

The Impact of Psychological Contract on Stress and Job Insecurity: A Road towards Organizational Sustainability

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Abstract

The purpose of the current study is to scrutinize the impact of psychological contract and psychological contract fulfillment on stress and job insecurity of employees towards managing organizational sustainability. Responses were gathered using a survey. Responses were analyzed through hierarchical regression. The study established that relational psychological contract significantly negatively predicts the stress whereas transactional psychological contract and psychological contract fulfillment are non-significant negative predictors of stress. Relational psychological contract, transactional psychological contract and psychological contract fulfillment all significant negative predicted job insecurity.

Keywords: Psychological Contract, Psychological Contract Fulfillment, Stress, Job Insecurity, Closed-ended questionnaire, Hierarchical regression.

Introduction

Managing sustainability in organization is of utmost importance for any organization. There are numerous benefits of maintaining the sustainability and various factors which contribute towards this sustainability such as workforce attitudes (i.e; stress and job insecurity). These attitudes are again affected by some factors, one of which is psychological contract and psychological contract fulfillment. Organizations need to appreciate the concept of employees' psychological contracts because employees' attitudes and behaviors from their perceptions of their contract with employers substantially impact organizational outcomes i.e; sustainability and profitability (Rousseau, 1989; Schein, 1980). The psychological contract is defined as "an individual's beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organizations" (Rousseau, 1995, p. 9).

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Psychological contract fulfillment has also been found to have an affirmative effect on organizational outcomes with reference to employee attitudes and behaviors, such as the extent to which employees are satisfied with their jobs, committed to the organization, and are willing to work extra roles voluntarily, as well as on job performance and retention rate (Robinson, 1996; Robinson et al, 2000; Robinson et al, 1995; Turnley et al, 1999, 2000). Psychological contract fulfillment is a state where employees' perceive that psychological contract is fulfilled.

Among many attitudes and behaviors of employees which effect the organizational outcomes are stress and job insecurity which are taken in this study. Stress is an all-embracing engrossment in the life of every single worker, even officials and administrators. Stress can have control on workforces of the organizations disbursing even small things an employee performs without any differentiation of male and female personnel (Bashir et al, 2007). Stress is essentially a mental strain from the inside or outside boost that holds back an individual to react towards its surroundings in a typical way. This stress can be caused from an individual's own feeling and emotions and can also be caused from the external environment. Stress is a stint that indicates a physical or mental energetic strains or weights on an individual or conclusions of nervousness which come to execution in light of collaboration amidst people and their surroundings (Ghaleb, et al. 2008).

De Witte, (1999) defined the job insecurity in universal perspective, where job insecurity is general apprehension for the constant presence of the job in prospective time. Job insecurity concerns insecurity about the future, meaning that the employees involved do not know if they will retain their jobs or if they will be facing a lay-off (De Witte, 1999).

Literature Review

The psychological contract comprises of individual convictions with respect to terms of a give-and-take settlement between individuals and their organization (Rousseau 1995, p. 9). Stress is a stint that implies aggregate of physical, mental and enthusiastic strains or pressures on a man or sentiments of anxiety, which come about because of coordinated efforts amidst people and their surroundings that are viewed as straining or outperforming their adaptable breaking points and undermining their wellbeing. It is argued that the when employees formulate 'relational psychological contract (Rousseau 2000)' with organizations, engaging themselves at sentimental level with organizations and formulate a long term relationship, lowering down the chances of conflict with organizations thus the chances of stress creation reduces to minimal. It is also believed that even with transactional level of psychological

contract(Rousseau 1991), where employees formulate a short-term relationship with organization, the employees might not experience stress situation based on that they are receiving tangible rewards from organization and assume to realize satisfaction which reduce stress creation state. Taking into account above contention it can be speculated that

H1a: Relational psychological contract has negative impact on stress.

H1b: Transactional psychological contract has negative impact on stress.

Even though researchers of management sciences have acknowledged concrete relations among psychological contract breach and diversified attitudes and behaviors, the impacts on stress has been mostly unnoticed. Also, wherever scholars have spoken about the association of psychological contract breach and stress, the outcomes are inadequate (Noblet et al, 2009). The studies of Noblet et al, (2009) compared the effect of psychological contract fulfillment with other antecedents of stress. He stated that psychological contract fulfillment has an impact on stress on employees in terms of job demand, job control and supervisory support. It is supposed that when employees realize a state of perceived fulfillment of their psychological contract they will feel emotionally relaxed and there are lesser chances that they will feel stressful. So, grounded on mentioned rational it can be hypothesized that

H2: Psychological Contract Fulfillment has negative impact on stress.

