

Impact of Breach of Psychological Contract on Employees in Indian Private Sector Companies of Lucknow Region

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Abstract: *This study mainly focuses on the impact of psychological contract breach on job outcomes including job satisfaction, intention to remain with one's organization, perceived organizational support, and organizational citizenship behaviors of the employees working in the Indian private sector companies of Lucknow region. The motivational thought behind the study is to gain knowledge about the topic and understand the concept of psychological contract from employees perspective in order to reduce the phenomena of frequent employee switch over in private sector companies of North India (specifically in lucknow region). The total of 58 employees participated in this study. Results showed that the breach of one's psychological contract had a significant effect on one's job satisfaction, intention to remain, and perceived organizational support. If the factors responsible for the breach of psychological contract is dealt in a meaningful manner than it leads higher job satisfaction within the employees of the organisation.*

Keyword: *Impact of breach, psychological contract, Job Enrichment, Job Satisfaction, Organisational citizenship behaviour.*

Date of Submission: 13-10-2018

Date of acceptance: 28-10-2018

I. Introduction

When an individual becomes employed at an organization, many paper contracts are signed where both the employee and the organization develop expectations with each other. Another important aspect which most of the employees do not realize is that they are also forming another contract that is not written on paper nor articulated. This contract is called a psychological contract. A psychological contract plays a vital role in how employees perceive their organizations as well as how they will perform. Thus far, research has predominately focused on the impact of psychological contract fulfillment on employee and organizational outcomes. However, research has not thoroughly examined the other impact that the breach of a psychological contract may have on employees and their view of the organization.

Being able to better understand how psychological contract breach affects employees would help organizations prepare themselves for when a psychological contract breach does occur. Reactions to a psychological contract breach can range from attitudinal to behavioral. These reactions then translate into different job outcomes that affect the overall wellness of the organization. The purpose of this study was to examine the impact of psychological contract breach on attitudinal and behavioral job outcomes including job satisfaction, intention to remain, perceived organizational support, and organizational citizenship behaviors.

II. Review Of Literature

Several research studies show the positive impact of psychological contract fulfillment on employee performance and the negative impact of psychological contract breach on employee's attitude and behavior (Coyle-Shapiro & Kessler, 2000; Jensen, Opland & Ryan, 2010; Richard, McMillan-Capehart, Bhuiyan, & Taylor, 2009; Tsui, Lin, & Yu, 2013; Turnley, Bolino, Lester, & Bloodgood, 2003).

Coyle-Shapiro and Kessler (2000) examined the impact of psychological contract fulfillment on organizational citizenship behavior. Two surveys were conducted, one with employers and the other with employees in a sample of local authorities in the South East of Britain. The results show the positive effect of psychological contract fulfillment on organizational citizenship behavior.

Robinson and Rousseau (1994) established that half of all employees in their study reported their psychological contract as violated. The melding of individual difference research and the emergent field of PCs seems interesting. Many researchers have examined the benefits of understanding PC, but focus should be on how to manage it. If certain types of people are predisposed to the perception of a violation it would be useful for managers to identify this potential problem so that it is addressed.

Nikolaou et al., (2007), explored and identified relationships between psychological contract inducements and the five-factor model of personality. There were 290 participants of whom 199 were

undergraduate or postgraduate full time students and 91 were executive MBA students who worked full-time. Results showed that two variables of personality viz. neurotic and agreeable participants correlated with extrinsic contract items and extroversion and conscientiousness were positively associated with intrinsic contract outcomes. No association was found between openness to experience and the psychological contract inducement scales.

Robinson (1996) reported that trust in employer fully mediated the relationship between PC breach and the employee behaviors of civic virtue and task performance, but partially mediated the relationship with turnover intentions. PC breach reduces trust because it undermines the relational bond between an employee and employer. When breach occurs, employees question the integrity of the employer and become overwhelmingly skeptical, cynical or hostile toward the organization's initiatives, all of which are indicators of mistrust.

Morrison and Robinson (1997) suggested that communication will minimize perceived contract breach via incongruence. The more an employee and employer representative interacts with clarity, less would be misperception over implicit and explicit aspects of Psychological Contract. As a consequence, the employee will be less likely to perceive that his or her Psychological Contract has been breached. More communication does not necessarily imply more realistic information or accurate perceptions.

Moorman et al. (1998) explored the mediating effect of perceived organizational support on the relationship between procedural justice and organizational citizenship behavior. The participants were subordinates and supervisors from all the departments of a large military hospital. Perceived 12 organizational support was found to be significantly related to organization citizenship behavior. Perceived organizational support was also found to be fully mediating the relationship between procedural justice and organizational citizenship behavior.

