

## **BREACH OF PSYCHOLOGICAL CONTRACT: AN OVERVIEW**

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***Abstract:** Psychological contract is the metric which keeps the employees committed to their particular jobs in their respective organizations. A psychological contract acts like a binding shield between the employee and the employer; where high performed work should be returned and acknowledged with adequate amount of awards, recognition, etc. Whenever the performance delivered superceeds the expectation level and perceptions given by the employer to employee are not fulfilled, then there is a breach of psychological contract. The current paper is a conceptual paper focussing more on the aspects and factors that lead to breach of psychological contract. Extensive literature review has been done where factors like job dissatisfaction, counterproductive behaviour, job performance, negative sentiments were found to be the foremost reasons for the breach of psychological contract.*

***Keywords:** Breach, Psychological Contract, Deviant Workplace behaviour*

### **LITERATURE REVIEW**

Contracts are surplus in number; which may be implicit or explicit in nature. A contract serves as a standpoint for the aegis of organizational resources. Implicit contracts are usually unwritten, verbally and mutually understood by the employees who are made to understand by the employer. Implicit contracts have no prior commitments when it comes to affect the quality of hard work. It surpasses the hard work, persistence of efforts given by the employees; so as to pave the way for different prospects of employment. Implicit contract in fact envisages about a fixed amount to be paid when you take services like dine in a restaurant, etc. Implicit contracts in law are not the real contracts but rather it is commemorated as 'quasi-law contracts'. This happens to be a type of barter system where one party gives a favour or help to someone in the exchange of some help from that third person. Explicit contracts are usually enforceable in the court of law. Laws in the explicit contracts are binding on the respective sections.

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Neat, clean, difficult, mixed response is what an explicit contract expresses itself. Employment contract Act is a typical example of an explicit contract whereas the psychological contract is an indication of an implicit contract. Perceptions, desires are unlimited which forces both the employer's and employee always land up in soup, which is known to be an ever-changing disorder (Schein, 1999). Absence of a psychological contract disdains the employer-employee relationship (Gibson, 2000). Mutual expectations, information sharing which centre around the employer-employee for better understanding purposes (Rousseau, 1988). Psychological contract is often elucidated as to be an assimilation of mutual beliefs, expectations that cater internally in the organizations. The number of factors rose from individual to organizational level (Agyris, 1969). When a psychological contract is cracked affects the quality of production, decreasing morale and organizational commitment becomes a standstill quality to reckon with (Cantisano *et al.*, 2000). There always has been an emotional space left void among the employees, which is being created by employers. This leads to employees indulge in acts other than their own work (Tompru & Nikolau, 2009). A rupture in the psychological contract signals the end of goodness and the start of deviant work (Bal *et al.*, 2008). When an employee's trust is split, then firstly performance, productivity gets a downturn in the organization (Lawrence & Robinson, 2005). The employee's commitment towards the organization where his bread & butter comes; gets decreased because the expectations set aside by the employer for employees lay stranded. Most of the times it is observed through research that; job satisfaction index gets lowered due to so many factors and one of the main reasons for it is split of psychological contract (Hughes & Palmer, 2010). Knowledge management propels an employee to indulge more in towards the rupture of psychological contract (Donohue *et al.*, 2000). It has been observed that lack of psychological contract does not hold the organizational citizenship behaviour which is required for an employee (Shapiro, 2007). Number of horizons have been looked upon to settle for a stable psychological contract. Transactional ones are examined within the range of economic conditions and Relational ones are examined within the range of social conditions. (Millward & Hopkins, 1990).

The concept was devised by Denise Rousseau. Mental models and cognitive schema were used by her for the communication between employer and employee. A type of implicit contract often used as a word-of-mouth. Unraveled and uncertainty hugely mounts on the employer-employee relationship. This happens due to set of presumptions which surrounds the employees perceptions, relationship towards psychological contract. The employer-employee relationship bond does not last long because of false informal prejudices made by the employer. These prejudices cater to much i.e. distortion in communicating information in organizations, fake promotional promises, illusive salary hikes, fallacious expectations which are good verbally but are not performed to the fullest of extent.

