

Employee Reactions to Psychological Contract Breach- The Influence of Managerial Level in Organisation

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ABSTRACT

The term psychological contract (PC) focuses on what employees anticipate in return of their loyalty and commitment at work. When commitments made by employer or organisations are not being fulfilled towards employees, workers feel cheated and psychological contract breach (PCB) takes place. PCB leads to reduced efficiency and poor morale. They are implied in nature, i.e. they are unwritten, unspoken. The present study examined the difference of understanding among employees based upon their managerial level in the organisation; additionally, study examined the difference in negative reactions that an employee shows in reaction to a PCB at different levels in the organisation. A total of 200 full-time employees took part in this study. The study found that there is a difference in the perception of PCB between employees at different levels of the organisation; Furthermore, PCB direct an employee to behave negatively and indifferently that leads to negative reactions like turnover, raising voice, absenteeism and disturb employee-employer relationship. The study found that there is no significant difference in the reactions of employees at various levels in organisations when PCB is observed.

Keywords: *Absenteeism, Employment relationship, Psychological contract (PC), Psychological contract breach (PCB), Turnover intentions.*

1. INTRODUCTION

Beginning of the theory of psychological contracts can be marked out to the 1960s, but the concept expanded widespread prevalence in the research fields of organisational behaviour and human resource management in 1990's after the distribution of various articles and then an article by Rousseau (1989) "Psychological contracts in organisations. Employee Responsibilities and Rights" encouraged new interest in the concept.

Although there is no generally acknowledged meaning or definition of psychological contracts, but the majority of them are inclined to explain the concept as implied or embedded understanding of common or reciprocated commitment between an employer and his employees. It's an arrangement of viewpoint that includes the behaviour that employees consider is expected of them and what reaction they anticipate in return from their employer and, reciprocally the performance employers consider are expected of them and what response they

expect from their employees. It is the philosophy based upon guarantee expressed or implied, concerning a swap agreement between a personage and, in organizations, the employing firm and its agents. These viewpoints go beyond the written and open provisions of the formal employment contract.

The issue with psychological contract is that employees assume that their expectations are in general accepted and agreed upon. The breach of psychological contract simply means that these expectations are not fulfilled. Generally, what is said is not what is thought, particularly in the context of work. And this cause unseen supposition on both ends- for the employee and the employer which further leads to breach of the psychological contract.

Psychological contract breaches may crop up if employees observe that their organization, or its agent, is futile to deliver on what they observe was assured, or vice versa. Employees recognizing a breach are likely to react negatively. Reactions which are commonly identified are abridged loyalty, dedication, and organizational citizenship behaviors. Observations reveal that psychological contract breach may occur soon after the employee joins the company or even after years of satisfactory service.

The actual extent of the Psychological contract just gets to be clear to both sides when a particular conduct discloses the supposition. Breach of contracts leads employees lose their trust in the organisation and alter the psychological contract as per their understanding. In such situation, employees believe they do not get much out of the business relationship; hence they will bring down their labours accordingly.

It has been found that there the two possible causes of breaches that takes place in organisations namely renegeing and incongruence (Morrison & Robinson, 1997) where renegeing mean when the employer and employee are aware that an obligation has to be fulfilled but intentionally fails to do so resulting in occurrence of externally caused psychological contract breach. On the other hand when an organisation and employee hold a different set of beliefs in relation to obligations leads to internally caused psychological contract breach i.e. Incongruence.

1.1 Employees Reactions to Psychological Contract Breach (Suazo, 2005)

Voice

Voice is considered to be an appeal which is made directly to higher management and believed to be a key method by which an employee can make positive changes happen.

Exit

Perception of inequity is a resultant effect of breach of psychological contract. This perception in further consequence might leads to reduction in belief of continuous stay in the employment relationship is of mutual benefit and may invoke a feeling of leaving organisation as a last resort.

Loyalty

Psychological contract breach and employee loyalty is negatively related to each other.

