

The significance of psychological contract in an employment relationship: Review of critical factors

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Abstract

Psychological contract is an unwritten mutual understanding among employee and employers, several factors influence this unwritten agreement. The purpose of this study is to highlight the key factors which influences this informal un written relationship. As this contract is between two parties, it is important to explore both parties' perspectives. The aim of this review paper is to understand both employers' and employees' perspectives on the antecedents of the psychological contract violation. Existing literature is reviewed on psychological contract and related dimensions to understand the concepts. The findings reveal that employees tend to be more vulnerable to contract violation due to their weak position. Management can focus more on organizational justice, better communication, and organizational culture to avoid psychological contract breach. Both employees and employer can hold back their negativity through good communication to create a positive organizational culture. Psychological contract is reciprocal in nature, the factors discussed in this review provide a base for reciprocity. The implications of the research findings would suggest that explicitly communicating the employee obligations are essential in preventing employee contract violations in future, which helps in reducing costs of grievance procedures and prevents lowering employees' morale on job. This research will contribute to the study of employers' perceptions regarding their psychological unwritten contract's breach that has been comparatively neglected, and the backgrounds of psychological contract violation has received little attention in the literature.

Keywords- Employment contract, formal communication, organizational justice, psychological contract, psychological contract breech, Reciprocity

Introduction

When an individual playing a specific role is confronted by conflicting expectations from others (role conflict), it is likely that in order to fulfil one's expectations, the individual may fail to fulfil the perceived expectations of others (Cruz et al., 2020). It creates a dilemma in maintaining successful relationships with all individuals in a network. In this era of dynamism characterized by globalization, technological breakthroughs, increased workforce diversity, and competitive pressures, uncertainty is prevalent in organizations' environment (Moquin, et al., 2019). The uncertainty in environment causes to bring uncertainty in an individual's perception of how one can act in an explicit situation (known as role perception), and how others believe that the individual should act in the given situation (known as role expectation).

A particular case is downsizing when management perceive employees' role and role expectations before decisions. Organizations aiming for downsizing to reduce HR costs, the HR professional may be expected by the board of directors to make redundant some senior and competent employees, whereas, the employees of the organization may expect the HR professional to be sensitive towards their career needs (Gandolfi, 2008). Successful interpersonal relationships are necessary for organizations to survive in today's competitive environment, as organizations can't compete on the basis of their technical competencies alone. In an organization, characterized by collectivist culture of altruism and brotherhood, an employer may be expected to show concern for employees' personal problems besides performing his formal job duties. Similarly, in public sector. Where it is perceived, that employee get permanent employment once hired, the psychological contract can be characterized by job security in return for services at workplaces (Baykal, 2019). The mutual expectations of individuals in a psychological contract are not consistent over time and perceptions of mutual obligations are subjective (Conway & Pekcan, 2019; Zhang, Ren & Li, 2019). The inherent implicit and the subjective nature makes it problematic for individuals to understand and fulfil the perceived reciprocal obligations in a relationship (Rousseau, et al., 2018). So, it is likely what one individual to a contract sees as his obligation, another may see that as breach of the contract such as, belief that one's expectation has not been fulfilled. Due to subjective apprehension of perceived mutual obligations in employment relationship, organizations find it difficult to formalize and write down the content of perceived social exchanges in their HR policies manual (Anderson & Schalk, 1998). As a result, adherence to the perceived mutual expectations in the psychological contract is less likely to happen due to

its unwritten and only mutual expectations, as individuals may not perceive it as their formal duty in workplace to fulfill each and every perceived expectation in the psychological contract (Zhang et al., 2019). Besides, individuals may intentionally commit breach of the psychological contract due to their self-interests, mood swings, and cognitive biases.

