or course of action in relation to the other party (Robinson et al., 1994). Employment obligation embedded in the context of social exchange, constitute the psychological contract (Rousseau, 1989; Rousseau & Parks, 1992). Obligations are the basic components of social exchange relationships. Social exchange has been defined as cooperation between two or more individuals for mutual benefit (Cosmides & Tooby, 1987). Exchange is pervasive in all cultures and is a fundamental condition of organizational membership (Barnard, 1938).

Psychological contract consists of sets of individual beliefs or perceptions regarding reciprocal obligations (Levinson, 1963; Rousseau, 1989). Employees' psychological contracts specify the contributions that they believe they owe to their employer and the inducements that they believe are owed in return (Robinson et al., 1994). These obligations can be in terms of perceived employee obligations, perceived employer obligations, perceived organizations obligations, as all are interrelated with each other and affect each other's outcome. Therefore an understanding becomes essential towards these concepts. Further, in the previous researches it is found that these obligations directly influenced by the psychological contract types. Rousseau (1995) described four types of psychological contract namely transitional, transactional, relational, and balanced. These are based on duration and performance. Transitional contract is of short duration. Transactional psychological contract types are short term contract and monetary oriented. Whereas relational contract types are long term and emotionally bound contracts. Balanced contract is the combination of both transactional and relational contract type.

Psychological contract violation occurs when employee perceives that the organization has failed to fulfill one or more of its obligations comprising the psychological contract (Rousseau and Parks, 1993). However, sometimes it is difficult for organizations to fulfill all the obligations towards employees (McLean Parks & Kidder, 1994). Earlier researchers thought that psychological contract violation is emotional one and some consider violation is a cognitive process (Rousseau, 1989). But later on Morrison & Robinson (1997) said that violation is an emotional experience that arises from an interpretation process that is cognitive in nature. Previous researches found certain reasons for psychological contract violation namely renegeing, incongruence, organizational injustice (Morrison & Robinson, 1997; Pate et al., 2003) Renegeing occurs when the organization knowingly breaks a promise to the employee, either because of inability or unwillingness. However renegeing will be more costly if employee is the more powerful party, as it will be more detrimental to the organization if the employee withdraws his/her contributions (Morrison and Robinson, 1997). Incongruence occurs when employee and organization have different understandings regarding what an employee has been promised.

Organizational justice can be distributive justice issues, procedural justice issues; interactional justice issues (Pate et al., 2003). Pate et al., 2003 found that outcomes of organizational justice issues can be disastrous for organization as: Procedural injustice was linked with job satisfaction, loyalty and cynicism; Distributive justice triggered job satisfaction and affective commitment; and third, interactional justice issues were associated with cynicism and behavioral outcomes. According to him injustice in any of these produced negative results viz. job dissatisfaction, less loyalty and less affective commitment. Outcomes of psychological violation can be drastic. Turnley and Feldman (1998) studied the extent and consequences of psychological contract violation of managers in restructuring firms. They reported that areas like job security, input in decision making, opportunities for advancement, and amount of responsibility, managers in these firms were also significantly more likely to be looking for new jobs and were less likely to be loyal to their employers. Turnley and Feldman (2000) also reported that unmet expectations and job dissatisfaction partially mediate the relationship between psychological contract violations and employee behaviors such as intention to quit, neglect of in-role job duties and citizenship behaviors. Researchers have found that violation decreases employees' trust toward their employers, satisfaction with their jobs and organizations, perceived obligation to their organizations, intentions to remain and extra role or citizenship behavior, employee contributions to their organizations, loss of commitment towards organization or commitment, loss of a valued employee, a damaged reputation, retaliation, or even a lawsuit (Robinson, In press; Robinson & Morrison, 1995; Robinson & Rousseau, 1994; McLean Parks & Schmedemann, 1994). As psychological contract is a kind of bond between employee and employer and if one party does not fulfill all its promises then this bond weakens on the other hand if both fulfill then it will be mutually beneficial for both parties (Robinson and Rousseau, 1994). However in extreme cases of violation, employees may seek revenge or retaliation, engaging in sabotage, theft, or aggressive behavior (Fisher & Boron, 1982; Greenberg, 1990; Robinson & Bennett, In press; Tripp & Bies, In press). But the question is why violation takes place. Previous researchers describe some contributing reasons for violation. First its nature which is perceptual and idiosyncratic, meaning of which is the belief of employees and employer regarding obligations which may be same or different (Lucero & Allen, 1994; McLean Parks & Schmedemann, 1994; Rousseau, 1989; Shore & Tetrick, 1994).

