

## **Psychological Contract and Organizational Commitment in Automobile Industry in Bangalore: An Empirical Study**

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### **Abstract**

Psychological contracts are referred to as agreed assurances or prospects that are bartered between the potential employee and the organization and are generally unspoken and understood. However, organizational commitment is referred to as the connection an employee feels with the organization and the level of dedication and loyalty the employee displays towards the organization. A thorough analysis establishes that there are several factors which effects the employees' commitment towards organization. Also, the extent to which the psychological contracts are fulfilled or breached affects the employee behavior. An Empirical Study was done in order to establish the relationship between psychological contract and organizational commitment. Also the effects of betrayal and fulfillment of psychological contracts were studied in relation to organizational commitment. A sample size of 225 was undertaken and through a structured questionnaire the respondents were asked to mark their viewpoints. Mean, chi-square tests are applied to obtain the results from data. The investigation work shows that the fulfillment of the promises made in psychological contracts leads to employees' loyalty towards the organization and high level of dedication towards their work. However, the breach of contract disrupts the employees' trust and leads to poor workplace environment and often employee leaving the organization. Proper HR practices and even in some cases government intervention is required so that the organizations fulfill their deeds as per psychological contract thereby resulting in high level of job satisfaction, improved work efficiency and employee retention in the organization.

**Key Words:** *Psychological contract and organizational commitment*

### **1. Introduction**

Psychological contract can be broadly defined as the agreement between the potential employees and the organization. It describes the insights and responsibilities of both the groups towards each other. These can also be expressed as the assurances and outlooks agreed upon by both the parties. These parties involve employers, managers, individual employee and their coworkers. These contracts are generally not written and as such unseen, anticipated, undeclared, causal,

unstated and at times partly expressed. Therefore, deliberate attempts are required to understand them and to know about them. The contracts are generally made in order to give details about the duties and responsibilities of each party and smooth functioning of overall organization. Psychological contracts are framed on the basis of expectations that build up because of their connection with each other at the workplace. These unproven bonds strongly effect the efficiency and attitudes of the employees.

The psychological contracts have also undergone transformations over a period of time. Traditional contracts were less formal and contained a section of employees' expectations also. They are generally supposed to be comparatively static, displayed the suppositions of permanent employment and long-term association with the same organization. However, the newer version of psychological contracts is actually more volatile, unplanned and short-lived. They undertake a great degree of association between the employer and the employee generally on the anticipation of a lesser perpetual time of salaried employment. The transforming trend of employee management has generated more numbers of temporary workers, contract employees, knowledge workers etc. These type of workers work with an organization for a shorter tenure or even as a free-lancer. It is even more complicated to frame psychological contracts for these type of workers as it is bargained as a tripartite inter-relation between the placement agency, the temporary worker and the organization recruiting these workers.

Psychological contracts are connected to individuals and as such keep on changing with the time and are essentially unsteady. With the change in personal thoughts, change in arrangement of workforce or team members and change in working atmosphere of the organization the psychological contracts also tend to change. They become more complicated because employees tend to think only from their own perspective. This might generate big problems in organizations where each employee has different perception of psychological contract.

Organizational commitment is described as the connection, relation or affection an individual possesses towards his organization. The employees who are dedicated towards their workplace usually feel connected to the organization, and have a sense of belonging. They tend to understand the organizational goals and work to accomplish them. They add value to the organization, are more focused, display comparatively greater efficiency and are more active in taking initiatives. Organizational commitment is high among those employees who believe that they are a part of decision-making authority and have important role in building the organization. Organizational commitment can be further classified into three categories:

- Affective commitment
- Continuance commitment
- Normative commitment

Affective commitment is related to the amount of time the employees wish to stay with the same organization. If the employee is emotionally committed to the organization then that indicates that the employee desires to continue for a longer period with the organization, have a sense of satisfaction, relate themselves with the organizational goals, feel respected and are undoubtedly a

