

CHAPTER TWO
LITERATURE REVIEW

The concept of Psychological Contract dates back to the 1960s and over the years, several theorists and researchers have contributed to the different aspects, conditions, and variables of Psychological contract and its breach. For our study, a detailed literature review spanning across time and geographies, have been compiled.

Literature review is initiated by scanning different databases such as Scopus, Web of Science, Google Scholar, Shodhganga and others to include prior works on Psychological Contract and its related aspects. Journals related to the same are reviewed, analysed and compiled. For our study, the review starts with the concept of employment contracts with regard to the employer-employee relationship in an organization. Different aspects of employment contracts in different countries are studied. Since the study focuses on the psychological contract of employees in an organization, employment contracts are deemed to be the base for the same. The review then focuses on the concept of Psychological Contract and Psychological Contract Breach among employees. Psychological Contract and its breach are reviewed individually in the national and international context. Since the study aims to find the effect of both Psychological Contract and its Breach in employees, the literature review also includes prior works done on the impact of PC and PCB in different HR functions.

2.1 Employment Contracts

In any employment relationship, there exist a relationship involving the organization and its workers. In such employment relations, contracts are the basis of establishing enticement, encouragement and contributions which are vital in an organization. (March & Simon, 1958) Such contracts explicitly define the rules and terms of employment, working hours, payments, grievance procedures and such. Every country or firm has their individual employment contracts suited for the company, industry, sector or region. Almost half a century after the industrial revolution ended, the theory of employment contracts was conceived. The concept of ‘contract’ was presented by Farnsworth in the year 1982 as ‘a set of promises, either written or oral, which commits oneself to future course of action. Enforced and recognized by law, contracts are exchanged for some compensation or return. (Farnsworth, 1982). Couple of years later, the ‘employment-at-will’ doctrine’ was introduced, wherein it was stated that the employer and employee do not have any form of binding obligation. (Heshizer, 1984). It basically means the employer can terminate an employee from his job without providing any specific reason.

Likewise, an employee can choose to leave an organization without citing any explanation and not worry about any legal repercussions. The concept of 'employment-at-will' is mostly dominant in USA and is considered a basic premise of American Labor Law.

Employment Contracts differ in different countries. Taking the example of Britain, (Brown, Deakin, Nash, & Oxenbridge, 2000) has analysed that in the early 1960s the legislation imposed certain sets of duties and regulations on the employer to provide employees written information on employment rights. This includes matters such as 'work hours', employment period, payment method, training, leaves and grievance procedures among others. In the present times, such an explicit document is not mandatory anymore. The contract can be implied by prevailing practice or mentioned orally or written. Management has major control over the contents in the employment contract and can execute accordingly.

In the United States, there is no concept of explicit employment agreements or contracts. The 'at-will employment' model is followed across the country. However written agreements of compensation, termination etc. is mentioned by some of the selected firms for executives and managers. (DLA Piper, 2020)

Moving to the national context, the 'employment-of-will' doctrine is not followed by the Indian court of law; termination of employment can only be made for reasonable causes. Therefore the two parties are legally as well as emotionally bonded in an employment. In India, although a formal written employment contract is not a requirement but individual firms enter explicit agreements. Different states adhere to different forms of agreements in case of employment. The concept of 'collective agreement' can be seen among the trade unions and employers. (DLA Piper, 2020). Employment contracts are slightly different for blue collar and white collar employees. One of the examples can be the termination of such contracts. For blue collar employees, termination can take place by retrenchment, lay-off and closure, whereas for white collar employees, termination can take place due to a trivial inefficiency issue or a major concern of loss of confidence by the management. Termination on the basis of misconduct is same for both the categories. (Thapa, 2018). Though contracts are basically legal and explicitly defined forms of documents, over the years it was found to be inadequate in expressing the overall employment relationship which exists in an organization

2.2 Psychological Contract

In an employee-employer relationship, there exist contracts which obligate both the parties to work for the betterment of each other. Such contracts or agreements might be known by different names in different countries / companies; but they essentially mean the same thing. Such an employment agreement binds both the parties in a legal contract which explicitly mentions the job responsibilities, payment, grievance procedures, work hours etc. As mentioned above, an employment contract is not mandatory by law in many countries. In earlier times, the main understanding in an employment relationship is the employees' input in return for employment stability from the employer. An employee's hard work and sincerity is believed to be an exchange for good working environment and adequate payment from the employer. (Sparrow & Marchington, 1998) (Beardwell, Holden, & Claydon, 2004) (Martin, Staines, & Pate, 1998)

