

[24]

## **Impact of Psychological Contract on Job Behavior of Non- Executive Employees in Selected Government Organizations in Sri Lanka**

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### **Abstract**

This study discusses the impact of psychological contract on job behavior of non -Executive employees in selected government sector organizations in Sri Lanka. The main objective of this study is to find out whether there is a relationship between psychological contract and job behavior. Hence, the research problem of this study is “how psychological contract impact on job behavior of non-executive employees in selected government sector organizations in Sri Lanka?” The data in this regard were collected from a randomly selected sample of 100 non-executive employees of selected government sector organizations and, for the purpose, a structured questionnaire consisting of 46 questions/statements with 5 point Likert scale was used. The data analysis was carried out under the univariate and bivariate analysers. There is a strong positive relationship among the all independent variables and job behavior of the non-executives in the government sector organizations in Sri Lanka. It is concluded that there was a strong positive relationship between the two variables: the psychological contract and the job behavior. It was recommended that there should be awareness in the management of the relationship between two variables and various programs that are used to enhance and sustain the favorable level of psychological contract of non-executive employees.

**Keywords:** Executive Employees, Job Behavior, Psychological Contract

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### **Introduction**

Rousseau (1997) indicates that during the last decades, the effect of global competition, turbulent economies, demographic diversity, technological advances and recent trends such as restructuring, re-engineering, downsizing, mergers and acquisitions have influenced to a great extent on the nature of work and many organizations in this background are in an attempt to gain competitive advantage. As a result, it is noted that the effective utilization of resources of firms and the positive work related outcomes are crucial for the achievement of the organizational strategic objectives the organizations.

Suazo (2009) classifies these work-related outcomes as affective reactions, work attitudes and work behaviors. Especially in service sector organizations, employees are considered as the most valuable asset for the survival and prosperity of the organization. Therefore, it is essential to attract and uphold eligible employees within the organization. Employee may show negative job behavior due to unfavorable working environment, job dissatisfaction, lack of commitment and work related attitudes (Griffin & Moorhead 2011). In the modern

workplace, there are employees' maintained different types of exchange relationships with their employers.

While some employment relationships are limited to basic transactional exchanges, others extend beyond (Rousseau 1990; Millward & Hopkins 1998). Psychological contract is a one of best frameworks to understand the perception of the relationship between the employee and the employer, which have positive impact on job attitudes and work behavior (Bal et al. 2008). The fulfillment of employee's psychological contract might result increased job performance. However, when there is a violation of the contract in the side of the employer, the employee may engage in negative workplace behaviors (Conway et al. 2005). Therefore, in this study it is intended to discuss impact of psychological contract on the job behavior of the non-executive employees in the selected government organizations in Sri Lanka.

### **Problem Background and Problem of the Study**

There are many research studies (Turnley & Feldman 1999; Robinson 1996; Robinson & Rousseau 1994) that provide evidence for positive relationship between psychological contract, in-role job performance, organizational citizenship behavior and intention to quit. Psychological contract violation occurs when one party of the relationship perceived that another has failed to fulfill his or her promised obligation or obligations (Robinson & Rousseau 1994). Robinson (1996) has said that certain implied promises, obligations and the perception of the employee over fulfillment act of the employer as motivators or barriers to desirable work attitudes and behaviors.

In Sri Lanka, considerable amount of Gross Domestic Product (GDP) is composed by the service sector, which based on labor-oriented systems (Central Bank Report 2014). Therefore, the overall performance of the service sector depends on the outcomes of their employees. According to the Sri Lanka central bank (2014) report of socio-economic data, 58.1% of GDP is compromised from service sector. And also in terms of performance, there is a gap between the government sector organizations and the private sector organizations in Sri Lanka. Especially the government sector organizations are considered less effective and efficient than private sector organizations.

