

# DEVELOPMENT OF PRE-EMPLOYMENT PSYCHOLOGICAL CONTRACT

## Abstract

Psychological contract is an unwritten and undocumented mental agreement between an employer and an employee. Literatures suggest that when considered from employee's perspective, a psychological contract usually begins at the pre-employment stage. This article aims at studying the development of pre-employment psychological contract and how it influences a job seeking candidate to accept or reject the offer. This is a qualitative study and data required was mostly collected through secondary sources. The findings section reveal that psychological contract formed during pre-employment stage might have an influence on the tenure of the employee in the rest of the stages. However, the study lacks empirical evidence. Future studies can focus more on longitudinal studies to analyze how psychological contract can influence decision of job seekers.

**Keywords:** Psychological contract, Pre-employment stage, Cognitive stage, Voluntary unemployment.

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## I. INTRODUCTION

The concept of psychological contract (PC) has become one of the frequently researched topics in the recent times. Growing rate of job switching post pandemic, organizations' effort to enhance employees' work commitment etc. has made the concept of psychological contract more applicable to the contemporary scenario.

## II. MEANING OF PSYCHOLOGICAL CONTRACT

A *psychological contract* (Argyris 1960; Rousseau 1989) is a perceived mutual obligation existing between an employee and an employer (Schein, 1978; Conway & Briner, 2005; Kelly Windle & Kathryn von Treuer, 2014).

## III. STAGES IN PSYCHOLOGICAL CONTRACT

Psychological contract may exist in three stages, pre-employment stage, early stage and latter stages (Kelly Windle & Kathryn von Treuer, 2014). The first stage is characterized by expectation of a candidate towards his dream job. Various factors such as formal education, awareness of job markets, support from parents/guardians etc. plays a vital role in formation of the contract in this stage.

While the PC in stage 2 might be affected by that of stage 1, it also is affected by several other factors such as organization profile, nature of the job, work environment, supportive boss, friendly peers, monetary and non-monetary benefits etc.

The stage 3 of the PC is seen after few years of experience. The major challenge during this stage is consistency of the contract. Unless the job is satisfactory, having considered various factors affecting job satisfaction, the strength of the contract tends to fall.

## IV. LITERATURE REVIEW

Psychological contracts are dynamic, constantly evolving through organizational experiences. The strength of the psychological contract depends on how far the individual believes the organization is in fulfilling its perceived obligations above and beyond the formal written contract of employment. They basically highlight individual's belief structures of what is expected to occur in the organization and what is expected of them.

**Argyris (1960)** is the first one to refer psychological contract as a mental agreement that defines relationship between an employer and employee.

**Levinson (1962)** is the father of the concept and defined psychological contract as unwritten contract, the sum of the mutual expectations between the organization and employees. PC develops through experiences and interactions.

The definition given by Rousseau (1990) highlights employees perception of the existence of mutual obligations deposited with the employer.

**Sims (1994)** describes traditional psychological contracts as having existed in organizations characterized by stability, predictability and growth. The workforces of such organizations were seen as permanent, and employee loyalty was built on guarantees of long-term employment and investment in training.

**Cheng Y (2021)** who tried to study the effect of educational background on psychological contract found out that the level of psychological contract of people differed based on educational background.

**Haski-Leventhal et al (2020)** also have attempted to understand the concept of psychological contract by correlating the concept of PC with the mindset of the University students. Woodrow & Guest (2020) mentions in their study that if the organization expects the newcomers or job seekers to perform extremely well, the employers must make them aware of what kind of promises are expected out of them and how it would benefit them.

**Gresse & Linde (2020)** argues an individual's idea of job fulfilment has a positive relationship with anticipatory expectation and obligation. The author also mentions that the anticipatory expectations have a bigger role to play in determining their anticipatory obligations. Which means the level of expectations decide how he performs in the future.

**Anggraeni, Christantius Dwiatmadja, Ahyar Yuniawan (2017)**, argue that the employee organizational behaviour is dependent on the level of commitment which was in turn dependent on how the employers understood needs and expectations of the employees, which in other words referred as psychological contract.

**Mr. Devendra Lodha and Ms. Kushali Pathak (2017)**, say that psychological contract has a significant impact on engaging the employee and increasing his productivity. The analysis of Behnam Heshmati and Saied Mohamad Musavi Jed (2015), shows that there is a lack of relation between psychological contract and employee engagement, irrespective of whether the employees belongs to millennial or any other generation. Positive psychological contract has a strong influence on successful engagement.

**According to Salisu Umar and Kabiru J Ringhim (2015)**, when these contracts are not met the turnover intentions are increased. Their study and analysis indicated that psychological contract had strong positive relationship with turnover intention of employees in private organizations.

**According to Kelly Windle & Kathryn von Treuer (2014)**, Psychological contract may exist in three stages, pre-employment stage, early stage and latter stages.

**According to the study of Caroline Obuya and Robert Rugimbana (2014)**, the retention practices focused more on relational elements of psychological contract, such as trust, job security etc. are more important than transactional elements like financial rewards. Their study also revealed that trust plays an important role in the employment relationship. Traron Moore (2014) discusses both theoretical and practical implications. The results of the study say that psychological contract does relate to employee engagement and can predict 49.9 % of variance in employee engagement.