great asset for the organization. Continuance commitment refers to the necessity of the employee to stay with the organization. The reasons for staying and continuing with the same organization could be lack of other job options, less salary at other firms, less benefits being granted by other organizations or any other personal reasons etc. Normative commitment is associated with the employees' feeling of compulsion to stay with the organization. These type of employees opine that if they leave the organization that would have terrible significances and have a feeling of guiltiness towards the thought of leaving the organization. The possible reasons are that these type of employees think that whenever they would leave the organization that would create a vent and increase the burden of sub-ordinates. All the three forms of organizational commitment greatly impact the time employees invests with an organization. The organizations should put efforts to recognize each type of commitment and motivate them towards affective commitment. The organizations should make full efforts to understand the needs, desires and aspirations of the prospective employees. Subsequently a proper understanding about the employees' psychological contracts is very much required for a strong bond between the employee and employer. The fulfillment of the expectations set and promises made by the organizations helps the firm in retaining their valuable employees and even encouraging their level of organizational commitment. But since the psychological contracts are unwritten, invisible and unseen there are many instances of them getting betrayed. The non-fulfillment of the assurances done create discomfort and unhappiness amongst the employees and they lose focus and commitment towards the organization. Many disheartened employees even start looking for other job alternatives and leave the organization. So, it is important that the HR team pays attention to the needs and aspirations of the employees and try to accomplish the psychological contracts. This personal attention would make the employees more dedicated towards the organization and even can lead to long term organizational commitment.

## **2. Literature Review**

Maia (2014) analyzed that organizational commitment and psychological contracts are paradigms that progress gradually. The advancement may lead to trails of declining, firming or even steadying of employee and organizational connection. He recognized four course of actions for commitment development namely, learning to love, high match, honeymoon hangover and learning to hate. However, this study put forwards the last point and it refers to people who had started very enthusiastically but whose dedication levels diminished intensely over a period of time. The outcomes of the research instigates that psychological contract fulfillment is definitely linked to commitment. The employers' attainment of psychological contract and employees' contentment of organizational commitment leads to pleasant outcomes like enhanced job performance. However, betrayals and infringements in organizational contract result in poorer commitment and reduction in job performance.

Zhou, Plaisent, Zheng and Bernard (2014) scrutinized the impact of psychological contract of knowledge workers on organizational commitment and job satisfaction. Knowledge workers produce information and utilize it to further to fabricate unique and innovative works. In the

competitive world there is a high demand of knowledge workers and as such their faithfulness to the organization is abridged since they are more concerned about individual development and not bothered about organizational commitment. Henceforth, it becomes a challenge for the organizations to maintain the satisfaction level of their knowledge workers. Furthermore, organizations have to focus on managing the stress level of their employees in order to retain them. In today's world where human values have transformed, employees desire to have changeover from the prescribed association and independence. This diminishes the employees' commitment towards the organization. Therefore, psychological contract is preferred by the organizations where the employee is bound by the commitment given. The HR has an important role between the organization and workers and understand the needs of both ends. For decreasing the non-obedience of the psychological contract and intensifying the organizational commitment it is necessary to understand the actual expectancy of the workers.

Subramaniam and Sha (2019) studied about the influence of psychological contract and organizational commitment in the case of dispatched employees in China. With the spurting rate of globalization and increase in demand of labour, the concept of dispatched labour is becoming popular as it is cheap and cost effective. It has been noticed that unpleasant atmosphere of the workplace and infidelity on the part of the employers lead the dispatched workers to leave the organization. However, those workers who are dedicated and devoted towards the organization show less tendency to leave the organization. Moreover, the studies show that when the companies form psychological contracts with dispatched employees then the organization are more attentive towards their pleas and strive to generate pleasant workplace in order to decrease their turnover intention. The organizations need to frame policies and systems which are in harmony with the employees so as to generate organizational commitment and increase employee retention.

Hamilton and Treuer (2012) explored about the connection between the elements of psychological contract, careerism, commitment towards organization and intention to leave. The matter of the psychological contracts and the magnitude to which they are accomplished impact the behavior and outlooks of the employee towards their loyalty to the organization. The employees continually assess their growth perspective within the firm and the opportunities they get outside. In contrast to the formal employment contracts, psychological contracts are fundamentally intuitive and normally constructed on understood assurances. Subsequently, the employee and the employer may have dissimilar insights and viewpoints about these assurances and commitments. Thus, it can be said that psychological contracts are peculiar and vibrant in nature. It is required that the organizations understand the kind of psychological contract and what the employees are expecting out of it. Understanding of employees' career objectives might also help organizations in framing strategies which would be effective in increasing employees' commitment towards the organization and retaining them.