Many studies (Conway & Briner 2005; Griffin & Moorhead 2011; Mathis & Jackson 2010) on psychological contract violation have been conducted either in United State of America (USA) or in United Kingdom (UK). Despite the psychological contract is an emerging and important concept in current business world, this has not been given law consideration by Sri Lankan researchers. In contrast to other countries, there are very few research with regard to the impact of psychological contract on the job behavior.

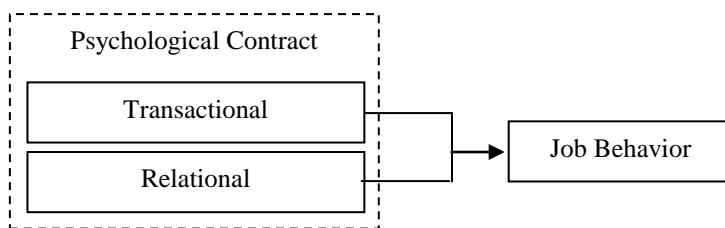
Breach of one's psychological contract may lead to a number of negative job behaviors such as, the decrease in extra role job behavior (Robinson 1996), negligence (Turnley & Feldman 1999), lower performance (Lester et al. 2002), higher voluntary turnover, lower level of trust and lower job satisfaction (Robinson & Rousseau 1994). In this, the working environment, career opportunities and perceived interpersonal treatment are identified as very important

factors that determine. It is observed that a number of similar researchers have been carried out other countries in this area. However, Sri Lankan literature regarding the impact of psychological contract on the job behavior is limited. Therefore, to fill this existing gap, the research problem in this study intends to investigate, 'how psychological contract impact on job behavior of non-executive employees in selected government sector organizations in Sri Lanka.'

### Research Framework

The psychological contract refers to the way how 'these expectations in a relationship change and affect the behavior of the parties involved over a time (Rousseau 1989) and the job behavior refers to the variety of the mental, physical, emotional and social activities that one experiences and are influenced by culture, society, values, morals, ethics and genetics (Raza 2014). In this study, the dependent variable is the job behavior of non-executive employees and the psychological contract of non-executive employees is the independent variable (refer Figure 1).

Figure: 1 Schematic Diagram of the Research Framework



Zhao et al. (2007) has found that the employees report that their relational psychological contracts are breached has a stronger relationship with job outcomes namely the job satisfaction and organizational citizenship behaviors. Moreover Ballou (2013), in his study reveals that specifically the psychological contract breach of individuals who possess the relational psychological contract has reported a decrease in their level of perceived organizational support and a decrease in organizational citizenship behavior's. Therefore the first hypothesis of this study was as follows:

H<sub>1</sub>: There is a significant impact of transactional psychological contract on the job behavior of non-executive employees.

According to Ballou (2013), employees who expect financial and material exchange for their work represent short term commitment to their obligations. Moreover Roseau (1990) has found that there is a positive relationship between transactional employer obligations and transactional employee obligations (e.g., high pay for high performance). Therefore the second hypothesis of this study was as follows:

H<sub>2</sub>: There is a significant impact of relational psychological contract on job behavior of non-executive employees.

## **Method**

### ***Study Design***

The objective of the study is to find the relationship between the psychological contract and job behavior of the non-executive employees in selected government sector organizations in Sri Lanka. The objective is to establish the relationship between these two variables. Therefore, the type of the investigation of this study is analytical. This is a co-relational study conducted in the natural environment of the organization with minimum interference by the researcher with the normal flow of work (Sekaran 2009).

This study is a field study as it examines the impact of psychological contract on job behavior of non-executive employees in government sector organizations in Sri Lanka. Furthermore, no any artificial setting is created. Therefore, this study focuses on the normal working environment where works precede normally not in a contrived setting. A questionnaire was selected as a research technique in this study to investigate and describe the impact of the psychological contract on the job behavior of non-executive employees.

The survey was carried out among the 100 of non-executive employees in selected government sector organizations in Sri Lanka. The convenience sampling method is used for this study. Therefore, 100 non-executive employees will be selected as a sample to gather data for this study.