But as time passed, it was not deemed enough in an organization. With globalization and economic changes sweeping the world, many factors come into play with respect to an employment relationship. A mere agreement might not be enough to assess the expectations and obligations of an employee from its employer and vice versa. With rival firms competing in the market, organizations are in need to fulfil employees' needs as well as to achieve their company goals. In any kind of relationship, there exist mutual expectations and obligations from the concerned parties which cannot be defined or expressed in an explicit style, more so when the parties form expectations and obligations through a psychological manner. This led to the theory of 'Psychological Contract'. Unlike legal contracts, psychological contracts are implicit in nature. The term "Psychological Contract" originated in 1960s, when it was coined by the business theorist Chris Argyris. (Argyris, 1960) Unfortunately it did not gain much popularity until in early 90s when Denise Rousseau revived research on the said concept. In a psychological contract both the parties expect the fulfilment of individual expectations from each other. A simple example might be the expectation from an employer to receive loyalty, hard work and sincerity from the employees and the expectation from the employees to receive proper training and recognition from the employer. This implicit mutual expectation from both the parties is psychological in nature and therefore termed as 'Psychological Contract'. These contracts are considered rational expectations an

employee has of the organization or its representatives' behaviour towards them, which are not included in the formal contract of employment. (Dean, 2017)

2.2.1 Indian studies on Psychological Contract

(Agarwal & Gupta, 2016) discussed on the different contents of psychological contract and its “effects on the fulfilment and breach of psychological contract types on work outcomes”, in an Indian organization. There existed both Relational PC expectations – intrinsic need for a job, recognition for ones' contributions etc., as well as Transactional PC expectations - Meaningful job; Growth opportunities; etc.

Promila Agarwal, in her work (Agarwal P. , 2015) stated that contents such as respect and dignity have emerged as strong constituents of psychological contract in the workplace and contents such as promotability have replaced employability. These additions would help understand employee and employer expectations regarding psychological contract. The study saw the participation of HR heads, functional heads and academicians.

(Nutakki, Reddy, & Balan, 2015) in their work have discussed Psychological Contract in the Indian Higher Education Sector. An empirical assessment of the psychological contracts of teachers in different countries like UK, New Zealand and Australia has been made. Psychological Contract contents of teaching staff in Indian academic institutions are- expectations of linkages, transparency, participation, appropriate pay, appropriate work load, suitable work environment, administrative support for research, opportunity for rejuvenation, training and development, welfare measures, acknowledgement, professional freedom, professional ethics, continuous updating and commitment to the objectives of the institution.

One of the recent developments is the importance of culture on Psychological Contract, in the Indian context, as discussed by (Aggarwal & Bhargava, 2009) in their work. In their work, study was done in two phases- Critical Incidence Technique and Survey. Employees of various organizations positioned at different managerial levels were interviewed. After identifying core factors of Psychological Contract, the next phase included surveying. The importance of culture on Psychological Contract was

highlighted and it was analysed that there are variations in organizational obligations with respect to employee and employer perspective.

(Nutakki, Reddy, & Balan, 2016) carried out their study on psychological contract in an Indian higher education institution in two phases- focus group discussions and survey with help of questionnaire. It was found out that there were distinct sets of both employer and faculty obligations, such as- employer is obligated to Transparency, Faculty development and support, Job security, Work life, Respect, Appropriate pay, Recognition and Leadership, and faculty is obligated to Professional Ethics, Commitment, Participation and Good Workplace Relations.

Psychological Contract in the Indian Aviation sector was explored by (Sebastian, George, & A.P., 2015) in their work. The study revealed that mostly the employees' psychological contract is higher than the employees' contract dimensions. A comparison between the employee and employer showed that employers have higher transactional focus and employees have higher relational and balanced focus.

2.2.2 Impact of Psychological Contract in various HR functions

Psychological Contract has been linked to several of the HR practices over the years.

