



Psychological Contract Violation and Voluntary Employee Turnover

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Abstract. A psychological contract is an unwritten agreement between the employer and employee that outlines the expectations and obligations of the other. A gross violation of this psychological contract has dire consequences, namely voluntarily employee turnover. There are a lack of studies that examine the components of a psychological contract from the perspective of the employee, and how this influences employee voluntary turnover. Due to psychological contracts being mostly unwritten expectations, there appears to be some variation on the expectations of employees across different studies. The current study does an exhaustive review of past literature, and therefore proposes that four antecedents namely work environment, bonus and allowances, personal and career development, and work-life balance create the basis of this psychological contract. The proper management of the four components of this psychological contract have a significant impact on reducing employee voluntary turnover within the organisation.

Keyword: Psychological contract, turnover, motivation, work psychology

1 Introduction

A high turnover rate will not only increase the expense of replacing the departing personnel but also have a negative impact on employees' morale, undermining the organization and the intellectual asset base of the business and bad for the well-being and expansion of businesses [1]. Researchers and experts in human resources (HR) concur that the working relationship is no longer what it once was because several crucial changes have been made to the relationship, which have various ramifications for the hiring and retaining of valuable personnel [2]. Psychological contract offers a framework for tracking employee attitudes and primary concerns using the factors that can have a significant impact on getting workers to commit their immediate futures to the company. This is crucial because any organization that wants to successfully achieve its objectives must make sure that its human resources are constantly in a position to offer the organization their all. Organizations must be aware of the expectations of their staff if they are to achieve this. The management would be assisted in carrying out the firm's portion of the contract by identifying and effectively fulfilling this expectation [3]. Within literature, the dimensions of psychological contract among employees are a good working environment, bonuses and allowances, personal and career development, and work life balance [4]. In light of the many

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dimensions of psychological contract, this study investigates the connection between the dimensions of psychological contract and employee retention.

2 Literature Review

2.1 Psychological Contract

There are formal and informal partnerships in every organization. The legal arrangement and expectations are clearly expressed and acknowledged. The parties involved may need to learn what the confusing informal expectations are in order to work on improving them for a positive working relationship. Strategic human resource management literature has stated that the 1960 study by Argyris is what gave rise to the idea of a psychological contract. When Argyris first proposed the idea of a psychological contract in the 1960s, he defined it as an implicit agreement in a work relationship [5]. Following that, the psychological contract was described as a mechanism of exchange in a social interaction that exists in a work setting and employment agreement [6]. The notion is defined by Newell and Dopson [7] as the services and loyalty that employees are willing to provide to their employer in the workplace with the expectation of receiving something in return from the company. The fundamental tenet is that meeting expectations, which are a representation of an informal employee culture, is one of the best ways for employers to get the best performance out of their staff. This is due to the fact that when psychological contracts are upheld by employers, employee empowerment develops, resulting in lower staff turnover and greater overall efficiency [9]. Additionally, a written psychological contract that connects to the transactional kind may exist. In conclusion, the term "psychological contract" refers to how an employee perceives, interprets, and evaluates their relationship with an employer on a personal or subjective level. Within literature, the dimensions of psychological contract among employees are a good working environment, bonuses and allowances, personal and career development, and work life balance [4].

2.2 Employee Retention

The idea of employee retention is defined as a management strategy used to keep people on board for longer engagement periods than the competition. Different retention management tactics are used to achieve this. Businesses intentionally work to create a culture where workers feel comfortable committing to the enterprise for a long time. According to retention researchers, retaining employees is a win-win scenario for both the company and the employee, which motivates employees to commit to the organization for as long as possible, up until an agreement is perceived as being fulfilled [10].