3.1.1. Outcomes of Violation

Firstly, Violation decreases trust. When rules of friendship are violated, trust and respect decline (Davis and Todd, 1985). In the same way when an employer breaks his/her promise or any obligation that he/she is required to fulfilled but does not, trust declines. Garbarro and Athos (1976) identified a number of bases of trust within business relationship: beliefs regarding the other's integrity, motives and intentions, behavioral consistency, openness and discreteness. If employer maintains high level of trust and even maintains, organization would be less exposed to the negative outcomes of psychological contract violation (Robinson, 1996). Moreover if employees feel that they are treated with fairness, honesty and trust then feelings of anger and betrayal will reduce (Robinson and Morrison, 2000). Also Robinson and Rousseau (1994) in their study found strong relationship between violations and trust, and it is most significant to consider as trust is crucial for organizational effectiveness (Golembiewski and McConkie, 1975).

Secondly violation becomes the cause for employees to not share their knowledge. In changing economy and technologically improved world knowledge is viewed as a key strategic and competitive source, and, hence, for organization it becomes a requirement to keep knowledgeable workers for organizational success (Cohen and Leventhal, 1990; Grant, 1996; Ipe, 2003). But how knowledge sharing behavior is related to psychological contract? As knowledgeable persons are more committed towards their occupational motives rather than organizational motives, so it becomes important for organization to not let psychological contract violation as for them violation means breaking of trust and results in no knowledge sharing contribution, that is why this is the reason that why successful organizations enter into psychological contract with their employees because of this they can motivate their people to generate and share knowledge within the organization (Thite, 2004; Vandenberg and Scarpell, 1994; Robinson, 1996; Rousseau, 2004).

Thirdly, psychological contract types (transactional. Relational and balanced) are affected by generation differences. As different age groups employees have different perceptions about the psychological contract with the employees they held so for employers it becomes important to get an understanding of different age groups and their beliefs regarding psychological contract. As organizations are required to manage an increasing number of older workers with younger workers in the changing scenario having few career paths and flatter structure (Heijden et al., 2008; Kupperschmidt, 2000; Maguire, 2002; Pappas and Flaherty, 2006). Rousseau defined two dimensions of psychological contract namely: transactional and relational. Transactional are short term and monetary oriented contracts. On the other hand relational contracts are long term, emotionally oriented and having characteristics like open communication where trust, security, and loyalty are the focus of the exchange (Rousseau, 1995). Smola and Sutton (2002) categorized generational groups into two namely: Baby Boomers and Generation X. Baby Boomers were born during 1946 to 1964 (Egri and Ralston, 2004; Smola and Sutton, 2002; Westerman and Yamamura, 2007). Whilst Generation X were born during 1965 to 1979. Smola and Sutton (2002) found that both group's values are different in the sense that Generations Xers were less loyal to the organization than from those of the Baby Boomers. Hess and Jepsen (2009) in their study found that employees level of relational obligations was significantly higher for Baby Boomers than for Generation X consistent with Westerman and Yamamura's (2007) results that Baby Boomers were more motivated by relationship fit with their organization than Generation X. They also found that even transactional obligations was also significantly higher for Baby Boomers than for Generation X. After knowing that generation differences also cause violation of contract then it becomes necessary for employers to maintain relationship with employees and fulfill obligations regarding psychological contract of employees.

