Psychological Contract: Investigating Employees Expectations and Obligations of Public Sector Enterprises in Sindh

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Abstract

Psychological contract (PC) is viewed as an individual-level phenomenon that is influenced by individual difference variables (Ho, 2000). The subjective nature of PC has received a major attention in management literature (Robinson, 1995; Robinson and Morrison, 2000; Turnley and Feldman, 2000). However, a careful review of the literature suggests major focus of the research remained in developed countries thereby ignoring the implications for developing nations including Pakistan. In order to fill this research gap, this study seeks to examine psychological contract in public sector enterprises in Pakistan. Moreover, cultural, ethnic, religious diversity in Pakistani society are central to inform managerial practices, interrelationship between employee and employer and also trade union activism. As a result this study might contribute significant findings for fine-tuning the previous understanding on PC. This study employed focus group discussion to collect empirical evidence from 'key informants' from top-level management to union activists to address the research questions. Findings of this study reveal cultural diversity and socio-political instability impact individual differences at work which also resonate in managerial practices, interpersonal relations virtually informing the expectations and obligations e.g. PC of employees at work. In last section, implications for future research, managers, government, employees, trade union activists and other stakeholders are discussed.

Introduction

Psychological contract (hereafter referred as PC) suggests a framework for understanding of the relationship between employer and employees (Shore and Tetrick, 1994). According to Lisa, Jeffrey and Deniel (2003) success and survival of firm linked with healthy relationship between organisation and its employee. In recent past vast amount of literature on PC got published in mainstream human resources management discipline (Niall and Tony, 2006). Literature considers PC as an interface between organisation and its employees (Millward and Brewerton, 1999; Nicholson and Johns, 1985). The psychological contracts has attracted increasing attention of research scholars and occupied high importance for managerial practice focussing on people-building rather than people-using organisations (Schalk and Rousseau, 2001). This statement presents a big challenge for organisations as well to materialise the concept with same importance to its stakeholders e.g. employees, management and organisation. Because, each stakeholder represents its own interest and voice. Say for example, employees demand raise in salary and availability of benefits, management seek to convince that they are core of organisations and organisation silently suggests that if 'I survive you will survive'. This raises a number of academic and research questions on the manner firms and employees manage PC. Ho (2000) suggests that the psychological contract is perceived at an individual-level and individual difference plays significant role in understanding and enactment of PC. This signifies PC's subjective nature (Robinson, 1995; Robinson and Morrison, 2000; Turnley and Feldman, 2000). PC provides an analytic framework for employment relationship applied in non-union and union settings as well.

Herriot and Pemberton (1997) defined the psychological contract as `the perceptions of both parties to the employment relationship-organisation and individual-of the reciprocal promises and obligations implied in that relationship'. However, David Guest (1998) points out wider disagreement on the definition of PC. Nevertheless, most researchers accept that it should be viewed as a two-way exchange of perceived promises and obligations. Later, Rousseau (1989) and Rousseau and Tijoriwala (1998) explained PC as employee's belief regarding the mutual obligation between the

employee and an employer. Much earlier, Levinson et al. (1962) suggested 'the prevalence of mutual expectations govern interrelationships at work'. Similarly, Schein (1978) indicated that workplace expectations imply magnitude of work, obligations, privileges and rights on both parties.

The universal feature in these definitions is about an exchange of employee and employer's beliefs, expectations, promises and responsibilities at work. In recent years, a large body of research investigated the management of PC in relation to stakeholders' expectation and responsibilities. However, Schalk and Rousseau (2001) invoked interesting debate of who represents the voice of organisation. Guest (2002) emphasized to draw a clear line between expectations, promises and obligations at work. Thus, managing PC at work is a challenging task. Employees' expectations are many on the contrary, employers' promise to pay, promote and recognise key employees, which is not always going well at work. As a result, employees feel distrust and reduced loyalty and commitment and increased propensity to leave the organisation (Robinson, 1996; Robinson and Morrison, 2000; Robinson and Rousseau, 1994).