As per research of Smithson and Lewis (2000), an employee's feeling of job insecurity can easily be seen through psychological contract. (McLean et al, 1998; De Cuyper et al, 2007) conducted a research in which they compared psychological contract of contingent and permanent employees. In that study they found that psychological contracts of contingent employees has more transactional privileges, containing a precise, temporary association and concentration of such employees was on economic give-and-take. And it is believed that permanent employees will tend to form their relationship with employer on emotional exchange grounds. Thus previous research guide us to hypotheses that

H3a: Relational psychological contract has negative impact on job insecurity.

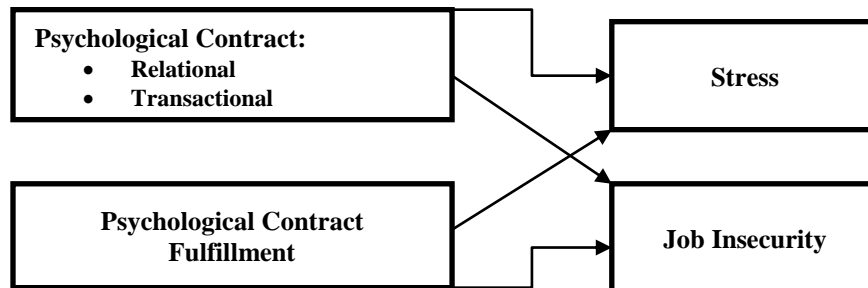
H3b: Transactional psychological contract has negative impact on job insecurity.

It is argued that when employees realize a state where according to their perception their psychological contract (Rousseau 1991) is fulfilled, they will emerge a more secure feeling towards their jobs,

reflecting a negative impression towards job insecurity (De Cuyper et al. 2007). This rational helps us hypothesis that

H4: Psychological contract fulfillment has negative impact on job Insecurity.

Conceptual Framework



Methodology

Total sample of the study is 600. Stratified sampling technique was used. The data was collected from male and female employees from private and public hospitals, banks and universities of Hyderabad, Tando Jam and Jamshoro. A total of 500 were usable in the analysis. A total of 100 questionnaires were excluded from the analysis as some were not returned and some were incompletely filled. All responses were collected through self-reported questionnaire. Participants registered their responses on 5 point Likert scale.

Raja et al. (2004) questionnaire was used in this study to assess psychological contract. The observed reliability for 'relational psychological contract' in this study was cronbach's alpha 0.837. The cronbach's alpha for 'transactional psychological contract' in this study was 0.780. Psychological contract fulfillment was measured with the questionnaire designed by Robinson and Morrison (2000). The cronbach's alpha in this study was 0.851. Stress level was measured through GHQ-12 (General Health Questionnaire-12). The alpha score for the questionnaire has been observed as 0.771. Job insecurity was measured by the scale of De Witte (2000) with alpha score of 0.894.

All the responses were entered into SPSS 23.0 for the analysis. All the demographic variables in the study i.e. Age, gender, No. of children, marital status, experience, organization type, and designation were kept constant.

Results

Co-relation was used to check the association among the variables. Hierarchical multiple regression was used to analyze the

impact of psychological contract (relational & transactional) and psychological contract fulfillment on stress and job insecurity. Hierarchical linear regression was used as analytical technique.

Descriptive Statistics

The descriptive statistics for the study were: relational psychological contract's mean = 3.1192, S.D = 0.63963, transactional psychological contract mean = 2.8995, S.D = 0.82838, psychological contract fulfillment mean = 3.4818, S.D = 0.51005, stress mean = 3.6124, S.D = 0.50592 and job insecurity the mean = 2.5109, S.D = 0.95617.

