

The Form of Psychological Contract amongst Employees at Department of Agricultural Malaysia based Agencies Malaysia

Mohamad Kamal Abdullah Sani, Zulkiflee Daud & Saiful Azizi Ismail

School of Business and Management
College of Business
Universiti Utara Malaysia
06010 Sintok
Kedah, Malaysia

Abstract

This study aims to study dimension of psychological contract at Department of Agricultural Malaysia based in Malaysia. Psychological contract is one of the areas that always been emphasized in human resource management. It involves relationship between employee and employer in organization. Sample for the present study consisted of 220 non-executive employees working at Department of Agricultural Malaysia based of Peninsular Malaysia. They were selected by using disproportionate stratified random sampling method. In measuring perception of psychological contract, this study for perception of psychological contract measurement. Factor analysis has been performed to indicate the psychological contract factors and convergence items for psychological contract variable. The results have indicated that psychological contract is represented by five dimensions, namely as transactional, relational, balance, transitional and chances. This results has carried evidence that employees has their psychological contract against by their superior to achieve the interests of themselves and the agencies. The existence of psychological contract behaviour will reduce the trust of workers to the employer in agencies.

Keywords: psychological contract, transactional, relational, balance, transitional, chances. Department of Agricultural Malaysia.

Introduction

Psychological contract is an issue that is rarely debated whether by institutions, organizations and individuals. The issues of psychological contract are often regarded as an issue that does not give meaning to human welfare. However, in event of psychological contract in life, people will blaming each other. Psychological contract exists in various forms, whether formal psychological contract and interpersonal psychological contract. In the work environment, psychological contract behaviour can lead to conflict between employers and employees in the organization. By definition, a psychological contract is the perception of an exchange agreement between oneself and another party (Argyris, 1962; Levinson, 1962; Rousseau, 1989; Rousseau, 1995). The process of these contractual promises is very unique and subjective (Wade-Benzoni, Rousseau, & Li, 2006) where it applies with mutual understanding or agreement between both parties of the employee and the organization. If manipulated in fulfilling the psychological contract aspect will lead to breach of contract, where trust to employment contract will be manifested through changes in employee attitudes and behaviour (Rousseau, 1989; Morrison & Robinson, 1997). In this case, the important of top management to understand the concept of psychological contract in order to keep their employee loyal to organization.

Literature

Psychological contract

The psychological contract consists of employee perceptions of belief on the terms and conditions of the agreement given by the management to employees in exchange for employees and organizations (Robinson, Kraatz & Rousseau, 1994; Rousseau, 1989). In the organization, psychological contract can lead a threat to organization. This is because the changes of individual attitude and behaviour toward negative action such as low of commitment can lead problem to organization performance and productivity.

According to Shore & Tetrick (1994), the main function of psychological contract is to reduce in doubt employee toward his employer due to not all service contract are not in bind contract and that is why psychological contract are play very important role into fill the gap between employee and employer relationship (Robinson, 1996). Normally, psychological contract have list of item which can influence employee behaviour in organization such as job satisfaction, organization commitment and perceived organization support Rousseau (1995). The strength of a psychological contract is dependent on the extent of the work of faith in justice in the organization. Where beliefs exist when each party seeks to fulfil the obligations specified by the employment contract (Patrick, 2008). In return it will create employee commitment and motivation to the organization and job satisfaction. This situation will lead to a positive attitude and a high level of commitment (Aggarwal & Bhargava, 2010). Psychological contracts are seen can give a positive impact on employees as it function that leads to the good attitude and behaviour of employee in the organization. This study contributes to knowledge about psychological contracts by exploring the dimensionality of perceptions of the psychological contract among Department of Agricultural Malaysia based agencies.

Methodology

In this study, quantitative approach was used because allows the relationship between the variables identified and tested. That approach was also used to receive variety of responses from a number of subjects participated in this study. Participants who were randomly selected from Department of Agricultural Malaysia for this study were 220 non-executive employees from all departments at Peninsular Malaysia. Each subject was sent instruction of the questionnaire describing this study, direction for completing the questionnaire. A total of 220 subjects responded to the survey. Of the 220 subjects, 158 (71.8%) were males while 62 (28.2%) were females. The status of sample was 173 (78.6%) married, 46 (20.9%) single and 1 (0.5%) widower. For level of education background, 153 (69.5%) were SPM, 42 (19.1%) diploma, 23 (10.5%) bachelor, and 2 (0.9%) masterdegree.