Anggraeni, Dwiatmadja and Yuniawan (2017) examined the impact of the psychological contract and several aids provided by the organization on the organizational commitment and attitude of

the workforce of small-scale enterprises run by young entrepreneurs. The main motive of making psychological contract is to establish steadiness in the working environment and enhance the inter-relation between the firm and its employees. It is centered on the awareness about all the duties and accountabilities and mutual deliveries on the part of both groups. Although the contract is not a written one but is beneficial for both parties. The organization's head make all provisions for the development, compensation, reward and motivation of its employees. Similarly, the employees dedicatedly work for increasing the output and efficiency of the firm. The fulfillment of the psychological contract and the support provided by the organization intensifies the commitment and loyalty towards the organization.

Antonakia and Trivellas (2014) investigated about the breach of psychological contrast and its effects on the organizational commitment among the employees of banking sector. In the present time where there is financial crisis all over, many banks are undergoing mergers and acquisitions. It effects the job security, job certainty and work standards of the employees. Consequently, the firms are required to re-think, re-evaluate and revise their opinion in regard to exchange association with their employees as imitated on their psychological contracts. Psychological contract is strongly related to employees' commitment towards the organization as their viewpoints and association influence their recognition with and affection towards the organization. Positive insights concerning employees' psychological contract tend to produce pleased and contented employees who in turn show more commitment towards organization and work for the firm's growth with full dedication.

Kraft (2008) suggested that the psychological contracts are the principles that an employee grasps regarding the conditions of a contract which are understood in nature between the employer and the employee. It is important that the organization understands as to how the accomplishments and betrayal of the psychological contract can affect employees' performance. Defilement of psychological contract is associated with adverse working attitudes on the part of employees. Contrarily, the fulfillment of contract leads to improved job performance, faithfulness and organizational commitment.

Hassan, Abdul-Rahman and Basit (2017) researched about the influence of psychological contract on the organizational commitment and suggested that contracts entailing greater trust in employers does not essentially lead to employees' retention in the organization. Moreover, the psychological contracts containing remarkable objectivity have significant influences on organizational commitment. If the anticipations and promises made to the employees are fulfilled then the employee is more dedicated and loyal to the organization. Moreover, employees having long-term contracts feel more secure and attached to the organization. Intervention of government bodies must be done to guarantee that the commitments are fulfilled in order to enhance employer-employee relationship through encouraging psychological contract.

### **3. Objective**

- To measure the factors of effecting the organizational commitment of the employees.
- To find out the relationship between psychological contract and organizational commitment.

## 4. Research Methodology

An Empirical Study was done in order to find the factors of psychological contract leading to organizational commitment. Also, an effort was made to establish the relationship between the two. A detailed questionnaire was used to collect the data. A survey was conducted and 225 respondents were asked to fill their responses which were further reviewed and examined. People employed in organizations were contacted to get their opinions. ‘Mean’, and ‘chi-square’ tests were adopted to present an appropriate result of the study. The population for the study was the employees organizations only. The sample size taken is 225 on the basis of systematic random sampling. Here, every third employee from the overall list of top, middle and functional level was selected and also the employees from all levels of experience. The geographical area from which the companies were selected and sample has been drawn is Bangalore, Karnataka.

## 5. Findings of the study

Table 1 displays the general profile of the respondents. The table contains questions regarding their age, gender, level in hierarchy, number of years of experience of working in an organization and the salary package of the respondents. The questionnaires were filled by 65.78% male respondents and 34.22% female respondents. Out of the total respondents 15.11% belonged to the top level position in the organizational hierarchy. However, 47.11% of the respondents belonged to the middle level category in the organization. 37.78% of the people who participated and presented their views belonged to the functional level in the hierarchical order.

**Table 1 Profile of the Respondents**

<b>Variables</b>	<b>No. of Respondents</b>	<b>Percentage</b>
<b>Age</b>		
Under 25	26	11.55%
25-35	79	35.11%
35-50	76	33.78%
Above 50	44	19.56%
<b>Total</b>	<b>225</b>	<b>100%</b>
<b>Gender</b>		
Male	148	65.78%
Female	77	34.22%
<b>Total</b>	<b>225</b>	<b>100%</b>
<b>Level of employees</b>		
Top level	34	15.11%
Middle level	106	47.11%
Functional level	85	37.78%
<b>Total</b>	<b>225</b>	<b>100%</b>
<b>Working experience</b>		
Below one year	25	11.11%