Fourth, the most important one is link between psychological contract and organizational commitment. Over the past few decades researcher try to know the causes of turnover issues and relate them with organizational commitment, likewise, link between

psychological contract and organizational commitment. Organizational commitment refers to an individual's feelings about the organization as a whole (Joo & Park, 2009). Organizational commitment has been shown as an important predictor of turnover intention (Arnold and Feldman, 1982; Hollenbeck and Williams, 1986; Angle and Perry, 1981; Cunningham, 2006; Meyer et al., 2002; Ugboro, 2006). Past research shows that turnover can be costly to organizations, commitment is generally assumed to be a desirable quality that should be fostered in employees (Addae et al., 2006). Addae et al., found that psychological contract violation moderated the relationship between affective commitment and turnover intentions, this implies that employees who perceived that their employers failed to fulfill promised obligations were likely to have turnover cognitions, from this it can be said that committed employees benefit the organizations as they tend to be absent less and often make positive contributions to the organization, and also turnover can be very costly to organizations.

4. Changes in Employee-Employer Relationship

According to Deep (1978), basically three types of employees, employers have to deal with namely: turned on, turn-onable and turned off. Employees who are highly motivated towards their job and seek responsibility, authority, want to make contribution towards organization or society and independence at work are termed as turned-on employees. Whereas turn-onable employees have motivation towards work in them but they have not displayed their motivation towards work. On the other hand turned off employees are opposite to that of turned on employees as they have neither the qualities as that of turned on employees. Employers should keep in mind that employees react differently to the same work situation as turned-on employees respond favorably to an opportunity having decision making responsibility whilst turned-off employees react negatively to the same situation. Hence it is understood that for the growth of organization it becomes necessary to have good employee-employer relationship and it is possible only then when employers understand the employees and how they will be more affective.

History is the witness of employee and employer relationship, which was based on mutual understanding among employee and employer, in which employee is supposed to do work hard without any destruction and fails in duty whereas employer is supposed to pay for what employee has contributed and job security (Meuse et al., 2001). But now the situation has changed as past scenario is the witness of downsizing, merger & acquisition, rapid change in technology. This, however, also affected employment relationship (employee-employer relationship) to a great extent. Sinha (2000), for instance, found that in India labor market has changed to an extent where employee's obligation to remain loyal to the organization as well as the employer's obligation to provide lifetime secure job are seen as outdated values. Henceforth, need for understanding relationship can be seen among subordinate and supervisor in the past researches as they directly influence the productivity and outcomes of organization. Therefore, psychological contract becomes the interest area from the past few decades for researchers. Psychological contract deals with employee attitude towards work. Psychological contract fulfillment produces positive effects on the one hand and on the other violation sometimes can produce disastrous effects for organization. Pate et al., found that psychological contract violation changes employee-employer relationship at attitudinal level (little evidence of behavioral outcomes). Psychological contract violations have negative effects on in-role and extra role behavior. In role behavior namely decreased job satisfaction, performance, knowledge sharing behavior, trust, increased absenteeism and actual employee turnover. On the other hand extra role behavior can be in terms of organizational citizenship behavior and reduced commitment towards their employer. Bhattacharya et al., found that employer can influence the psychological contract of employees. This may happen through managing expectations from the outset, as suggested by De Vos *et. al* (2003), but it may also occur as a response to the obligations employees attribute to employers. However Bhattacharya et al., also found that employee obligations to their employer are becoming short-term (transactional contract type) instead of long term relationships (relational contract type), these results also consistent with previous research (Robinson *et al.*, 1994; Anderson and Schalk, 1998). Why this is so? We will try to understand from the following argument which lead to psychological contract violation and hence a weaker employee-employer relationship. Psychological contract used as a basis for understanding employee-employer relationship (Cappelli et al., 1997). Employment relationship is worker's relationship with the organization in which he/she works (Hui, Lee, Rousseau, 2004) and it affects workers' in role as well as extra role behavior. However for worker's relationship with their immediate supervisor contribute towards employment relationship (Chang 1976; Pearce 2001).