III. Objectives Of The Study

1. To know the impact of breach of psychological contract on employee switch over intentions.
2. To find out pre and post effect of breach process in relation Job satisfaction variable.
3. To know the relation of Job satisfaction on employee's perception of breach of psychological contract.
4. To suggests the measures that could be taken to minimize breach process for the well being of the organization.

IV. Research Methodology

Collection of data

In present study all the objective are accomplished through survey method. The primary data was collected through structured questionnaire. Questionnaire was adapted from characteristics that Morrison and Robinson (1997) use to define variables responsible for breach of psychological contract. The survey contains questions based on five-point Likert scale, with the five responses being "1: Strongly Disagree", "2: Disagree", "3: Not decided", "4: Agree" and "5:Strongly Agree". Overall satisfaction levels vary according to eight characteristics that we associate enrichment: employee surveys, employee suggestion programs, job rotation, teamwork, quality circles, and classroom training.

Area and time of Survey

Study aimed at to analyze impact of breach of psychological contract and develop job satisfaction among employees in order to retain more and more employees within the organisation that ultimately leads to stable and motivated workforce. The time of survey execution was in March 2018 to June 2018.

Size of the Sample & Sampling Procedure

The researcher had administered 60 questionnaires out of which 51 responses were received. 2 Different private sector companies has been taken as a stratification variable to form a stratum (location-wise) and by using stratified random sampling a sample was obtained from each company to acquire information to know (a) impact of breach of psychological contract (b) Level of Job satisfaction acquired when contract is fulfilled (c) finding out the significant Impact of Job Satisfaction on employment relationship.

.Data Analysis

2 private sector companies were selected for the study. The sample consisted of 51 randomly selected employees at different hierarchical levels. They are categorized as below:

Table 1: On the basis of joining in the organization:

YEAR OF JOINING	% OF EMPLOYEES
Joined before 2010	9

Joined in between 2010-2015	32
Joined after 2015	10

A three part Questionnaire as detailed below was constructed to measure impact of breach, Job satisfaction and Organizational Citizenship Behaviour variables, viz., (a) Level of Job satisfaction within the employees (b) Level of breach of psychological contract existing within the employees (c) finding out the impact of breach of psychological contract on job satisfaction and overall employee performance. The survey contains two measures of job satisfaction, overall satisfaction and satisfaction with pay and benefits, both measured by a five-point Likert scale, with the five responses being “1: Strongly Disagree”, “2: Disagree”, “3: Not decided”, “4: Agree” and “5:Strongly Agree”.

Hypothesis Formulated

In order to know the impact of breach of psychological contract following hypothesis has been formulated:

H0: There is no impact of breach of psychological contract on employees of private firms in Lucknow Region.

H1: There is significant impact of breach of psychological contract on employees of private firms in Lucknow Region.

Adequacy of the data is tested on the basis of results the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity (homogeneity of Variance) provided. For this data the value is 0.794, which falls into the range of being good: so, we should be confident that factor analysis is appropriate for these data. Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix. For factor analysis to work we need some relationships between variables and if the R -matrix were an identity matrix then all correlation coefficients would be zero. Therefore, we want this test to be significant (i.e. have a significance value less than 0.05). A significant test tells us that the R -matrix is not an identity matrix; therefore, there are some relationships between the variables, we hope to include in the analysis. So, Bartlett’s test of sphericity is significant ($p < 0.000$); that explains existence of sufficient correlation between variables to proceed with the factor analysis.

Table.2 Results of the KMO and Bartlett’s Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	Approx. Chi-Square	13543.626
	df	946
	Sig.	.000

The output of the Factor Analysis is obtained by requesting Principal Component Analysis (PCA) and specifying the rotation (Here we used varimax rotation with Kaiser Normalization) Results of the analysis shows that in Private industry, A Psychological Contract can be understood as a ‘deal’ between employer and employee concerning ‘the perception of the two parties, employer and employee, of what their mutual obligations are towards each other.

A major contribution of this study is the provision of an approach for the employer to identify the factors which effect Employee’s perspective towards psychological contract breach but earlier the main focus is on employer’s perspective. Although the satisfaction levels are on the higher side, yet there remains a lot to be done by the employer of the Private companies to maximize their employees’ satisfaction and improve the quality of service.

This is probably even more important in the relationship-based cultures of India. Results of factor analysis have produced aforementioned factors, which can be considered as most important factors that determine the breach of psychological contract. So, we can say that our main objective is fulfilled, and our alternate hypothesis is proved, consequently.

V. Findings And Results

1. Below table clearly shows that when employees perception was fulfilled it leads to job satisfaction within the employees
2. Neglecting employee’s preferences results in breach of psychological contract.
3. After breach employees clear intention is to leave the organisation.
4. Overall result suggests that the impact of breach of psychological contract is either to leave the organisation or minimize their working.