1-3 years	32	14.22%
3-5 years	29	12.89%
5-10 years	34	15.11%
10-15 years	58	25.78%
More than 15 years	47	20.89%
<b>Total</b>	<b>225</b>	<b>100%</b>
<b>Total salary (p.m.)</b>		
Up to 50,000	105	46.67%
50,000 -1 lac	64	28.44%
1-3 lacs	32	14.22%
3-5 lacs	15	6.67%
More than 5 lacs	9	4.00%
<b>Total</b>	<b>225</b>	<b>100%</b>

Table 1. also illustrates that 11.55% of respondents are in the age bracket of under 25 years. A major section comprising of 35.11% of them belong to the age group of 25-35 years. Whereas, a closer percentage of respondents i.e. 33.78% constitute the age group of 35-50 years. 19.56% belong to the age bracket of above 50 years of age. The questionnaire was filled by 11.11% of respondents who had less than 1 year of experience in an organization. 14.22% of the people who filled the questionnaire had 1-3 years of experience. However, 12.89% had an experience of about 3-5 years of working. 15.11% of respondents had an experience of about 5-10 years in any organization. The majority of respondents comprising of 25.78% had an experience of 10-15 years. Nevertheless, about 20.89% of them had worked for more than 15 years in any organization. Among the respondents, a major section i.e. 46.67% had a monthly income of up to Rs. 50,000/-. 28.44% of the respondents lie in the salary package of Rs. 50,000/- to Rs. 1 lac p.m. However, 14.22% of the respondents belong to the category earning 1-3 lacs p.m. 6.67% of the respondents had an earning of 3-5 lacs p.m. Nonetheless, only 4% of the respondents had an income of more than 5 lacs p.m.

**Table 2. Respondents' opinion on factors affecting the organizational commitment of employees**

S.No.	Opinions	Mean Value on scale of 5
1.	Monetary benefits	4.2
2.	Support from managers and supervisors	3.9
3.	Relationships with co-workers and sub-ordinates	3.7
4.	Good career prospects	4.2
5.	Clear definition of role and authority	3.9
6.	Fair appraisal practices	4.0
7.	Good working facilities and environment	3.5
8.	Other fringe benefits	3.6
9.	CSR policies of the organization	3.5

Table 2. describes the opinion of the respondents on factors affecting the organizational commitment of employees through a five point interval scale. There are many factors which effects the commitment of employees towards the organization. It was seen that respondents with Mean value of 4.2 forms the majority suggesting that monetary benefits increases their commitment towards the organization. A similar mean value of 4.2 show that good career prospects increases the employees’ commitment towards the organization. Fair appraisal practices attain a mean value of 4 and show that these are important elements to increase organizational commitment levels. Thereafter, 3.9 mean value reflects that support from managers and supervisors are also important factors contributing to increased level of organizational commitment. Similarly, again a mean value of 3.9 show that the organizations which clearly defines the role and authority of the employees have more committed employees. 3.7 mean value show that the relationship with co-workers and sub-ordinates also to a great extent increases the commitment level of employees. The other fringe benefits given to the employees also help in attaining employees’ loyalty and dedication and secures a mean value of 3.6. Good infrastructural facilities and working environment attains a mean value of 3.5 and shows that they also help in gaining employees’ commitment. Last but not the least, the CSR policies of the organization and their work done for the welfare of employees’ family are also important to accelerate employees’ commitment level and attains a mean value of 3.5.

**Fulfillment of psychological contract for increasing organizational commitment among employees:**

**Null Hypothesis:** *The level of accomplishment of psychological contract does not affect the level of organizational commitment.*

**Alternate Hypothesis:** *The level of accomplishment of psychological contract affects the level of organizational commitment.*

**Table 3. Chi-Square test**

Organizational Commitment	Fulfillment of Psychological contract			Total
	High	Medium	Low	
High	51	24	10	<b>85</b>
Medium	24	21	22	<b>67</b>
Low	15	14	44	<b>73</b>
<b>Total</b>	<b>90</b>	<b>59</b>	<b>76</b>	<b>225</b>
Value of Chi-square				45.265
Degree of Freedom				4
p-value				.000

The result is significant so ‘Alternate Hypothesis’ is accepted. It suggests that the level of accomplishment of psychological contract immensely effects the level of organizational commitment. The employees who achieve high level of psychological contract promises show high level of dedication, loyalty and passion towards the organization and their work. However, the employees who believe that they have been betrayed on their psychological contracts display



very low level of organizational commitment, loose trust in the organization and often leave the organization.