From the past few decades a dramatic change has occurred in employee-employer relationship. Initially for employees employment relationship means long term relationship (relational contract) but because of technology, downsizing, mergers and acquisition terms of contract have changed. Employees attitude towards contract terms have changed from relational to transactional. Employees today believe in short term relationship and focus become more monetizable and career and development oriented. Because of this there is great need to understand employment relationship. Mayer (1944) said that maintaining good employee relationship is like science in itself. As science is the application of co-ordinated, codified knowledge which has been gained by systematic observation, practical experimentation and logical reasoning. And same is with the employee employer relationship. It also needs careful observation and need for understanding employee and employer behavior and attitude.

Employment relationship have changed since the World War II with the involvement of women and changing technology, however, these changes have certain outcomes like changing workforce and changing employee-employer relationship, this change somehow became the cause of decreasing trust in the employer and reason of increased government regulation, lawsuits, and the general animus between employers and employees which continued to grow incrementally (Karnes, 2009). According to Karnes good employment relationship results in increase in employee satisfaction hence business success, as high and sustainable level of business performance have to be based on effective community.

4.1. How Psychology Contract Affects Employee-Employer Relationship

Psychological contract evolves during the course of the employer-employee relationship (Rousseau, 2003). As psychological contract represents the employee's and employer's beliefs or perceptions regarding the employment relationship (Robinson and Rousseau, 1994). As global economy has changed psychological contract has also changed. In old psychological contract employer is considered as caretaker for employee (Csoka, 1995; Ehrlich, 1994; Kissler, 1994; O'Reilly, 1994; Robinson and Rousseau, 1994). According to Cavanaugh & Noe (1999) employees were guaranteed job till retirement and also employer helped employees in career development and growth that helped them in career promotions, resulting in loyal and committed employees to the job and the organization. On the other hand in new psychological contract both employee as well as employer has lower expectations for long term relationship as employees' focus is more oriented towards their career planning and hence more commitment towards individual goals than organizational goals (Stroh, Brett and Reilly, 1994; Kissler, 1994; O'Reilly, 1994; Parks and Kidder, 1990). What an employee expects about employee-employer relationship affected by type of perceived psychological contract and also may influence an organization's ability to fulfill its obligations (Morrison and Rousseau, 1997). Healthy employment relationship is based on mutual perceived obligation from both parties namely employer and employee. When these perceived obligations are not fulfilled, employees feel that employers are not valuing their relationship (Lester, Kickul & Bergmann, 2007). Obligations that each party is obliged to fulfill are:

4.2. Perceived Employee Obligations

Robinson et al., (1994) found obligations of employee to their employer that are required to fulfill are working extra hours, loyalty, volunteering to do no required tasks on the job, giving advance notice if taking a job elsewhere, willingness to accept a transfer, refusal to support the organization's competitors, protection of proprietary information, and spending a minimum of two years in the organization. They also found that employee's obligation to work extra hours, to be loyal, and to volunteer to do no required tasks on the job represents relational obligations. And on the other side taking a job elsewhere, to be willing to accept a transfer, to refuse to support the organization's competitors and to protect proprietary information reflects transactional obligations.

4.3. Perceived Employer Obligations

Robinson et al., found in the organization employees believed that their employer is obligated to provide them rapid advancement, high pay, pay based on current level of performance, training, long-term job security, career development, and support with personal problems. According to their study employer's obligations to provide rapid advancement, high pay, and pay based on performance reflects transactional obligations in that the obligations are specific, monetizable, and fulfilled at a definite time. Employer's obligations to provide long-term job security, training, and development reflect relational obligations in that the obligations serve to maintain the relationship and require fulfillment over an indefinite period during the course of the relationship.