(Robinson, 1996) found that the relation between Psychological Contract and trust is very strong and versatile. The time series study of around two and half years explained the differing impacts of trust on psychological contract and its breach. It was found that employees who have high initial trust is likely to experience less decline in trust against employees with low initial trust in their employers. In the study by (Atkinson, 2007) evidences indicated that relational obligations related to affective trust which is a mutual bond, whereas transactional obligations are related to cognitive trust which are individual beliefs.

Guest and Conway analysed around 1300 HR professionals and reported that PC helps managers with a structure to govern Employment Relationship in the organization. (Guest & Conway, 2002)

Perceived organizational support and its relation with Psychological Contract is explored by (Aselage & Eisenberger, 2003) wherein he proposed an integrative model pertaining

to the area and their separate contributions on employer-employee relationships. One of the major areas which is affected by Psychological Contract is the job satisfaction among employees. (Chaubey & Bist, 2016) discussed the existence of a weak relationship between psychological contract and job satisfaction among employees. Trust is important for both employer and employees to display openness and honesty.

(Kumar, 2012) focused on the connection between Psychological Contract and Organizational Performance. A model was proposed which discovered ‘predictors’ such as responsibility, agreeableness, participation etc. leads to ‘psychological contract’, which further affects ‘performance’ such as in-house or extra-role performance.

Psychological Contract has been linked to several of the HR practices over the years. One of the major areas which are affected by Psychological Contract is the job satisfaction among employees. (Chaubey & Bist, 2016) Organizational Support is also related to Psychological Contract, which affects the employer- employee relationship. (Aselage & Eisenberger, 2003); (Kumar, 2012) In spite of the concept being relatively new, psychological contract is seen as an attractive topic of modern-day socioeconomic dynamics. (Cullinane & Dundon, 2006)

Psychological Contract is found to act as a “mediator between Machiavellianism, Employee Citizenship and Deviant Behaviours” (Zagenczyk, Cruz, Cheung, Scott, Kiewitz, & Galloway, 2015). The works of (Shapiro & Kessler, 2002) showed us the effect of psychological contract has on employee attitude and behaviour.

Difference in the psychological contract factors is with employees having family responsibilities with those who do not (eg., flexible work hours) (Rousseau D. , 1995) Likewise few factors also differ between permanent and contractual employees (eg., job involvement, work-life quality) (Lijo & Amrutha, 2013) (Chaubey & Bist, 2016)

(Demirkasımoğlu, 2014) has explored the psychological contract of teachers in elementary schools and its relation with the person-environment fit level, which is defined as “a match between the person and the respective work environment”. It was found that for different PC types, existed different dominance levels. The highest was the balanced psychological contract, transitional contracts and transactional contracts came second and third respectively. “The highest level of person-environment fit was teacher-

job fit, which is a match between the characteristics of the teaching job and a teacher's abilities. It was followed by teacher-group fit which defines the relationship of a teacher with the different work groups. Teacher-supervisor fit followed, which determines superior and subordinate characteristics in an organization and lastly teacher-school fit, which is the relationship of a teacher and the educational institution." A comparison of public and private school teachers were made and it was found that teachers from both the sectors fitted with their jobs.

Greater understanding of Psychological Contract can help lead us to understanding other social theories. (Coyle-Shapiro & Parzefall, 2008) in their work have discussed some of the important debates concerning Psychological Contracts. It was analysed that Psychological contract is consistent with the basics of social exchange theory and there are benefits from alternative research methodologies and complementary theories.

2.3 Psychological Contract Breach

(Zhao et al., 2007) in their work discussed that psychological contract breach can significantly affect all work-related outcomes. Breaches can trigger negative emotions which lead to negative attitudes and behaviours in employees. In this study, the only non-significant consequence of breach was the actual turnover in an organization.

The connection between Psychological Contract Breach and trust was discussed by (Robinson, 1996) wherein she states that the relationship between the two is strong and multifaceted. Here trust and breach are explained over the time frame of the employee in the organization where "initial trust in one's employer at the time of hire moderated the relationship between psychological contract breach and subsequent trust".

A study done by (Agarwal & Bhargava, 2013) relates Psychological Contract Breach and Affective Commitment relationship with respect to the employees' educational level. It was found that "education level moderates the effects of Psychological Contract Breach on work engagement and the desirable form of psychological contract differs based on membership in fundamental groups, namely tenure and level of education".

Psychological Contract breach also affects an employee's intention to quit his/her job. "A study carried out in the banking sector of India, by (Joshy & Srilatha, 2011) revealed

that an employer's failure to fulfil its commitments towards the employees is related with the bank employee's intention to quit the organization".