### ***Measures***

The variables in the research model: psychological contract and job behavior are measured through the questionnaire with five point Likert scales which was completed by the respondents themselves using their own experiences to a great extent. The variable of the study constitutes an interval scale. The dependent variable of the research model was measured by an instrument consisting 21 statements developed by Ozturk (2010). The construct of job behavior was measured in terms of two dimensions: the organizational citizenship behavior and the organizational commitment. The dimensions consist of 08 aspects of organizational citizenship behavior (Altruism, Courtesy, Conscientiousness, Civic virtue and Sportsmanship) and organizational commitment consist of Affective, Continuance and Normative variables, three aspects.

The psychological contract of non-executive employees in government sector organizations was also measured by the questionnaire developed by Ozturk (2010) and Revell (2012) consisting of 19 statements. The construct of psychological contract is measured in terms of two sub variables: the transactional psychological contract and relational psychological contract. The dimensions of the transactional psychological contract consisted of 04 aspects (Salary, Benefits, Increment and Welfare) and the relational psychological contract is of Job characteristics, Career opportunities and Working environment aspects. All statements in the questionnaire were measured by the responses given to the questionnaire under the five point Likert scales; 'strongly agree, agree, neutral, disagree and strongly disagree'.

**Validity and Reliability**

The consistence reliability was examined with Conbch's Alpha test. The results of Conbch's Alpha test given in Table 1 have suggested that the reliability of each instrument is at a satisfactory level.

Table 1: Reliability Statistics of stress Measurements

Instrument	Cronbach's Alpha
1 Transactional Psychological contract	0.840
2 Relational Psychological Contract	0.772
3 Job Behavior	0.776

The construct validity of the variables of the study was confirmed by the fact that the correlation and regression analysis support the hypotheses formulated linking the relationship between the independent variable and the dependent variable.

**Techniques of Data Analysis**

After the data collection, they are analyzed using the computer based statistical data analysis package, SPSS (version 16.0) for validity, reliability and relationship testing. Univariate analysis and bivariate analysis are applied in data analysis.

**Results**

To investigate the responses for independent and dependent variables, univariate analysis was used. The results of the univariate analysis are given in the Table 2.

Table 2: Univariate Analysis

		Transactional Psychological Contract	Relational Psychological Contract	Organizational Citizenship Behavior	Organizational Commitment
N	Valid	100	100	100	100
	Missing	0	0	0	0
Mean		3.5475	3.7173	3.7800	3.6170
Std. Error of Mean		.05447	.04733	.03650	.05063
Median		3.6250	3.8182	3.7500	3.7000
Mode		3.75	4.00	3.75 <sup>a</sup>	3.90
Std. Deviation		.54465	.47333	.36498	.50633
Variance		.297	.224	.133	.256
Skewness		-.453	-.532	.068	.124
Std. Error of Skewness		.241	.241	.241	.241
Kurtosis		.416	.221	.358	-.035
Std. Error of Kurtosis		.478	.478	.478	.478
Minimum		1.88	2.45	2.83	2.60
Maximum		4.88	4.73	4.58	5.00

As in Table no 2, the independent variable, transactional psychological contract indicates the mean value 3.5475 on five point scale with the variance of 0.209. The standard deviation is 0.54465. Skewness is -0.453 while Kurtosis is 0.416. Therefore, it is assumed that the data is in normal distribution. And also the independent variable, relational psychological contract indicates the mean value 3.7173 on the five point scale with the variance of 0.224. The standard deviation is 0.47333. Skewness of the data is - 0.532 while Kurtosis is -

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0.221. Therefore, it is assumed that the data is in normal distribution. As per means, the transactional psychological contract and the relational psychological contract are at agreed level.

According to the Table no 2, the dependent variable, organizational citizenship behavior indicates the mean value 3.7800 on 5 point scale with the variance of 0.133. The standard deviation is 0.36498. Skewness is 0.068 while Kurtosis is 0.358. Therefore, it is assumed that the data is normally distributed. Moreover, the dependent variable, organizational commitment indicates the mean value 3.6170 on the five point scale with the variance of 0.256. The standard deviation is 0.50633. Skewness of the data is 0.124 while Kurtosis is -0.035. Therefore, it is assumed that data is in normal distribution. As per means, the organizational commitment and the organizational citizenship behavior is also at agreed level.