Table.3 Rotated component Matrix

	Rotated Component Matrix										
	Component										
	1	2	3	4	5	6	7	8	9	10	11
I have noticed the stagnation or reduction in wage increments occurs as the number of service years increases.	.846										
I feel that I am doing more and more work for lesser pay.	.749										
There are reduction or minimization of benefits as the years of service progresses.	.739										
My employer demands more output from me in return of lesser benefits/ opportunities.	.704										
I have noticed uncertainty in my employer's commitments towards other employees also.	.528										
My organization/employer often refused for the perk/promotion which were committed at the time of recruitment by the organization.	.490										
I am uncertain about my employer's behavior that how he will behave in future with me.	.486										
I have observed uncertainty in my employer's commitments towards me.	.459										
My employer withholds information from his employees including me.	.448										
This Company treats me as a part of their family and in return I also work in the same manner.		.768									
I would recommend this Company of mine as a great place to work.		.722									
Overall, I am fully satisfied with my present job and the company as well.		.718									
My Company offers better job benefits as compared with other companies which leads to satisfied workforce in the organization.		.665									
I want to continue this job as much as I can, even if I get somehow a better offer than the present one I won't resign from this company.		.621									
My employer keeps secret or hides confidential information usually with his staff/workers.			.816								
My employer introduces changes in plans and action without involving employees.			.751								
My employer's behavior shows that he doesn't trust his employees.			.696								
I feel insecure/ uncertain about my future because of my employer's relation with me.			.523								
Through my work performance I Made myself increasingly valuable to this employer.				.805							
I am continuously exceeding my formal accomplishments.				.757							
I accept increasingly challenging performance standards of the organization.				.732							
My personal performance has been appraised to my satisfaction during the past years.				.585							
I do not trust my organization that they will look after my best interests.					.692						
I feel insecure about my future opportunities in this organization.					.657						
I limited my involvement in my organization.					.552						
I observed few situations where my current employer performs in same manner as my previous employer does at the time I was leaving my ex- organization .					.510						
Sometimes times my employer's negative behavior provokes me to leave this organization.					.494						
In some instances, I feel extremely frustrated by how I have been treated by my organization.					.473						
I do only that work for which I am paid to do.						.784					
I don't take this organization's concerns personally.						.683					
I fulfill only a limited number of responsibilities in my organization and looking for better opportunities in other companies.						.670					
I have failed sometimes to achieve my goal which I have committed to the organization.							.751				
There were implicit promises or indirect statements made regarding the promotion/benefits by my organization/employer at the time recruitment.							.682				

Sometimes I refused to perform and accepted my incapability towards certain tasks which I have committed at the time of recruitment.									.583
I had conversations with my colleagues prior being hired which has minimized the gap between my expectations regarding the job and reality.									.468
In my organization major changes such as workforce reduction, reduction in pays of employee's and their benefits, change in recruitment and promotional strategies occurs on frequent basis.									.319
I actually have many better job opportunities than my present job service.									.808
Recently I got many job offers better than my current employment									.775
I believe that I have very few reasons to consider leaving this organization.									.817
One of the few negative consequences of leaving this organization would be the scarcity of better alternatives in future.									.785
My organization/employer made some promises/obligations which are not fulfilled willingly by the organization later.									.686
I feel that my employer has succeeded in fulfilling the promises made to me when I was hired.									-.528
I have been formally socialized by my organization/employer with other employees of the organization in well structured environment.									.425
I got an opportunity to know other employees, their performance and progress in an informal environment									.650
Extraction Method: Principal Component Analysis.									
Rotation Method: Varimax with Kaiser Normalization.									
a. Rotation converged in 13 iterations.									

VI. Conclusion

Implications of the study

The study shows that Psychological Contract concept is the boon for the Indian organizations. it not only in financial terms but also in the HR perspective. It provides an opportunity to the employees to perform various tasks according to their skills and interest that leads to create Job satisfaction within them and also enhances organisational citizenship behavior. Satisfied employee work in a much better way as compared to unsatisfied one. So this study helps the employer to understand their employees skill and provide opportunity of work according to that only for better functioning of the organization.

Limitation and scope for future research

The data were collected in a cross-sectional, and thus causal inferences have to be made with caution. Moreover, the data were collected from a single source and there was a time constrain. So there is a large scope for future studies. There are several areas that need to be addressed in future research on Job enrichment and satisfaction.

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IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Kainat Akhtar Usmani. "Impact Breach of Psychological Contract On Employees In Indian Private Sector Companies Of Lucknow Region." *IOSR Journal of Business and Management (IOSR-JBM)* 20.10 (2018): 51-56.