Inferential Statistics

Co-relation

Table 1: Correlation of Psychological Contract with Stress and Job Insecurity

Variables	Correlation Co efficient	Level of Significance
Relational Psychological Contract & Stress	0.119	p<0.05
Transactional Psychological Contract & Stress	0.094	p<0.05
Psychological Contract Fulfillment & Stress	0.026	p>0.05
Relational Psychological Contract & Job Insecurity	0.273	p<0.05
Transactional Psychological Contract & Job Insecurity	0.171	p<0.05
Psychological Contract Fulfillment & Job Insecurity	0.180	p<0.05

The results for the correlation explicitly indicated a negative relationship of relational psychological contract ($r = -0.119$, $p = 0.008$), transactional psychological contract ($r = -0.094$, $p = 0.035$) and psychological contract fulfillment ($r = -0.026$, $p = 0.560$) with stress. Where, relational and transactional psychological contract had a significant negative relationship and psychological contract fulfillment had non-significant negative relationship with stress. Relational psychological contract ($r = -0.273$, $p = 0.000$), transactional psychological contract ($r = -0.171$, $p = 0.000$) and psychological contract fulfillment ($r = -0.180$, $p = 0.000$) all had significant negative relationship with job insecurity.

Regression

The table 2 is showcasing the regression results of relational psychological contract on stress. Model 1 is indicating the results when predictor is not entered and only control variables are entered. According to the model 2 a 0.8% ($\Delta R^2 = 0.008$) change in stress is contributed by relational psychological contract. This change is significant at $p < 0.05$ ($p = 0.036$) with $\beta = -.106$.

Table 2: Regression of Relational Psychological Contract on Stress

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	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.286 ^a	.082	.082	6.260	.000
Model 2	.300 ^b	.090	.008	4.445	.036

	Unstandardized Coefficients		Standardized Coefficients	
	B Std.	Error Beta	t	Sig.
(Constant)	3.575	.1782	0.030	.000
Relational Psychological Contract	-.084	-.106	2.108	.036
	.040			

- a. Predictor: (Constant): Relational Psychological Contract
 b. Dependent Variable: Stress

The table 3 is explaining the contribution of transactional psychological contract to stress. According to the table transactional psychological contract is contributing a 0.1% ($\Delta R^2 = 0.001$) change in stress. This change is non-significant at $p > 0.05$ ($p = 0.489$) with $\beta = -0.033$.

Table 3: Regression of Transactional Psychological Contract on Stress

	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.286 ^a	.082	.082	6.263	.000
Model 2	.287 ^b	.083	.001	.479	.489

	Unstandardized Coefficients		Standardized Coefficients	
	B Std.	Error Beta	t	Sig.
(Constant)	3.435	.173	19.851	.000
Transactional Psychological Contract	-.020	-.033	-.692	.489
	-.030			

- a. Predictor: (Constant): Transactional Psychological Contract
 b. Dependent Variable: Stress

The table 4 is showcasing the regression results of psychological contract fulfillment on stress. According to the regression result 0% ($\Delta R^2 = 0.000$) change in stress is contributed by psychological contract fulfillment. The result is depicting that psychological contract fulfillment is bringing no impact on stress.

Table 4: Regression of Psychological Contract Fulfillment on Stress

	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.286 ^a	.082	.082	6.260	.000
Model 2	.266 ^b	.082	.000	.077	.782

	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	t
(Constant)	3.340	.210		15.940
Psychological Contract Fulfillment	-.012	.044	-.01	2.277

a. Predictor: (Constant): Psychological Contract Fulfillment

b. Dependent Variable: Stress

Table 5: Regression of Relational Psychological Contract on Job Insecurity

	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.513 ^a	.263	.263	25.145	.000
Model 2	.540 ^b	.292	.029	19.935	.000

	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	t
(Constant)	3.643	.2691		3.520
Relational Contract Fulfillment	-.269	.060	-.199	-4.0465

a. Predictor: (Constant): Relational Psychological Contract

b. Dependent Variable: Job Insecurity

The table 5 is explaining the contribution of relational psychological contract to job insecurity. According to the table relational psychological contract is contributing a 2.9% ($\Delta R^2 = 0.029$) change in job insecurity. This change is significant at $p < 0.05$ ($p = 0.000$) with $\beta = -0.199$.

