

EMPLOYEE PSYCHOLOGICAL CONTRACT A PROPOSED FRAMEWORK FOR NOVICES IN SERVICE SECTOR: A REVIEW

*Surya Sarah Issac
Philcy Philip*

Abstract

The psychological contract is the set of unwritten expectations between an individual employee and the organization. This paper highlights various variables that strengthen the employee psychological contract through a framework proposed by the researcher for the newcomers in the service sector. The researcher also contributes various variables which facilitate the employees to strengthen the psychological contract. The research is limited to service sector and also to theoretical aspects to develop a framework. The practical implication of this proposed framework is to reduce psychological contract violation among the newcomers and also this can act as an empirical support for the newcomers in the service sector. The study discovers new direction in researching psychological contract and offers theoretical aid to researchers and practitioners in providing a direction for employee psychological contract and ends with a blueprint as well as recommendations.

Keywords: *psychological contract, service sector, work ethics*

Introduction

The term psychological contract was first used in the early 1960's but became more popular following the economic recession in the early 1990's. The psychological contract is the set of unwritten expectations that an organization and an individual member of that organization have for each other. Every organization should take it seriously, because the psychological contract has real implications for the survival of the organization (George, j. 2013). Psychological contract is an individual's perception regarding terms of exchange in employment relationship and lies in the "eye of beholder" (Rousseau, 1989). In order to measure a subjective-perceptual construct, as is the case with psychological contracts, approaches that elicit employee perceptions should be used (Herriot *et al.*, 1997). However most of the researches done on the subject have used survey questionnaire method and rating scales developed in the west. Over use of this methodological approach has invoked criticism (Coyle-Shapiro *et al.*, 2004; Atkinson and Butcher, 2003; Rousseau and Tijoriwala, 1998) as quantitative techniques do not adequately capture the idiosyncratic nature of the contract (Atkinson and Butcher, 2003; Conway and Briner, 2002).

Psychological contract breaches refer to employees' perceptions towards organizations' failure to the delivery of the obligations in psychological contract (Morrison & Robinson, 1997; Turnley & Feldman, 2000). Rousseau (1989) deemed that when the organizations and employees can't fulfill their obligations, psychological contract will be breached. Although both employers and employees will perceive psychological contract breach, this study discusses the definition of psychological contract breach as most scholars have proposed, that is, psychological contract breach is employees' unilaterally perception that organizations are unable to fulfill their obligations. Such perception is individual and subjective, which

reflects employees' psychological calculation towards their fulfilled commitments. In other words, psychological contract breach is determined subjectively rather than factually.

Review of Literature [ROL]

ROL 1: A Study on Factors Affecting Employees' Psychological Contract and its Impact on Employee Motivation in BHEL EDN, Bangalore (George, J., 2013)

Under this study researcher found that the main factors that influenced the job motivation of employees are breach of psychological contract in mutual trust, job security and employee friendliness.

ROL 2: The Effects of Psychological Contract Breach on Employee Work Behaviors in the Airline Industry: Employee Cynicism as Mediator (Wan, K. M., 2013)

Employee cynicism has a mediated effect on psychological contract breach and work attitude. Although "cynicism" in this research achieved the highest self-assessment among employees, much higher than psychological contract breach, which is not fit with employees' organizational citizenship behavior that supervisors assessed.

ROL 3: Psychological Contracts and Organizational Identification: The Mediating Effect of Perceived Organizational Support (Zagenczyk, T. J., Gibney, R., Few, W. T. & Scott, K. L., 2011)

Understanding the processes through which employees incorporate the organization's identity into their own identity is critical to building positive employer-employee relationships. Results, perceived organizational support fully mediated the relationship between psychological contract breach and organizational identification and perceived organizational support fully mediated the relationship between relational psychological contract breach and organizational identification.