4.4. Perceived Organizational Obligations

Employees expect to fulfill promises that the organizations has made termed as organizational obligations. Aggarwal and Bhargava (2009) found that employees expected that people in authority, especially their immediate supervisor, should develop not just work relationship, but also family ties with them. Instead of employees organizational obligations are also supposed to be fulfilled by employers also. Aggarwal and Bhargava (2009) combined certain items of employees perceptions regarding organization obligations into factor like growth and development opportunities, work culture, salary and benefits and resource availability. They also found some items perceived by organizational representatives (employers) namely, job and resource support, salary and benefits, growth opportunities, equity, work culture and development opportunities. They found differences in the employee and employer perceptions regarding organizational obligations. Growth and development opportunities and supportive work culture are important organizational obligations as perceived by employees but on the other hand employers believed that job and resource support and salary and benefits are most important for employees. However they also found that certain factors are specific for each employee as well employer like equity is important for employer while working conditions and resource support are important for employees but not for employers. In doing all this they also found that open communication culture and realistic job-previews (RJP) during entry stage can serve as an important step to bridge the perceptual gap regarding organizational obligations between employers and employees.

4.5. What If Obligations Are Not Fulfilled?

As strength of employment relationship lies in how dedicatedly each party fulfills psychological contract obligations. If fulfill then it communicates that employee is valuing their relationship. But on the other hand unfulfilled obligations raise questions on the employer's commitment to the relationship, it becomes more problematic when unfulfilled obligations are the result of situational variables beyond the organization's control even when organization want to fulfill obligation but forces to alter the organization's obligation then it can produce drastic results, even sometimes turnover (Lester, Kickul, Bergmann, 2007). If obligations are not fulfilled either from employee side or employer side then it may have drastic effects on not only either party but also on the organizational outcomes also. However on the other hand psychological contract violation is the cause of negative effects on employees (Kozlowski, Chao, Smith, & Hedlund, 1993; Zeitlin, 1995), in terms of stress and strain (Maslach, Schaufeli & Leiter, 2001).

4.6. *Employee's Outcomes*

As psychological contract violation is related to job dissatisfaction, less commitment towards organization and lower level of extra-role behavior (Robinson & Rousseau, 1994; McLean Parks and Kidder, 1994; Turnley and Feldman, 1999). Yang (2003) defined organizational commitment as the relative strength of identification with the involvement in a particular organization. Organizational commitment (Kalleberg and Meaterkaasa 1994; Mowday et al. 1982) is characterized by three factors namely: a strong belief in organization's goals and values, indicating affective commitment as affective commitment describes commitment to the values of the organization; secondly a strong desire to be in relationship with the organization; and thirdly as a part of the organization make considerable efforts for improvement of organization growth. Fulfilled psychological contract obligations are the result of developed trust towards the organization and hence greater commitment to the organization (Lester & Kickul, 2001; Robinson, 1996; Turnley & Feldman, 1999, 2000. Blau (1964) described this as employees becomes more interesting in the relationship with their employers that too long-term if employees found that employers have fulfilled their obligations. If we look at the aspect of loyalty, every organization wants employees to be loyal towards their organization. In the past few studies there has been a much discussion on the concept of loyalty because of the changing nature of employment relationship (Grosman 1989; Pfeiffer 1992; Haughey 1993). Violation of contract develops disloyalty in employees as there will be a breakage of trust among employee and employer results in disloyalty towards employer.

4.7. *Employer's Outcomes*

In terms of employer outcome there has been little research but employers too confront with the situation of psychological contract violation when employees are unable to fulfill their obligations (Nadin & Williams, 2012). Nadin & Williams (2012) in their found that employer too are the victims of violations of employee obligations. They found that violation of contract is damaging to the employer also. These damaging may become severe when they cause disruption of the smooth functioning of business. They tried to highlight effects on employer side also because mostly the past literature focuses on the damages of employee side only. But employee too has certain obligations towards their employer that need to be fulfilled for good employment relationship.

4.8. *Contributing Factors towards Employment Relationship*

New comer has certain prior expectations regarding their jobs and organization either because of previous work experience or prior information gathered about the organization. The development of these expectations as described by Rousseau (1995) is the result of cognitive processes. Each individual have different cognitive process and hence different expectations resulting different psychological contract expectations.