2.3 Psychological Contract and Employee Retention

Employees quit organizations for a variety of reasons, some of which include poor career growth, poor recognition, a lack of teamwork, and strict work schedules [11]. Employee retention is also influenced by how employees feel about future prospects and how probable it is that their expectations will be satisfied. According to retention

experts, benefits in terms of money, career advancement, content, and work-life balance also have an impact on an organization's capacity to keep personnel [12]. Psychological contract fulfillment has been shown via several studies to be essential for employee retention, according to researchers in the field of human resources management. Robinson [12] argued that an employee's motivation to continue working for the organization is negatively impacted by a sense of psychological contract violation. He continued by saying that this explains why some local businesses in Zimbabwe struggle to hold onto their most talented employees.

A psychological contract fulfillment increases an employee's commitment, pleasure, and excitement to remain with the organization, according to Guest and Conway [13] (2002). According to research by Nelesh and Sanjana [5], an unmet psychological contract decreases an employee's motivation to contribute and intention to stay with a company. when a worker [12]. The Social Exchange Theory is used to guide this investigation. The social exchange theory aids in comprehending how the rupture of a psychological contract such as a partnership may result in negative emotions. The social exchange theory is defined by Blau [14], quoted by Vos, Meganck, and Buyens [15], as the readiness of individuals to engage in a specific way while anticipating something in return for that activity. According to Cropanzano and Mitchel [16], the persons in the relationship are persuaded to act in a certain way because they think that over time, they would reciprocate each other's actions. As a result, if one of the parties does not reciprocate the other's efforts, there is a sense of discontent in the connection between the parties. Therefore, in any workplace relationship, if employees feel that their foremen do not adequately reward them for their contributions to the company, they are likely to respond with unfavorable feelings and attitudes. Additionally, these workers may develop a framework in which the apparent one-sidedness would be handled either by a decrease in organizational commitment or a lower display of other crucial behaviors and attitudes [17].

Based on the patterns observed within academic literature on the relationship between psychological contract and employee retention, the following propositions are made.

Proposition 1: Good work environment have a significant positive relationship with employee retention.

Proposition 2: Bonuses/Allowances have a significant positive relationship with employee retention.

Proposition 3: Personal/Career development have a significant positive relationship with employee retention.

Proposition 4: Work-life balance have a significant positive relationship with employee retention.

3 Proposed Conceptual Framework

The current study proposes a conceptual framework whereby psychological contract dimensions namely: Work environment, bonus and allowances, personal and career development, and work-life balance are proposed to have a significant positive influence on employee retention.

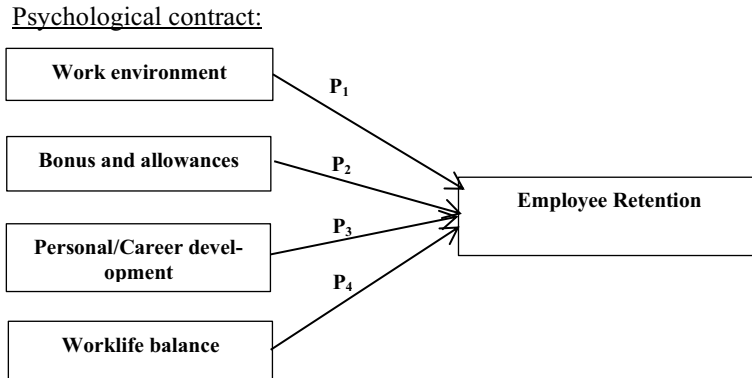


Fig 1. Conceptual framework

4 Proposed Methodology

SmartPLS will be used to analyze the relationships among the constructs in the proposed conceptual framework.

5 Expected Outcome and Significance of the Study

It is expected that psychological contract dimensions namely: Work environment, bonus and allowances, personal and career development, and work-life balance are proposed to have a significant positive influence on employee retention. Retention is receiving more attention as a result of numerous factors, from maintaining the best employees to lowering recruitment costs. The management has been obliged to prioritize staff retention by using numerous strategies due to the organization's increasing complexity. One of the key strategies for ensuring employee well-being and retaining people in the company for as long as feasible is the psychological contract notion.

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