



Psychological contract violation in IT industry an Indian perspective

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Abstract : Contemporary employee-employer relationships are in transition. The demise of employee loyalty and the need for employees to take care of themselves are touted as a sign of the times. A major issue in such relationship is the psychological contracts (PC) and its violation (PCV) which influence relationship. Keeping in mind dearth of studies on PCV in India, this research attempts to gather information about the contribution if any, of individual personality characteristics including emotionality of the employees of IT organizations in connection with PCV. Many perhaps overlook the exchange agreement between employee and employer but it is a crucial relationship warranting attention and consideration. In a business world heralded by insecurity and transforming at an exponential rate it is vital for employers to develop stable and effective relationships with their employees. The concept of the psychological contract pinpoints underlying processes regarding expectations within the employee-employer relationship.

Key Words: Psychological Contract Violation, IT, Employees.

Introduction

Contemporary employee-employer relationships are in for titanic metamorphosis. The radical decline in employee loyalty and the need for employees' self-sustenance are touted as sign of the times. A major issue in such relationship is the psychological contracts, beliefs in reciprocal and promised obligations between employee and employer, which permeate them. Violation of psychological contracts can generate distrust, dissatisfaction, and possible dissolution of the relationship itself.

Modern day organizations are undergoing a global transformation process as a result of open competition, technological advancements and challenges in managing diverse workforce. Transformations generally demand renegotiations and modifications in the employment agreements to fit changing

environments. Early research also indicated that flexibility and productivity have become the main focus of the organizations due to competitive pressures and globalization. Consequences of all these are changes in the employment relationship, causing changed perception with regard to contracts of employment earlier contracts used to be based on security, stability and long-term relationships with the organization. In contrast current ones are characterized by flexibility, insecurity and short-term engagements. These changes may very much be pertinent to a service industry like Information Technology (IT).

Indian industries, in the 80s, adopted various western technologies, structures and systems of management. However, at core they remained embedded in Indian culture. One such booming industry in India is Information Technology (IT). IT professionals in India operate in a



dynamic environment that requires continuous updating of competencies. It is likely that employees would be under increasing pressure to adapt to the changing circumstances. Traditional features of employment like job security; paying levels based on fair comparison; career opportunities and promotion based on seniority are the things of the past. The protective support of employment relationship is missing and this has challenged the very basis of the exchange relationship in IT industry. This industry is solely driven by performance and job requirement. Though the Indian IT industry has adopted western technology and management systems, the workforce is primarily Indian whose beliefs and values are rooted in the Indian culture.

This distinction between relational and transactional contracts is similar notion of two types of exchanges, social and economic. A basic and crucial distinction between economic and social exchange is that social exchange entails unspecified, broad and open ended obligations on the part of both parties. In a social exchange relationship, the inducements an employer offers go beyond short-term monetary rewards. They include an extended consideration of an employee's well-being as well as an investment in the employee's career within the firm. In exchange, the employee's obligations and contributions include working on job assignments that fall outside of prior agreements and in general being willing to consider the organization's interests as important as core job duties. The employee is also willing to learn firm-specific skills that are not readily transferable to other employers because he or she trusts that such investments will be reciprocated over the long term. Thus, in a world of ongoing

organizational transformation, the psychological contract between employer and employee is open to violation.

Psychological contract

Contract, is a set of promises committing one to future action, which is an essential component of employment relationships. There is still much of a difficulty to understand how contracts actually operate in the daily life settings given the confusion with the legal contracts which is explicit in nature. In this section an attempt has been made to review the literature related to psychological contract and its position in India given the changing nature of employment dynamics. Many literatures are available from the Western context but the present review on Psychological Contract (PC) will concentrate mainly on to those which have focused on psychological contracts, its violations, related outcomes and personality. More attention will be given to Indian research report though research in India is presumably insufficient on reviewing the literature one issue that emerges is the parsimony of the definition. Many words are emphasized by different authors while dealing with the definition of psychological contract like psychological contract may be about perception, expectations, beliefs, promises and obligations. On comparing expectations, promises and obligation, pointed out that these refer to different levels of psychological engagement Failure to meet expectations implies different order of failure than failure to meet obligations. Psychological contract is different from expectations. Expectation refers to what a party simply expects to receive from his or her employer, irrespective of the knowledge of the other party that this kind of expectation at all exist



Psychological contracts are beliefs or perceptions regarding promises and acceptance.