ROL 4: Millennials' Career Perspective and Psychological Contract Expectations: Does the Recession Lead to Lowered Expectations? (Hauw, S. D. & Vos, A. D., 2010)

Recession is related to lower levels of optimism. During times of recession, Millennials lower their expectations regarding the work-life balance and social atmosphere. However, their expectations regarding job content, training, career development, and financial rewards remain high, suggesting that these expectations are largely embedded within the generation.

ROL 5: A model of psychological contract creation upon this paper describes organizational entry (Tomprou, M. & Nikolaou, I., 2010)

A means of understanding how the content of a newcomer's psychological contract is formulated. Pre-entry information and cognitive biases function as a cognitive lens through which the newcomer interprets the new employment relationship.

ROL 6: Exploring psychological contract contents in India: the employee and employer perspective (Aggarwal, U., & Bhargava, S., 2009)

An understanding of the motivations of employees is important since it determines their attitudes and behaviors and also helps organizations in unleashing the potential of their talented employees.

ROL 7: Career stage and generational differences in psychological contracts (Hess, N. & Jepsen, D. M., 2009)

Small but significant differences between individuals' psychological contract perceptions were based on both career stage and generational cohort: higher levels of balanced obligations and fulfilment were found than either relational or transactional obligations and fulfilment; relational and transactional obligations were significantly higher for Baby Boomers than Generation Xers; a stronger negative relationship was found between transactional fulfilment and intention to leave for Generation Xers than Generation Yers; higher balanced fulfilment had a significantly stronger positive relationship with job satisfaction for exploration compared with other career stages and commitment for exploration compared with maintenance stages.

ROL 8: Perceived organizational support as a mediator of the relations between individual differences and psychological contract breach (Suazo, M. M. & Turnley, W. H., 2009)

In line with the hypothesized predictions, the findings indicate that POS fully mediated the relations between four out of the five individual difference variables examined (i.e. positive affectivity, reciprocation wariness, equity sensitivity, Protestant work ethic) and perceived PCB. In addition, POS partially mediated the relation between negative affectivity and perceived PCB.

ROL 9: Reviewing the relationship between human resource practices and psychological contract and their impact on employee attitude and behaviors (Aggarwal, U. & Bhargava, S., 2008)

HR practices influence PC at individual level as well as culture and normative contracts at organizational level. The multi-level nature of these constructs, symbolizing how organizational-level constructs are emerging from individual-level constructs. It is important to mention that the conceptual model that is emerging from the literature review is in congruence. HRP and PC influence employee attitudes and behaviors as well as have a bearing on organizational effectiveness.

ROL 10: Exploring Reciprocity through the lens of the Psychological Contract: Employee and Employer Perspectives (Coyle – Shapiro, N. & Kessler, I., 2002)

The norm of reciprocity in which the conferring of benefits i.e. fulfilling obligations creates perceived obligations on the part of the recipient to reciprocate. Significantly, the support for the norm of reciprocity comes from both parties to the exchange. The employees reciprocate perceived employer fulfillment of obligations by cognitively adjusting their obligations to the employer and fulfilling those

obligations. Therefore, behavior within exchange relationships influences the parameters of the relationship and vice versa.

Objectives of the Study

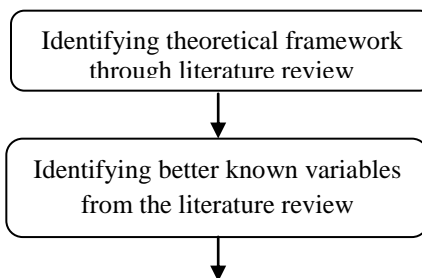
- To identify various psychological contract variables.
- To identify key findings of each author under review that are relevant for service sectors.
- To develop an employee psychological contract framework to understand the expectations of senior executives from the new comers in the service sector.

Methodology of the Study

The study was organized as per the framework presented below, which worked as a brief plan for the study. This paper carries a little sketch to get confirmed with the variables of employee psychological contract with 5 chosen service sector organizations in Bangalore City. This is accompanied by a brief discussion on the author’s comments and a critical evaluation of the same.