A psychological contract is a colloquial kind of agreement which is based on the grounds of common understanding between employer and employee.

Consociationally, both psychological (implicit) and employment (explicit) contract make up the employee-employer association. The biggest dilemma faced by the employer in today is to retain the trust in its respective employees.

## SIGNIFICANCE

The current paper is written to throw light upon the important factors which lead to the break of psychological contract and ultimately productivity, efficiency, output levels takes a downward toll.

## OBJECTIVES

- ✓ To study the reasons pertaining to breach of psychological contract.
- ✓ To undertake the research on breach of psychological contract.

## METHODOLOGY

The present study is particularly based upon secondary data research. For this purpose, various journals were referred and information was collected from a number of websites. In this regard, various libraries were visited in and around the capital city of Odisha – Bhubaneswar.

## Causes of breach of psychological contract

The organizations most of the time suffer a great loss beyond their imagination due to typical behaviour of the employees. The breach of psychological contract may arise because of various factors and till date very little effort is made to rectify the same. As a result of the same it is creating a long term impact on the productivity and employee welfare. Some of the organizations may fail to retain the employees only because of these behavioural problems. So, it is important to identify the cause of the rupture of

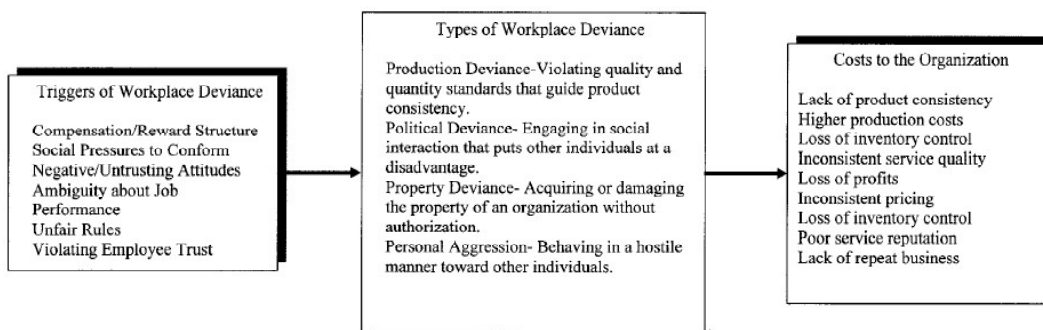


Figure 1: Causes & Costs of breach of contract

Source: Barrie E. Litzky, Kimberly A. Eddleston, and Deborah L. Kidder, *The Good, the Bad, and the Misguided: How Managers Inadvertently Encourage Deviant Behaviors*, Academy of Management Perspective, February, 2006, pp 92

psychological contract. Not only that the triggers for break of psychological contract may be an important area of study. These triggers may create various deviance behaviours. The same can be discussed in the figure below: The same can be described in the figure below

The first part of the figure highlights the triggers that may create various types of deviant behaviour which may be classified under production deviance, political deviance, property deviance and personal aggression. Each of the segment have different types of deviant behaviours as classified by Robinson and Bennett (1995). The ultimate outcome may come in the form of various costs that the organization may face. These are listed in the last part of the figure above. Since, the nature and type of costs varies because of breach of psychological contract it is important to identify the reasons for creation of these behaviours.

### **Compensation System**

Compensation system is one of the many reasons which may create breach of psychological contract. In most of the organizations compensation has two parts, viz. fixed component and variable component. Problems do not occur on fixed component but most of the organizations may face problems related to variable components. Variable components are often linked with performance and most of the employees either tried to achieve the same or involve in moderate to high amount of unethical activities to achieve the desired target. If the organization gives more focus on incentive system alone, that may hamper the attitude of the employees. The purpose is to strike a balance between the two. The basic purpose of introducing incentive system is to motivate the employees to be more productive. But sometimes it may not solve the purpose as it may lead to unfair competition and mis selling of products or services. As a result, customer dissatisfaction becomes a major issue.