Neglect

Employees whose psychological contract has being breached may see no sense of functioning hard for an organisation and they just do the least amount required standard of job.

2. LITERATURE REVIEW

A large number of studies have examined the negative relationship between Psychological Contract Breach (PCB) and work attitudes like job satisfaction, intention to remain with the organisation, organisational commitment. Atkinson (2007) illustrate that response to observation of PCB involve annoyance, anger, feeling of inequity, injustice, frustration and the likelihood to end the employment relationship. Negative emotions such as annoyance or frustration concerning a breached contract moreover make employees' views of their job more negative, lowering their motivation and diminishing their effort and enthusiasm at work (Parzefall and Coyle-Shapiro 2011). J.R. Berger (2009) studied influence of personality on psychological contract in relation to work related attitude, and found that personality traits like extroversion and emotional stability are likely to have a considerable greater impact on employee's understanding of psychological contract breach and its effects on work related attitudes.

Joshy L M., S Srilatha (2010) found that organisation's failure to fulfil its promises is considerably related with employee's intention to remain with the organization. Negative effects of psychological contract breach are not only anticipated to go ahead of hurting individual employees' feelings, but also may lead to harm the organization all the way through losing its talented employees. Psychological contract breach implies an inconsistency in the employment relationship and direct employees counter through negative actions for instance counterproductive actions or even consider about leaving the organisation (Lepoiev M. 2011). Psychological contract breaches leads to emotional reactions that alter the attitudes and conduct of employees in the direction of the employment relationship (Ejimonyeabala L.). Employees' emotions and attitudes manage their behaviour, and that these emotions can be activated by the perception of a breach of the psychological contract, ensuing in substandard performance, de-motivation, lower commitment, absenteeism, and turnover.

Agarwal and Bhargava (2013) found that Non-fulfilment of promised incentives is considered as the contravention of the Psychological Contract and set off negative responses from employees. Breach of one's psychological contract had a considerable consequence on one's job contentment, intention to stay, and apparent organizational support (Ballou Nichole S., 2013).

Psychological contract breach has a negative effect on job satisfaction and, in milieu to this, job dissatisfaction positively impacted turnover intent. Fulfilled balanced psychological contract exhibit a strong, constructive association with job satisfaction and that job satisfaction had a negative effect on turnover intention. (Hennicks Eugèny C., 2014). PCBs are more expected with the increase in organisational changes, which in further are expected with the decrease in contributions towards the organisation (Conway et al 2014). Anam, Muhammad A. & Naqvi H. (2015) illustrate that the breach of one's psychological contract had a considerable effect on one's job satisfaction, intention to continue, and perceived organizational support. Employees who observe a breach of their contract encountered with lesser job satisfaction, a poorer intention to continue with their current organization, and were less expected to observe that their organization supported them.

3. OBJECTIVES OF THE RESEARCH

Keeping all research points in mind the study undertaken was aimed to accomplish the following objectives:

- To analyze the difference in understanding of psychological contract and its breaches among employees at different levels in organisations
- To examine the difference in responses of employees on observation of psychological contract breach at different levels in organisation

4. METHODOLOGY

For the purpose of study data was primarily collected by administrating the questionnaire (Likert scale endpoints: 1 = strongly disagree, 7 = strongly agree) where all respondents were promised confidentiality of their responses and no specific identifying information was requested. Questionnaire was divided into two parts where I part consist of questions that helped in analysing the understanding of employees about the concept and II part consist of questions that helped in analysing the reactions of employees on observation of contract breach. The data collected, total of 200 respondents using purposive sampling, 66% were male respondents and 34% were female. Responses to items were captured in excel sheet, where after prepared for analysis.

Additionally, Secondary data is referred from other sources like the library, books, journals, periodicals, websites, organizational reports, etc.

5. ANALYSIS & INTERPRETATIONS

For the purpose of study below statements of questionnaire Part I and II are analysed individually as below:

Part I

Part I of the questionnaire include the statements that assess the understanding of employees on the concept of psychological contract and breach.