Violation in the Psychological Contract is termed as a Psychological Contract Breach, which can affect the employee-employer relationship which in turn can influence the productivity of the organization as well as the working culture. Past studies show that "there are two classic models of Psychological Contract Breach- Morrison and Robinson model which consist of three stages: making promises but failing to fulfill, contract breach and violation wherein every stage was influenced by different cognition process. (Morrison & Robinson, 1997). The second model is Turnley and Feldman model which gives detailed descriptions of the three factors of promoting the violation- source of employees' expectations, the specific reasons for the breach of psychological contract and the nature of the discrepancy". (Turnley & Feldman, 1999)

2.3.1 Impact of Psychological Contract Breach on various HR functions

Psychological contract breach can significantly affect all work-related outcomes. It can trigger negative emotions which lead to negative employee attitude and behaviour. (Zhao et al., 2007) It can also impact an employee's intent to quit the job. The psychological contract differs with the new recruits and old employees. In new recruits, the psychological contract is related to their expected career growth in the organization, their need, expected tenure and obligations for the job. (Rousseau D. , 1990) In 1996, Sandra Robinson stated that "organizational trust and psychological contract breach is also inter-related and multifaceted. Initial trust in one's employer at the time of hire moderated the relationship between psychological contract breach and subsequent trust". "In absence of actual breach, employees can suffer from perceived breach" (Robinson, 1996) Recognition has also played its part in affecting the breach in Psychological Contract of employees, bridging the gap between transactional and relational aspects of the same. (Minssen & Wehling, 2011)

Psychological Contract Breach and Affective Commitment relationship are inter-related with respect to employees' educational level. (Agarwal & Bhargava, 2013) It was found that "education level moderates the effects of Psychological Contract Breach on work engagement and the desirable form of psychological contract differs based on membership in fundamental groups, namely tenure and level of education". Although

psychological contract breach affects an organization in a negative manner, it is not sure what exactly triggers the breach. Different individuals have different expectations and therefore breaches can occur at an individual level.

2.4 Variables identified for the study

For the study, extensive literature review was done and several factors of Psychological Contract and its Breach were identified. These factors played a huge role in the concept and execution of Psychological Contract and its breach on individuals. Before analysing their impact on our respondents, let us explore each factor and its importance in Psychological Contract and Psychological Contract Breach.

2.4.1 Employment relationship:

According to International Labour Organization, “employment relationship is the legal link between employers and employees. It exists when a person performs work or services under certain conditions in return for remuneration.” (International Labour Organization, 1996-2019). Kessler and Undy in their work (Kessler & Undy, 1996) state that “employment relationship describes the interconnections that exist between employers and employees in the workplace. These may be formal or informal in nature”. There are limited scales in measuring the employment relationship. But in 2015, Willem Potgieter, Chantal Olckers

and Lukas Ehlers developed a “measure for Perceived Employment Relationship Quality (PERQ) using the dimensions- Trust, Justice, Fairness and Good faith”. (Potgieter, Olckers, & Ehlers, 2015) The questionnaire designed by them measured the perceived employment relationship from the perspective of an employee, and this went on to contribute to many studies pertaining to the same.

The association of Psychological Contract with employment relationship was discussed way back in 1974 by Fox, in his book titled “Beyond contract: Work, power and trust relations”. He emphasized on power, trust and fairness to form a positive association between the two. (Fox, 1974)

Employment relationship from the dual perspective of both employer and employee is essential with regards to Psychological Contract and its breach. Shapiro and Kessler, in

their work, have suggested that there exists Psychological Contract Breach from both the groups. This has led to employees' decreased willingness to engage in organizational citizenship behaviour. Employers have acknowledged this breach as a result of external pressures. (Coyle-Shapiro & Kessler, 2000)

Guest and Conway reported "the utility of the psychological contract for employment relations exploring the application of high-commitment human resource practices as one of the context of psychological contract. The association between the said practices and management reports indicated positive employee attitudes and behaviour". (Guest & Conway, 2002)

In the 2004 work of Guest, the researcher has proposed a model for applying the concept of psychological contract to employment relationship. The model describes the contextual and background factors (such as age, gender, organization sector etc.), Policy and practice (such as HR policies, employment relations etc.), Psychological Contract and its state and finally the outcome (such as work satisfaction, job performance etc.). It has been argued that this model is an introduction to the relationship of psychological contract and employment relationship in the 21st century. (Guest D. , 2004)