### **Social Pressure to Conform**

The active groups in the organization may affect the behaviour of the people. If the team is not active enough to absorb the working conditions then it may affect the productivity. Sometimes, the peer groups create organizational environment more complicated for new joiners. If the breaking of psychological contract becomes norm then the new employees have accept it irrespective of his or her own considerations. The roles of top managers also play a vital role. If the superior involves in property deviance then the subordinates may accept it as norms and start doing the same thing. These sorts of things often become regular and as a result of the same most of the employees started showing anti-social behaviour leading to chasm of psychological contract. Lack of control from top level managers may also indulge the employees to these activities. They may think that it will hurt the productivity and motivation of the employees. This ultimately affects the organizational productivity.

### **Negative Sentiments about Employees**

The believers of this concept often do not trust their employees and often implement some policy to control them in order to get the work done. There is a common believe that goals of employees are to some extent different from organizational goal and most of the time they try to fulfill their own goals rather than company's. Since they are more motivated to fulfill their own goals, a proper monitoring mechanism should be there. On the other hand if the employees feel that they are not trusted they might become inactive and often do the jobs which are going to hamper the organization. Lack of involvement in the job may lead to stealing (property deviance), slowing down the productive activities (production deviance) or often show aggressive behaviour to management. As a result of the same they may leave the organization to join competitor's organization.

### **Job Performance**

Job performance mainly depends on the kind of job given to a particular employee. If sufficient information is not provided then it may lead to create some amount of ambiguity about the job. Employees are often faces this kind of ambiguity if they do not have clear understanding about the nature of job, role and direction. Lack of guidance from top level management may lead to create this kind of ambiguity. As a result of the same, it may lead to create low turnover, low job performance, stress etc. These factors ultimately lead to break in psychological contract. These kinds of problems are often faced by the entry level employees who are in direct contact with the end consumers. Most of the time they have to follow the guidelines as prescribed by the organization but by doing so they may lose the control over the consumers. On the other hand they may cross the boundary limit set by the organization but in that case they face internal threats. Cross selling or miss selling of a product or service may generate revenue for the company but it may dissatisfy the consumer in the long run. Since, they are the frontline employees, most of the time they have to handle the consumer grievances. Providing differential services to a specific consumer as per the discretion of company may lead to role ambiguity. Most of the time the employees are not convinced enough to do so.

### **Unfair Treatment**

Every organization has its own set of rules and regulations to control the employee and guide the employees to do the jobs as per the requirement of the organization. But sometimes it goes beyond the preferred zone of the employees. If they feel that certain rules are not acceptable or impossible to meet, then they try to avoid the same. As a result of that it may lead to create some amount of rupture in psychological contract. This type of behaviour comes as a result of unfair treatment with the employees.

**Employee Trust**

In any organization, employee trust is often the most important factor. Any one working in organization, need to be trusted by its employer. If the job is complicated and confidential in nature, then employee trust become an important issue. As some of the deviance behaviour may arise as a result of not trusting the employees will lead to employee dissatisfaction and employee is psychologically down to perform.

**Leadership**

Break of psychological contract is often harmful as it leads to create unethical working environment in the organization. Once, the organization is able to identify the same, the next question comes how to deal with them? Role of leaders often play an important role to control or originate the deviant behaviour. The leaders often become the role model and their way of handling the employees often plays a significant role in the entire process. Broadly leadership can be categorized as control leadership and flexible leadership. Followers of control leadership believe on systematic task control where the work is distributed equally. Each and every employee should have manageable workload which makes them more effective and productive. These leaders also have the quality to deploy resources properly. But too much of involvement of them may lead to create deviant behaviour at the grass root level. On the other hand under flexible leadership model, leaders judge employee effectiveness and organizational adaptability. Every employee has to adopt the organizational policies and cultures. Some of them may not be able to do so, as a result of the same, they failed to perform. The leaders support these employees to be more adaptive. Arranging training and capacity building programmes are the initiatives taken by these leaders. The continuous support helps the employees to perform better. But, the flexibility shown by the leaders may misinterpreted by a group of employees and start showing negative deviant behaviours.