(1) I have been communicated at the time of employment what all I am expected to do
(2) My immediate manager let me know how I am doing
(3) I consider my immediate manager as my employer
(4) Words of my manager are like promises to me
(5) Psychological contracts are unsaid promises and they should be fulfilled
(6) Breaches of promises are not important as I am part of organisation and it happens in all organisation
(7) Despite observing any breach of promise you work with same intentions because you love your organisation
(8) Breaches does not matter as some unexpected rewards are also given by organisation

Below table 1 shows the respondents response percentage on a Likert scale (1-7) for each statement above in percentage:

Table-1

Respondent's responses for understanding of psychological contracts and breaches

Statements	Strongly Disagree (1)	Disagree (2)	Slightly Disagree (3)	Neither agree nor disagree (4)	Slightly Agree (5)	Agree (6)	Strongly Agree (7)
1	3%	2%	5%	11%	26%	39%	14%
2	1%	3%	2%	8%	26%	42%	18%
3	5%	9%	7%	15%	14%	36%	13%
4	2%	3%	6%	13%	22%	37%	17%
5	1%	3%	3%	13%	30%	35%	16%
6	4%	15%	9%	18%	27%	20%	6%
7	2%	9%	7%	14%	22%	33%	14%
8	4%	10%	7%	14%	23%	34%	8%

Part2

Part 2 include statements that assess the reaction to psychological contract breach and fulfilment

(1) Feel cheated
(2) Raising Voice
(3) Increasing Absenteeism
(4) Leave the company (Exit)

(5) Neglecting job responsibilities (Neglect)
(6) Can't leave your organisation as you don't have other options
(7) Breach of promises do effect your relationship with employer

Below table 2 shows the respondents response in percentage on a Likert scale (1-7) for each statement above:

Table2

Respondent's responses for reactions to psychological contract breach and fulfilment

Statements	Strongly Disagree (1)	Disagree (2)	Slightly Disagree (3)	Neither agree nor disagree (4)	Slightly Agree (5)	Agree (6)	Strongly Agree (7)
1	5%	5%	5%	11%	22%	32%	21%
2	1%	12%	4%	8%	22%	36%	17%
3	6%	13%	11%	18%	25%	21%	6%
4	4%	12%	4%	24%	22%	25%	9%
5	7%	16%	7%	17%	22%	27%	5%
6	13%	14%	5%	25%	20%	18%	5%
7	3%	4%	5%	14%	25%	34%	16%

6. HYPOTHESIS AND TESTING

In order to gain useful knowledge, this paper is analysed to support the following hypotheses

Hypothesis H1

H0 – There is no significant difference in the perception of the Psychological Contract Breach between employees at various levels of the organisation.

Hypothesis H2

H0- There is no significant difference in reactions of employees against PCB at all levels in organisation.

7. RESULTS

To examine the above hypothesis One Way Analysis of variance (Anova) test is applied to the data collected, which is used to determine whether there are any significant differences between the four different levels in organisation which shows the following results.

- Hypothesis 1

Perception of psychological contract breach at different levels in organisations

H0 – There is no difference in the perception of the Psychological Contract Breach between employees at various levels of the organisation.

Table 3

Mean response value of respondents as per levels

S.no	Level-1	Level-2	Level-3	Level-4
Q-1	5.2	5.4	5.2	5.5
Q-2	5.5	5.7	5.3	5.9
Q-3	4.5	4.8	4.9	5.7
Q-4	5.1	5.1	5.4	5.8
Q-5	5.4	5.2	5.4	6.1
Q-6	3.9	4.2	4.5	4.9
Q-7	5.2	4.9	4.8	5.9
Q-8	4.4	4.9	4.7	5.2

Anova- Single Factor

SUMMARY						
Groups	Count	Sum	Average	Variance		
Level-1	8	39.2272	4.9034	0.3267		
Level-2	8	40.2191	5.02739	0.1866		
Level-3	8	40.1666	5.0208	0.1156		
Level-4	8	45	5.625	0.1745		
ANOVA						