It is likely that an individual in a superior hierarchical position or having considerable power over his counterpart may not fulfil his perceived obligations to other individual in the relationship knowing that failure to fulfil his obligations may not result in considerable harm or retaliation from the disadvantaged individual. Similarly, an individual may set his expectations on the basis of first impression bias and when his perceived expectations are not fulfilled, he may likely to perceive breach of the contract. When individuals perceive breach of the contract, they tend to underestimate the influence of factors that are beyond one's control and overestimate the influence of factors that are within one's control, therefore, they tend to perceive the breach as an intentional breach (Ghani et al., 2020). In retaliation, the individual perceiving the breach may tend to deliberately harm the other individual in the relationship, which may create a vicious cycle i.e. reciprocal cause and effect of breach of the contract. For instance, a newly hired employee may perceive on the basis of his first impression that his supervisor is friendly towards him, which causes him to expect from the supervisor that he may help the employee in his job assignments when required. After few days, when the employee approaches his supervisor, the supervisor displays cold and rude behavior towards him, which causes the employee to perceive breach of the psychological contract. The employee may tend to perceive that the supervisor is rude towards him because he does not like the employee while ignoring the external factors i.e. the employer is rude because he has work overload or he is being bullied by his boss. Thus, he may tend to perceive it a deliberate breach and may retaliate by engaging in counter productive work behavior like, trying to avoid his responsibilities or spreading negative word of mouth about the employer in the workplace. It may in turn cause the employer to perceive breach of the psychological contract, which may trigger reciprocal contract violations and may further worsen the employment relationship.

The perceived breach of the psychological contract tends to generate negative emotions among individuals i.e. frustration, distrust, annoyance or feelings of injustice that may harm not only their mental wellbeing and mutual relationship but also affect their performance on job. In an employment relationship, the perceived breach of the psychological contract may

hinder both the employee's and the employer's performance on job. However, the management literature has emphasized more on employees' perspective on employers' contract breach and has neglected the employers' perspective on the contract breach and the consequences of employee contract breach for the employers (Nadin & Williams, 2011). In a psychological contract, social exchanges between employee and employer are influenced by their subjective perceptions. So, individuals in the contract tend to form inconsistent perceptions of their obligations and entitlements. Due to inconsistent perceptions of their obligations and entitlements, what one individual considers his obligation may be perceived by other as breach of the contract. As a result, individuals in the psychological contract tend to perceive contract breach i.e. cognitive awareness that obligations have not been fulfilled. When individuals perceive breach of the contract, they tend to underestimate the influence of factors that are beyond one's control and overestimate the influence of factors that are within one's control, therefore, they tend to perceive the breach as an intentional breach and they react more negatively than when the breach can only be understood as caused by external factors. Coyle-Shapiro and Parzefall, (2008) suggested that employees and employers' perspectives in psychological contract breach is less explored.

Review of the literature

Schein's (1965) conceptualizes the unwritten mutual contract as a psychological contract. Later, Rousseau (1989) conceptualizes it as a logical contract which have mutual obligations. In order to understand this argument, it is necessary to understand the distinction between 'expectation' and 'obligation'. An expectation refers to a probabilistic view, whereas, an obligation refers to a normative or legally enforced view (Coyle-Shapiro & Parzefall, 2008). For example, the view that "employee is likely to receive high performance rating from employer because previously the employer tended to give high performance rating to the employee" refers to an expectation based on past experience, whereas, the view that "employer should give high performance rating to employee because the employee performs exceptionally" refers to an obligation based on moral values of fairness and justice, and legally bound view of the Fair Labor Standards Act. Therefore, Levinson et al. (1962) and Schein's (1965) conceptualizations of psychological contract in terms of 'mutual expectations' coincide Rousseau's (1989) conceptualization of psychological contract in terms of 'mutual obligations' in a sense that mutual expectations can be based on mutual obligations in a relationship (Zhang et al. , 2019). For example, in an employment relationship, a female employee expects from her employer that he would not physically or

verbally bully her and would provide her protection from emotional or physical harm in the organization. Such expectations of the employee from the employer may arise due to her belief that it is the employer's obligation to adhere to the terms of the Women Protection Bill that has been passed for women's protection against violence in organizations.

In addition to conceptual coincidence in Levinson's et al. (1962), Schein's (1965) and Rousseau's (1989) definitions of psychological contract in terms of mutual expectations and mutual obligations, the conceptualizations of the psychological contract presented by the theorists are converging because these all are based on the theory of social exchange. The social exchange theory emphasizes how individuals develop their mutual relationship by exchanging resources on the basis of norms of reciprocity, where individuals in a relationship bring a set of mutual expectations or obligations (Zhang et al., 2019). Levinson et al. (1962) and Schein (1965) defined psychological contract as a set of mutual expectations between employees and employers regarding exchange of both tangible and intangible resources (Zhang et al., 2019). Later, Rousseau (1989) viewed the psychological contract in employment relationship as an unwritten agreement between employees and employers regarding perceived mutual obligations. On the basis of the understanding of these conceptualizations of the psychological contract in employment relationships, it can be argued that Argyris (1960) emphasized solely on the exchange of tangible or economic resources in employment relationships due to the fact that in 1960s, the US economy was characterized by massive industrialization i.e. transformation of agricultural economies into industrial economies, and industries were engaged in mass production characterized by production of standardized products in bulk quantities.