Psychological contract measurement

The psychological contract of measurement was developed by Rousseau (2000) which reported Crobach's Alpha of 0.70 for psychological contract. To measure the effects of psychological contract is seen in four dimensions, namely transactional, relational, balance and transitional. Items from the Psychological Contract Inventory (Rousseau 2000) were administered to assess employees' perceptions of their psychological contracts giving a total of 80 item. Since in this study we want to look for employee perceptions toward their employer giving a total of 40 items on employee scale will be use and a Likert scale ranging from 1 to 4.

Analysis of Data

The data collected for this study were analysed by using reliability test and factor analysis. Reliability test was used to see how far the scale is free from error and produces consistent results between multiple instruments of a variables (Gay & Diehl, 1996). Factor analysis was used to determine the dimensions of the variables (Coakes & Steed, 2010).

Finding

Data Screening

In this process reliability and normality of data are examined. Reliability value of psychological contract is $\alpha = 0.835$. Value of *Skewness* and *Kurtosis* for psychological contract is in range of ± 1.96 and the data for this study is normal.

Factor Analysis

In factor analysis the researchers has tested KMO, Barlett, MSA and Partial Correlation. These tests have satisfied the requirement to pursue factor analysis.

The KMO value should above 0.5, the Barlett test was significant at $p < 0.05$, MSA values are well above 0.5 and lastly partial correlation results should that all values were well below 0.7. The factor analysis for psychological contract has shown that the KMO value is 0.897. In addition, Barlett's test has explained that discrimination in this study is significant at $p < 0.05$. In this study, seven factors revealed in Eigen value score and cumulative total is 72.7768% as shown in the Table 2.

Table 2: Eigen Value of Psychological contract

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	17.855	44.637	44.637	17.855	44.637	44.637	10.950	27.374	27.374
2	3.784	9.460	54.097	3.784	9.460	54.097	5.792	14.480	41.854
3	2.191	5.478	59.575	2.191	5.478	59.575	3.588	8.971	50.825
4	1.573	3.932	63.507	1.573	3.932	63.507	3.070	7.674	58.499
5	1.354	3.384	66.891	1.354	3.384	66.891	2.570	6.425	64.924
6	1.269	3.172	70.062	1.269	3.172	70.062	1.776	4.440	69.364
7	1.086	2.714	72.776	1.086	2.714	72.776	1.365	3.412	72.776

Extraction Method: Principal Component Analysis.

Factor 1 consists of 18 items such as “Protect this organization’s image”, “Seek out developmental opportunities that enhance my value to this organization” and “Build skills to increase my value to this organization”. Factor 2 comprise of 7 items such as “Remain with this organization indefinitely”. Factor 3 comprise of 5 items such as “Seek out developmental opportunities that enhance my value to this organization”. Factor 4 comprise of 2 items such as “I expect less from my employer tomorrow than I receive today”. Factor 5 comprise of 2 items such as “Build skills to increase my future employment opportunities elsewhere” Factor 6 has been discarded from analysis because of did not reach the reliability values and lastly factor 7 has been discarded from analysis, according to Hair Jr.et al,01 item did not represent dimension.

Table 3: Rotated Component Matrix for Psychological contract

Rotated Component Matrix ^a							
	Component						
	1	2	3	4	5	6	7
PC1	-.438	.752	.079	-.157	.039	-.056	-.064
PC2	-.212	.810	-.167	-.189	.031	.045	-.063
PC3	-.515	.660	.063	.049	-.010	-.033	-.166
PC4	-.386	.541	.099	-.086	.124	.258	-.236
PC5	-.184	.760	-.036	-.093	.146	.174	-.046
PC6	-.377	.644	.079	-.100	.043	.089	.224
PC7	-.532	.459	.164	-.259	.249	-.186	.226
PC8	-.063	.717	-.278	-.148	.376	.056	-.211
PC9	-.413	.463	.076	-.072	.497	-.002	-.059
PC10	-.452	.128	.038	-.089	.736	.123	-.061
PC11	-.436	.100	.088	-.154	.693	.091	.016
PC12	-.016	-.222	.719	.041	.184	.253	.236
PC13	-.757	.144	.232	.015	.328	-.018	.047
PC14	-.730	.355	.138	-.204	.193	.093	.149
PC15	-.271	.010	.305	-.107	.203	.736	-.081
PC16	-.368	.354	.018	-.455	.476	.084	-.075
PC17	-.595	.449	.141	-.271	.249	-.043	.001
PC18	-.397	.160	.618	-.234	-.122	.179	.254
PC19	-.613	.294	.183	-.285	.238	-.058	-.037
PC20	-.177	.196	.329	-.492	.162	.500	.154
PC21	-.091	.071	.647	-.398	.206	-.174	-.221
PC22	-.079	-.016	.898	.010	-.008	-.003	-.062