Table 6: Regression of Transactional Psychological Contract on Job Insecurity

	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.513 ^a	.263	.263	25.148	.000
Model 2	.526 ^b	.277	.014	9.181	.003
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.389		.263	12.887	.000
Transactional Psychological Contract	-.136		-.130	-3.030	.000
	.045				

a. Predictor: (Constant): Transactional Psychological Contract

b. Dependent Variable: Job Insecurity

In table 6, 1.4% ($\Delta R^2 = 0.014$) unique contribution to the job insecurity is made by transactional psychological contract at $p < 0.05$ ($p = 0.003$). The beta for transactional psychological contract is -0.130 and is significant at $p < 0.05$ ($p = 0.003$).

Table 7: Regression of Psychological Contract Fulfillment on Job Insecurity

	R	R²	ΔR²	F Change	Sig.F Change
Model 1	.513 ^a	.263	.263	25.148	.000
Model 2	.538 ^b	.289	.026	18.215	.000
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.937		.315	12.887	.000
Psychological contract Fulfillment	-.281		-.166	-4.268	.000
	.066				

a. Predictor: (Constant): Psychological Contract Fulfillment

b. Dependent Variable: Job Insecurity

The regression result of psychological contract fulfillment on job insecurity in table 7 is showing 2.6% ($\Delta R^2 = 0.026$) of the variance predicted by psychological contract fulfillment to the job insecurity when included to the model. This unique contribution of the psychological

contract fulfillment to job insecurity is significant at $p < 0.05$ ($p = 0.000$) with $\beta = -.166$.

Discussion

It was predicted and found in the study that relational psychological contract brings on a negative impact on stress. The results are in confirmation with the findings of Kraft (2008), she found that when employees realize a state of relational psychological contract with the organization they are less stressful but didn't find support for the prediction.

Negative impact of transactional psychological contract on stress was not established in the study. Findings for the impact of transactional psychological contract on stress are contradictory to the findings of Kraft (2008). Kraft (2008) found a positive association among transactional psychological contract and stress but the relationship did not have significant supporting.

Employees are less stress full when they experience psychological contract fulfillment. This prediction could not be confirmed at both the bi-variate level and the regression level in the study. Noblet et al (2009) assessed the impact of psychological contract fulfillment on stress. He did not find support for his prediction and found that psychological contract fulfillment does not lessen the experience stress. Thus, the findings are consistent with Noblet et al (2009).

It was found in the study that when employees form relational psychological contract, they will feel less insecure about their jobs. Smithson and Lewis (2000) also found that employees who formulate relational psychological contract make them attach with the organization and they then believe that the jobs are secure with their employers.

Transactional psychological contract has a negative impact on job insecurity (De Witte, 2000), this prediction was the established in the empirical study. These results help us retain that prediction that when employees formulate transactional psychological contract with the organization they will feel lower levels of job insecurity. McLean et al, 1998; De Cuyper et al, (2007) also found that when job insecurity is greater among the employees who engage in transactional psychological contract. This assumption was supported that when employees are less insecure about their jobs when they experience psychological contract fulfillment. The outcomes of the study are consistent with the outcomes of Chambel (2009) where he found significant negative impact of psychological contract fulfillment on job insecurity and observed that when employees perceive psychological contract they feel less of job insecurity at workplace.

Conclusions and Recommendations

This paper reports the investigation of how psychological contract and psychological contract fulfillment significantly contribute to job insecurity and stress which lead to organizational sustainability benefits.

Where previous studies of sustainability have limited their investigation to a study of environmental benefits at the workplace level, this paper identified strategic, supply chain and workplace activities that implemented for lean improvement offer sustainability improvement either explicitly or implicitly.

It was found in the study relational psychological contract is an inverse predictor of stress. Transactional psychological contract and psychological contract fulfillment do not have a negative influence on stress. It was established that relational psychological contract has inverse influence on job insecurity. Empirical findings proved that transactional psychological contract had a negative influence on job insecurity. Negative influence of psychological contract fulfillment on job insecurity was supported by statistical evidence.

Psychological contract is a contributor to stress and can have effect on level of job insecurity of employees. Any stress realized by employees will negatively affect their performance and ultimately will have a negative impact on organizational performance. So, managers must pay attention to psychological contract of employees and try to get engage with employees beyond the boundaries of work for better understanding of their psychological contract and increasing the chances of their formation of relational psychological contract with the organization. This interaction of managers and employees will help reduce stress and lower down the feeling of job insecurity among employees. Thus, low job insecurity and stress will encourage employees more towards working for the enhancement and sustainability of organization.

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