

# The Importance of Respecting the Psychological Contract by Managers

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**Abstract.** The paper wants to be an alarm signal that non-compliance with the psychological contract by managers can negatively affect the organizational climate. The paper starts with a selection of the most important aspects of the literature on the psychological contract. The results of this study from secondary sources are interpreted in terms of the current socio-economic context, showing the possible negative influences of economic crises and pandemics such as COVID-19 on compliance with the psychological contract in organizations. The situations of violation of the psychological contract by the management can be numerous in this context. Therefore, the paper then presents an exploratory research conducted online, the respondents being employed in various companies in the Sibiu County (Romania). The main objectives of the research were to find out the importance of the psychological contract for employees and how it is or is not respected by managers. The results showed that the psychological contract is very important for respondents, but their perceptions of compliance with it are influenced by the crises faced by the organization. Another important conclusion shows that, in the opinion of the employees, many managers from the organizations in Sibiu County do not respect the psychological contract.

## 1 Introduction

Starting with coining the concept of the psychological contract [1] and its widespread use in economics [2, 3] until today, its importance in human resources management has permanently increased. To the extent that promises, obligations and expectations are the essence of the psychological contract, all of this deserves greater control from the management of each organization [4].

Psychological contracts are based on the mutual trust of employees and employers, on their relationships and obligations with each other [5]. The psychological contract specifies what the individual and the organization expect to give and receive from each other during their working relationship [6]. Regarding the violation of the psychological contract by management, specialists show that "the strongest reactions to organizational injustice occur when an employee perceives both unfair outcomes (distributive injustice) and unfair and unethical procedures and treatment" [7]. Therefore, our paper wants to highlight the

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importance of respecting those contracts by managers and to be an alarm signal that non-compliance with the psychological contract by managers can negatively affect the organizational climate.

## **2 Threats for the compliance of the psychological contract**

The duality of perspectives of psychological contract analysis derives from the fact that we are tempted to approach the problem either only from the employee's perspective or only from the organization's perspective. But to look at both the motivations of the individual and the organizational conditions and practices, we need a systemic approach [8]. Experts argue that ownership can be a basis for the congruent understanding of the psychological contracts by employers and by highly mobile, economically valued workers [9].

“Human resource practices play a vital role in signalling the message in terms of shaping the psychological contract” and “acts as a mean through which organization communicates about the exchange relationship and which lead to the formation of psychological contract” [10]. Therefore, we appreciate that in the context of the current turmoil in the business environment, a possible threat to the psychological contract may be generated even by certain inadequate human resource practices. Thus, the overvalued promises made to future employees during recruitment and selection, the frequent appearance and disappearance of career promotion opportunities, the provision of too tiring or unnecessary training, the lack of training and the inadequate reward of performance, all represent strong threats to the psychological contract.

In our experience as teachers, we have often had informal discussions in recent years with students employed in various organizations, on the topic of details contained in job descriptions. Most of them stated that, starting with the recruitment announcement, continuing with the job interview and then with the work in the organization, Romanian human resources practitioners and their managers asked them to perform more tasks than provided in the job description. We do not know if it is a matter of simple convenience in drafting these sheets, or it is a matter of a more serious aspect, caused by the existence on the Romanian labour market of a higher demand than supply: the desire to subordinate the individual in an unethical manner. If we somehow face the latter case, then the employee will no longer be happy to be part of a strong organization that protects him, but will feel like a mechanical part of an over speed machinery.

“Human resource practices and psychological contract should be updated periodically by analysing the needs of the employees” [10] and (we add) managers should try to overlap these needs with those of the organization.

In the context of economic or social crises, such as the one generated by the COVID-19 pandemic, there is also the additional risk that employees and managers alike will distort the observance of certain points in the psychological contract.

