



STUDY ON THE CONSEQUENCES AND OUTCOMES OF PSYCHOLOGICAL CONTRACT IN RESPECT OF EMPLOYER – EMPLOYEE RELATIONSHIP

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1. Introduction

Psychological contract is a mutual and an implicit relationship existing between an employee and an employer. It is a multidimensional construct, which is subjective, perceptual, ever changing, and is based on individual thinking, expectations and commitments. Psychological Contracts is a conceptual and pragmatic scaffold to clarify complex employee-employer affiliation.

Psychological contract is conceptualized as an implicit agreement that connects a company and worker. It is basically a mutual exchange of various promises pertaining different contexts between an employer and an employee during the initial hiring stage, and the reality of actual exchange that is happening between a worker and a company in the form of various expectations as well as obligations. These prospect and obligations are prejudiced by past socialization and shared beliefs of society, business, professional groups, and information about the employment affiliation. Employee and employer revise their expectations and obligations from each other with the flow of information. It is the dynamic nature of psychological contract which requires timely renegotiation of the contract.

2. Employer –Employee relationship factors:

Employee look forward to employer to provide career improvement, rewards and appreciation, work life balance, social climate, freedom to quit, compensation, job satisfaction and admiration and dignity. On similar lines employer look forward to the employee to accomplish the following expectations: - promotability, performance, compliance, obedience to norms, adaptability and flexibility.

The Four types of psychological contracts are

1. Relational psychological contract
2. Balance psychological contract
3. Transactional psychological contract
4. Transitional psychological contract.

3. The Consequences of Psychological Contract

i. Turnover Intention: Turnover intentions reproduce the skewed prospect that an individual will leave the company within a certain epoch of time. As conflicting to real turnover, the turnover intentions variable is not dichotomous. In addition, it is less constrained by exogenous factors (such as availability of a different employment) and thus more precisely reflects one's feelings toward the organization. Intention to leave is a ordinary response to unconstructive events with work (Raja et al., 2004; Suazo et al, 2005; Suazo, 2009; Lo et al, 2003). Thus, Psychological indenture infringe, as a pessimistic event for the employees, can amplify their inclination to leave. Most of the research has reported Psychological Contract infringement to be optimistically related to turnover intentions (Shahnawa et. al. 2011; Coyle- Shapiro et. al. 2000; Turnley et. al. 2000; Lemire et. al. 2005). An intention to remain with the employer is related to the relational aspects of the Psychological Contract than to transactional Psychological indenture. Zhao et al., (2007) in a meta analysis found that breach is positively related to turnover intentions. Supporting the previous findings, it was also found that transactional breach had statistically smaller effect sizes than relational breach on turnover intentions. Zhao et. al. (2007) found apparent support for the argument that Psychological indenture is pessimistically related to turnover intentions. Contrary to this Tekleab et. al. (2003) found that contract contravention by the organization is pessimistically related to intent to leave the organization.



ii. In Role Performance: Employees perform their roles and responsibilities well when there is reciprocally beneficiary relationship between a worker and company. A vigorous Psychological Contract between an employee and employer is exceedingly related to high in-role- performance. Perceived breach is pessimistically related to in-role performance (Zhao et. al., 2007).

iii. Organization Commitment: Organizational commitment is the most extensively studied concept and has been developed through a variety of definition and operationalization. Organizational commitment is one of the variables which share reciprocal relationship with the Psychological Contract. Organizational commitment not only influences the Psychological Contract but Psychological Contract also influences the organization commitment.

When Psychological Contract contravenes occurs, employees are less likely to recognize with the organization and sustain their obligation. When Psychological indenture breach occurs, employees not only question their faithfulness to their employing organization, but also the degree to which they made a intelligent choice to enter their present occupation. Empirical findings suggest that Psychological Contract breaches are negatively related to organization commitment (Zhao et. al. 2007; Bunderson, 2001; Conway et. al. 2002; Deery et. al. 2006; Johnson et. al., 2003; Pugh, et. al. 2003; Sutton et. al. 2004; Rusbult et al., 1988; Coyle- Shapiro et. al. 2000). An employee who perceives that Psychological Contract has been violated would be less likely to remain attached with the organization. Employees in case of breach are less likely to exhibit the organization commitment. Empirical studies provide convincing evidence that perceived inducement breach is negatively related to an employee's organizational commitment (e.g., Bunderson, 2001; Coyle-Shapiro et. al. 2000; Kickul, 2001; Lester et. al.2002; Raja et al., 2004). Perception of contract violation is associated with lower organizational obligation and trust. The impact of contract violation on commitment and trust is mediated by relational Psychological indenture, but not by transactional Psychological Contract (Grimmer et. al. 2007). The higher relational Psychological indenture is associated with higher commitment to the employing organization and elevated trust in the employer. The privileged transactional Psychological indenture associated with lower commitment to the employing organization (Grimmer et. al. 2007).