In the Indian context, the work of Harold Andrew Patrick with employees of corporate sector suggested that 'employees' relationship with employers is stronger than employers' relationship with their employees.' This shows the inequality in exchange of employment relationship between the two groups, with regard to psychological contract. (Patrick, 2008)

2.4.2 Organizational support:

Organizational support, commonly termed as "Perceived Organizational Support (POS)" is "an employee's perception that the organization values and cares about their well-being, contributions and achievements". POS is extremely essential for an employee's high work performance and low stress levels at work (Shaw & Park, 2013) (Kurtessis et. al., 2015). (Rhoades & Eisenberger, 2002) explored that POS has three main work-experience antecedents- organizational rewards and working conditions, supervisor support, and procedural justice. High POS can lead to job satisfaction, loyalty, employee commitment, increased employee performance, affective attachment and low

absenteeism among employees (Eisenberger et al., 1986) “POS is positively related to an employee’s sense of obligation towards the organization and its objectives, which in turn leads to an employee’s reciprocity to the organizational support and increase in-role performance and affective commitment”. (Eisenberger et al., 2001)

The association of Organization Support Theory (OST) and Psychological Contract Theory (PCT) can be linked to both being social exchange theories, defining the employee-employer relationship. In case of POS, when employees’ socio-emotional needs are fulfilled, they form an obligation and affective commitment to the organization (Eisenberger et al., 1986) In case of PCT, exchange from both groups (eg., job security and promotion from employers to employees and loyalty and commitment from employees to employer) (Rousseau D. , 1990) (Rousseau D. , 1995). Taking into account the similarity of both theories, (Aselage & Eisenberger, 2003) introduced a model integrating both. Some of the crucial points of the model are- since higher-status officers are perceived as representatives of an organization, their promises will impact the psychological contract of employees; a positive POS can act as a socio-emotional resource on employees’ psychological contract; employees with high POS will be lenient on judging the Psychological Contract Breach.

Contradicting few of the results, a couple of years later, (Coyle-Shapiro & Conway, 2005) stated that both the theories POS and PCT are conceptually distinct. They suggested that elements of POS and psychological contract fulfilment predict organizational citizenship behaviour and not psychological contract.

Longitudinal time studies done by (Kiewitz et al., 2009) stated that “when employees perceive Psychological Contract Breach, they hold the organization responsible and in turn report lower levels of Perceived Organizational Support”. Further studies explain that “perceived organizational support arbitrate the relationship between psychological contract breach and organizational identification”. (Zagenczyk et al.,)

2.4.3 Organizational trust

Trust within an organization is divided into three types- strategic trust (trust of employees in managers concerned with strategic decision making); personal trust (trust of employees in their managers); organizational trust (trust of employees in the

organization and not individual persons) Although distinct, the different types of trust in an organization are inter-linked. (Galford & Drapeau, 2003) It is very important for an organization to consider the importance of trust and its subsequent impact on employee relations as well as measuring employee perception towards the organization.

Trust is one of the main arbitrators between psychological contract and employee contribution to the firm. (Robinson, 1996) has explained that while breach in psychological contract obligations affect employee expectations and performance, understanding trust can be essential in resolving the same. After a breach in the psychological contract, employees with high initial trust experienced fewer declines in their trust. Trust has been deemed fundamental in the context of psychological contract (Guest & Conway, 1998)

Initially trust in aspect of the nature of psychological contract was seen only in relational contracts, i.e., long-term employment relations (Rousseau D. , 1995) (Shore & Tetrick, 1994) Later studies found that trust is present in all different natures of psychological contract. Failure in fulfilling perceived obligations leads to both affective and cognitive trust breaches, and trust is important in both relational and transactional nature of psychological contracts. (Atkinson, 2007)

Similar to employment obligations, organizational trust and psychological contract has also been associated with tenure. “Employees with high initial trust in their employers overlook the breach in their psychological contract, whereas employees with low initial trust might remember such incidents of breaches”. (Robinson, 1996) Breaches in psychological contract can lead to lesser trust among employees and the organization, which in turn will lessen employees’ perceived obligations towards the organization.