The bivariate analysis includes the correlation analysis and the simple regression analysis, to investigate any relationship between the independent variable and dependent variable. The results of the bivariate analysis are in the Table 3.

Table 3: Correlation among the Variables

		Organizational Citizenship Behavior	Organizational Commitment
Transactional Psychological Contract	Pearson Correlation	.308**	.468**
	Sig. (2-tailed)	.002	.000
	N	100	100
Relational Psychological Contract	Pearson Correlation	.458**	.419**
	Sig. (2-tailed)	.000	.000
	N	100	100

\*\*Correlation is significant at the at the 0.01 level (2-tailed)

According to the results of the Pearson's Correlation shown in Table 3, the organizational citizenship behavior and the organizational commitment are positively related with the transactional psychological contract. And also as per the Pearson's Correlation in Table 3 indicates, the organizational commitment and the organizational citizenship behavior have a high positive relationship with the relational psychological contract. However, the organizational commitment and the transactional psychological contract have the highest correlation compared to the other dimensions.

The found relationships are at the satisfactory strong level as the correlation is significant at 0.01 level (2 tailed).

The results of simple regression analysis of the two dimensions of the independent variable: the psychological contract and the organizational citizenship behavior are given in Table 4.

Table 4: Results of Regression Analysis

	Transactional Psychological Contract	Relational Psychological Contract
Method	Linear	Linear
R	0.308	0.458
R Square	0.095	0.210
Adjusted R Square	0.086	0.202
F	10.288	26.013
Significance	0.002	0.000
B-Constant	3.047	2.467
b- Value	0.308	0.458

According to the Table 4, the regression equation of the organizational citizenship behavior of respondents is:

$$\text{Organizational Citizenship Behavior} = 3.047 + 0.308 (\text{Transactional Psychological Contract})$$

This explains that the organizational citizenship behavior increases by 0.308 points for each additional increase in transactional psychological contract. Further, this indicates that 9% of the variance (R square) in organizational citizenship behavior is explained by transactional contract. Hence, it is clear that other factors have 91% influences on the organizational citizenship behavior.

$$\text{Organizational Citizenship Behavior} = 2.467 + 0.458 (\text{Relational Psychological Contract})$$

This explains that the organizational citizenship behavior increases by 0.458 points for each additional increase in relational psychological contract. Further, this indicates that 21% of the variance (Adjusted R square) in organizational citizenship behavior is explained by relational psychological contract. Hence, it is clear that the other factors have 79% influences on job behavior.

The results of simple regression analysis of the two dimensions of the independent variable: the psychological contract and the organizational commitment are given in Table 5.

Table 5: Results of Regression Analysis

	Transactional Psychological Contract	Relational Psychological Contract
Method	Linear	Linear
R	0.468	0.419
R Square	0.219	0.176
Adjusted R Square	0.211	0.167
F	27.440	20.883
Significance	0.000	0.000
B-Constant	2.075	1.950
b- Value	0.468	0.419

According to the Table 5 regression equation of organizational commitment of respondents is:

$$\text{Organizational commitment} = 2.075 + 0.468 (\text{Transactional Psychological Contract})$$

This explains that the organizational commitment increases by 0.468 points for each additional increase in the transactional psychological contract. Further, this indicates that 21% of the variance (R square) in organizational commitment is explained by transactional contract. Hence, it is clear that other factors have 79% influences on the organizational citizenship behavior.

Organizational Commitment=1.950+0.419 (Relational Psychological Contract)

This explains that the organizational commitment increases by 0.419 points for each additional increase in relational psychological contract. Further, this indicates that 17% of the variance (Adjusted R square) in organizational commitment is explained by relational psychological contract. Hence, it is clear that the other factors have 83% influences on job behavior

Two hypotheses were formulated to test the relationship between psychological contract and the job behavior. The hypothesized relationships are shown in Table 6.