The study is designed into three stages - mapping stage, analysis stage and concluding stage. The first mapping stage of the study identifies a theoretical framework of the study through detailed review of literature process for identifying several variables in service sectors for employee psychological contract and examines these variables through a small survey. In the second stage (analysis stage) the study identifies (Previous studies) better known variables through the survey in chosen service sectors. Proposing these better known variables into one cluster i.e., Employee psychological contract. Last of all, at the concluding third stage, all the variables were compared and analysed for finalizing the framework for the newcomers in the chosen service sectors.

The Blue print of this study is as follows:



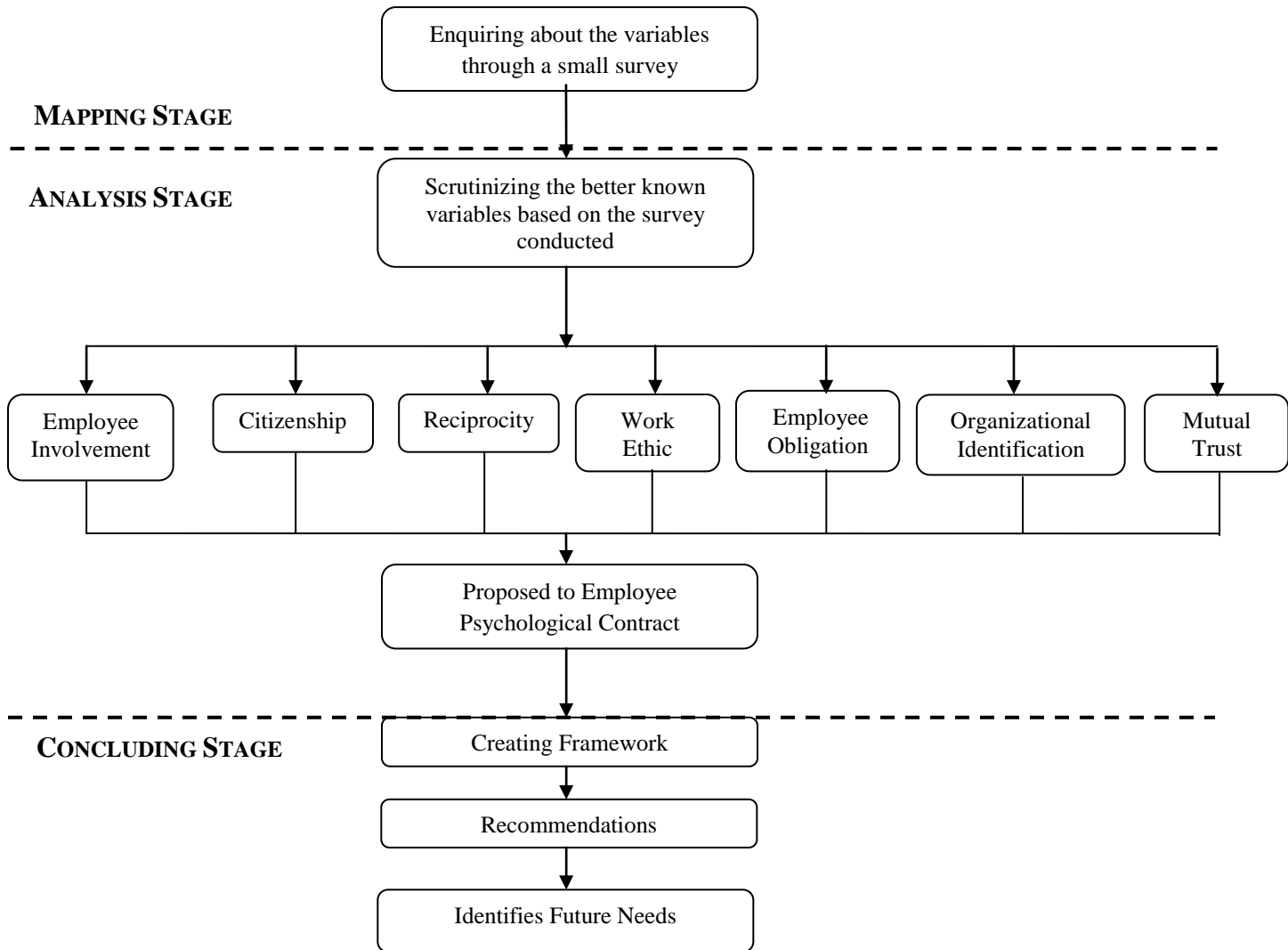


Figure 1 – Blue print of the study

Survey Scrutiny

The survey seeks to scrutinize various authors' opinions based on the variables for proposing a framework for orchestrating all variables into one phrase. For the design of the work, the researcher conducted a small survey for confirming all the terms, i.e., variables, which is derived from the reviewed literature. This survey was conducted among senior executives of chosen industries and the participants for the survey include 5 senior executives of chosen industries in service sector. The survey has focused in such a way that the participants can suggest the reviewed variables as main or sub variables according to their importance to employee psychological contract. This will later helps the researchers for developing the framework.

Table 2: findings of data analysis of the survey contracts

Variables of Employee Psychological Contracts	Bank 1		Bank 2		Hotel 1		Hotel 2		Hotel 3	
	Yes /No	Main / Sub	Yes /No	Main / Sub	Yes /No	Main / Sub	Yes /No	Main / Sub	Yes /No	Main / Sub
Affective Psychology	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Approachability Of Superiors	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Being Treated Fairly	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Career Development	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Careerism	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Citizenship	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub
Competitive Salary	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Cynicism	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Economic Recession	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Employee Attitude	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Employee Behavior	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Employee Friendliness	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Employee Involvement	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub
Employee Motivation	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Employee Obligations	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub
Employment	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Equity Sensitivity	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Human Resource Management	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Facilitators	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Family – Like Culture	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Feedback On Performance	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Healthcare Benefits	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Intention To Exit	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Job Satisfaction	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Job Security	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Job Training	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Mutual Trust	Yes	Main	Yes	Main	Yes	Main	Yes	Main	Yes	Main
Optimism	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Organizational Culture	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Organizational Identification	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub

Perceived Organizational Support	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Positive Affectivity	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Protestant Work Ethic	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Psychological Contract Breach	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Quality Of Work Condition	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Reciprocation Wariness	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Reciprocity	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub
Retirement Benefits	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Sense Making	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Social Exchange	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Social Identity	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Socialization	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Supportive Co – Workers	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Work – Life Balance	No	(-)	No	(-)	No	(-)	No	(-)	No	(-)
Work Ethic	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub	Yes	Sub

The above shown table is the survey conducted in 5 service sectors in Bangalore City. The researchers included variables through a reading knowledge and tête-à-tête with other experts for the survey purpose. From detailed literature review the researcher got 45 variables which was later used for the survey purpose. From the result of the survey it is clear that out of 45 variables, 7 got confirmed as the existing variables used in service sectors. All the confirmed variables resulted from the survey has suggested as main variable or sub variable by the participants of the survey. Out of 7 variables resulted in the survey 6 variables has been marked as sub variables (Citizenship, Employee Involvement, Employee Obligations, Organizational Identification, Reciprocity and Work Ethic) by the participants and rest as main variable (Mutual Trust).

Below table shows the service sector number and the suggested term of variables selected by the researcher from the resulted survey for the purpose of the study.

Table 3: Suggested Term as Variables involved

Suggested Term as Sub Variables, from the selected Service Sector	Suggested Term as Main Variables, from the selected Service Sector	Service Sector No
Citizenship	Mutual trust	Bank 1
Employee Involvement		Bank 2
Employee Obligations		Hotel 1
Organizational Identification		Hotel 2
Reciprocity		Hotel 3