PC23	-.085	-.053	.844	.236	-.030	.040	-.190
PC24	-.018	-.464	.230	-.214	.119	-.607	-.153
PC25	.721	-.182	-.074	.063	-.307	.080	-.192
PC26	.727	-.347	-.154	.043	-.181	.064	-.112
PC27	.708	-.288	-.025	.231	-.096	-.079	.059
PC28	.647	-.446	.044	.277	-.062	-.031	-.118
PC29	.807	-.266	-.040	.126	-.124	-.184	.048
PC30	.823	-.258	.007	.067	-.148	-.224	.094
PC31	.760	-.170	-.127	.268	-.109	-.154	.259
PC32	.726	-.205	-.049	.095	-.180	-.291	.250
PC33	.681	-.235	-.191	.211	-.157	-.098	.274
PC34	.581	-.149	-.081	.508	-.231	.009	.200
PC35	.546	-.239	-.107	.491	-.223	-.041	.175
PC36	.702	-.083	-.007	.469	-.132	-.112	.101
PC37	.624	-.084	-.058	.291	-.133	-.068	.321
PC38	.392	-.350	-.163	.279	-.059	.125	.592
PC39	.478	-.219	.201	.667	-.067	-.126	.088
PC40	.500	-.159	.142	.523	-.037	.160	.019
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization. ^a							
a. Rotation converged in 18 iterations.							

Table 4 has shown that Cronbach Alpha value (α) for psychological contract after factor analysis process. Factor 1 consists of 18 items which Cronbach Alpha value is 0.735 known as transactional. Factor 2 consists of 7 items which Cronbach Alpha value is 0.901 known as relational. Factor 3 consists of 5 items which Cronbach Alpha value is 0.830 known as balance. Factor 4 consists of 2 items which Cronbach Alpha value is 0.776 known as transitional and factor 5 consists of 2 items which Cronbach Alpha value is 0.799. Based on meaning of each item, researcher rename as chances. Therefore, this study shows that there are five dimensions of psychological contract in the Department of Agricultural Malaysia agencies (Refer Table 4).

Table4: Reliability Test for Psychological contract after Factor Analysis

Psychological contract	Cronbach Alpha (α) after Factor Analysis
Factor 1 (Transactional)	0.735
Factor 2 (Relation)	0.901
Factor 3 (Balance)	0.830
Factor 4 (Transitional)	0.776
Factor 5 (Chances)	0.799

Discussion

The researchers has been discussed the existence of dimension of psychological contract on employees in Department of Agricultural Malaysia. This study found that there are five dimensions of psychological contract is transactional, relation, balance, transitional and chances. The lack of management team in understanding psychological contract item can cause of employees attitude and behaviour in bad shape toward organization. As human being, the changes of environment and demand will go along with psychological contract changes need in life. Changes in the work environment also can influence employees' perception of the employment relationship, their psychological contracts, and consequently, their work-related attitudes and behaviour. Psychological contracts are considered as important contracts among workers in the organization. Research by Shore and Tetrick (1994), where the function of a psychological contract is to protect employees from any disputes and dissatisfaction between employers and workers in the organization.

Therefore, the aim of this research was to describe the process by which the state of the psychological contract element to give more attention in order to influences employee well-being. It should be noted the value of commitment is likely to feel uncomfortable if employees feel their perception in psychological contract is not meet such as promotion, reward, good environment working space, leadership and etc.

In this study has found that management who tend to change the organization policy with short notice will led to uncomfortable feeling among employee regarding their service contract. This can be clearly seen when the leader hard to make sure for employees to understand in any policy changes which involve their service contract.

Conclusion

This study has successfully explored and examined the form of psychological contract against employees at Department of Agricultural Malaysia. The researchers found that five dimensions of psychological contract such as transactional, relation, balance, transitional and chances. All this dimensions affect the relationship between employees and employer. Therefore, the existence of these five dimensions will influence employee attitude and behaviour either negative or positive inthe organization.

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