Review of the extant literature indicates that researchers have paid more attention on inducements received by the employee and the inducements employer promised (Lisa, Jeffrey and Deniel, 2003). There are several inducements that appear in PC's research (Coyle-Shapiro and Kessler, 2000; Kickul, 2001; Robinson, Kraatz and Rousseau, 1994; Turnley and Feldman, 1999). For example; pay is has been considered as the primary reward for the employee work done in the firm (Lawler, 1981; Simon, 1951). Similarly, recognition at workplace is central assumption of PC which qualifies employer trust in employees (Mayer, Davis and Schoorman, 1995; Miller, 1981; Stajkovic and Luthans, 2001). Likewise, opportunities to establish network for social support (Baumeister and Leary, 1995; Cohen and McKay, 1984); roles, responsibilities and enrichment of work experiences are fundamental to PC (Hackman and Oldham, 1975). Training and skill development for career growth are last assumption of employees in PC from employer (Hackman and Oldman, 1975; Rousseau, 1997; Sullivan, 1999; White, 1959).

Other than inducements discussed above, organisational communication has also occupied central attention of PC's research. Robinson and Morrison (2000) identified organisational communication as integral part of the psychological contract during the process of recruitment. Earlier, Herriot and Pemberton (1997) and Stiles et al. (1997) pointed out significance of ongoing interaction between the employer and the employee at work in reference to communicated through workload, development, work-life balance and career prospects. Similarly, different patterns of organisational communication such as the performance appraisal process regarded as opportunities to establish and clarify expectations with employees (Rousseau, 1995). Accordingly, Turnley and Feldman (1999) mission and vision statements also communicate elements of the psychological contract which convey employer's expectation from employees. Though previous research has mainly focused on ways and means PC is communicated and mutual expectations of employees-employers from each other and most of the studies have been undertaken in Western and developed countries' contect by neglecting its generalisation and application in developing countries context. This raises several academic and research questions on the generalisation of PC theory at larger canvas.

Research gap

A careful review of literature on the subject of psychological contract and its management, this study identified that there is no empirical research undertaken or published in Pakistan. Consequently, this study undertakes exploratory study by employing focus group discussions with core-informants in government, private (local) sector and multinational companies including non-governmental organisations (NGOs). The findings of this study aimed at contributing to greater understanding of psychological contract and its management in Pakistan in particular and fine-tuning the theory in general.

Literature review

The concept of PC was conceived and promoted in 1960s and 1970s. Such evidence was found in the research of Argyris (1960), Levinson (1962) and Schein (1965). Later, Guzzo and Noonan (1994) observed

that contemporary literature on PC adopted the definitional framework outlined by Rousseau (1990). According to Rousseau and Greller (1994) PC is an individual's conviction ans understanding pertaining to terms and conditions of an exchange agreement between that employer and employee or person and another party. Consequently, McFarlane, Shore and Tetrick (1994) viewed PC as inherently subjective. Robinson (1996) considered PC as reciprocal and promissory. Similarly, Guzzo and Noonan (1994) suggested PC has both transactional and relational elements. David Guest (1988, 2002) believed that at the time of starting up a job, an employee evaluates many of their experiences, expectations, responsibilities, authority, pay benefits, career growth and lot more which are termed as PC. Other works such as Wanous and Collella (1989) and Anderson and Schalk (1998) also suggested PC as beliefs about implicit or explicit promises between employee and employer at work. According to Rousseau (1990) and Rousseau and Greller (1994) PC involves a comprehensive interactive process which takes place at the moment of recruitment of any employee with profound influences by a number of other HRM policies and practices. In other words, staff members enter in the firm with a variety of expectations about a possible future relationship at work McFarlane et al. (1994) and Robinson (1996).

An increasing amount of research has also focused on the grievances and unmet expectations on the part of either employee or employer. Robinson and Rousseau (1994) suggest that if perceived obligations have not been met on either side, violation is said to have occurred. Such violations may relate to HRM policies or practices directly or indirectly affecting employee (Lucero and Allen, 1994). The investigations of Dunahee and Wangler (1974) and Robins (1996) identified that there appears absence of renegotiation of terms and conditions as a result violation takes place at work which creates misunderstandings. Likewise, Robinson and Rousseau (1994) and Bunderson (2001) found out that in case of breach of at work is not as violation of PC but it has far reaching implications such as dissatisfaction, lack of employee commitment and intention to turnover rises. Some investigations contributed general explanatory model of attitudes and behaviours in an organisational setting that exemplifies how people and perceive and react at work. A careful

review of literature suggests a very limited research has directly been undertaken in context of Pakistan which raises academic and research question on the generalisation of PC at larger canvas. The goal of this study is to clarify conceptual distinctions between the key expectations, experiences and violations, and to examine their differential impact on the outcome of satisfaction at work..

