

The Psychological Contract and Employee Job Performance: The Role of Employee Involvement

*Walusimbi Yunus¹ and Aerni Isa²

¹Faculty of Management Studies Islamic University, Uganda, Uganda.

²School of Management & Marketing, Faculty of Business & Law, Taylor's University, Kuala Lumpur, Malaysia

*Email: walusimbiyunus2017@gmail.com

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Abstract

Many organisations today are bothered by how to ensure good employee performance whose main aim is to remain competitive given a stiff competitive environment. There has been growing belief that the psychological contract influences employee performance in an organisation without knowledge that this relationship can well be enhanced with employee involvement. This study specifically focused on the psychological contract and employee job performance with a focus on employee involvement and how it mediates between the adoption of the psychological contract and employee job performance in an organisation. In establishing this linkage, the authors employed a qualitative systematic review with a Prisma in which the researcher's reviewed literature that relates to the variable in the study to reach at a logical conclusion. The findings revealed that while the psychological contract affects employee job performance, involving employee will result into more positive results to employee job performance. Where the psychological contract is positive and employees are well involved will lead to better employee job performance which will also have a positive impact on business performance.

Key Words: Psychological contract, employee job performance, involvement, the mediating role, impact on business performance.

Introduction

The search for competitiveness by many organisations today has prompted organisations to ensure that there is a psychological contract established between the employee and the organisation/ employer. When we say psychological contract, Estreder *et al.* (2019), it means the employees' perception about his employer as well as his/her obligation to the employer. The contract will depict the emotional attachment between the employee and the organisation. The psychological contract is that feeling of boldness, Chaubey *et al.* (2015) that the employees feel with the organisation as a result of the relationship established between the employee and the organisation. In this relationship, each values the other, employee and the employer which even affects the performance of the employees and later the organisation.

The changes in the economic and social environment in which firms operate, Hartinah *et al.*, (2020), has changed the nature of employment relationship that have far reaching consequences for the employer and the employees in an organization, Rousseau *et al.* (2018). In this changing environment the key issue is how can the organization gain the commitment of its employees and attain good performance. This rather complex situation can well be explained by the psychological contract, Sachdeva (2020) in which the contract will well spell out how the employer is relating with the employee. Today employees would be very much interested in knowing about why managers have made a decision X, how can they contribute their ideas to the functioning of the organisation and how meaningfully they can feel valued and empowered. The answers to these calls for involvement of employees which demands that the organisation will be honest and committed to employee wellbeing. It's about the creation of an environment in which employees have a say in the decision making in the organisation about things that affect them and their jobs.

In a study conducted by Tsui *et al.* (2013) studied about the psychological contract and organisational commitment on employee performance, Nwokocho (2015) looked at the psychological contract and employee performance with employee retention as the mediating variable. Kiazad *et al.* (2019), studied how the psychological contract fulfilment leads to employee extra role behaviour and Maia & Bastos (2019) studied psychological contract and organisational commitment. Eyoun *et al.* (2020), looked at the relationship between psychological contract and performance appraisal with generation difference as the mediator and Sachdeva (2020), studied the effect of the psychological contract on employee performance. None of these studies so far have studied the how the psychological contract affects job performance with employee involvement as the mediating factor. Because no study has been done in this area the study therefore feels the gap by examining the role of employee involvement in the linkage between psychological contract and employee involvement in an organisation. This study specifically focussed on the psychological contract and employee job performance with a focus on employee involvement and how it mediates between the adoption of the psychological contract and employee job performance in an organisation.