India has been recognized as an important base for large pool of technical software professionals who are competent for software development. With an annual growth rate of 50 percent between 1991 and 2000, the Indian IT software and services sector has expanded nearly twice as fast as the US software sector. No country in the world has shown growth by more than 50 percent every year in the past few years (NASSCOM, 2001). India's competitive advantage in software services because of its manpower and technical skills has been recognized in the world forum. Since the growth of IT in India depends largely on the Information Technology(IT) knowledge pool, it is considered to be the chief driver of the industry for the year 2004-2005.(NASSCOM,2005),hence a sample from Indian IT companies may be considered as a better representative of software professionals (NASSCOM,2000). Using the NASSCOM membership as a measure, the companies were taken in to account because companies had several software development centers; only one major center was selected for each company for the present study. Growth of this industry in India is putting enormous pressure on recruiting IT professionals as well as on their retention. This is so as the attrition level in this industry is very high ranging between 20 and 40 percents in some organizations. The processes through which these professionals are retained and managed become very important in this dynamic environment.

Review of Literature

Dhar (2009) carried out this study in case study format the two case companies were identified by the pseudonyms "Raj Technologies" and "Xion India Ltd." Strength of Raj Technologies is around 18,000 employees with a turnover of \$ 6.5 billion dollars and strength of Xion India Ltd. is around 17,000 employees with turnover of \$ 9 billion dollars. Both the firms may be described as Indian MNCs having significant emphasis on rules and procedures across all organizational activities. In this study, as many as ninety employees from both the organizations were approached. However, 72 participants agreed to volunteer. The participants were employed as Project managers, Team Leaders and Executives in these organizations operating in Pune and were selected via randomized quota sampling to reflect a mix of age, positions, genders and experience with organization.

Bhatnagar (2007) tried to bridge the gap in the literature on PC with respect to India, by exploring a study to see the link between the psychological contract and employee engagement constructs in the Indian Information Technology enabled Services (ITeS) context Employee engagement is a desirable condition which has an organizational purpose and connotes involvement, commitment, passion, enthusiasm, focused effort and energy, so it has both attitudinal and behavioral components. A survey-based research design was used for this study. The sampling was done as follows. In the first step, four ITeS organizations were chosen randomly from the national capital region of India.

Paul and Anantharaman (2004), highlights that HRM practices such as employee-friendly work environment, career development, development-



oriented appraisal, and comprehensive training show a significant positive relationship with organizational commitment. To ensure that the respondents were able to provide the genuine information sought in the questionnaire based on their experience, employees with a minimum of one year of work experience were considered.

Aryee et al (2002) in a study on 28 supervisors and 179 subordinates of a public sector organization in Bilaspur now Chhattisgarh (formerly Madhya Pradesh) found that trust in organization and trust in supervisors are essential factors to reduce PCV i.e. to reduce intention to quit and to enhance organizational citizenship behavior (OCB). Trust must have reciprocity from the point of view of both the employers and employees. However, most of the studies reported both in West and India have been from the employees' point of view. Employers' perspective in this regard has largely been ignored.

Shah (2000) pointed out that PC is non-existent or non-applicable to Indian non IT industries because of factors like employees' low mobility, low marketability etc. Situation is just opposite in context to IT industries because of dynamism in the business model which demands mobility of employees and constant pressure to keep abreast with latest technology to remain marketable to the client. Few studies related to employee-employer relationship have been earned out in India.

Objectives of the Study

1. To know the Psychological Contract Violation in IT Sector.
2. To understanding the Psychological Contract (PC) violation intention

turnover and OCB employee performance.

3. To study the relationship between the PCV and some of the personality characteristics including emotionality as perceived by the team members.

Research Methodology

The present study based on secondary data. The data was collected from books, journals, articles, magazines, newspapers, internet etc.,

Psychological Contract: Indian perspective

Indian history is evident of many examples of promises and fulfillment. The word promise has got major implications in the Indian society. One of the most talked about such examples off fulfillment of promise was Lord Rama's fourteen years in exile just to ensure his father's word to his mother was kept. During the time of emperors and Moguls, wars were waged to keep up promises offered to someone very close to them. Many lives were lost and heads had rolled just to keep the promises. This trend was going on for generations. India is a huge country with varied religious sentiments and diverse culture. Hence, the employer-employee relationship is also unique in nature. Employment relationships are formed with much influence of sociopolitical and cultural environments. Employment in India is broadly classified under organized sector and unorganized sector respectively. Our focus is mainly on organized sector. Organized sector may be further sub categorized as Public Sector and Private sector. Public sectors are managed by respective governments whereas private sectors are organizations with equity stake from various private stakeholders. Present study is carried out in private sector. The psychological



contracts between employer and employee are influenced by sociopolitical and national level context. Employer-employee relationship in India was not smooth in post independence and during industrialization process was on. It was marked with conflict. India formulated and implemented many legal statutes to safeguard the interest of labors/workers. One such statute (Industrial Employment Act 1946) is focused to the regulation of terms of an employment contract between employer and workers. Generally, such statutes have limited applicability to blue-collar workers. Labor unions are formed to bargain the best deal out of the employment relationships. Given the idiosyncratic nature of psychological contract, it has got very negligible validity in this class of employment. Absence of appreciation of merit, qualification and achievements are the major bottlenecks to a fair employee-employer relationship.