Research methodology
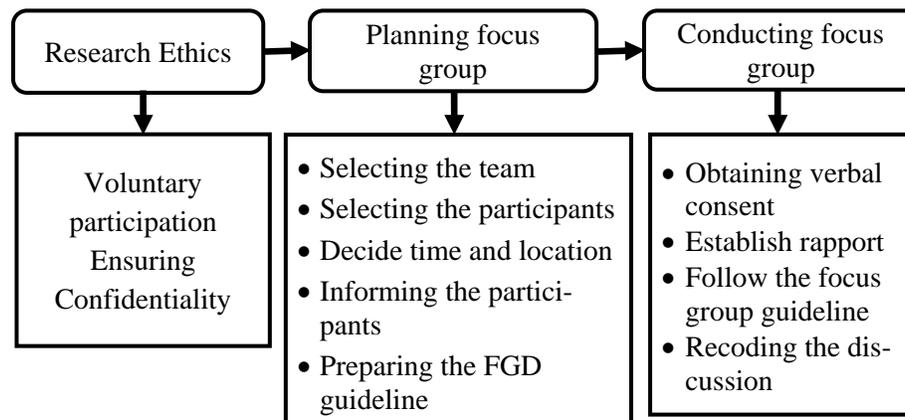
Focus Group Discussions

In order to achieve stated objectives of this research, this study employed focus group discussion (FGD) for data collection. FGDs as data gathering method employs purposively selected set of participants to discuss issues and concerns based on a list of key themes drawn up by the researcher (Kumar, 1987). This qualitative research technique was originally developed to give marketing researchers a better understanding of the data from quantitative consumer surveys. As an indispensable tool for marketing researchers (Krueger 1988) the FGDs has become extremely popular because it provides a fast way to learn from the target audience (Debus, 1988). This method is also a cost‑effective technique for eliciting views and opinions of prospective clients, customers and end‑users. In several academic disciplines, research institutes and non-governmental organisations and policy makers employ FGDs. In management, marketing and media studies have shown great interest in the FGDs. Focus groups have been used to obtain insights into target audience perceptions, needs, problems, beliefs, and reasons for certain practices. This study employed following framework (see figure 2) for analysis of qualitative data gathered through FGDs. Next section presents brief discussion on the research ethics, conduct of FGDs and analysis strategy.

Planning, participation and confidentiality issues

This research ensured 'informed and free consent' of all participants involved in FGDs. Study followed framework (see, figure 1) for conduct of FGDs. Researcher believed to mobilise voluntary participation and employees were informed that there no consequences for refusing to take part in the study. Researchers entertained all

questions of participants and also explained the nature and objectives of FGDs and the study. Researchers understand to keep personal information confidential. Researchers ensured participants' information would not be publicly reported. FGDs were held at several different cities in different districts across Sindh. Groups of each FGDs activity were between 6-8 participants. Schedules and checklist were prepared beforehand. Researchers ensured to introduce and get introduction of the each participant in the beginning of the session and set the group at ease. Participants were told that the discussion is informal, everyone is expected to participate, and divergent views are welcome. FGDs were recorded with prior permission of participants and the hand-written notes were taken.

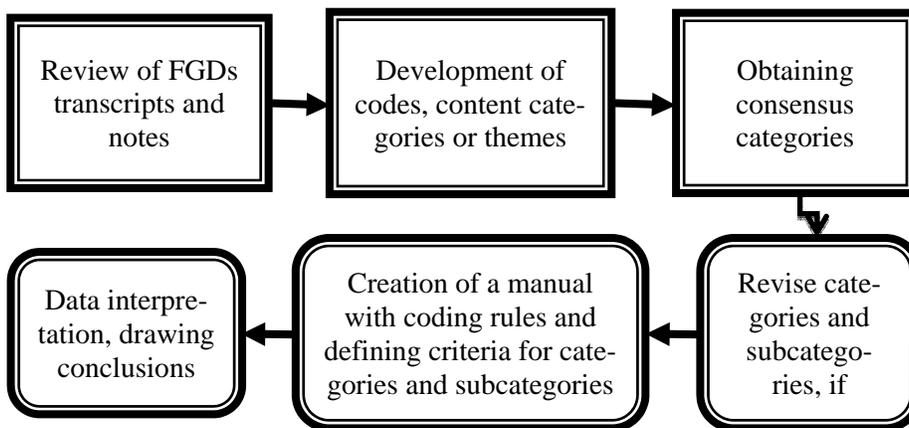**Figure 1:   Framework of Conducting FGDs**