Table: 6 Hypotheses of the Study

No	Hypotheses	Relationship
H1	There is a significant impact on transactional psychological contract on the job behavior	Positive
H2	There is a significant impact of relational psychological contract on job behavior	Positive

## Discussion and Conclusion

According to the results of Pearson's Correlation analysis, it was found that all dimensions of the psychological contract positively correlate with the dimensions of the non-executive employee job behavior. . And also, according to the regression analysis it was confirmed that there is a positive impact of the two dimensions of the psychological contract on the dimensions of the non-executive employee job behavior. This study has found empirical evidence to support the main objective of the study. This finding is matched with the finding of Zhao et al. (2007) that the psychological contract has profound impact on job attitudes and behaviors.

The first hypothesis was that there is a significant impact on the transactional psychological contract on the job behavior of the non-executive employees in the selected government sector organizations in Sri Lanka. It was confirmed that the transactional psychological contract has a positive and significant impact on the employee job behavior. According to the statistical evidence, it is explained that the organizational citizenship behavior increases by 0.308 points for each additional increase in the transactional psychological contract. Further, this indicates that 9% of the variance (R square) in the organizational citizenship behavior is explained by transactional contract. And also statistical evidence explains that the organizational commitment increases by 0.468 points for each additional increase in the transactional psychological contract. Further, this indicates that 21% of the variance (R square) in organizational commitment is explained by transactional contract. Therefore, it was confirmed that there is a positive relationship between the transactional psychological



contract and the job behavior of the non – executive employees in the government sector organizations in Sri Lanka. Findings, correlation and regression analysis empirically confirm the argument that there is a positive relationship between transactional employer obligations and transactional employee obligations (e.g., high pay for high performance), parallel to Roseau (1990).

The second hypothesis was that there is a significant impact of relational psychological contract on non-executive employee's job behavior in the selected government organizations in Sri Lanka. It was confirmed that the relational psychological contract has a positive and significant impact on employee job behavior. According to the statistical evidence, the organizational citizenship behavior increases by 0.458 points for each additional increase in the relational psychological contract. Further, this indicates that 21% of the variance (Adjusted R square) in the organizational citizenship behavior is explained by relational psychological contract. Moreover, the commitment increases by 0.419 points for each additional increase in relational psychological contract. Further, this indicates that 17% of the variance (Adjusted R square) in the organizational commitment is explained by relational psychological contract. Therefore, it was confirmed that there is a positive relationship between the relational psychological contract and the job behavior of non-executive employees in government sector organizations in Sri Lanka. Findings, correlation and regression analysis empirically confirm the argument that there is a positive relationship between relational psychological contract and job behavior, as given by Ballou (2013).

The findings of this study are of greater significance in the theoretical and as the practical scenario as well. According to the findings of the study the non-executives in the government sector organizations has positively perceived the transactional and the relational psychological contract and the positive job behavior towards the organizations. Therefore, it is the responsibility of the management of the organizations to identify and keep these favorable conditions for future. For that, the management of the government sector organizations has the ability to launch various programs to enhance and sustain the favorable level of transactional and relational psychological contract among the non-executive employees. According to the Alcover (2012), a transactional contract consists of short term and finite contract based on economic or extrinsic factors. Therefore the top management of the organization should give priority to the areas of salary, increments and high pay for high performance to enhance the level of transactional psychological contract of employees.

At the same time, giving higher status, recognition, the chance to be creative (Bellou 2009), job security, work lifestyle balance, training (De Hauw & De Vos 2010), career development and promotions (Alcover et al. 2012) are also recommended for the top management of the organization to enhance the level of relational psychological contract of the employees.

It is true to say that, there may be many other factors which affect on the job behavior of employees in an organization in addition to the psychological contract. Therefore, further researchers are encouraged to carry out their research work to find out the effect of other factors that also affect on job behavior of employees in addition to this.

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