

# Relationship between Psychological Contract & Organizational Commitment in Indian IT Industry

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*The present study empirically links the relationship between Psychological Contract and Organization Commitment (value commitment and employee's intent to stay) in the Indian IT industry. The paper argues that formation of a healthy psychological contract can ensure a stable employment relationship and enhance value commitment among employees. The correlation design is used here to understand the relationship between psychological contract and employee's intent to stay with the organization. The results showed that 'intent to stay' and value commitment are significantly and positively correlated with psychological contract. The study highlights the importance of psychological contract and its detrimental effects on human capital, if ignored.*

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## Psychological Contract: The Concept

The Indian Information Technology industry accounted for 5.19% of the country's annual GDP and significantly contributed to the country's export earnings. More than 2.3 million people are employed in the sector. The industry which is already very dynamic was largely affected by the recent global crisis leading to shifts in the psychological contract between the employer and the employee.

The concept of 'Psychological Contract' was introduced by Argyris (1962). Psychological contract in the current study follows the definition given by Denise Rousseau (1989): "an individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. A psychological contract emerges when one party believes that a promise of future returns has been made, a contribution has been given and thus, an obligation has been created to provide future benefits". When either party perceives that the other has failed to fulfil one or more obligations composing the psychological contract, there is a perceived

breach or violation. A violation involves the perception that one party has failed to fulfil obligations - a mental calculation of the equity between what was received and what was promised. Violations may also bring about strong emotional experience or feelings of betrayal, resulting in anger, resentment, or a sense of injustice and harm. Two major types of psychological contracts have been evaluated. A relational contract characterizes beliefs about obligations based on exchanges of socio-emotional factors. Transactional contracts, by contrast, centre on short-term monetary agreements with little close involvement of the parties.

**The perception of obligation and fulfilment is the core of psychological contract.**

Psychological contract mechanism is explained in the framework of social exchange theory (Blau 1964) and the norm of reciprocity (Gouldner 1960). The psychological contract between employer and employee is based upon the belief that any contribution would be reciprocated by the other part. The employer and employee seek to balance out the relationship. Any imbalance would lead to an attempt to restore the balance. The perception of obligation and fulfilment is the core of psychological contract. Employee reciprocity is integral to the making of psychological contract (Parzefall & Coyle-Shapiro 2011). Thus employees reciprocate psychological contract fulfilment and psychological contract breach in the form of enhancing or reducing organization commitment (Coyle-

Shapiro & Kessler 2000), trust (Robinson & Rousseau 1994), performance (Robinson 1996) and withdrawal of organizational citizenship behaviour (Robinson & Morrison 1995). Parzefall and Hakamen (2010) found that perceived psychological contract fulfilment had both motivational (psychological contract leading to work engagement, affective commitment and thereby reduced turnover intentions) and health-enhancing (psychological contract leads to work engagement which further has an impact on mental health) effects.

The topic of psychological contract and its relationship with organizational commitment is of greater importance today in IT industry than it was in the past. While employee commitment to an organization is more critical than ever in gaining competitive and financial advantage it is actually on the decline. Organizations that are under pressure to make rapid and constant changes have had to alter employment relationships and the psychological contracts that underlie them. More importantly, these changes have increased the likelihood of psychological contract breach. Organization commitment is the extent to which the employee is attached to the organization. Meyer and Allen (1991) gave a three-component model of commitment, characterizing an employee's commitment to the organization. Affective commitment is defined as the employee's positive emotional attachment to the organization. Continuance commitment refers to an individual's commitment to the organization because he/she perceives high costs of losing organizational membership. Normative commitment refers to an individual's commitment

to remain with an organization because of feelings of obligation. One frequently cited definition is the strength of one's identification with and involvement in a specific organization (Porter et al. 1974), which was proposed to contain three psychological factors: (a) desire to remain in the organization, (b) willingness to exert considerable effort on its behalf, and (c) belief in and acceptance of its goals and values. This study is in Indian cultural setting where employees might have different needs from those working in western settings.