Problem statement

Increased global competition has fostered the need for organisations to adopt the psychological contract in their performance culture. Today in many organisations the world of work is changing and the psychological contract is becoming more significant in work place. While there have been studies about the psychological contract and employee performance in which the results were positive, there has been no study that has looked at the psychological contract and employee performance with employee involvement as the mediating variable. In a study conducted by Tsui *et al.* (2013) studied about the psychological contract and organisational commitment on employee performance, Nwokocho (2015), he looked at the psychological contract and employee performance with employee retention as the mediating variable, Kiazad *et al.* (2019), studied how the psychological contract fulfilment leads to employee extra role behaviour and Maia & Bastos (2019), studied psychological contract and organisational commitment, Eyoun *et al.* (2020), looked at the relationship between psychological contract and performance appraisal with generation difference as the mediator and Sachdeva (2020), studied the effect of the psychological contract on employee performance. None of these studies so far have studied how the psychological contract affects job performance with employee involvement as the mediating factor. Because no study has been done in this area the study therefore feels the gap by examining the role of employee involvement in the linkage between psychological contract and employee involvement in an organisation. The theoretical gap in this study is that while many studies have looked at the social exchange theory none of them have looked at the social exchange theory in relation to psychological contract and employee job performance. Kingshott (2006), in his study looked at the impact of psychological contract and commitment. The sociological theory was used in reference to Trust and Commitment within Supplier-Buyer Relationships but not employee performance with employee relations as a mediator. Pohl *et al.* (2016), in their study looked at sociological theory and the psychological contract and its implication for job outcome with particular attention to commitment but the study did not use performance and employee relations as a mediator. This therefore suffices to use the sociological theory in this relationship.

Purpose of the study

To examine the relationship between psychological contract and employee job performance.

To examine the mediating relationship of employee involvement between the psychological contract and employee job performance.

Research questions

What is the relationship between psychological contract and employee job performance?

What is the mediating role of employee involvement between the psychological contract and employee job performance?

Literature review

The psychological contract

A psychological contract is two sided and there must be a reciprocate between the two parties, Newaz *et al.* (2020), and in so doing the employee feels more attached to the organisation and the employer feels more attached to the employees. In a psychological contract, Estreder *et al.* (2020), the contract is based on the obligation that both the employer and the employee have in this relationship. While the employer is expected to provide work and a better working condition, the employee is expected to do work and also maintain royalty with the organisation, Sachdeva (2020). The extent to which employee feel about their work and the organisation, Sachdeva, (2020), will determine if there is a psychological contract. If there is a perception that employee's efforts are not recognized there will be an effect on the organisation citizenship behaviour, Shen, Schaubroeck, Zhao & Wu (2019), and the perceived unfairness is likely

to lead to high labour turn over. The moment there is a feeling that this so called “contract” has been fulfilled the employees will perform better at their work, Sachdeva (2020).

Employee Job performance

Employee job performance, June (2020), is what the employee brings to the organisation as value derived from what the employee does as work that is carried out over a standard period of time. Important to note is that performance is as a result of discrete behaviour that occurs over a span of time, Dousin *et al.* (2019). Because performance is as a result of behaviour, there are sets of behaviour that support good performance, Chukwu (2019), and others that support poor performance of an individual and this is what causes a difference in performance. When we talk about performance, Swanson, *et al.* (2020), we mean that behaviour that can create a difference in the performance of an organisation. Therefore, good behaviour is likely to lead to better performance within the organisation and poor behaviour will lead to poor performance within the organisation. Most important to note is that the behaviour exemplified should be that behaviour that the organisation values, Virgă *et al.* (2019). The use of performance indicators can be very good instruments that can be used to depict good performance within the organisation, Roberts & David (2020). It is what people are expected to do, Marhayani & Ibrahim (2019), that characterises their jobs and once done properly will lead to better performance of the individual and the organisation as a whole.

Theoretical framework

The study adopted the social exchange theory in explaining the relationship among the variables in the study.

The social exchange theory. Based on the objective of the study which is to examine the relationship between psychological contract and employee job performance and to examine the mediating relationship of employee involvement between the psychological contract and employee job performance, this relationship can well be explained by the social exchange theory. The social exchange theory, Yu & Tsung-Lin (2020), dates back as 1958 when the American sociologist George Homans published his article called the social behaviour as exchange. Studies like that of Homans 1958, Thibaut & Kelley 1959 emphasize social behaviour in the social exchange process, Cropanzano, *et al.* (2017). Homans propounded the theory based on behaviourism, Barbalet (2017), the theory is based on the idea that a relationship between two people is created through a process of what does it cost me and what does it benefit me referred to as the cost benefit analysis. It therefore looks at what one gives in in a person-to-person relationship. Therefore, the social exchange theory, Emerson (1976) as cited in Zagenczyk, *et al.* (2020), reflects the social emotional issues in the employment relationship and how they are perceived by the other party. Normally those who feel have contributed great to this relationship and betrayed will feel bad when the organisation does not honour its contractual obligation in this relationship, Shen, Schaubroeck, Zhao & Wu (2019), and what happens is that they will reduce their effort to the organisation which will result in poor performance. The theoretical link between the independent variable and the dependent variable thru the sociological theory, Kingshott (2006), is that it is premised or is based on the fact that human relations are normally formed on subjective cost benefit analysis. Employee will always perform better if they expect something positive and when they get it, they will always show behavior occurrence that shows good performance.