2.4.4 Job satisfaction

“Job Satisfaction is the degree to which an employee perceives the fulfilment of their job needs”. (Porter, 1962) It can either be a positive or negative evaluative judgement of an employee. (Weiss, 2002) In combination, job satisfaction is both the feeling (affective) and the thinking (cognition) of an employee about the different aspects of their job. (Rayton & Yalabik, 2014)

Job Satisfaction can be a compelling reason for achievement of psychological contract of employees and likewise breaches in the psychological contract can lead to decreased job satisfaction. (Coyle-Shapiro & Kessler, 2000) (Robinson & Rousseau, 1994) (Taylor & Tekleab, 2004) The perceived breach in psychological contract is negatively related to job satisfaction (Zhao, Wayne, Glibkowski, & Bravo, (2007)

The decrease in job satisfaction is seen as the violation of the transactional psychological contract obligations, compared to the relational psychological contract obligations. This includes dissatisfaction in pay, benefits, promotion etc. Job satisfaction is also considered to be the mediator between psychological contract violator and mediator. (Turnley & Feldman, 2000) (Chaubey & Bist, 2016) Age is also seen as an influence of job satisfaction and psychological contract as the relation between the two in older employees are seen to be stronger than the younger employees. (Bal, Lange, Jansen, & Velde, 2008)

In addition to being the influence on Psychological Contract and its violation, job satisfaction also acts as the catalyst to different employee behaviour towards their organizations. Violation in psychological contract leads to lesser job satisfaction which further leads to lesser employee commitment, employee engagement and employee performance. (Rayton & Yalabik, 2014) (McDonald & Makin, 2000) (Robinson & Rousseau, 1994) (Robinson, 1996) Since it plays such an important role in determining employee behaviour in an organization, it is crucial that job satisfaction is analysed with regard to psychological contract of employees.

2.4.5 Employee engagement

“Work engagement can be defined as a positive, fulfilling, work-related state of mind characterized by vigour and dedication to the job.” (Schaufeli & Bakker, 2004) “Employee engagement can also be defined as physical, cognitive and psychological absorption in one’s work roles.” (Aggarwal et. al., 2007) The dimensions of employee engagement was introduced by (Kahn) who analysed that “an employee can be physically, cognitively or emotionally engaged”.

Work Engagement plays a mediating role in job performances and human resource management of the organizations. Employee Engagement and Psychological Contract

can predict employee outcomes, organizational success and a company's financial performance. (Aggarwal et. al., 2007) Both Employee engagement and psychological contract are cognitive in nature, essentially social exchanges and varies from employee to employee with relation to their job roles. Employee engagement also intervenes in the relationship between Psychological Contract and mental health of employees. (Parzefall & Hakanen, 2010)

Employee engagement has an interesting relationship with HRM practices in a job. Developmental HRM in an organization leads to higher employee engagement, which in turn leads to decrease in the transactional psychological contract and increase in relational psychological contract of employees. Whereas, accommodative HRM can lead to decrease in employee engagement of some of the employees with low selection and compensation. (Bal, Kooij, & Jong, 2013) It is also found that Psychological Contract fulfilment leads to increase in work engagement and positive employee attitudes.

In the relationship between employee engagement and psychological contract fulfilment, job satisfaction plays the role of an antecedent. Employee engagement occurs when there is fulfilment of psychological contract and overall job satisfaction of employees. (Rayton & Yalabik, 2014)

Engagement in employees lead to positive employee attitudes, desire for taking initiatives, willingness to develop skill set, intention to stay, low turnover rates, positive job performance and taking pride in their work. Organizations have to be vigilant towards delivering of employee expectations. If there is a breach in the psychological contract, organizations have to administer the job satisfaction and employee engagement to avoid letting employees reduce behaviours such as knowledge sharing and using initiatives. (Bal, Chiaburu, & Diaz, 2011)

2.4.6 Employee commitment

“Employee commitment can be defined as an employee's statement to internalise and engage in achieving the goals of the organization.” (Steers, 1977) (Xerri, 2013) Commitment can be divided into three components- “affective commitment (emotional attachment of employees with the organization), continuant commitment (employee

benefits to join an organization) and normative commitment (desire for fulfilment of responsibilities in an organization)” (Allen & Meyer, 1990)