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	2.544089	3	0.848029626	4.2213	0.01393	2.9466

P-value is less than alpha 0.05 i.e. .013 < .05, we do not accept the null hypothesis that there is no significant difference in perception of the Psychological Contract Breach between employees at various levels of the organisation. i.e. there is a difference in the perception of psychological contract breach between employees at various levels of the organisation

Additionally, the F Statistics value is more than F Critical value i.e. 4.22 > 2.94 that means the value of F statistics fall into rejection region hence there is a significant difference between the 4 groups.

Note: Mean values of the responses have been taken for the purpose of calculation i.e. mean of the responses per respondent for each question.

Hypothesis 2

Reactions to Psychological Contract Breach at different level in an organisation

H₀- There is same reactions of employees at all levels in organisation.

Table 4

Mean response value of respondents as per levels

S.no.	Level I	Level II	Level III	Level IV
Q-1	5.3	5.2	5.2	5.1
Q-2	5.6	5.2	5.2	3.6
Q-3	4.2	4.3	4.5	3.6
Q-4	4.4	4.4	4.9	4.2
Q-5	4.1	4.2	4.5	4.4
Q-6	3.7	4.0	4.1	3.6
Q-7	5.1	4.9	5.6	4.8

Anova single Factor

SUMMARY						
Groups	Count	Sum	Average	Variance		
Level I	7	32.3181	4.6	0.5		
Level II	7	32.1917	4.6	0.3		
Level III	7	33.8846	4.8	0.3		
Level IV	7	29.3571	4.2	0.4		
ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	1.5227	3	0.5075	1.4806	0.2449	3.0087
Within Groups	8.2274	24	0.34281			
Total	9.7501	27				

P- Value is greater than alpha 0.05 i.e. $0.24 > .05$ we do not reject the Null hypothesis that is there is no significant difference in reactions of employees for PCB at all the four level.

Additionally, the F Statistics value is less than F Critical value i.e. $1.48 < 3.008$ that mean the value of F statistics does not fall into rejection region hence there is no significant difference between the 4 groups.

Note: Mean values of the responses have been taken for the purpose of calculation i.e. mean of the responses per respondent for each question.

8. RESEARCH FINDINGS AND CONCLUSION

Psychological contract breach have a negative effect on the commitment of employees working with organisation as they feel cheated when psychological contract breach is observed. It is found that some of the employees regard their immediate manager as their employer which can be a likely reason why psychological contract breach happens, as the implied actions by their manager are considered as promises by employees, but on actual grounds that does not happens and considered to be a miscommunication. When employees observed any psychological contract breach they react negatively in a way of raising voice, absenteeism, leaving the organisation, neglecting their job responsibilities. The primary objective of the study was to identify whether the reaction of employees on observation of psychological contract breach differs at different levels of organisations, in accordance with this study found that there is no significant difference in reactions of employees for PCB at all the four levels.

Another objective of research, to identify whether there is any difference in opinion or understanding of psychological contract and breaches at different level of organisation, it has been found that understanding of psychological contract breach differs at different levels of organisations i.e. employees working at higher level of organisations are not much affected by breaches but the employees working at lower level of organisation are more affected by breaches and so does the understanding and opinion differs about the breaches of contract.

To conclude, the reactions to psychological contract breaches are negative and these reactions are same whether PCB is observed by a higher level employee or a lower level employee. Though the reaction to PCB do not differs based upon the managerial level but understanding of psychological contract breach among employees differs as per the managerial level of the employees. Employees, who observed that their PCs have been fulfilled, will boost their input in return, thus showing their satisfaction due to the triggering and motivational potential brought about by being rewarded. Nevertheless, when their PCs have been breached, they will be dissatisfied and there will be no triggering and motivational potential. The Conclusions are drawn on the basis of the data collected from 4 different organisations via questionnaire and analysis of data and hypothesis testing.

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