Extending the previous work the following hypotheses are formulated:

1. There would be no significant relationship between psychological contract and organizational commitment.
2. There would be no significant differences among the following groups with regard to psychological contract and organization commitment:
  - a) Males and females
  - b) Younger and older age groups (below 30 years and above 30 years)
  - c) Managers and executives
  - d) Graduates and post-graduates
3. Psychological contract would significantly contribute to predicting:
  - a) Organizational commitment of the employees.
  - b) Value commitment of the employees.
  - c) "Intent to stay" of the employees.

4. Psychological contract would significantly contribute to predicting organizational commitment for the male employees.
5. Psychological contract would significantly contribute to predicting organizational commitment for the female employees.

### Method

The correlation design was used in the present study to examine the relationship between Psychological contract and organisation commitment. The effect of age, gender, qualification, designation on psychological contract and organization commitment was also studied in the present research. All the employees were taken from IT companies. After removing the partially filled questionnaire the sample size has totalled 140 employees. To measure the psychological contract and organization commitment psychological contract inventory by Rousseau (2000) and organization commitment questionnaire by Porter et al. (1974) respectively was employed.

### Results

The data were subjected to the test of normality. Table 1 depicts that none of the variables were significantly different from 0, only "intent to stay" significantly is different from 0. Thus the variables satisfy the criterion of normality. When compared with the norms the mean of total psychological contract, 147.97, shows average psychological contract for the total sample (Table 2).

**Table 1: Skewness and Kurtosis of Psychological Contract & Organizational Commitment.**

	Statistic( N)	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Psychological Contract (Total)	140	.445	.205	-.727	.407
Transition (Total)	140	.111	.205	-.366	.407
Relational	140	-.092	.205	-1.190	.407
Balanced	140	.418	.205	-.252	.407
Transactional	140	.518	.205	-.122	.407
Organization Commitment (Total)	140	.466	.205	-.303	.407
Value commitment (OC)	140	.513	.205	.014	.407
Intent to say (OC)	140	1.25	.205	2.354	.407

**Table 2: Mean & SD of Psychological Contract & Organization Commitment**

Variables	N	Mean	Std. Deviation
Psychological Contract (Total)	140	147.9714	50.46688
Employee Obligation (Psychological Contract)	140	54.6357	19.20439
Employer Obligation (Psychological Contract)	140	38.2714	14.99921
Employer Transition (Psychological Contract)	140	55.1214	22.32734
Transition (Total)	140	64.2000	20.19374
Uncertainty (Transition)	140	20.7143	7.70059
Erosion (Transition)	140	26.8500	8.24266
Trust (Transition)	140	16.9429	6.60256
Relational	140	28.1429	10.18997
Balanced	140	31.0000	10.08667
Transactional	140	31.2000	9.75985
Organization Commitment (Total)	140	36.7286	10.95632
Value Commitment (OC)	140	23.7643	7.27429
Intent To Stay (OC)	140	13.1143	5.834776

The transitional psychological contract  $M= 64.20$  indicates a high level. The relational psychological contract falls in average score range with  $M=28.14$ . The balanced and transactional psychological contract falls in the above average range score with  $M=31.00$  and  $31.20$  respectively. The organization commitment ( $M=36.72$ ) shows above average commitment of employees towards organization. The value commitment of the employees is above average ( $M=23.76$ ). The intent to stay  $M=13.11$  indicates low intent to stay with the organization.

Table 3 shows that organization commitment is significantly and positively correlated with psychological contract (Total), ( $p<.05$ ), relational ( $p<.01$ ), balanced, transactional ( $p<.05$ ), and negatively and significantly with transition (Total). Value commitment is also correlated with psychological contract (Total), relational, balanced, transactional ( $p<.05$ ) and significantly and negatively with transition (Total). Intent to say is significantly and positively correlated with psychological contract (Total) ( $p<.05$ ), transactional ( $p<.01$ ) and significantly and negatively with transition (Total).