**Organizational Support**

Every employee has some expectations from the organizations where they are working. It is to be noted that organizational support often influences the employees to perform better and in an effective manner. It also helps to reduce the attrition rate below the industry average. Organizational support does not necessarily mean providing remuneration or incentives only; it has a link to non-monetary factors also. Most of the time; this has a direct link the HR policies of the organization as it helps to draw certain policies which employees may think supportative for them. The growth in HRM policies and its subsequent applications in various levels of the organization may become more acceptable to the employees. But if the organization failed to show the supportive role, or if the employees failed to see any specific role of the organization in terms of supports then it may lead to create deviant behaviour. The employees are looking for more than just salary only. Considering this thing, most of the organization

should be in a position to understand the necessity of the same and may try to induce those areas which may create some positive impact, failing which the employees will behave in a negative manner.

### **Intrinsic Motivation**

Intrinsic motivation deals with the inner satisfaction of employees after completion of a specific job. They are not bothered about the external outcome of the job but by completing it they are highly satisfied. These employees work on certain jobs because they like the job very much. Since, the job has a direct link with the inner satisfaction it is very much important to identify the right employee for the right job. The condition for intrinsic motivation will improve if the employees are getting more autonomy in their job. If they are doing the job under the supervision or guidance of others then this type of motivation may not work among the employees. Because, chances of application of own thought process is significantly low. As a result of the same, employees are started showing deviant behaviour ultimately indulging in break of psychological contract. So, it can be said that employees those who are less intrinsically motivated are more involved in breaking of psychological contract.

### **Depersonalization**

Concept of depersonalization describes how much the employees are detached with the person around him or her. Too much of work pressure or because of job burnout the employee may show this kind of behaviour. Excessive workforce stress may be one of the important reasons which may create this kind of problems. As a result of the same the organization may lose employees. Since, it leads to low involvement of employees in work related matters; it may affect the productivity of the organization. Since, employees are remained detached with the job, it ultimately leads to creation of rupture of psychological contract

### **Job Satisfaction & Performance**

Every employee gives more focus on job satisfaction and its performance in the job assigned to him or her. Job satisfaction is an integral part of the entire process which helps the employees to stay in the organization. Mere doing some odd jobs may not satisfy employees. Not only that every job should come with the responsibility and authority. But this may depend on the organization policy as well. If the organization, follows centralized structure; then too much of autonomy may not be expected and vice versa. So, this area needs to be judged to become more employees centric. Along with the job satisfaction, performance analysis should be implemented so as to judge the performance of the employees on a continuous basis. This may be acceptable to employees who are real performer. Because the process may helps to distinguish between good performer and bad performer. But on the other hand, this may create dissatisfaction among the employees who are underperformer. So, when the employees

are deals with these two issues, any deviation from the present situation may lead to breach of psychological contract.

### **Counterproductive Behaviour**

Counterproductive work behaviour is often something we don't think about in business. Often these behaviours don't even reach our awareness. It has been estimated in one of the study that in New Zealand approximately 40% of the employees are engaged in counterproductive behaviour.<sup>1</sup> Although cost of counterproductive behaviour can't be measured truly, but various research suggests that the actual cost may runs in millions of dollar. Counterproductive work behaviour is a name given to a group of behaviours that occur in and around organizations. They are behaviours that an individual carries out with the intention of harming the employees, the organisation and/or its stakeholders.<sup>2</sup> It may ranges from minor events like taking breaks, intentionally slowing down the work, coming late to office to major events like sexual harassment, sabotage, stealing etc. It is important to judge the behaviour of this kind and need to set a proper monitoring cell.

