

# A Review about the role of Psychological Contract in Affective Commitment and Turnover Intentions of Employees

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## ***Abstract***

*Job security, job satisfaction is some of the major facets which enable people (employees) to be loyal towards their organization and the supervisor. The loyalty originated from this facet leads to commitment towards the organization, supervisor and towards the work assigned by them. In the absence of this, employees are more likely to prefer external mobility. Psychological contract highlights modern parameters of job security, satisfaction and commitment. This contract explains the aspects, which are fortunate in harnessing the loyalty of employees towards organization, employer or supervisor and work. The major causes of conducting this study is, initially to have a pool of articles which signify the role of psychological contract in the loyalty and leaving resolution of employees and lastly to identify the circumstances in which future research can be performed.*

**Key Words:** *Psychological contract fulfillment, Psychological contract, Turnover Intentions, Affective Commitment.*

## **I. Introduction**

Job security is a term in which employees believe that their employment is safe within the organization, it is a reliance of every employee, in which they believe that any incidents or actions good or bad will not affect their employment conditions. Similarly job satisfaction is a phenomenon in which employees are in contending with the job. Every individual has certain expectations and desires, for the fulfillment of which the person starts working. If the organization is capable of fulfilling those needs then the employee is at satisfaction level. Job security is one of the aspects of job satisfaction. In the verge of job satisfaction organizational commitment towards the work and the organization is being witnessed. Employees prefer to participate in providing maximum output and being stable towards the organization. Nevertheless these are not just the only cause of commitment and stability, the modern identity of the causes is psychological contract.

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Psychological contract is an unofficial agreement or relationship existing between employer and employee. It is an agreement which highlights the terms and conditions of exchange relationship. Exchange implies the act of give and take, where both the parties gain something despite of one loosing. Psychological contract is an assumption of employees regarding the fulfillment of certain aspirations and duties associated with them and vice versa. As it is a concept which is based on reciprocal relationship, as per the norm of reciprocity the person whose aspirations are fulfilled becomes obliged to remit the services towards the other. This contract or agreement includes every assumption of the employee, even the formal agreement becomes the part of this contract. Some of the examples of expectations from an employer are fair pay, training, promotion, career growth etc, and the expectations from employee include commitment, performance, loyalty etc.

The perceptions of employees or employer about the contract foster the attitude and response towards the other. The contract fulfilled by the employer or the employee is studied as psychological contract fulfillment (PCF) and the non fulfilled contract signifies contract breach (PCB). The fulfillment of the contract is associated with pragmatic outcomes, favourable to the employer, organization and the other employees of the same organization, whereas the breach is associated with just the opposite outcomes. Predominately the perception of the parties to the contract eventually becomes the source of either positive or negative outcome.

## **II. Research Objective**

This research paper attempts to analyze the view points about the perception of employees towards fulfilment or breach of contract and the outcomes associated in terms of commitment and turnover intentions. This paper assembles the research work of divergent authors that will further guide for prospective research.

## **III. Previous Research**

### **3.1 Psychological Contract and Organizational affective Commitment**

Psychological contract is the trust of employees in which they perceive that the organization is obligated towards them in response of their work. It has been witnessed that perception of employee regarding the fulfillment fosters organizational commitment. This commitment is further being categorised into affective commitment, normative commitment and continuance commitment (1). Affective commitment implies the spiritual devotion towards the organization, whereas normative and continuance commitment implies the feeling of employee to stand still with the organization and to prevent the loss of leaving it (1). If the employee believe, that the benefits which are received by them in the organization is competitive and rare to find in some other organization then their affective, normative and continuance commitment will be high (2). (3) analysed the enhancement of organizational commitment through career guidance. Employees are more prone to the organizations which provide maximum career advancement, and organizations executing this activity will be more preferred by the employees, by becoming the source of fulfillment of their beliefs. Several ages have passed, and all the people of different ages have different attitudes and responses. (4) Identified the three generations and their responses towards affective commitment and turnover intentions. It was concluded that employees who were dependent on organizations had positive and higher

affective commitment and lower intentions to leave the organization after the fulfillment of certain expectations as compared to other.