**Table 3: Inter-correlation between Psychological Contract & Organization Commitment**

Variables	Organization Commitment (Total)	Value commitment (Organization Commitment)	Intent to say (Organization Commitment)	Psychological Contract (Total)	Transition (Total)	Relational	Balanced	Transactional
Value commitment (OC)	.87**							
Intent to say (OC)	.83**	.50**						
Psychological Contract (Total)	.40**	.44**	.22**					
Transition (Total)	-.40**	-.37**	-.32**	-.58**				
Relational	.18*	.29**	.003	.61**	-.56**			
Balanced	.32**	.39**	.141	.58**	-.51**	.62**		
Transactional	.29**	.29**	.21*	.52**	-.56**	.55**	.44**	

\* p&lt;.01, \*\* p&lt;.05

**Table 4: Comparison between Male and Female Employees on Psychological Contract and Organization Commitment**

Variables	Gender (1=Male, 2= Female)	N	Mean	Std. Deviation	t value
Psychological Contract (Total)	1.00	70	166.1196	50.64287	6.776**
	2.00	70	113.1875	26.19701	
Transitional (Total)	1.00	70	56.6087	18.26421	7.195**
	2.00	70	78.7500	15.20288	
Relational	1.00	70	29.9674	10.83995	3.017**
	2.00	70	24.6458	7.78293	
Balanced	1.00	70	32.4348	11.02076	2.368*
	2.00	70	28.2500	7.34702	
Transactional	1.00	70	33.2717	10.17658	3.626**
	2.00	70	27.2292	7.52935	
Organization Commitment (Total)	1.00	70	39.0978	11.90536	3.701**
	2.00	70	32.1875	6.96696	
Value commitment (Organization Commitment)	1.00	70	24.8804	8.03132	2.563*
	2.00	70	21.6250	4.94921	
Intent to say (Organization Commitment)	1.00	70	14.3804	6.32776	3.715**
	2.00	70	10.6875	3.74255	

p&lt;.01, \*\* p&lt;.05

**Table 5: Comparison between Age Groups (above 30 & below 30 and 30) of Employees on Psychological Contract and Organization Commitment**

	Age (1= above 30, 2= 30 and Below 30)	N	Mean	Std. Deviation	t Values
Psychological Contract (Total)	1.00	60	185.3500	45.96455	9.882**
	2.00	80	119.9375	32.34832	
Transition (Total)	1.00	60	49.7500	17.68234	9.330**
	2.00	80	75.0375	14.36896	
Relational	1.00	60	36.2333	7.08870	11.201**
	2.00	80	22.0750	7.62703	
Balanced	1.00	60	37.1333	9.34547	7.313**
	2.00	80	26.4000	7.98670	
Transactional	1.00	60	37.2500	9.30942	7.513**
	2.00	80	26.6625	7.36386	
Organization Commitment (Total)	1.00	60	38.2833	13.11112	1.460
	2.00	80	35.5625	8.92280	
Value commitment (Organization Commitment)	1.00	60	25.3500	8.47694	2.267**
	2.00	80	22.5750	6.00796	
Intent to say (Organization Commitment)	1.00	60	13.3333	6.26442	.384
	2.00	80	12.9500	5.52532	

\* p<.01, \*\* p<.05

**Table 6: Comparison between Manager and Executive Employee on Psychological Contract, Organization Commitment**

	Designation	N	Mean	Std. Deviation	t Values
Psychological Contract (Total)	3.00	42	133.7143	33.80380	1.594
	4.00	40	123.2239	33.21227	
Transition (Total)	3.00	67	53.4627	17.445	443.005**
	4.00	42	66.3810	16.18785	
Relational	4.00	67	19.3134	6.70868	14.180**
	3.00	42	33.1190	3.82037	
Balanced	4.00	67	19.1493	5.61722	3.775**
	3.00	42	30.5952	5.33310	
Transactional	4.00	67	25.3284	7.98747	3.102**
	3.00	42	30.1667	5.44559	
Organization Commitment (Total)	4.00	67	26.0149	7.52066	2.908**
	3.00	42	30.4286	9.89492	
Value commitment (Organization Commitment)	4.00	67	35.8507	9.20022	1.696
	3.00	42	20.3571	6.96970	
Intent to say (Organization Commitment)	4.00	67	22.4925	6.01355	2.804**
	3.00	42	10.3095	4.83629	

\* p<.01, \*\* p<.05

**Table 7: Comparison between Post Graduate and Graduate Employees on Psychological Contract & Organization Commitment.**