Zhao et al., (2007) in a meta analysis found that breach is sturdily and pessimistically related to organizational commitment. Global contravene measures had a high correlation than composite breach measures with organization commitment. One of the rarest studies in the literature found no significant relationship between Psychological Contract and organization commitment (Lemire et. al. 2005). Psychological Contract s influence commitment (Conway et. al. 2005). Changes that influence the indenture may have insinuations for commitment and worker behaviour. There is a close link between fulfilment of the Psychological Contract and higher organizational commitment (Bunderson, 2001; Johnson et. al. 2003; Coyle-Shapiro et. al. 2000; Lester et. al. 2002). The research certifies that Psychological indenture fulfilment has an association with sentimental organizational dedication (Sturges et al., 2005, Johnson et. al. 2003, Bunderson, 2001).

Hughes and Palmer (2007) in their research found that the relational contract obligations would be more vastly related to value obligation than to continuance obligation. Correspondingly, transactional obligations would be more exceedingly related to continuance than value commitment. This was also found true in absolute terms but only marginally.

iv. Job Contentment: Job contentment is the function of the perceived relationship between what one wants from one's occupation and what one get as offering. Following this logic, a discrepancy between promised and received inducements is likely to lead to mind-set of dissatisfaction. Job contentment is the attitudinal response to Psychological indenture. Zhao et al., (2007) found breach to be strongly correlated with job satisfaction in a meta analysis study. The study also found that transactional breach had statistically effect on job contentment. However, the difference was not statistically significant. This study also concluded that global breach measure had a superior correlation than composite breach measures with job satisfaction. Pate Martin et. al. (2003) empirically found that Psychological Contract violation impinged on employee attitudes such as job satisfaction and organizational commitment. Sutton et. al. (2004) found post-entry experiences and Psychological Contract violations to jointly envisage job contentment, with Psychological indenture violations indicating the stronger relationship.

vi. Cynicism: Cynicism shares a reciprocal relationship with the Psychological Contract. Cynicism has been defined as an attitude associated with disillusionment, distrust, and negative feelings toward another person or an organization.

Empirical research has found that Psychological Contract breach is positively related to employee cynicism (Bunderson, 2001; Conway et. al. 2002; Deery, et. al. 2006; Johnson et. al. 2003; Pugh et. al. 2003; Sutton et. al. 2004).

vii. Mood and Emotions: Psychological Contract plays a decisive role in the daily fluctuation in emotions and daily mood. Broken promises are negatively related to daily mood and associated with pessimistic emotions. On the other hand exceeded promises are optimistically related with daily mood and associated with positive emotional reactions (Conway et. al. 2002). A healthy psychological indenture therefore is believed to lead to constructive moods and emotions for the employee.

viii. Exit, Voice, Loyalty, Neglect, and Violence: Employee reactions to breach is articulated in a variety of ways: while some individuals step up their intent of departing the organization (exit), others prefer various forms of expression (voice), while others diminish their obligation to the organization (devotion) or their job interest and organizational responsibilities (neglect), some employees become destructive and attempt to damage the organization (Violence). Previous pragmatic studies envisage that Psychological indenture violations would be associated with exit and neglect (Lemire et. al. 2005). Failure by an employer to respect its commitments strappingly affects exit, voice, devotion, and neglect variables.

ix. Corruption: Kingshott et. al. (2008) proposed a model to investigate the probable role of Psychological indenture upon dishonest activities within the public sector. This model was based upon speculative and pragmatic studies within the financial side and management literatures. It was proposed that a well-built functional corporate society within the public service would results in the formation of the employee's Psychological Contract and functional citizenship behavior of its employees. Thereby, organizational citizenship behavior and a strapping Psychological indentures held by employees within the public service will reduce their propensity among employees to act corruptly. Violations to the Psychological indentures held by employees within the public services will diminish functional corporate citizenship and enhance their propensity to act dissolutely. This is the only study which modeled out the relationship between Psychological Contract and corruption.

x. Organization Effectiveness/Performance and Individual Effectiveness/ Performance: Most of the research has examined work performance in terms of fulfillment of formally prescribed job responsibilities and as the readiness to go above and beyond work responsibilities (organizational citizenship behavior) (Restubog et. al. 2006; Restubog, Bordia et. al. 2006; Restubog et al., 2005; Turnley et al., 2003). Pragmatic studies present persuasive proof that perceived inducement breach is pessimistically related in-role performance (e.g., Bunderson, 2001; Lester et al., 2002). In-role behaviors are delineated as being part of one's job and are recognized by the organization's formal incentive systems. In-role performance is an employee obligation. An employee may refuse to fulfill this obligation if employee perceives that the employer did not fulfill its obligations.