Nowadays employment can be of several kinds. Employees are working in the contract basis for both the contractor and the third organization. The expectation can be framed from both the employers. If the expectation of the employer and the employee is fulfilled and the relationship stands strong, if care and well being exist then the spiritual commitment can be witnessed for both the employers (5). Every firm performs human resource management activities. Various perceptions exist relating to the kinds of activities of HR to be performed. The perception of employee consisting to HRM activities include developmental, compensational and growth activities. If the firm is successful in fulfilling these activities and providing long term benefits then the affective commitment of employees will be higher and pragmatic(6). When the employees are assigned with task its completion becomes the priority but in the absence of aids or resources the task cannot be fulfilled, these situations create psychological disturbances in the mind of employees and affect their psychological stability. When these aids are provided by employers it takes a form of psychological contract fulfillment, which not only enhances commitment and psychological health rather reduces the willingness to leave the organization (7). In the current globalized world, organizations are moving from parent country to host country and third country for expansion, profits and other reasons. Employees are also moving from domestic boundary to international boundary for such purposes. In these scenario employees entering international boundaries and those returning from international to national boundaries expect many things from their employer. Those returning to the national boundaries aspire of having higher rewards, promotion and benefits in the home country from the employer. If these aspirations are fulfilled then the commitment will be higher even if there is a promise of future fulfillment (8). (9) furthermore concluded that psychological contract fulfillment is related to pragmatic affective commitment. The author included the organizational support and leader member exchange relationship to convey the impact on affective commitment, as these aspects originated the perceptions of fulfillment of contract. As psychological contract is a two way process, implying both the parties contributing something. If the contributions are done from the part of employees then the contribution expected from employer are career guidance, compensation, support and more. These contributions are made on the basis of trust within the parties, for the continuance contribution and spiritual commitment it is necessary that fulfillment is to be done (10). One more criteria through which affective commitment of employees can be enhanced are through their participation or involvement in the organizational matters in support with the leaders. If the leaders develop the environment in which the employees can grow, participate and be innovative in their work then this will automatically enhance the commitment (11).Employer and employee relations is assumed to be the significant cause of commitment, but (12) concluded that relationship with colleagues also affects the affective commitment with maintaining a suitable work environment. Employees are expected to fulfil the task assigned to them. With every new task comes higher responsibility, pressure and mental disturbances, but when the belief exist that the employer is going to return the favour then these pressures are handled positively and commitment level is risen. Firms also provide resources to the employees so that they can easily complete the assigned task (13). (14) observed organizational commitment by employee satisfaction from HR policies, developmental actions and supervisor relation.(15) The organizations which perform talent management activity signals employees the fulfillment of contract, and as an outcome of this perception spiritual loyalty and in-role and

extra role behaviour can be detected. (16) developed eight aspects in which the spiritual commitment of the employees can be witnessed. The eight factors include; the firm in which they are psychologically attached, supervisors, their colleagues, work, task, career, profession and customers. Affection towards these factors enables the employees to become loyal towards the organization. In case if the employee experiences non fulfillment of the contract then their commitment towards the organization and supervisor will generate positive outcomes and psychological stability. This commitment can be mostly observed in the new joiners as they have a greater liking towards it (17). Human resource practices which are adopted by the organization is successful in achieving affecting commitment of employees and also helps in developing trust within, through which knowledge sharing can be done (18).

### **3.2 Psychological Contract and Turnover Intentions**

When the employees are satisfied with the jobs, the relationship between employer and employee is strong, and the organization provides benefits and opportunities for growth, which are difficult to find anywhere, in these situations employee prefer to remain with the organization despite of leaving it. (19) conducted a research on nurses. As per their profession they expect a proper balance between personal and professional life, expect an amicable environment and rewards, and if these needs are fulfilled by the employer then the outcome will be witnessed as reduced intention to leave the organization. Relationship between an employer and employee or leader and employee is also an important aspect for reduced turnover intention. (20) adopted the LMX criteria, known as the leader member exchange relationship. In the presence of this, employees perceive that that they have a positive, caring and honest relationship with their leader, which is effective in reducing the interest of employees to leave the organization. (9) furthermore concluded that psychological contract fulfillment prohibits the employees in leaving the organization. The author implemented perceived organizational support and leader member exchange relationship as the aspects for conveying the impact on turnover intentions, as these aspects signify the fulfillment of contract. (21) conducted the research in software industry where mobility of employees is more. He discussed that if the employees were enabled in taking participation in the organization then their performance can be enhanced and as a term to the contract they will be obligated to remain with the organization. For engagement and participation in the organization the support of supervisors are must. If the employees presume that their supervisors are in favour of them then with less fear, involvement, can be noticed and with this support satisfaction level will increase and mindsets of leaving the organization will be decreased (22). Often employer and employee relations are considered as one of the significant aspect for employee to not leave the organization, but (12) outlined that if the relationship of employees with their colleague is not present and environment is also not suitable for working then they will more likely prefer to leave the organization rather than staying. The author also concluded that compensation itself is not sufficient enough in retaining the employees in the organization. (23) performed the research in the university level for identifying the causes of leaving intentions or staying intentions. The author found that if the university is providing job satisfaction through engagement, opportunities then the leaving intentions will be less and commitment will increased. Sometimes to match with every person in the organization, employees perform actions which are not beneficial for the organization and also for them. Employees who failed to interact with their colleagues are more likely to leave the organization (24). Employee perception of their workplace is also an