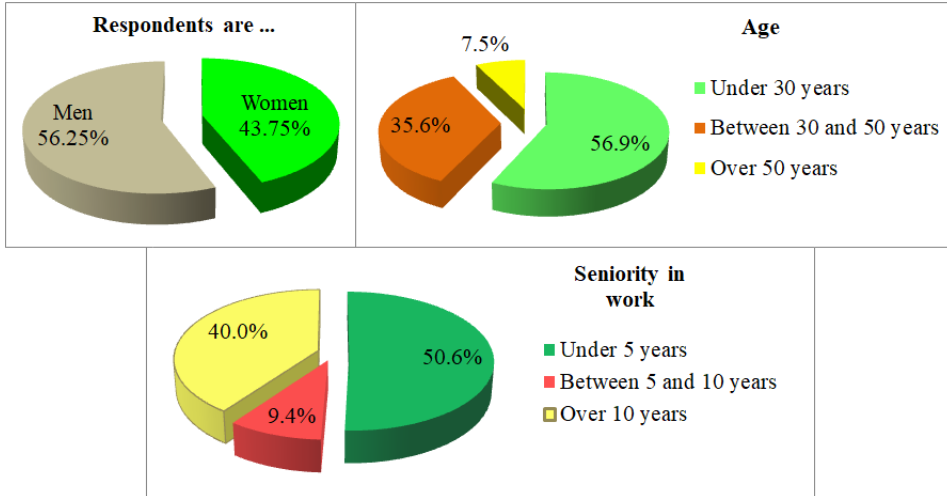
## **3 The exploratory research**

The main objectives of the research were to find out the importance of the psychological contract for employees and whether it is respected by managers or not.

### **3.1 Methodology**

We have conducted the research online, by posting a questionnaire on the Google Docs platform in the middle of January 2021 and making it known to many employees from different companies in Sibiu County, Romania. To increase its relevance, the research can

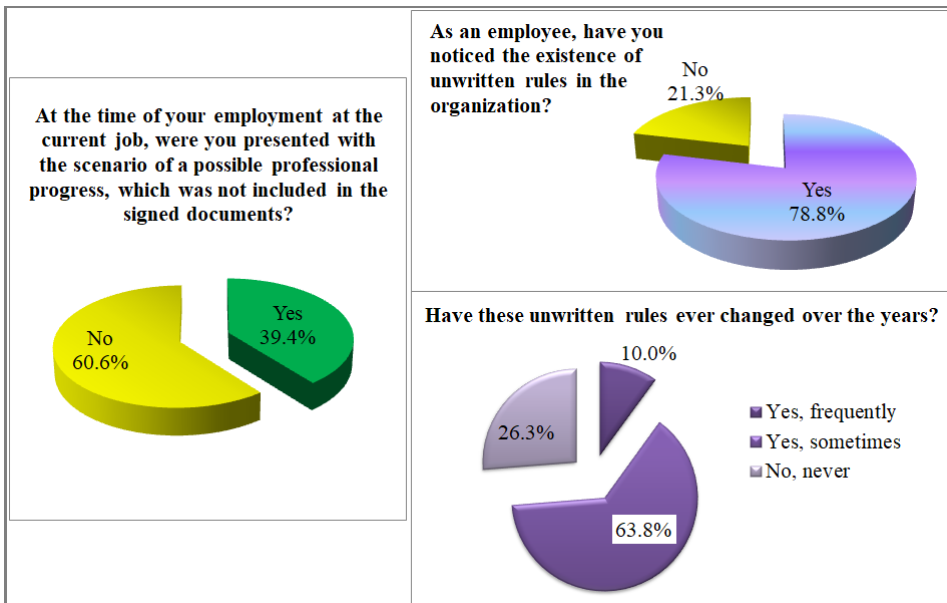
be extended in the future to other areas of Romania. Our questionnaire was available to those interested in the subject for three weeks. We have collected 160 questionnaires from employees of different ages and with different seniority in work (Fig. 1). We have chosen as intervals of seniority in work the three in Figure 1, so that there is a concordance with the statistics made by specialists on the frequency of job change [11, 12].