	1=Post Graduate, 2=Graduate	N	Mean	Std. Deviation	t Values
Psychological Contract (Total)	1.00	73	170.684	53.03612	2.345**
	2.00	67	123.223	33.21227	
Transition (Total)	1.00	73	54.0137	19.46043	7.312**
	2.00	67	75.2985	14.34849	
Relational	1.00	73	36.3973	5.21414	18.842**
	2.00	67	19.1493	5.61722	
Balanced	1.00	73	36.2055	8.97366	7.549**
	2.00	67	25.3284	7.98747	
Transactional	1.00	73	35.9589	9.16885	6.980**
	2.00	67	26.0149	7.52066	
Organization Commitment (Total)	1.00	73	37.5342	12.36042	.908
	2.00	67	35.8507	9.20022	
Value commitment (Organization Commitment)	1.00	73	24.9315	8.13144	2.003*
	2.00	67	22.4925	6.01355	
Intent to stay (Organization Commitment)	1.00	73	12.9315	5.91216	.386
	2.00	67	13.3134	5.78716	

\*  $p < .01$ , \*\*  $p < .05$

Table 4 shows the significant difference between male and female employees with regard to total psychological contract, transitional psychological contract, relational psychological contract, balanced psychological contract, organization commitment, value commitment ( $p < .01$ ) and intent to stay. Table 5 shows the significant difference between above 30 year and below 30 and 30 year age group employees with regard to total psychological contract, transitional psychological contract, relational psychological contract, balanced psychological contract, transactional psychological contract and value commitment ( $p < .05$ ).

Table 6 shows the significant difference between manager and executives on transitional psychological contract, rela-

tional psychological contract, balanced psychological contract, transactional psychological contract, organization commitment, and intent to stay ( $p < .01$ ).

Table 7 shows the significant difference between graduate and post graduate employees on total psychological contract, transitional psychological contract, relational psychological contract, balanced psychological contract, transactional psychological contract, and value commitment ( $p < .01$ ).

Table 8 indicates that when independent variable is entered into the regression equation with organization commitment as a criterion for total sample, employer transitional psychological contract itself contributed 22.6% of the variance.

Rest of the variables could not enter in the regression equation because of low beta coefficient.

Table 9 shows that when independent variable is entered into the regression equation with organization commit-

**Table 8: Stepwise Regression Analysis: Predictors of Organization Commitment for Total Sample.**

Predictors	R	R Square	Delta R Square	Adjusted R Square	Beta coefficients
Employer Transition					
(Psychological Contract)	.475	.226	.00	.220	.47
Uncertainty (Transition)	.571	.326	.020	.311	-.16

**Table 9: Stepwise Regression Analysis: Predictors of Value Commitment for Total Sample**

Predictors	R	R Square	Delta R Square	Adjusted R Square	Beta coefficients
Employer Transition					
(Psychological Contract)	.467	.218	.00	.212	.46
Trust (Transition)	.517	.268	.050	.257	.39
Balanced	.569	.324	.022	.304	.26

**Table 10: Stepwise Regression Analysis: Predictors of Intent To Say (Organization Commitment) for Total Sample.**

Predictors	R	R Square	Delta R Square	Adjusted R Square	Beta coefficients
Uncertainty (Transition)	.363	.132	.00	.126	-.36
Relational	.470	.221	.025	.204	-.40
Employer Transition					
(Psychological Contract)	.497	.247	.026	.224	-.36

ment as a criterion, employer transitional (psychological contract) contributed 21.8% of the variance. A significant increase of 5 % was obtained in the R square when it was entered along with trust (transition) in the regression equation accounting for 26.8% of the variance. A further significant increase of 2.2 % was obtained in the R square when it was entered along with balanced (psychological contract) in the regression equation accounting for 32.4% of the variance. Rest of the variables could not enter in the regression equation because of low beta coefficient.

Table 10 depicts that when independent variable is entered into the regression equation with organization commitment as a criterion, uncertainty (psychological contract) contributed 13.2% of the variance. A significant increase of 2.5 % was obtained in the R square when it was entered along with total relational (psychological contract) in the regression equation accounting for 22.1% of the variance. A further significant increase of 2.6 % was obtained in the R square when it was entered along with employer transition (psychological contract) in the regression equation accounting for 24.7%

of the variance. Rest of the variables could not enter in the regression equation because of low beta coefficient.

Table 11 depicts that when independent variable is entered into the regression equation with organization commitment as a criterion, employer transition (psychological contract) contributed 35.8% of the variance. A significant increase of 4.7% was obtained in the R square when it was entered along with total psychological contract in the regression equation accounting for 40.5 of the variance. Rest of the variables could not

enter in the regression equation because of low beta coefficient.