important aspect of commitment and turnover intentions. If the employee perceives that their work environment, work, and other segments are beneficial for them then negative intentions to leave and positive commitment will be noticed through proper job satisfaction (25). Satisfaction level differs from person to person. Employees also gain satisfaction from different facets. If the employee gain satisfaction from their supervisor, by the policies which are adopted by human resource managers and by the developmental measures taken by the organization then the outcome will be witnessed in reduced turnover intentions and increased commitment (14). It is believed that in every relationship or transaction or contract, a balance exists. If imbalances exist then actions are taken by the parties to restore the balancing situation. Similarly if the employees perceive that their needs or aspirations are not fulfilled, then there will be major chances of employees engaging themselves in activities which harm the organization to restore the balance of the contract. (26) identified two kinds of harmful behaviours by employees, one with lower impact and the other with severe impact on organization. It was also concluded that people with an intention to leave majorly participate in both the harmful behaviours. As fulfillment of contract has positive results, similarly violation and breach of the contract is associated with negative outcomes. (27) explained that the perception of non fulfillment of facets like work life balance, benefits, suitable environment and more will create the feeling within the employees to leave the organizations, even the older employees will prefer the same thing to do. Once the promises are not fulfilled the employees attitude towards the firm changes.

#### **IV. Methods**

The study of article was solely focused on the organizational affective commitment and turnover intentions of employees linked with psychological contract. The qualitative slants of the articles were considered rather than the quantitative slant. Articles which were in accordance with the current research and which are significant were adopted and discussed.

The articles of psychological contract, psychological contract fulfillment and breach affecting the turnover intentions and organizational affective commitment of employees in various sectors were taken and studied for the fulfillment of the current research purpose.

The search strategy in the early phase was colossal, and gradually the procedure was restricted to the areas ‘psychological contract’, ‘psychological contract fulfillment’, or ‘psychological contract breach’, ‘turnover intentions’ and ‘affective commitment’. The articles explored and adopted are related with different sectors, nevertheless connected with the wake of affective commitment and intention to leave.

#### **V. Finding & Discussion**

The present literature contributes in providing the culmination of the research. It identifies certain aspects which contribute in strengthening the affective commitment of the employees as well as also the causes of turnover intentions. As per the research it can be outlined that psychological contract has a major impact on the commitment level and turnover intentions of employees.

Perception of employees in regards to the fulfillment and non-fulfillment of the contract will affect the behaviour in term of affective commitment and turnover intentions. The fulfillment implies strong, constructive spiritual commitment and reduced willingness to leave the organization, whereas the non-fulfillment of contract signals in increased rate of employee mobility and slighter commitment towards the organization. The breach of the contract will lead in the origination of harmful behaviours and attitudes which will affect the organization adversely.

This research additionally mentions that commitment cannot only be expressed in terms of organization, rather it can be witnessed in different aspects of the same like, supervisor, co-worker, career, work etc. The commitment which leads from these aspects will assist in encouraging the affective organizational commitment and will optimistically impact the employee willingness to leave by reducing it.

This article has additionally provided numerous causes for affective commitment and turnover intentions. This research will assist people who are keen for research in psychological contract and its impact on different sectors. Some of the aspects in which future research can be conducted are HR policy and affective commitment, Leader Member Exchange and its impact and many more.

## **VI. Conclusion**

Employees are the most important segment for every organization because the functioning is done by them. So their presence and commitment towards the same is a mandate for continues working of the organization. If there is external mobility of employees then the organization will suffer. To reduce employee mobility and enhanced commitment, job satisfaction is to be reconsidered through the lenses of psychological contract. Psychological contract is the modern era for today's employment relationship. This contract gives new meaning to the official agreement and the other aspects associated with the same. So to strengthen employees' organizational commitment this agreement is to be considered, which will further help in the reduction of turnover intentions of employees.

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