**Fig. 1.** Characteristics of respondents.

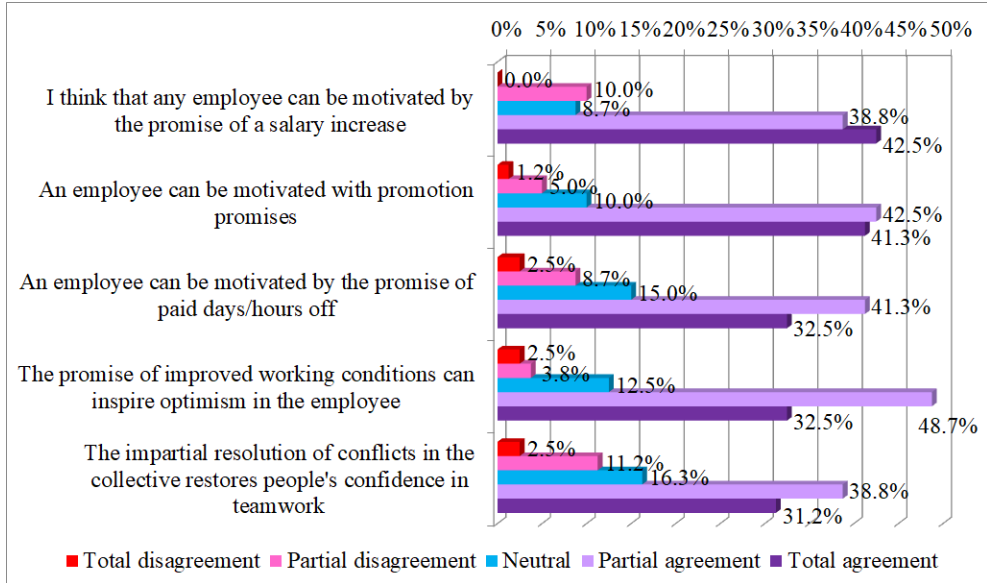
### 3.2 Main results

The first three questions of the questionnaire were introductory, trying to find out whether or not respondents noticed the existence of unwritten rules in organizations, starting with promises made to them since employment (Fig. 2).



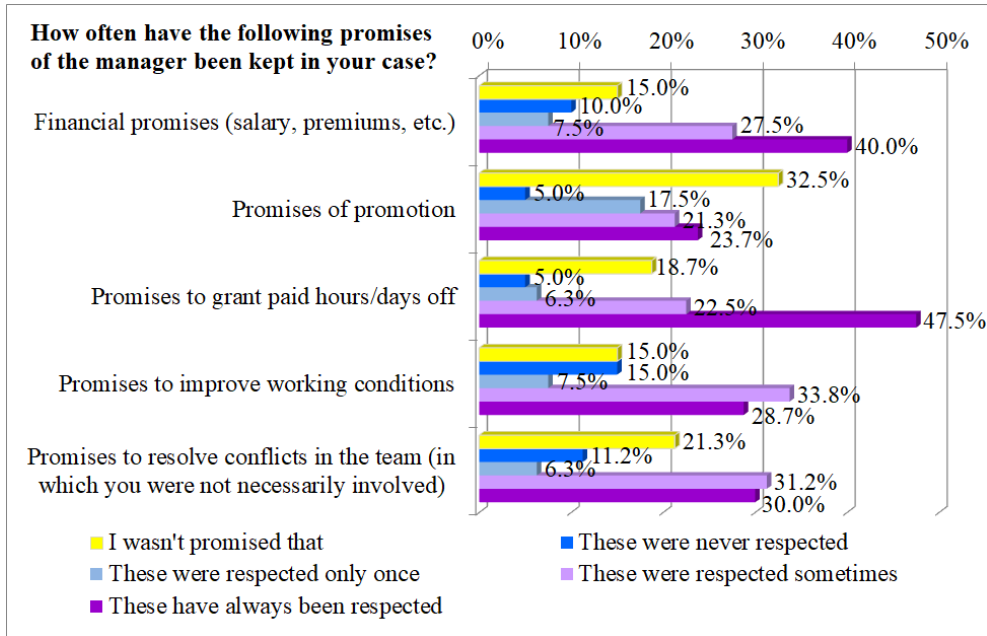
**Fig. 2.** The answers recorded to the introductory questions.