Table 12 indicates that when independent variable is entered into the regression equation with organization commitment as a criterion, employer transition (psychological contract) contributed 16.0% of the variance. A significant increase of 8.2% was obtained in the R square when it was entered along with uncertainty (psychological contract) in the regression equation accounting for 40.5% of the variance. Rest of the variables could not enter in the regression equation because of low beta coefficient.

**Table 11: Stepwise Regression Analysis: Predictors of Organization Commitment for Male Employees.**

Predictors	R	R Square	Delta R Square	Adjusted R Square	Beta coefficients
Employer Transition (Psychological Contract)	.599	.358	.00	.351	.59
Psychological Contract (Total)	.637	.405	.047	.392	.96

**Table 12: Stepwise Regression Analysis: Predictors of Organization Commitment for Female Employees.**

Predictors	R	R Square	Delta R Square	Adjusted R Square	Beta coefficients
Employer Transition (Psychological Contract)	.401	.160	.00	.141	-.40
Uncertainty (Transition)	.492	.242	.082	.206	-.32

**Discussion & Implications**

It was hypothesized (hypothesis No. 1) that there would be no relationship between employees on psychological contract and organization commitment. In the present study the significant correlation has been found between psychological contract and organization commit-

ment. In terms of the psychological contract of today, both the parties appear to acknowledge that the employee/employer relationship is changing. Companies often focus on corporate goals, quarterly profit margins and daily stock market prices. Employees typically focus on immediate job needs and career networking opportunities. This type of relation-

ship tends to foster a short-term attachment and self-gratification. As the pressure on organizations to become more flexible, adaptable and efficient increases, they may engage in strategies that alter employee perceptions of the employment exchange. In other words, as companies modify their strategies, employees are likely to believe that their contribution/inducement ratios are not in alignment with what the company (presumably) promised them. If the imbalance is perceived to exist over time, employees may begin to question the nature of the employee/employer relationship. It is expected that individual's perceptions of the relational component of the psychological contract have changed over the past 50 years.

**In terms of the psychological contract of today, both the parties appear to acknowledge that the employee/employer relationship is changing.**

Employee commitment to an organization is viewed as a critical success factor in today's corporate environment. The psychological contract binds an employee to the organization in a very healthy manner. The employee wants to be a part of the organization and feels proud of his association with the organization. Among the various types of commitment, affective commitment (or value commitment/loyalty) is considered the most desirable and beneficial. The post-restructuring and downsizing work environment is characterized by uncertainty, work overload (extent to which the job performance required

is excessive), role overload, the extent to which employees lack the necessary skills to deal with job requirements and stress level as survivors struggle to assume the work duties and responsibilities of those laid off. Emotional reactions to all of these include, fear, anxiety, feelings of job insecurity, anger, bitterness towards the organization for not holding its end of the psychological contract (feeling let down) and sense of loss of friendly co-workers. A number of studies have found associations between these prevailing conditions and emotional reactions and intent to quit, and between intent to quit and voluntary turnover. It should be noted, however, that availability of alternative opportunities may mitigate voluntary turnover (manifestation of intent to quit). Unfavourable economic conditions may prevent survivals from translating intent to quit into actual voluntary turnover. In such a situation, survivors' decision to stay in their current employment may result from continuance commitment. Employment contract terms that are more favourable for the employee are likely to be associated with a more favourable perception of the organization, thereby resulting in greater commitment to the relationship. The perception of being unfavourable thus influences organizational commitment (Meyer & Allen 1990, Mowday, Porter & Steers 1982, Steers 1977) and consequently the readiness to accept work roles and tasks, the willingness to engage in extra-role behaviours and the willingness to avoid tardiness and poor performance and other negative behaviours. Good contracts result in organizational citizens who are more committed, motivated and trusting (Sparrow 1996). Many studies have con-

firmed that psychological contracts that are more favourable are related to higher levels of organizational commitment (Freese & Schalk 1996, Guest & Conway 1997, 1998, Lester, Turnley, Bloodgood & Bolino 2002, Turnley & Feldman 1998).