It stimulates the need for employee productivity and efficiency in order to reduce production costs. Besides, in the industrialization era, employers were mainly influenced by the Taylor's theory of scientific management (1914), which emphasized that workers are motivated mainly by pay. So, in response to such convictions, mutual agreement was created between employees and their employers in terms of exchanging tangible resources i.e., higher wages in return for greater production output. Therefore, Argyris (1960), being an American theorist and influenced by the conception of the US industrialization, stressed solely on the exchange of tangible or economic resources without highlighting the intangible exchanges in employment relationship. Later, Levinson et al. (1962) and Schein (1965) recognized the importance of intangible exchanges in employment relationships like, opportunities for

employee involvement in organizational decision making, flexibility, and greater autonomy on job, employee training and development, favorable working conditions, constructive feedback on employees' performance, and respect and recognition to employees in return for commitment and loyalty to the organization. Such intangible exchanges got considerable attention when employers started to recognize the importance of laborers as 'human resources' that needed to be managed effectively in order to generate competitive organizational outcomes.

Need of Psychological Contract

Undoubtedly, in this era of dynamism characterized by globalization, technological breakthroughs, increased workforce diversity, and competitive pressures, uncertainty is prevalent in organizations' environment. The uncertainty in environment can also causes confusion in role perception and role expectation. The incongruence between one's 'role perceptions' and 'role expectations' makes it difficult for individuals to anticipate and fulfil the perceived reciprocal obligations or expectations associated with social exchanges in a relationship. It has been argued by Brooks et al. (2010) that the global environment is uncertain due to rise in globalization, increased international trade, aggressive competition, revolution in information technology, and inter-dependence of countries, which require organizations to be responsive to the changing employees' and customers' needs or expectations in order to compete in the international market. It suggests that as our surrounding environment is characterized by uncertainty and change, so the needs and expectations of individuals operating in the environment also evolve and change with environmental fluctuations. Therefore, there is a need to effectively anticipate and fulfil the perceived reciprocal obligations or expectations associated with social exchanges in mutual relationships that are crucial in maintaining successful interpersonal relationships in order to achieve one's objectives. For instance, due to an increasing trend of women employees in the workforce and in response to women empowerment, female employees now tend to expect from their employers to provide them daycare services in order to cope up with work-life conflict. As a result, contemporary organizations now perceive it their obligation to provide daycare services to female employees in order to remain a competitive employer.

However, in response to changing environmental conditions including competitive pressures, labor market conditions, and organizations' HR policies, the perceptions of employer and employees regarding mutual expectations or obligations have been changed. In such dynamic

environment, the employment relationship is characterized by flexibility and self-reliance (Maguire, 2003). It can be argued that the content of exchange in an employment relationship changes with the changing needs of the individuals

Key Factors Influencing the Psychological Contract

Reciprocity

Owing to the rule of reciprocity, psychological contract can motivate others to fulfill mutual commitments (Soares, & Mosquera, 2019). As per the reciprocity, an individual responds to the courtesy given by others or a rewarding action. On the other hand, in response to antagonistic behavior by others, individual can demonstrate anger (Fehr & Gächter, 2000). One of the key factors that influences psychological contract is reciprocity which play an important role among individuals. Therefore, an individual at workplace can be inspired to complete his responsibilities when that individual is sure that the expectation will be met. The managers need to understand the reciprocation of psychological contract.

Psychological Contract Explicitness

This term refers to the simplicity of mutual responsibilities that are not written in a contract (Conway & Pekcan, 2019). The unwritten Psychological contracts are based on the perceptions and expectations (Kraak, & Linde, 2019). A study found that at workplaces, individuals' perceptions regarding responsibilities comes from divergent sources, and based on the return reaction (Alcover et al., 2017), if not clarified that can cause uncertainty among the individuals (Haggard & Turban, 2012). Moreover, financial incentives can be measured objectively, whereas, some intangible interactions for instance Organizational support are considered relatively subjective (Alcover et al., 2017).