### **HR Practices**

Human behaviours in an organization can best be influenced by implementation of effective HR policies. The deviant behaviour has a direct link with the HR policies of the organization. A suitable HR policy may help the employees to get an insight about the job that has been allotted to him or her. It also gives the employees various rules and regulations adopted by the organization. Under a given circumstances employees are suppose to follow these written rules and regulations. But sometimes certain terms and conditions of the job as adopted by the organization may not be acceptable by the people working there. This may be the first point of difference which has the potential to generate deviant behaviour. Any organization therefore should adopt the technicalities of the HR policies and design the policy in such a manner so that it can be easily adopted by the employees. A failure to do the same may increase the employee oriented problems in the long run.

### **Job Stress**

Job stress is one of the important components of organizational behaviour. In many organizations over stressed employees failed to perform according to the expectations. As a result of the same this may lead to reduced productivity. Many organizations understand the problems faced by the employees and take corrective measures to reduce the level of stress that the employees are facing. Sometimes the stress factor is not avoidable. So it is better to face it. Many a times the reasons for stress may vary. This variation may change individual employee wise, department wise or overall organizational perspective wise. Since, stress has a direct linkage with employee's productivity, it is important to acknowledge the problem and take corrective measures accordingly. But, many a times it has been observed that some of the organizations



failed to understand the reality of stress. Thus, they are not willing to invest or spend a substantial amount of money to face the stress related matters. These decisions often make the organizations ineffective and they failed to become an employee friendly organization. So, it can be said that the non acknowledgement of stress related factors may lead to create employee dissatisfaction. This ultimately creates the problem of having psychologically demotivated employees who break the contract quite often.

The above discussion brings various dimensions to the study of breach of psychological contract. Various scholars have contributed towards this theory but most prominent are the theories developed by Hollinger & Clark (1982, 1983) and Robinson and Bennett (1995). The later one is the improvisation of the previous theory. These theories basically helped to group various types of deviant workforce behaviour under different heads. Although, the concept of breaking psychological contract is not new but very few organizations are able to understand the true benefits of the same. As a result of the same, they failed to understand the negative impact of the same. It is very much difficult to measure amount of costs the companies are incurring due to this kind of behaviour but still the amount is not substantially low. But before implementing the policies to rectify the deviant behaviour it is important to understand the nature of the behaviour and the root cause of the problem. It can be seen that most of the time, employee dissatisfaction, lack of coordination and control on the employees, lack of HR policies, lack organizational rules and regulations etc. may cause the employees to go beyond the psychological contract and thereby breaking the contract. But it is not the negative behaviour which is the talking point. Positive behaviour is also equally present in any organization. A negative deviant behaviour may lead to create negative growth for the company but positive deviant behaviour just work opposite of that. But, most of the organizations do not have the mechanism to recognize the positive deviant behaviour. As a result of the same these behaviours may ultimately transformed into negative behaviour. So, it is better to develop a policy after identifying the reasons for deviant behaviour. It is to be noted that as the deviant behaviour may vary organization wise and individual human being wise a unique policy to tackle the same may not work. So, it is important to device strategy as per the need. More importantly, the organizations should understand that the breach of psychological contract is going to affect the long run productivity and growth. Any organization who wants to grow must give more focus on deviant behaviour which has not been touched by them widely.

## **CONCLUSION**

Psychological contract is an integral part of the employer and employee where there is always a breach of perceptions by the employer towards the employee. Organizations need to recognition at the right time as it will pave the way for productive work and efficiency. A psychologically satisfied employee is an asset for the organization as his job commitment, satisfaction, zeal level would do magic for a company's downtroding profile as it will simply propel up the ladder of success.

**IMPLICATIONS**

1. Organizations need to recognize the potential performers with high efficacy level where expectations of high performance work are substantiated with rewards.
2. Unrecognition, ignoring would lead unnecessary ,unwanted results which are very much harmful for the organization like deviant workplace behaviour, workplace violence, workplace bullying.

**Notes**

1. [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10114849](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10114849)
2. Robinson, S., & Bennett, R. (1995). A typology of deviant workplace behaviors: A multidimensional scaling study. *Academy of Management Journal*, 42 (1), 100-108.

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