Hypothesis 2(a) stated that there would be no significant difference between males and females on the Psychological contract and organization commitment. Our findings indicate that there are significant differences between males and females on psychological contract and organization commitment. These results may be explained by differences in perceived alternate employment opportunities. The difference in the psychological contract could be attributed to different sort of expectation and promises females and males have from the organization. In a country like India the social setting and priorities are different for females and males. Females in the present study are scoring less on psychological contract and organization commitment. This could be attributed to dual role played by women.

**Females in the present study are scoring less on psychological contract and organization commitment. This could be attributed to dual role played by women.**

Hypothesis 2(b) stated that there would be no significant differences between various age groups (up to 30 years and above 30 years). Age has not been found to influence organization commitment of employees in the present study, whereas current research suggests that

attitudes toward the psychological contract are influenced by the employees' age and experience, as well as their initial level of trust in an employer.

In the next Hypothesis (No. 2.c) it was hypothesized that there would be no significant differences between managers and executives on psychological contract and organization commitment. The findings indicate that there is no significant difference between managers and executives on psychological contract, also for organization commitment. The employees of higher designation in an organization generally participate more and longer in an activity or works for an organization, the greater the bond that is formed. Those who reject the organization after many years would have to wrestle with the fact that they have invested many years into a group with which they are dissatisfied. Significant cognitive dissonance might be generated in those who reject an organization in which they have been members for a considerable period of time. Thus those who find themselves highly dissatisfied with the organization will either change their attitude or become more favourable towards the organization or will leave the mission. Either would lead to higher levels of satisfaction and organizational commitment and lower levels of turnover intention in the cohort with the longest tenure. Secondly those who are dissatisfied leave. They are no longer around to complain or express negative attitudes about the organization.

The present study hypothesized (Hypothesis No. 2.d) that there is no significant difference between graduate and

post graduate employees on psychological contract and organization commitment. The findings indicate significant differences in the two groups for psychological contract but do not show significant differences for organization commitment. Low level of education was expected to have a negative relationship with organization commitment. The rationale for this prediction is that people with lower levels of education generally have more difficulty changing jobs and therefore shows a greater commitment to their organizations.

**People with lower levels of education generally have more difficulty changing jobs and therefore shows a greater commitment to their organizations.**

Education is often argued to be an antecedent of both job satisfaction and organization commitment. Education may thus have an indirect effect on turnover through this process, though Rogers (1991) did not find that education had a significant effect upon the job satisfaction of correctional workers in his study. Education may have a direct impact on actual and intended turnover in that higher levels of education, all else being equal, may provide greater opportunity for changing jobs.

Age and organizational tenure are expected to be positively related to organization commitment due to increased attachment over time. Males and employees with higher levels of education are expected to be less committed based

on their perception of alternative employment opportunities. There is significant difference between graduates and post graduates on the psychological contract in the present study because majority of post graduate employees are at very high level of position in their respective organizations. Employees at higher designation show more of psychological contract and thereby high commitment. However in the present study there is no significant difference in context to organization commitment.

In Hypothesis No. 3.a it was hypothesized that variable psychological contract would significantly contribute to predict organization commitment of the employees. Transitional psychological contract is contributing maximum to organization commitment. Affective commitment is positively associated with the psychological contract dimensions of time frame, exchange symmetry and contract level (Sels, Janssens & Brande 2004). There is a positive relationship between affective commitment and the psychological contract dimensions of time frame, exchange symmetry and contract level. Organization commitment has a direct impact on intention to remain (Flood et.al 2001).

In Hypothesis No. 3.b it was hypothesized that psychological contract would significantly contribute to predict value commitment of the employees. It was found that transitional psychological contract and balanced psychological contract contribute to organization commitment of the total sample.

Similarly, in the next Hypothesis (No.

3.c) it was hypothesized that psychological contract would significantly contribute to predict “intent to stay” of the employees. Results show that transitional psychological contract contributes to the organization commitment of the total sample.

It was also hypothesized (Hypothesis No. 4) that psychological contract would significantly contribute to predict organization commitment for the males. Transitional psychological contract and total psychological contract are contributing to predict organization commitment. Similarly in hypothesis statement No. 5 it was mentioned that psychological contract would significantly contribute to predict organization commitment for female employees. Only transitional psychological contract was found to be contributing to organization commitment.