Performance Feedback

One of the factors that can help to interpret psychological contract is performance appraisal and regular feedback (Haggard & Turban, 2012; Conway & Pekcan, 2019). The regular feedback based on communication among individuals and managers can help to understand the psychological contract and positively reduce the chances of the breach (Conway & Briner, 2005). Several authors suggest that at workplaces, employees tend to focus and believe in informal communication as compared to formal routine official communication (Forsyth, 2018; Conway & Pekcan, 2019), thus, communication leads to explicitness of the psychological contract. Social relationships play a key role in the effectiveness of communication at workplaces (Conway & Briner, 2005; Conway & Pekcan, 2019). Managers can focus relationship to avoid breach of the psychological contract as compare to the tasks

only (Forsyth, 2018). Further, at workplaces, managers who believe in relationship are receptive to the interactions and expectations of subordinates (Gill, 2016).

Culture

In addition to changing expectations of individuals due to changes in global environment, the national culture issues of Pakistan necessitate understanding of the importance of anticipating and fulfilling the perceived mutual expectations in interpersonal relationships in the Pakistani context. In the analysis of cultural dimensions of 200 countries, Hofstede (1980) revealed that Pakistan is ranked higher in the uncertainty avoidance and more power distance among managers and employees. Further he explained that countries which have high power distance have more issues of equalities. Although, these findings were presented by Hofstede in 1980, however, keeping in the view the current social, economic, and political insecurity in Asia, particularly in Pakistan, Pakistan scores relatively more on ‘uncertainty avoidance’ and ‘power distance’ in the current era. Hence, it is necessary to effectively anticipate and fulfil the changing needs and expectations of individuals in mutual relations in order to cope up with uncertainty and to maintain successful interpersonal relationships (Kutaula et al., 2020). Besides, considerable power imbalance between employees and employers exists in the country as in most cases employees don’t have considerable power in terms of rare skills or competencies and they are highly dependent on the employer as they are on the employer’s payroll. Therefore, due to such power distances, it is likely that individuals in privileged positions may exploit weaker individuals and may deliberately fail to fulfil their perceived obligations in social relationships, which may hinder successful interpersonal relationships in organizations (Yang, 2019). Apart from power distance, organizational culture has many facets, this paper focuses on organizational culture as an environmental factor.

Environmental or contextual factor is a key cause to influence perceived psychological contract fulfilment. The set organizational culture based on the norms ,values and expected behavior provide signals to the employees to shape up their expectations, evaluations to as per employment contract (Rousseau & Greller, [1994](#)). As per the theory of social exchange, if individuals’ believe that the organization has completed the set promises reasonably, the individuals in organization will reciprocate with strong obligations and bonds to organization (Richard et al., 2009). Which is not in practice in other part of world for instance in Europe (Morris et al., 2008).

Similarly, some other facets of organizational culture, for instance, employees' reward policy, job status (full time or part timer), and empowerment to name few may also influence psychological contract in organizations. Reward systems moderates the psychological contract breach negatively (Kwok et al.,2021). However, on job status, though it is differed on some behaviors (outcomes), the, associations among psychological contract fulfillment and its consequences may not affected by work status, suggesting, that employees may respond in similar fashion irrespective of their job status (Conway & Briner, 2002). On the other hand, in some organizations, where focus is on employees' involvement in decision making, generates a problem. Empowering employees can be a false belief regarding their powers that is an illusion eventually. This leads to a breach and trigger counterproductive behaviors (Paul et al., 2000).

Individual's Expectations

Individuals' expectations often fluctuate depending on their mood swings, needs, and cognitive biases, such as, first impression bias or selective perception bias; thus, those may lack specificity of exchange items and time frame. Failure to fulfil the mutual expectations in a relationship may not necessarily lead to legal penalty unless the expectations are based on law binding obligations. It is likely that due to informal nature of such expectations, the employer may not clearly communicate the expectations to his employee, and the employee fails to fulfil the expectations because he may not be certain about them. It may be perceived by the employer as violation of the psychological contract but he can't legally penalize the employee. Individual's expectations are based on cost benefit analysis. It can be argued that the traditional notion of cost-benefit analysis cannot be generalized to all social relationships. In order to understand this argument, it is necessary to understand the distinction between 'transactional contracts' and 'relational contracts. Transactional contracts are short term contracts based on economic exchanges, whereas, relational contracts are long term contracts based on trust, and include both economic and social exchanges (Conway & Pekcan, 2019). Singh (1998) argued that the traditional psychological contract in an employment relationship was characterized by job security in return for hard work and loyalty. It is because in order to motivate an employee according to Maslow (1943), employer is required to understand the level of the needs hierarchy on which the employee stands, and then he is required to satisfy the employee's need at that level. For instance, in the era of industrial revolution in 1960s, the massive transformation of agricultural industries into manufacturing industries resulted in job loss for those individuals who were unable to work in manufacturing industries owing to