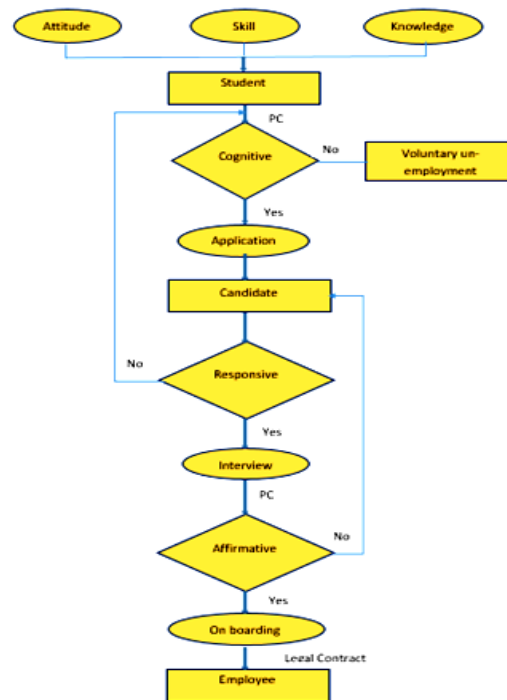
**The study conducted by Kate J McInns (2012)** had two stages; in the first, theoretical assumptions were examined by interviewing the certain employees. The findings of first stage were used for quantifying the prevalence of and preference for psychological contracts, and their implications on organizational commitment, employee engagement, and turnover intentions. As predicted, those who did perceive a psychological contract were more likely to score high on commitment and engagement ratings, compared to those who did not.

Several studies have been done in the area of PC, but most of them have emphasised more on the formation and breach of second and third stages. The first stage is equally important and requires more research. The current article discusses the development of PC during pre-employment stage.

## **V. RESEARCH DESIGN AND METHODOLOGY**

The article is explanatory in nature. It attempts to explain how psychological contract develops in pre-employment stage and influences job seeker to make a decision of accepting or rejecting a job offer. Mostly secondary sources such as Journals and websites are used.

- 1. Statement of the problem:** Formation of psychological contract plays a vital role in pre-employment stage. It might also influence the rest of the phases of PC. Thorough understanding of this stage might throw a light on how employers can enhance the strength of PC during the other two stages, which helps them in employee retention.
- 2. Objectives**
  - To schematically represent the development of pre-employment psychological contract
  - To understand how PC influences a person to accept or reject a job offer.
- 3. Development of PC in pre-employment stage**



**Figure 1: Development of Pc in Pre-Employment Phase**

- 4. Interpretation of the proposed conceptual representation:** Fig 1 shows development of psychological contract during pre-employment phase. The pre-employment stage is seen in a person when he is ready for employment.

Usually most of the interviewers look for three factors viz., learn ability, flexibility and loyalty in the candidates to make hiring decisions. But the formation of PC of a student, who turns out to be a job aspiring candidate and post selection in an organization becomes an employee, actually follows an informal sequence. This sequence can be understood through the figure above which shows the flow diagram of PC development in pre-employment stage.

Attitude indicates willingness to work or how a candidate perceives a job. Skill is ability to perform a job efficiently and Knowledge indicates amount of information a candidate possesses in order to do this job effectively. This can be analysed using their subject knowledge, academic performance, various tests including psychological and domain specific tests.

- 5. ASK (attitude, skill and knowledge)** are inputs that make a student fit to work. But for this, the **student** has to make his/her mind to work with dedication. This is **cognitive stage**. If a student is inferior about his/her performance, or is looking for a job against his/her willingness to work, then it could result in **voluntary unemployment**, unless the candidate has made up his mind to run existing business or start a new business.

In this highly dynamic environment one of the reasons to find a greater number of well qualified yet un-employed people are because of the lack of formation of PC during the cognitive stage. The interviewers come across many candidates who are attending the

interview unwillingly, or without proper clarity of what exactly they need from their work life. In other words, we can say that they absolutely lack passion for anything.

Further if the formation of PC during the cognitive stage is successful, the candidate attempts to grab every single opportunity that comes on his way, by applying to organizations that offer jobs of their choice or at least out of willingness to work. Now the selection of the candidate is dependent on their **responsiveness**.

A candidate with good responsiveness may pass all the hurdles of job interview and there by enters another sub-phase of PC. He starts setting up expectations in the minds of the employer and also having expectations from his employer. This is where the unwritten and undocumented agreement AKA **Psychological contract** forms between employee and employer. If the contract formed is a positive one the employer selects the candidate who after **on boarding** becomes an employee and enters in to a **legal contract**.

Conversely if the employee doesn't meet the expectations during the interview, he will be rejected from the employer. On the other hand, if the expectations of the candidate are not met by the employer, the candidates turn out to have less or no interest to join the organization.

Hence in either cases again the candidate starts looking for another organization that provides similar opportunities.

## VI. FINDINGS AND CONCLUSION

The concept of PC is gaining importance in recent days as employee retention has become one of the major challenges in every sector. Employees with longer tenure in an organization is becoming rare to be seen. The argument of this article is that the strength of psychological contract formed during pre-employment stage might have an influence on the tenure of the employee in the rest of the stages. The following aspects may be understood from the above discussion and diagrammatic representation.

1. Psychological contract exists in three stages of a person's work life.
2. The first one is during pre-employment stage, second is in the beginning of career and third is after certain years of experience.
3. The stability of PC in second and third stage depends on the contract formed during pre-employment stage.
4. The proposed concept also explains how PC influences a person in accepting or rejecting a job offer.

However, this article is only a conceptual representation and does not prove any argument without empirical evidence. The future studies might consider longitudinal studies to understand how PC evolves over time.

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