Analysis of FGDs

Constant comparison analysis:
A qualitative data analytical strategy developed by Glaser and Strauss (e.g. Glaser, 1978, 1992; Glaser and Strauss, 1967, Strauss, 1987) also referred as the method of constant comparison. According to Leech and Onwuegbuzie (2007, 2008) constant comparison method can also help analyze focus group data. This study adopted three steps in data analysis that were suggested by (Strauss and Corbin, 1998). Firstly, study employed 'open coding' for analyzing the chunked of data into

small units. The researcher attaches a descriptor, or code, to each of the units. Secondly, axial coding was assigned smaller group or units of data into categories. Finally, we developed one or more themes that express the content of each of the groups, this was called as selective coding (Strauss and Corbin, 1998). Briefly, this study adopts following framework for data analysis (see figure 2) which provides step by step guidance. This framework has gained immense popularity in recent past (Moretti *et al.* 2011).

Figure 2: FGDs Analysis Framework

Results and discussions

Demographic information:

FGDs were conducted with thirty one 'core-informants' from various organisations with diverse background. Table 1 depicts demographic information of sample interviewees such as age group, gender and experience. Majority of participants was from 25-35 age group over 58 percent. Similarly, 64.51 percent of them were male and with 35.48 percent of female participants. All participants possessed first class university degree. The vast majority of FGDs participants seemed working in First level management followed by middle level management. Top level managers were also part of the research activity with 16.12 percent. Likewise, table 2 presents findings on the affiliation of participants in FGDs. Majority of FGD participants were from banking and finance followed by education sector respectively.

Table 1:   Demographic information

Variable	Specifications	Frequency	Per cent
Age	25 to 35 years	18	58.06
	36 to 45 years	8	25.80
	46 to 60 years	5	16.12
Gender	Male	20	64.51
	Female	11	35.48
Experience	Up to 10 years	21	67.71
	11 to 20 years	6	19.35
	21 to 30 years	4	12.90
Education	Master-level	25	80.64
	Bachelor-level	6	19.35
Position in organisation	TLM (senior executives)	5	16.12
	MLM	15	48.38
	FLM	6	19.35
	Non-management group	5	16.12

Table 2:   Details of sample interviewees

Sector	No. of FGDs	No. of participants
Education	2	9
Banking	1	6
Airline Industry	1	5
Healthcare	2	11
N =	**6**	**31**

Discussion

It is generally believed that at the time of starting up a job, an employee evaluates many of their experiences, expectations, responsibilities, authority, pay benefits, career growth and lot more. For example, employees join firm with the expectation to grow further in their career and get training and education. Similarly, employees and employers have implicit and explicit expectations and obligations from each other (Wanous and Collella, 1989;Anderson and Schalk, 1998). One senior executive who heads HRM department said: *"Employees' expectations from firm and vice versa are intertwined. Since we are a public organisation, our policies and procedures are explicitly laid down by the government. Employees' expectations and obligations are covered by a legal framework. Nevertheless, trade union represents workers grievances, if any. There long history of confrontation between employees and management in this organisation. Though, trade unions negotiate for their fellow workers in general, however, office bearers most of the times either benefit themselves or their cronies. If management disagrees then they further blackmail and continue protest. Things get worse if trade union involves."*

Aforementioned quote is an important for several reasons which reveal many aspects of the employees and employers expectations from each other. Senior executives also mentioned the dubious role of office bearers which in his words exploit the situation and get benefited. Consequently, things get twist and turns in different directions. Likewise, in words of another very senior manager: *"employees and management relationship has been 'love-hate relationship'. Government organisations normally inherit political and cultural influences. There are several influences that impact policy making in government organisations and government is main actor. Employees expect too much and contribute very little, legal framework guides HRM policy and practice but employees seem impatient on promotion, appraisal, transfer, bonus, increments, fringe benefits and so on. They argue to reserve employment quota for their sons, daughters and illegally get their sisters and brothers sometimes cousins appointed as their sons and daughters. And, if management refuse them they blackmail through office bearers and socio-political*

elites. These are some the reasons government organisations are overstaffed, redundant and inefficient.