Some of the factors associated with high levels of commitment in employees are- role-clarity, decentralization, two-way communication, increased discretion and control, cross-functional teamwork, challenges of work experience and involvement in decision-making. (Hiltrop, 1996) It is also observed that an employee’s commitment has stay relatively stable over long periods in the organization in spite of certain variations in the employee-employer relationship, but it can change drastically over a situation which the employee perceives as important (Schalk & Roe, 2007)

In the works of (Flood, Turner, Ramamoorthy, & Pearson, 2001) (Coyle-Shapiro & Kessler, 2000) (Aubé, Rousseau, & Morin, 2007) (Conway & Briner, 2005) it is found that “better the psychological contract between employees and the organization, bigger is the employee organizational commitment, which implies a strong connection between psychological contract and employee commitment”. In context of psychological contract, both employee and employer obligations are important determinants of organizational commitment. (Coyle-Shapiro & Kessler, 2000) (Study, 1994)

The existence of a fulfilled psychological contract implies that the employee is essentially committed to fulfil his/her duties and obligations towards the organization, which naturally increases the levels of employee commitment.

To identify research objectives for the study, type of research gap considered is empirical research gap.

The literature review for our study aims for an in-depth understanding on the concept of Psychological Contract and Psychological Contract Breach. Keeping in mind the novelty of the concept, prior works on the aspect, factors, conditions and types of PC and PCB are reviewed. The review also focuses on the works done in different economic sectors and areas such as education, aviation, banking etc. This helps us in identifying the concerned sector for our research work. With regards to the above two conditions, research gaps are identified.

2.5 Research Gap

Following are the research gaps found in this particular area

- Lack of sufficient research works on Psychological Contracts in India - There are very few studies done on 'Psychological Contracts' in India, as compared to our Western counterparts. Minimal empirical work on the concept can be seen concerning the Indian population. Though conceptual and theoretical studies are done, primary research is limited in this area. Due to the existing dearth of studies involving Indian organizations, it is important to identify and analyze Psychological Contracts among employees in this region of the world and highlight new findings, if any.
- Education sector, with regards to the concept of Psychological Contract, is unexplored - With Quality Education being named as one of the 17 Development Goals for 2030, by the United Nations, the education sector across the world is expected to go through changes for the better. For holistic growth of the industry, all stakeholders must be targeted which includes, employees, students, organizations, etc. Although student psychology is studied, the psychological contract between employers and employees in educational institutions needs to be further analyzed. The concept of Psychological Contract has proved to be one of the important emerging topics in Human Resources, and therefore its impact on the educational sector must be studied
- Limited literature on comparative analysis of Psychological contracts in both Public and Private sector of India – Public and private sectors constitute two major sectors in the Indian economy. Although prior works on Psychological contract and its breach are done in the individual sectors, there is limited study on inter-sectoral comparison. Some of the industries considered for comparative analysis are- Pharmaceutical, FMCG, etc. Inter-sectoral comparison of the education industry is not found, and therefore the study aims to contribute novel findings for the same

SUMMARY

Chapter 2 gives us a detailed view of the several literature works we have reviewed for our study. Our goal was to have an in-depth knowledge of Psychological Contract, Psychological Contract Breach and all its associated factors. The chapter started with the concept of contracts in an employment relationship. In this day and age, contracts are very important in an employment relationship, from a legal, personal and professional view. Employment Contracts set the expectations and obligations between two parties – employee and employer. Unlike Employment Contracts, Psychological Contract is implicit in nature. Moving on from Employment Contracts, the concept and importance of Psychological Contract (PC) is explained. Since the work is in the Human Resources (HR) domain, impact of PC is explored in several HR functions in an organization. Similarly, the concept and importance of Psychological Contract Breach (PCB) and its impact of HR functions are also explored in this chapter.

The chapter then proceeds to mention the work done on Psychological Contract in Indian context. To understand the reality of the concept, it was essential to focus on Indian literature and works. Indian studies in this context are limited and therefore, not many authors have contributed to the said subject.

The cumulative work done by Indian and global researchers in Psychological Contract, have led us to several factors which has proved to be essential in this regard. Review of literature provided us with seven variables for our study which are detailed in the chapter. Variables and their relation with PC and PCB over different studies has been explained.

After the literature review, we could identify the research gap, which provide us with the basis for our work. We finalized three research gaps from the reviews and they are explicitly defined.

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