lack of skills required for the jobs. At that time, those individuals who managed to get jobs in manufacturing industries were required to fulfil their safety needs in terms of job security. So, in order to motivate the employees to bring more productivity on jobs, the employers developed the psychological contract with the employee that was characterized by job security in return for hard work and loyalty. As individuals move on the hierarchy of needs, their expectations from others begin to change in response to their changing needs. For instance, in these days of environmental insecurity, female employees require to fulfil their safety needs i.e. protection from physical and emotional harm. So, they expect their employers to provide them protection from workplace bullying or harassment. Therefore, in order to motivate female employees, employers have now included provision of harassment free workplace in content of exchange in the employment relationship.

Besides, individuals in an employment relationship are likely to perceive breach or violation of the psychological contract when they sense that their expectations driven from their needs are failed to be met by other individual in the relationship (Ejimonyeabala, 2014). Breach of the psychological contract refers to one's awareness that expectations are not fulfilled, whereas, violation of the psychological contract refers to one's emotions resulting from the awareness that expectations have not been fulfilled (Coyle-Shapiro & Parzefall, 2008). On the basis of such distinction between contract breach and contract violation, it can be argued that contract breach refers to cognitive element (thoughts) of one's attitude (belief) while contract violation refers to affect (emotions) element of the attitude. So, it can be suggested that an individual's cognition (thought or awareness) influences his affect (emotions) that in turn influence his attitude (belief). On the basis of Ajzen's theory of planned behavior (1985), it can be argued that an individual's attitude comprising cognition and affect, subjective norms, and perceived behavior control may influence his intentions that in turn may influence his behavior. For instance, an employee is aware that his expectation, such as, promotion has not been fulfilled by the employer, which may generate negative emotions like, resentment or distrust on the part of the employee. The employee's awareness (perceived breach) and emotions (perceived violation) may collectively form his belief that the employer is biased towards him (attitude). Besides, the peers in the workplace reinforce the employee that the employer is unjust and biased (subjective norms), and the employee views that other employment opportunities exist in the industry where he may get promotion prospects (perceived behavior control). The employee's attitude, subjective norms, and perceived behavior control may lead to the employee's intention to quit the organization, which in turn

may cause him to leave the organization. The Psychological contract breach due to the managers' abusive behaviors, for instance, open criticizing, making fun, and intimidating lead to the grievance of the employees (Jensen et al., 2010). It may cost a week or so to cover the grievance. Although individual perspective plays key role in the psychological contract, however, for normal business continuation the relationship between managers and employees plays strategically an important role (Bogdanovic et al., 2016).

Employer's and Manger's Perspective

Managers act as agents of the employers and act as a bridge between employer and employees where needed to achieve organizational objectives. The cooperation and coordination are very important, however, in some cases where employees' perception is different from the managers regarding psychological contact and nothing happens on employees' efforts based on their perception it hinders organizational success (Bogdanovic, et al., 2016). Several authors explore the concept of psychological contract, through the lens of the employees only, however, as it is a mutual contract which is unwritten, an employers or senior management's perspective is also important to better understand the concept. Some questions may arise, for instance, which type of model can explain it empirically, what could be the best communication method and what content need to be communicated by management to the employees, this research suggest that these queries merit empirical investigation (Guest & Conway, 2002; Dabirian, 2021). Through the lens of employer, psychological contract breech can be reduced by constant communication between with the employee regarding their tasks and issues related to training, work life balance, and career progression. Certainly, communication like performance appraisal is also an opportunity by senior management to reduce the breech (Rousseau, 1995). The employee-employer relationship on regular basis is considered through job security and in return employees' loyalty is diminishing in the current business dynamic environment. Now, the employ and employer/manager relationship, are technology based such as virtual teams, and multidisciplinary teams based on flexibility (Robbins et al., 2013). Hence, this liveliness has may influence the ambiguity in employee-employer interactions (Alcove et al., 2017). This ambiguity may influence uncertainty in employees' perception, and managers' expectations (Robbins et al., 2013). Therefore, in order to uphold fruitful employment relationships, it is essential for members of an organization to accomplish their obligations to one another, which require understanding of the notion of psychological contract.