The importance of the psychological contract for the respondents was highlighted by asking them to tick the agreement with a series of sentences (Fig. 3).



**Fig. 3.** The importance of several aspects of the psychological contract for respondents.

Another question aimed to find the respondents' opinions regarding the degree in which managers comply with the psychological contract (Fig. 4). We notice from the beginning that managers in the Sibiu area do not frequently make promises related to employee promotion (32.5% of respondents have never received such promises).



**Fig. 4.** How managers respect the psychological contract.

For the evaluation of the answers we used a scale from 1 to 5, giving the value 1 for the variant "they were not promised to me" and 5 for the variant "they were always respected". The averages of the answers were: 3.675 for financial promises, 2.988 for promises of promotion, 3.750 for promises of paid hours/days off, 3.462 for promises to improve working conditions and 3.375 for promises to solve conflicts. From the perspective of these elements, the observance of the psychological contract by the managers can be classified as mediocre.

Respondents had to specify in one of the questions how the promises made by their manager or colleagues were kept and how they themselves kept their promises to others. The question asked them to compare how were kept these promises before the onset of the COVID-19 pandemic and after. Of course, we are all tempted to give more importance to the things we deserve than to the obligations we have.

On one hand, regarding the promises made by the respondent to the manager, only 3.8% of respondents said they respected them more before the pandemic. Regarding the promises made by the respondent to a colleague, 6.3% of respondents said they respected them more before the pandemic.

On the other hand, regarding the promises made by the manager to the respondent, 16.3% of respondents said the manager respected them more before the pandemic. Regarding the promises made by the manager to a colleague of the respondent, 21.3% of respondents said the manager respected them more before the pandemic.

Taking into account the differences in perception within a bilateral relationship, if we simply decrease the percentages, for the respondent – manager relationship we obtain a "disadvantage" of 12.5% for the manager. For the relationship between the respondent's colleague and the manager, the disadvantage increases to 15.0%. The differences show that, from the perspective of assessing compliance with management promises, the perception of employees in Sibiu County (Romania) is influenced by the onset of crises.

## 4 Conclusions

The results showed that the psychological contract is very important for respondents, but their perceptions of compliance with it are influenced by the crises faced by the organization. Of course, this research can be extended in the future to other areas of Romania, to increase the level of significance of the results.

Anyway, in the opinion of most of our respondents, many managers from the organizations in Sibiu County do not respect the psychological contract.

Even so, we believe that employees and managers are, perhaps for the first time in history, on the same side of the barricade regarding the psychological contract, because the effects of the COVID-19 pandemic have forced both parties not to keep their promises. It is true, most of the time managers have the formal power in the organization, and employees are under the influence of this managerial power. But, for the SME managers, for example, it is sad to see how the power is taken over by other stronger forums, which claim to protect the health of their employees through rules meant to make a part of them professionally inactive. The whole theory of sustainability collapses in the mind of the manager, after years of instilling it in employees. The manager who tried to monitor all environmental factors and tried to prevent any turbulence in the organizational environment with many strategic scenarios suddenly finds that an element like COVID-19 overturns all forecasts and all promises made to employees. Managers find it hard when trying to adapt their strategy to the so-called natural factors. We believe that this pandemic will, surprisingly, have the effect of partially overlapping the two perspectives on the psychological contract, that of the employee and that of the organization. But only future research will be able to confirm or disprove this assumption.

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