Extant literature also suggests that psychological contract begins from the recruitment and sails through training, education, promotion, compensation, transfer till retirement (Rousseau and Greller, 1994; Rousseau, 1990). Similar expressions have been made by participants during the interviews quoted above. During that process lots of happy and sad moments take place between employee and employer who make explicit and implicit promises and expectations rise and fall in that relationship (McFarlane, Shore and Tetrick, 1994; Robinson, 1996). Additionally, there seems prevalence of socio-political influence and unfairness of HRM practices which repeatedly mentioned during FGDs. Moreover, senior managers explicitly and allegedly discussed dubious behaviour of collective bargaining agents e.g. trade union activists which was not defended by present non-management employees.

Contrary, to the management (see quotes above) employees' voice seemed much different, as one employee who has long been representing trade union in his organisation, said: *"we are treated as liability and burden on the organisation. Overall behaviour of administration e.g. management with employees across the departments in organisation is coercively, harsh and they treat us as inferior commodity. Employees do not expect much from the organisation, we only need fair and equal treatment with fair and transparent HR policies and practices. But we cannot compromise on our rights.*

Employees' voice seemed more complaining by explicitly mentioning the names of their bosses and similarly they had strong grievances with their trade union activists as they (CBAs) do not listen them either. Non-management and first line managers seemed have similar sort of complaint regarding unfair HRM and managerial behaviour. Similarly, another employee expressed his feelings in these words: *"expectations are part and parcel of the job. We expect in same way as managers do. But, they are in charge to think and act, whereas, in our case if think some raise in our salary, bonus, increment, workload, etc. we beg, we argue, we protest then we get. If*

system is fair enough and things go accordingly, nobody bothers really to go on strike and fight for right."

A female participant-who was an MBA and held middle-level management position said: *"Largely, government organisations lack employee motivation, respect for lower level employees, juniors and new recruits. Senior managers think employees, juniors and subordinates receive salary and that's enough. Employees either managers or non-managers expect too much and organisations offer too little. Overall, government organisations widely lack mutual respect, emotions, feelings, trust, commitment, satisfaction, recognition, lasting relationships are alien things here".*

Complaints and grievances seemed deep and long yet resolvable if CBAs or management realise them honestly. Main complaints were about participants' perception of the inducements (e.g. pay, recognition) promised by an employer compared to the inducements delivered by the employer. This indicates larger and serious communication gap between employee and employer. Majority of participants belonging to non-management, FLM and MLM believe employer violated psychological contract time and again which causes frustration, anger, distrust, reduced loyalty, dissatisfaction and low commitment and increased propensity to leave the organisation.

Conclusions

Empirical evidence draws attention to several areas. There appears wider communication gap regarding psychological contract. People at work know about their roles, responsibilities and reciprocity of employee and employer expectations from each other. Yet, they apparently expect more from each other which indicates communication gap. Nevertheless, employees seemed expecting more than what they are supposed offering in their roles to employer or organisation. Communication gap cause mistrust and misunderstanding and people start disowning organisation in frustration. This study, therefore suggests stakeholders and especially senior management who are in charge of decision making to explicitly communicate the psychological contract during the process of recruitment and keep communication process open to seek suggestions from employees which will lessen gap between employees and

employer. Likewise, Herriot and Pemberton (1997) and Stiles *et al* (1997) reiterated significance of ongoing communication between the employer and the employee in relation to HRM policies and practices which needs to be strengthened for better results at work. Rousseau (1995) also seemed supporting the idea of organisational communication such as the performance appraisal process to get good results at work. More complaints and grievances of employees related to the way HRM practised. Fair HRM with significance assigned to merit needs to be established. Senior management should take serious efforts to reduce socio-political and elite influence on HRM practices to discourage elements cronyism, favouritism and sycophancy in organisational practices. Participants extensively spoke about behavioural expectations and with increasing complaints and grievances from senior management on their coercive leadership style and tough and sometimes abusive attitude. Behavioural expectations broadly be fulfilled through helping, mentoring, interacting, socialising and concentrating on accomplishment of roles and responsibilities rather than pulling legs of others. Management needs to develop organisational culture of promoting self-esteem, confidence, and equal treatment and reduce employees feelings as liabilities. This could enhance satisfaction, loyalty, commitment and mutual respect with zero tolerance for gender, linguistic, ethnic, religious and domicile biases. Such managerial laudable efforts will help prevail healthy psychological contract with elements of organisational citizenship behaviour, happy employees and competitive advantage stay in the organisations.

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