Criticisms of the social exchange theory. The social exchange theory, Cropanzano, *et al.* (2017), has been criticized on the ground that it takes human behaviour as a social life as exchange which is not always true. There are individuals who will give in but may not expect something in return. The theory has also been criticised on the ground that it has reduced the social exchange to a mere economic traction which is not always the case. In a social exchange they are not transacting and it does not befit to be called an economic exchange. The theory has also been criticised on the ground that it does not offer answers as to why some people may abandon the relationship despite having no alternatives.

Employee involvement. Employee involvement, Odero & Makori (2018), is where employees are encouraged to participate in organisational functioning so as to use their input such that they can be able to achieve higher levels of performance and good organisational performance. When employees are involved, Frega, (2021), in decision making and problem solving within the organisation there are always increased autonomy within the work process that tends to enhance their performance. Employee involvement, Charles, *et al.* (2021), is a key factor in organisational effectiveness if organisations are wishing to survive the on-going competition because their involvement results into job satisfaction, commitment and a positive mood while at work. Managers have observed that employees who are involved in job assignments, van Assen (2021), were more efficient compared to those who were never involved in organisational activities.

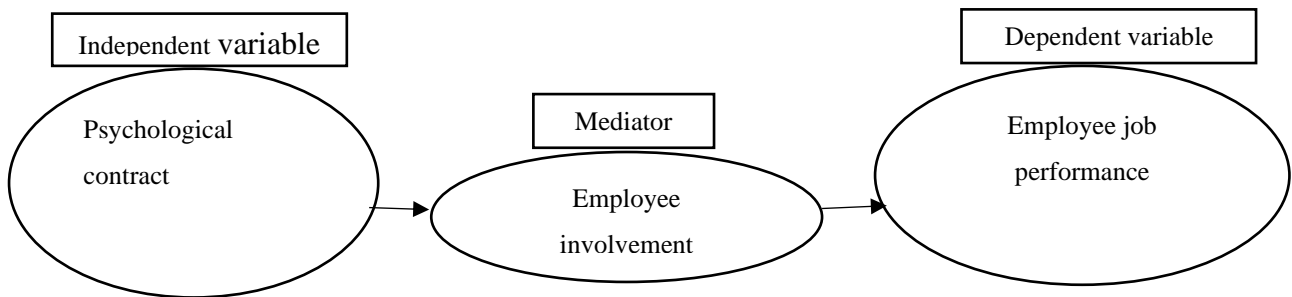


Figure 1: *Conceptual frame work*
Source: Researcher

In the conceptual frame work the independent variable is the psychological contract and the dependent variable is the employee job performance. It is anticipated that a when the employee develops a psychological contract with employers or organisation, they will improve in their job performance. However, this relationship is mediated by the involvement of employees in the activities of the organisation. However, much employees may feel attached to the organisation but the employer does not involve them in the day-to-day activities that concern them and their work their job performance will not be good and reverse is true. The basic premise in the relationship between the conceptual frame work and the study variables is that human relations are formed based on the cost benefit analysis and people will tend to repeat actions rewarded in the past, Tekleab, et al. (2020). When behavior is rewarded the more likely its occurrence. In relation to the study a psychological contract in place will lead to improved employee performance.

Methodology

Prisma flow diagram for literature review that guided the search strategy for the relevant articles and publications.