Intention to turnover

Feeling of turnover or quitting is an effective response which is generally associated with psychological contract violation. Violation is directly related to trust when in a friendship rules are violated, it results in the decline of trust and respect for each other. Trust may also be lost in the employer's motive if there is an indication that the employer's motive to maintain a mutually beneficial relationship has changed and in turn violated. This violation weakens the bond between employee and employer and the affected party loses the faith in the relationship and more likely to leave. Violation of psychological contract may have different impact upon employees where career motives differ. Employment relationship will have negative influence by the violation on the continuity of

career motives of the employees. If the employees are more career oriented, little violation will lead to the intention to leave. Careerism has been identified as an important factor in determining a desired employment relationship. Violation of the psychological contract involves not only attitudinal reaction but also a 'readiness for action' due to the strong feelings.

Organizational Citizenship Behavior (OCB)

Organizational Citizenship behavior (OCB) is a constructive behavior, excluded from the formal job descriptions of the employees. OCB is employees' discretion to volunteer to do things that benefit the organization. When employees feel that their exchange relationship is negative; they withdraw these discretionary behavior to balance perceived input and output. Organizational Citizenship behavior includes all positive organizationally relevant behaviors of individual organization members. OCB as a concept composed of several correlated substantive categories modeled after, OCB includes categories as follows: Organizational Obedience reflects acceptance of the rules and regulations governing organization structure, job description and policies. Obedience is demonstrated by respect for rules and instructions, punctuality in attendance and completion of task as desired. Organizational loyalty is identification with and allegiance to an organization's leader. Loyalty is demonstrated by defending the organization against threats, contributing to its good reputation, and cooperating with others. Organizational participation is interest in organizational affairs guided by ideal standards of virtue, validated by an



individual's being informed and involvement in organizational governance. This behavior is represented by attending non required meetings (e.g., participating in different voluntary committee meetings which are nothing to do with the direct project work), sharing new ideas with others and willing to be party white delivery tough news.

Employee Performance

Performance refers to employees' fulfillment of formally prescribed jobs and duties. Indicators of employees' behavior to psychological contract violation are thoroughness and attentiveness in fulfilling basic job duties. Lowering of quantity or quality of job may be construed as one indicator of employees' retaliation for violation, withdrawing from work or lowering of performance is always not the option to react to psychological contract violations. There are situational constraints like fewer job alternatives outside in the market which regulate their performance behavior. Since performance may be directly monitored, employees may be forced to sustain high level of performance on in-role behavior as compared to extra-role behavior. Several researchers have reported that psychological contract breach impacts employees' attitudes toward employer and work performance. Employees whose psychological contracts have been violated are likely to believe their employer cannot be trusted to fulfill its obligation and therefore from employees' perspective they resort to balancing ad related to exchange relationship and consequently decrease their commitment to the organization.

Initial Work-place Entry

When employees first enter a new place of work, it is a time of information seeking, where they attempt to discover its norms and functioning in order to slot appropriately in. Employees rely on work colleagues, supervisors, managers, and induction practices like orientation and mentors to inform their expectations and beliefs regarding the newly established psychological contract. It has been found that individuals who are exposed to organizational run socialization techniques are less likely to experience contract breach compared with those who seek information from peers.

Conclusion

Employment relationships are mainly addressed by formal and written contracts but there may still exist a gap in understanding and comprehending possible aspects of the relationship. The psychological contract fills the gap in the relationship. Another importance of psychological contract is that it helps employee decide on their behavior. An employee weighs his or her obligations towards the organization by assessing and comparing how much the organization has obligated to him or her and accordingly adjusts behavior. In view of the employee's perception of assessment of obligation it may be noted that the primary factor which plays a role in creating this difference is divergent schemata which both employer and employee bring in to the complex organizational set up. Schemata is the cognitive framework that represents knowledge about a given concept or type of stimulus. They guide how people take in, remember and make inferences about raw data, thereby simplifying the process by which people make sense of events and situations. Schemata are idiosyncratic to the person holding them. Hence, two



individuals (e.g., an employee and an agent of the organization) may possess very different schemata for what an employment relationship should entail. In such a case, it creates the potential for incongruence because the two parties' perceptions, interpretations, and memories of promises are likely to be different. Thus, the amalgamation of individual difference research and emergent field of psychological contracts seems inevitable.

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