Individual effectiveness is the behavioral response to Psychological indenture breach. As mentioned before, the affective reactions have intangible impact on the workplace, this is not so when it comes to the individual effectiveness (Harrison et. al. 2006).

Zhao et al., (2007) in a Meta analysis found that in context to individual effectiveness breach was negatively correlated with two behavioral outcomes in role performance. When employees perceive that employer has not fulfilled the promises and obligations. Fulfillment of psychological contract is related with the self-rated employee effectiveness (Cuypera, et. al. 2011). They reduce the efforts in their work which brings down the performance of the organization (Lester et al., 2002). The performance reduces due to integrated effect of neglect, withdrawal behavior from the organization, absenteeism, stress, and cynical attitude. In general, both mutual investment and over-investment relationships are associated with higher levels of performance and more favorable attitudes than either the under-investment or quasi-spot contract.



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xi. Actual Turnover: Psychological Contract breach lead to various detrimental outcomes for the organization and one such outcome is actual turnover. Actual turnover has been found to be the most damaging among all. It not only influences the climate of the organization but further degrade the moral of the other employees. It diminishes the performance and competence of organization by increasing costs of recruitment, cost associated with unstable work force, cost associated with investment made to employee in the form of training and development, and cost of leaving a skilled employee to the competitor, and hurt regular business operations as well as workforce morale (Kacmar et. al. 2006).

xii. Organization Citizenship Behavior: Employees are less liable to engage in organizational citizenship behavior when they perceive a negative relationship with their employer. Research has supported the findings that Psychological indenture breach is unconstructively related to. Lo and Arye, (2003) revealed that Psychological Contract breach negatively influences employee work outcomes. Specifically, contract breach was shown to be negatively related to civic virtue. Zhao et al. (2007) in a meta-analysis found that Psychological indenture breach is unconstructively related to organizational citizenship behavior. However, transactional breach had statistically smaller effect sizes than relational breach on organizational citizenship behavior. Global breach measures had a higher correlation than composite breach measures with organizational citizenship behavior. Perceived breach is negatively related to organizational citizenship behavior (Zhao et. al. 2007). Psychological indenture violation is not related to reduced effort and withdrawal of citizenship. Qualitative data highlighted contextual issue like labor market conditions, perceived job uncertainty, sense of collegiality, and pride in the job to explain the empirical results (Pate et. al. 2003). Psychological indenture fulfillment is not significantly related to either dimension of organizational citizenship behavior but perceived employer inducement is optimistically related to civic virtue and perceived employer obligations are positively related to loyalty (Coyle-Shapiro et. al. 2005). Employees' perceptions of contract violations by the organization are not related to OCBs (Tekleab et. al. 2003). Perceived inducements breach was unconstructively related to OC, organization citizenship behavior - Individual (OCBI), organization citizenship behavior -organization (OCBO), and work performance. Traditionalism moderates the influence of perceived inducement breach on OC, OCBI, and work performance (Chen, Tsui and Zhong, 2008).

Restubog, Bordiaw, and Tangz (2007) studied the effects of Psychological Contract breach on workplace deviant behaviors directed at the organization (WD-O) and its organizational members (WD-I), in-role performance, and organizational citizenship behavior directed at the organization (organizational citizenship behavior -O) and its co-workers (organizational citizenship behavior -I). Followed by psychological contract across cultures, the section will discuss the organization citizenship behavior in detail highlighting its origin, types, theoretical perspectives, measures, issues, antecedents, and outcomes.

Contents of Employee Psychological Contract	Contents of Employer Psychological Contract
Training And Development	Performance and Promotability
Social Climate	Adaptability
. Job Content	Compliance
Compensation Freedom To Quit	Work Life Balance Conflict
Reward and Recognition	Respect

6. Conclusion

Consequences and Outcomes of Psychological Contract:-

The consequences of Psychological indenture are of great relevance for both practitioners and academicians. Compared with infringement of the relational substance of the Psychological indenture, infringement of the transactional content has stronger relationships with work outcomes. Psychological indenture violations entirely reconcile the relations between Psychological indenture breach and job contentment, organizational commitment, intentions to quit, POS, service delivery, service-oriented organizational citizenship behavior, and participation service-oriented organizational citizenship behavior. Psychological Contract violations partially reconcile the relation between Psychological Contract breach and loyalty service-oriented organizational citizenship behavior. Psychological Contract violations does not intercede the relation between Psychological Contract breach and in-role job performance (Suazo, 2009). Sia et. al. (2008) found that in China, an organization's Psychological Contract is optimistically related to a boost of managers' exits, reduction of managers' voice, and boost of managers' neglect, and reduction in managers' loyalty.

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