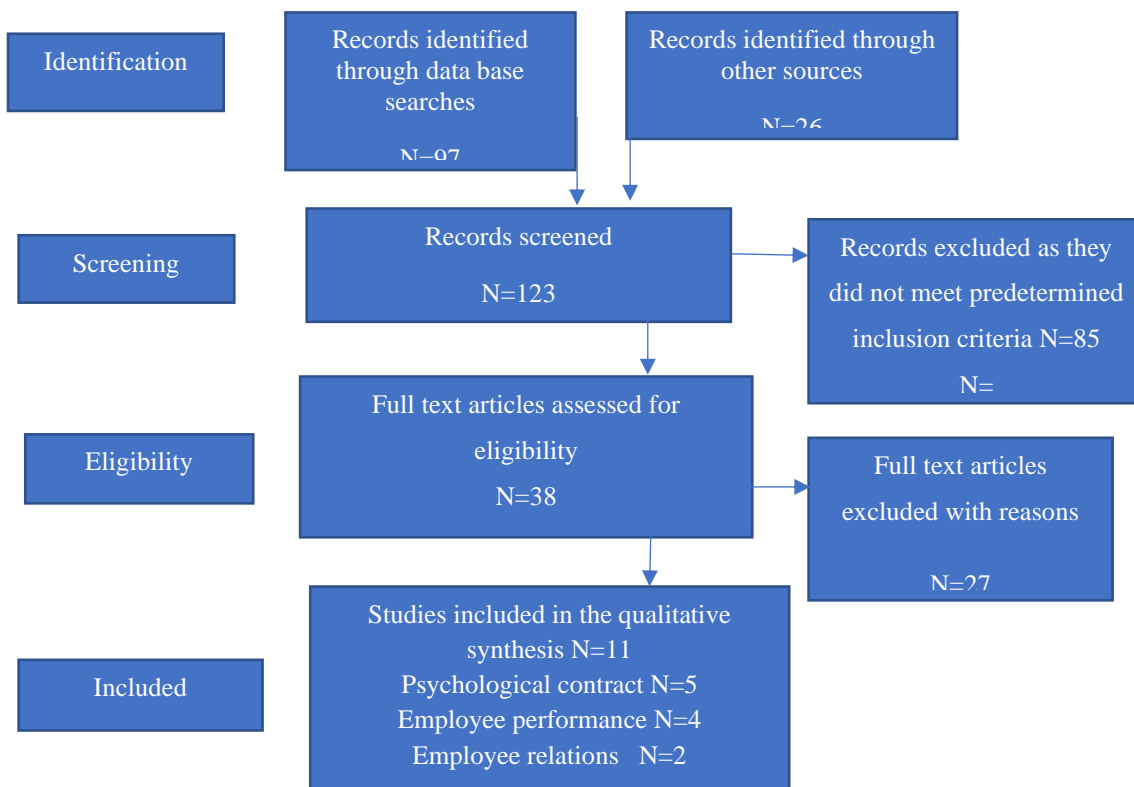


Figure 2: Prisma Flow

Figure 2 The search strategy guided by the Prisma flow diagram. Several articles assessed psychological contract and employee performance with mediating factor

The literature review was guided by the Prisma flow diagram as shown in Fig 1 above. Using the review methodology four steps were used to identify the possible studies and these were:

1. Searching with articles and abstract with (psychological contract) and employee performance with mediating role
2. Searching with abstracts and journal on psychological contract and employee performance.
3. Expert recommendations by reviewers
4. Using studies from step 2 and 3

The 1 step yielded 97 Articles and while step 2-4 yielded an additional 26 articles. In determining basic eligibility each record was checked to ensure that it appeared in a peer reviewed journal. Eligibility was further determined to ensure by reading to find out that the article ensured empirical findings and that psychological contract and employee performance were included as constructs and if a mediating factor was present which resulted into 11 empirical studies. The study employed a qualitative and narrative literature review design, Mohajan (2018), in which the researcher reviews literature that relates to the variable in the study to reach at a conclusion. This study has reviewed literature that is related to the variables in the study in form of articles and papers most of which are well designed in the area of psychological contract and employee job performance. The authors have also reviewed literature in the area of employee involvement to be able to show its mediating role in the relationship between psychological contract and employee job performance. Due emphasis was placed on its mediating effect and how it affects employee performance in an organisation.

Findings

Finding Objective 1: To Examine the Relationship Between Psychological Contract And Employee Job Performance. The psychological contract Estreder, et al. (2019), has a greater effect on employee commitment, mainly resulting from employee seeing the organisation as being fair and involving them in the work and the decision that affect them as employees in the organisation. Effective commitment, Tufan & Wendt (2020), is achieved through the emotional contact and the involvement that the employee gets which keeps their morale high resulting into good performance in the organisation. Effective commitment is also a commitment to the values of the organisation. Through the psychological contract, Kamau, et al. (2020), say that the employees and the employers do reciprocate positively when there is a feeling that the contract has been fully satisfied and they will normally reciprocate by ensuring that they perform better.