Work Ethic		
------------	--	--

Leads to Sub-Secondary Variables

Employee psychological contract

Leads to Secondary Variables

Surya Sarah Issac & Philcy Philip

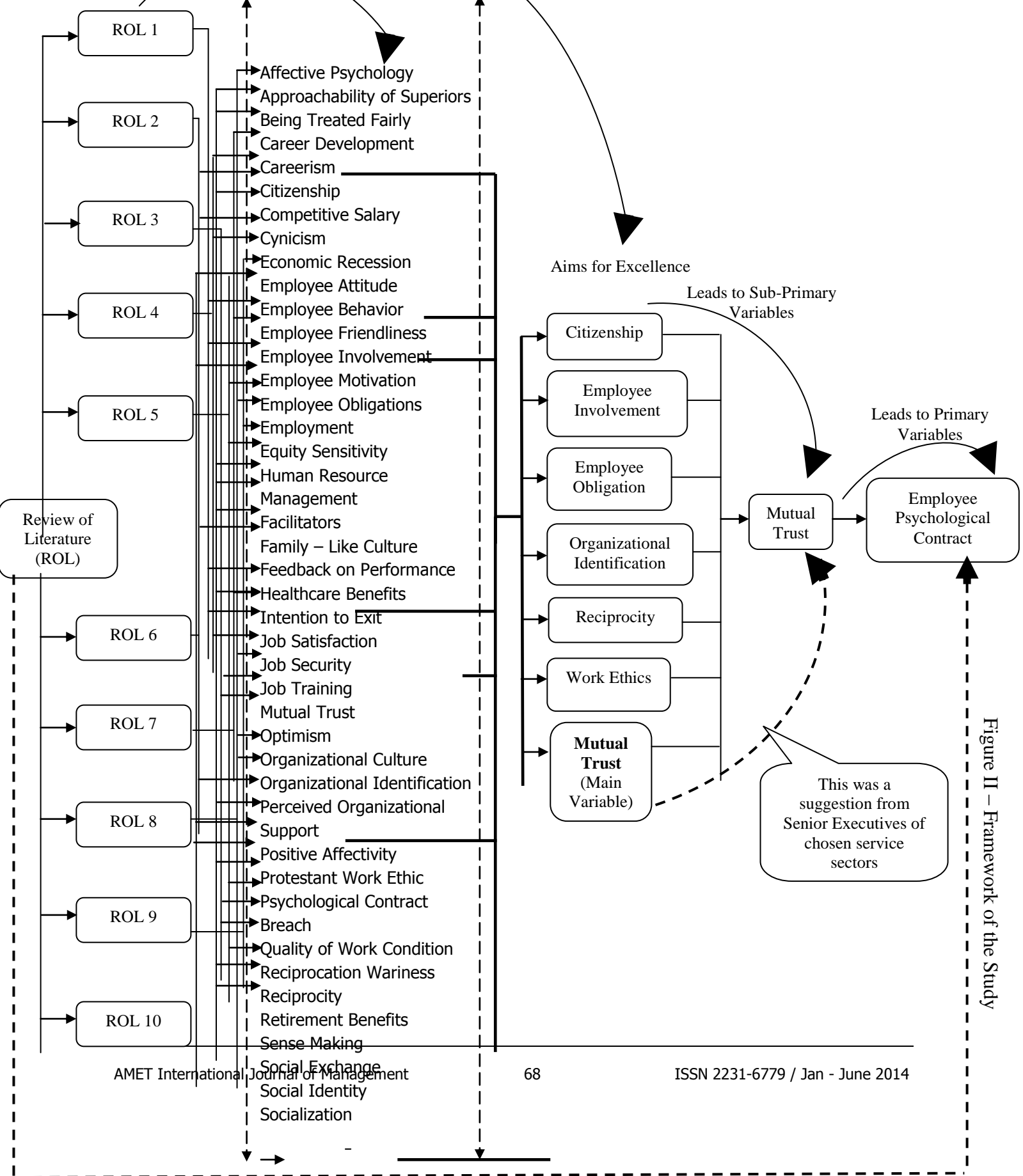


Figure II – Framework of the Study

Conclusion

To conclude with the critically analyzed variables is now orchestrated into one primary term. The study also identified key points of every author whose review have been scrutinized for the study. The survey for this study was conducted and analyzed to build up a framework by offering a primary term to cluster all the widely used secondary variables related to employee psychological contract in service sectors. And the researcher accomplished this through the help of detailed literature review and offered the term to cluster all the widely used secondary variables that is employee psychological contract. When the executives of the company are pleased with new comers in the service sector, newcomers are getting benefited out of it. Hence every newcomer in the industry should know what executives expect from them. This paper is just a beginning guideline for the upcoming employees.