As the findings indicate that while transitional psychological contract, balanced psychological contract contribute to predict organization commitment, it is certain that trust and erosion factors contribute to predicting organization commitment. If the employee believes that the firm sends inconsistent and mixed signals regarding its intentions then the employee mistrusts the firm. On the other hand if the employer has withheld important information from employees, the firm mistrusts its workers. Similarly, if the organization can make its employees certain about the nature of employee’s obligations to the firm it would add to the organization commitment variable. If the employee expects to receive fewer future returns from his or her contributions to the firm compared to the past s/he may anticipate continuing declines in

the future. If the employer has instituted changes that reduce employee wages and benefits thereby eroding the quality of work life compared to previous years it may lead to erosion in the relationship between employee and employer leading to reduced organization commitment.

This study highlights the practical importance of maintaining employees’ perceptions of trust and contract fulfilment. Effective psychological contracts are not simply a matter of keeping promises. There are strategies that can assist during the formation stages of the contract. Employee perceptions of contract obligations can begin prior to the hiring process. Organization’s image and history create an initial impression of the values espoused by the employer, and clarify how employees are treated. To prevent the creation of false impressions, which could serve as a basis for legal action, management should review company literature to assure that the image reflects the reality.

The recruitment interview process establishes an image of the organization for the recruits, and may promote a number of expectations, ranging from outcomes (e.g., pay, benefits, office size, or equipment) to processes (e.g., treatment of employees or degree of empowerment). Organization must focus upon the use of realistic job previews during interviews to job candidates with a clear and realistic understanding of the actual expectations surrounding job duties, work hours and performance levels.

Upon hire, employees are introduced to the culture of the organization, either

through a formal orientation program or an informal socialization process. These activities provide the opportunity for the new employee to clarify norms and define the attributes of acceptable behaviour. The maintenance of effective psychological contracts begins with a deep commitment to excellent communication and integrity. A trusting relationship between management and employees creates an environment that allows for disagreements and conflicts to be dealt with in a constructive manner. To develop a culture of integrity in communication, the organization must invest in continual management training, not only to enhance managers' communication skills, but also to maintain focus on the commitment to integrity in communications.

Human resource managers should ensure that employees understand how the organization is trying to meet their multiple needs and promises. In addition, HR managers should give employees the opportunity to express any new changes in what they believe their organization should provide to them. By focusing on their needs, in conjunction with organizational capabilities and resources, managers may further enable their companies to retain key talent. There is no doubt that increasing competition and changing expectations among employees have prompted a growing disillusionment with the traditional psychological contract based on lifetime employment and steady promotion from within. Consequently, companies must develop new ways to increase the loyalty and commitment of employees. For instance, given the pressure to do things better, faster and

cheaper, reward systems should recognize contribution rather than position or status. Reward strategies may also be used to rebuild commitment for survivors in downsizing organizations.

The results of this study have shown that turnover intention is more a function of breach of psychological contract leading to reduced organization commitment. In the present research the role of money has been found to be relatively less indicative of the cause of high attrition. This research is therefore contributing in shifting the attention towards other important variables.

### **Limitations**

This study captures a single period in time as compared to a longitudinal study that would capture the effect of time. Though the sample size was sufficient it was not large enough to detect many of the relationships in question, permitting more rigorous tests of multiple regressions to regress several predictors on criterion variables. The relationship between psychological contract and organizational commitment may be weaker or nonexistent in situations in which employees' behaviour is much more constrained. Employees with high skill levels, mobility and employment alternatives, such as those in this study, can afford to reduce their inputs. First, this measure does not account for possible change in the psychological contract from the time when the promises were made to the time when the breach was perceived. If the terms of the agreement have changed, this measure may have the er-

ror that would weaken the reported results. This limitation would be difficult to circumvent since it requires one to be able to measure the perceived obligation of each contract term just before that particular term is perceived to be unfulfilled by each individual. People may be more sensitive to perceived breaches than to perceived fulfilment (or over fulfilment), and thus one may argue that the former should be weighted. Further work needs to be conducted on a variety of employees to better understand the attitudinal and behavioural impact of psychological contract fulfilment. Nevertheless, it should be noted that future research would benefit from examining broader psychological contract dimensions using more sophisticated statistical analyses.

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