The attitude of the employees on the job is highly improved, Maia & Bastos (2019), finding a result of the psychological contract and this normally arises from the psychological feeling that employees get when they are involved in the affairs of the organisation. Psychological breach will be seen inform of reduced extra role behaviour in employees within the organisational functioning, Ma, et al. (2020).

Table 1 below shows the studies analysed and how relevant they were in the study

Author	Purpose	Study Design	Findings	Conclusion
Kamau, Maranga, & Mugambi (2020)	To establish and compare relationship on psychological contract and organizational commitment between public and private	Comparative study	Employees will normally reciprocate by ensuring that they perform better.	Employee involvement enhances employee performance
Maia & Bastos (2019)	The effects of fulfilment of the psychological contract and of affective organizational commitment on job performance	longitudinal study with employees and their line managers	The attitude of the employees on the job is highly improved	Employee involvement enhances employee performance
Van Gilst, Schalk, Kluijtmans, & Poell (2020)	examined whether remediation (providing another inducement to compensate for	Qualitative study	it is the trust that explain the rest of the employee's social behaviour that we	Employee involvement enhances employee performance

	an undelivered obligation in the psychological contract) was perceived as a useful way to deal with the consequences of a psychological contract breach in the context of organizational change.		see in the individual while doing his/ her work
(Tufan & Wendt, 2020)	study examines the contribution of the psychological contract (PC) framework to the understanding of ethnic minority employees' employment relationships.	Case study	Good employee relations as part of the psychological contract, (Tufan & Wendt, 2020) will help to enhance a positive feeling among employee which will generate team work and improve on work performance

Finding Objective 2: To examine the mediating relationship of employee involvement between the psychological contract and employee job performance. Employee involvement means when employee have had a direct participation in the activities of the organisation to enable it fulfil its objectives, Kasaya & Munjuri (2018). By doing so the employees are involved in the decision-making process of the organisation. It's about the creation of an environment in which employees have a say in the decision making in the organisation about things that affect them and their jobs. There is evidence from Thakur, Kothiya, & Bera (2020), that employee involvement in the decision making of the organisation is key to organisation performance. Involving employees, Van Assen (2020), helps to build a sense of commitment and cohesion within the organisation which promotes productivity in the organisation. This is because employee can now share innovative ideas and also enables them to share their expertise which promotes productivity in the organisation. The table 2 below summarises the findings of the study.

Table 2 Summaries of finding

Author	Purpose	Study Design	Findings	Conclusion
Thakur, Kothiya, & Bera (2020),	Job Involvement and Employee Motivation	Qualitative study	employee involvement in the decision making of the organisation is key to organisation performance.	Employee involvement enhances employee performance
Estreder, Rigotti, Tomás & Ramos (2020),	To examine perceptions of the psychological contract	Case study	Our sample consisted of 5,338 (37.2 percent temporary, 62.8 percent permanent) employees from 214 companies (36.3 percent public, 63.7 percent private).	employees who experience feelings of violation, assigning responsibility for a serious infringement of their PC to their organization, had unfavourable reactions by diminishing their perceptions of justice within their employment relationships

Conclusion

The role of the psychological contract in the performance of organisations can be deduced from the above discussion. It has been noted that where the psychological contract is positive and employees are well involved will lead to better employee job performance which will also have a positive impact on business performance. Based on the theory of social exchange, that a relationship between two people is created through a process of what does it cost me and what does it benefit me referred to as the cost benefit analysis, looks at what one gives in a person-to-person relationship. Therefore, the theory reflects the social emotional issues in the employment relationship and how they are perceived by the other party. In light of this the crucial challenge to organisation managing employee job performance with a psychological

contract, is to ensure that employees are well involved in the functioning of the organisation in areas like decision making, setting performance targets and goals. The implication of this study is that performance will be good in a situation where there is a psychological contract coupled with good employee relations. Therefore, managers should know that it's not only the provision of the psychological contract that will improve performance, there are equally other important factors. This systematic review provides the most systematic analysis of the psychological contract and employee performance with a mediating role. However, there are limitations that while relations will improve performance through the social exchange theory, others will be willing to perform without giving in something.

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