Reference

1. Aggarwal, U., & Bhargava, S. (2009), "Reviewing the relationship between human resource practices and psychological contract and their impact on employee attitude and behaviors", *Journal of European Industrial Training*, Vol. 33 No. 1, pp. 4-31.
2. Atkinson, S. and Butcher, D. (2003), "Trust in managerial relationships", *Journal of Managerial Psychology*, Vol. 18 No. 4, pp. 282-304.
3. Conway, N. and Briner, R. (2002), "The daily diary of affective responses to psychological contract breach and exceeded promises", *Journal of Organizational Behavior*, Vol. 23, pp. 287-302.
4. Coyle-Shapiro, J.M., Shore, L., Taylor, M.S. and Tetrick, L. (2004), "Commonalities and conflicts between different perspectives of the employment relationship: towards a unified perspective", in Coyle-Shapiro, J., Shore, L., Taylor, M.S. and Tetrick, L. (Eds), *The Employment Relationship: Examining the Psychological and Contextual Perspectives*, Oxford University Press, Oxford, pp. 119-34.
5. George, J. (2013), "A Study on Factors Affecting Employees' Psychological Contract and its Impact on Employee Motivation in BHEL EDN, Bangalore", *Asia Pacific Journal of Management & Entrepreneurship Research*, Vol. 2 No. 2, pp. 97-106.
6. Hauw, S. D. & Vos, A. D. (2010), "Millennials' Career Perspective and Psychological Contract Expectations: Does the Recession Lead to Lowered Expectations?", *J Labor Res*, Vol. 25, pp. 293-302.
7. Herriot, P., Manning, W. and Kidd, J.M. (1997), "The content of psychological contract", *British Journal of Management*, Vol. 8, pp. 151-62.
8. Hess, N. & Jepsen, D. M. (2009), "Career stage and generational differences in psychological contracts", *Career Development International*, Vol. 14 No. 3, pp. 261-283.
9. Morrison, E. and Robinson, S. (1997), "When employees feel betrayed: a model of how psychological contract violation develops", *Academy of Management Review*, Vol. 22, pp. 226-56.
10. Rousseau, D. and Tijoriwala, S. (1998), "Assessing psychological contracts: issues, alternatives and measures", *Journal of Organizational Behavior*, Vol. 19, pp. 679-95.

11. Tomprou, M. & Nikolaou, I. (2010), "A model of psychological contract creation upon organizational entry", *Career Development International*, Vol. 16 No. 4, pp. 342-363.
12. Turnley, W.H. and Feldman, D.C. (2000), "Re-examining the effects of psychological contract violations: unmet expectations and job dissatisfaction as mediators", *Journal of Organizational Behavior*, Vol. 21, pp. 25-42.
13. Wan, K. M. (2013), "The Effects of Psychological Contract Breach on Employee Work Behaviors in the Airline Industry: Employee Cynicism as Mediator", *International Journal of Business and Social Science*, Vol. 4 No. 12, pp. 304-311.
14. Zagenczyk, T. J., Gibney, R., Few, W. T. & Scott, K. L. (2011), "Psychological Contracts and Organizational Identification: The Mediating Effect of Perceived Organizational Support", *J Labor Res*, Vol. 32, pp. 254-281.

About the Authors

Surya Sarah Issac, Assistant Professor, Mount Carmel Institute of Management: susac48@gmail.com

Philcy Philip, PhD Scholar, AMET University, Chennai: E.mail: prof.philcyphilip@yahoo.com