4.9. *How Employee-Employer Relationship Impact Organization Growth*

According to Cavanaugh and Noe (1999) continuous improvement requires participation and involvement in development activities by the employees. This is possible only when employees devote more time and energy for improving the work processes and also develop new skills for improving product quality and customer service. And all this possible and an employer can expect only then when employees have relational contract with the organization (e. g. Job security by the employer). On the other hand if employee perceive that his/her obligations are not fulfilled then it may have negative consequences for organizations like lowered level of performance, extra role behavior (organizational citizenship behavior), less commitment towards organization and even satisfaction, sometimes in extreme cases increase level of turnover (Robinson, 1996; Robinson & Rousseau, 1994; Robinson, Kraatz & Rousseau, 1994).

4.10. *Strategies for Improving Employment Relationship in Organization*

Today organizations are developing new strategies for managing employee-employer relationship in their organizations. Why? Because in this high tech changing world technologies can be copied and even same training programs can be developed in more than one organization, so where can an organization distinguish from another one? Answer is in terms of highly knowledgeable workers who contribute their knowledge in the organization and committed employees which may be the results of healthy employee-employer relationship. For motivating their workforce organizations use different approaches namely: Human behavior approach, Social system approach, decision theory approach, management science approach, systems approach, operational approach. However, apart from these approaches organizations utilizing different approaches that are different from scientific/production approaches are called high performance work systems. High performance work systems focus on employee-employer relationship. It is believed that high performance work system leads to sustained competitive advantage. High performance work systems are a specific combination of HR practices (performance appraisal, benefits and compensation etc.), work structures and processes that maximize employee knowledge, skill, commitment and flexibility- with the aim of enhancing employee effectiveness. According to Pfeffer (1998), employment security, selective hiring of new employees, extensive training, high compensation on performance are some of the key characteristics of high performance work system. All these components have an impact on employment relationship as these are based on employee involvement and not on employee control as High performance work system characterized by involvement of employees in decision making, training and development of employees, teamwork oriented work culture and freedom of employees to make work environment richer in completing job task. These force an employee to "feel responsible for and involved in its success" (Lawler, 1992). Attainable high performance work system is the only result only then when employees are comfortable with the organizational

values and beliefs. For this first they should know that and how this is possible by organizational socialization, communication & realistic job preview.

4.11. Organizational Socialization

Organizational socialization refers to a collection of processes early in the employment relationship whereby organizations attempt to transmit to new employees the values, expected role behaviors, and social knowledge the firm feels they will need to succeed (Bauer et al., 1998; Louis, 1980). Organizational socialization is a process by which individuals become familiar with the existing organization culture (Jones, 1986; Cable and Parsons, 2001). It is important as successful socialization leads to congruence between individual and organization in terms of values, goals and beliefs and hence greater organizational commitment (Cable and Parsons, 2001).

4.12. Communication

As communication is considered as the main human resource practice in the organization. According to Lester, Kickul and Bergmann (2007) if employers explain the reasons behind their decisions to the employees then a message is automatically communicated to the employees that employers care for them and also they felt that the organization/employer has fulfilled its psychological contract obligations.

4.13. Realistic Job Preview

As RJP intended to provide new or potential organization members with accurate expectations of job and organization (Meglino et al., 1998). It is suggested that RJP can shape employee perceptions about exchange agreements (Rousseau and Greller, 1994) and lead to initial perception about the climate. And it is also found that RJP ensures that new comers have accurate expectations from their new job and employer and thus avoid experience of having unrealistic expectations (Aggarwal and Bhargava, 2008).

5. Discussion

In this review paper psychological contract and its impact on employee-employer relationship is discussed. Previously research has done on psychological contract, its violation, and its outcomes that organization has to face in terms of decreased performance, increased turnover and decreased organizational outcomes and its performance. But till now relationship between psychological contract and employee-employer relationship is not established. In organizational behavior studies various approaches are used for managing people and organizational performance. But here high performance work system is considered as the emerging area in terms of good employment relationship. As high performance work system organizations focus on employee involvement either in terms of decision making or establishment of working environment and not on employee control as it are talked in scientific approaches.

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