## **6. Conclusion**

The psychological contracts are mainly the employees' viewpoints and set of expectations in relation to the organization. It is a set of assumptions which an individual expects from the organization in terms of salary, profile, growth, authority and other fringe benefits. In return, the employee agrees to serve dedicatedly to the organization putting his best efforts for the fulfilment of organizational goals and long term association. However, in contrast to the formal contract between the employee and the organization the psychological contracts are intuitive and visceral and does not have any physical identity. As such, both the parties may possess dissimilar viewpoints over the implicit commitments.

Organizational commitment is well defined as the employees' outlook towards the organization they are working in. It is an important determinant to find out the trust level and level of dedication the employee possesses towards the organization. It helps an organization to decide on whom to trust and make a part of organizational decisions in the long run. It helps the employer to analyze the satisfaction and expectation level of its employees. Three types of organizational commitments discussed in the study are: affective commitment, continuance commitment and normative commitment. The HR department and also the government agencies can work in order to convert continuance and normative commitment into affective commitment because if the employees are committed affectionately to the organization then they work with full passion and dedication.

In the competitive world, the employees always are in search of better opportunities where all their needs and desires might get fulfilled. The organization is also in the search of potential and loyal workforce so that it can build up of strong network and team. This has changed the nature of organizational contract in the current era. Earlier, psychological contract focused more on interpersonal exchange which laid on elements of faithfulness, admiration and recognition between both the parties. However, in the current era tangible elements have taken the place of intangible associations. Now, psychological contracts imbibe all set of physical and beneficial elements both the parties expect from each other.

It is very important on the part of the organization that they make every effort to fulfill the promises made by them to the employees. As such, the organization earns dedicated, loyal and long term employees which can prove to be most worthy assets for the organization. However, often the breach of psychological contracts drastically effects the commitment of employees and may have adverse influences on the working atmosphere. Many times the employees possess unrealistic demands which are not possible to be fulfilled by the organizations. Those cases should be handled carefully and properly and carefully by the HR so that other employees are not affected. The level of accomplishment of psychological contract affects the level of organizational commitment of employees.

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## About Dr. Manjunath S.

I have been teaching marketing, HR, Research methodology and systems to undergraduate and post graduate students since 2009. I have also worked as BDM in Subhiksha Retail Ltd, B'lore and Retail Sales Manager in DHL Logistics, B'lore. Currently I am working as Director (i/c) at CMR University, B'lore. Currently I am guiding 7 Ph.D. research scholars. I have Ph.D. in Management (Service Marketing), MBA from Bangalore University and MA (Eco.) from Mangalore University. I have successfully cleared KSET in 2016.

Besides teaching I have varied experiences in conducting university examinations. I have worked as paper setter, examiner, chief Custodian and tabulator. I also served as a member of BOE and BOS for Management and research dept., CMR University. I have published more than 20 papers in referred Journals and also published 4 books.

I can modestly say that I have excellent communication, interpersonal and time management skills besides ICT skills. I am good at establishing rapport with students very easily. I also have intricate knowledge of administrative procedures.

It makes me proud to inform that I have successfully conducted 4 International Conferences and 2 International Faculty Development Programme and 2 Faculty Development Programme. I have been part of in framing of CMR University research Regulations 2017 onwards.

It makes me proud to say that I have been given the **Best Teacher Award** by ISBR Institute, B'lore in recognition of Institution Building Skills. Besides this I have also been given **Nadaprabhu Kempegowda Award** for Education by BBMP, GOK.

## **About Anil Kumar Patro**

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Anil is currently responsible for leading and managing human resources/ talent management processes for Meritor's wholly owned subsidiary and JV Company at Asia Pacific region to lead HR team of India, China, Japan, Australia and Singapore. Anil joined Meritor in the year 2010 and currently responsible for staffing, organizational development, career development and training, driving HR plans etc. for Asia Pacific region having 12 sites for 9 different legal entities.

Before joining Meritor, Anil has worked for 14.5 years with Elcoteq Electronics India Pvt Ltd, Spicer India Ltd, Associated Capsules Pvt Ltd and Patheja Forgings and Auto Parts Mfrs Ltd in leading and driving HR deliverables.

Anil holds a Masters degree in Psychology from Sagar University, Masters degree in Personnel Management from Pune University with 1 years research experience at IIT, Mumbai. Anil presently pursuing PhD. from Mysuru University.