Organizational Justice

In order to understand the psychological contract breach and violation, it is essential to understand the forms of organizational injustice that may lead to perceived breach or violation of the contract. Shore & Tetrick (1994) described three forms of organizational injustice such as, distributive injustice, procedural injustice, and interactional injustice. Distributive injustice refers to perceived inequity, procedural injustice refers to perceived unfairness in the process and interactional injustice means that individuals affected by the decision are treated with disrespect. On the basis of the conceptualization of the forms of organizational injustice it influences employee psychological contract breach (Estreder et al., 2021). Employees' perceive that the salary increment he receives does not represent his performance rating on the job (distributive injustice), he is not given the opportunity to present his view to the decision makers who allocate salary increments to employees, and he is not given the explanation of why has been given the particular salary increment (procedural injustice), besides he perceives that his supervisor rudely tells him about his salary increment (interactional justice), then the employee may have an overall perception that the organization is unfair (organizational injustice). Due to these forms of injustice perceived by the employee, it is likely that the employee perceives the psychological contract breach and violation. Besides, it can be suggested that in a transactional contract, the employee may likely to focus more on distributive justice due to short-term duration of the psychological contract. Whereas, in a relational contract with power balance between the employee and the employer, the employee may likely to focus more on interactional justice, and in case of power imbalance in a relational contract, the employee may likely to focus more on procedural justice. In addition to understand the forms of organizational injustice that may lead to perceived breach and violation of the psychological contract, it is worthwhile to understand how employees respond to the perceived violations (Estreder et al., 2021). Other forms of distributive justice could be pay difference, ideology difference (deep level diversity). The distributive justice is based on individual expectations about consequences, that may be due to economic and sometimes due to social economic factors (Cropanzano et al., 2001). In future research, as described by Turnley & Feldman (1999) employees' four responses to the psychological contract violation such as, voice, loyalty, neglect, and exit can be explored. Similarly, role of gender can be examined in violation or breach of psychological contract (Duran et al., 2019).

Implications

Several managerial implications can be highlighted from this review. As Psychological contract breach can be avoided, when managers consider it a reciprocal exchange activity. Managers can avoid the breach by better communication, more employees' empowerment. This should be in focus for better future relation among employees and managers, enhanced commitment and finally better productivity at workplaces. Managers can revisit the employment contract, relook the job analysis, more focus on training and the organizational justice system to name few. Theoretically, as psychological contract is reciprocal in nature, the factors discussed in this review provide a base for this reciprocity. For instance, organizational culture, employees and employers' perspective, and formal feedback are some of the key factors. Both employees and employer can hold back their negativity through good communication to create a positive organizational culture. More focus on formal communication, transparency in performance appraisal can build a bond. Managers need to understand that psychological contract breach can negatively affects victim's psychological wellbeing through lower job satisfaction, lesser commitment to perform tasks in-role and extra-role behaviors, and demotivation to continue with the employment relationship

Conclusion

In sum, in this dynamic environment, anticipating and fulfilling the perceived reciprocal obligations or expectations in mutual relationships are crucial in maintaining successful interpersonal relationships because the surrounding environment is characterized by uncertainty and change, so the needs and expectations of individuals operating in the environment also evolve and change with environmental fluctuations. Besides, the national culture issues of Pakistan characterized by power distance and uncertainty avoidance necessitate understanding of the importance of anticipating and fulfilling the perceived mutual expectations in interpersonal relationships in the Pakistani context. The Psychological contract breach due to the managers' abusive behaviors, such as, open criticizing, making fun, and intimidating lead to the grievance of the employees. Employees' grievances always cost to organizations, sometime work withdrawal, damage to property or equipment, and political lobbying. Psychological contract, though, is unwritten agreement, it is reciprocal in nature. In order to provide understanding of the reciprocal exchange in a mutual relationship, researches have defined the term 'psychological contract' in terms of mutual expectations and obligations. The content of exchange in the psychological contract changes in response to changing individuals' needs owing to environmental changes. When individuals in the

contract perceive that their expectations are not fulfilled, they are likely to perceive breach and violation of the psychological contract, which may result in exit. In order to understand the psychological contract breach and consequences of the perceived breach, it is essential to understand both employer and employee perspectives. Managers as agent can act as a bridge between employee and employers to reduce the rift between both parties. To reduce the uncertainty both employee and employer need to understand the notion of psychological contract. Some other factors, for instance, organization size, nature of the organization, managerial values, and employees' gender can also be investigated to better understand the psychological contract and its breach.

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