**Development of Pre-employment Psychological Contract.**

**Author Details:**

**Author 1: Santhosh K V**

Assistant Professor

Department of Business Administration

BNM Institute of Technology, Bangalore

Email ID – Santhosh.738@gmail.com

Contact Number – 8105830142

**Author 2: Dr. Bhavya Vikas**

Associate Professor

Department of Business Administration

BNM Institute of Technology

**Author 3: Dr. Nagendra K M**

Principal

Bangalore Institute of Management Studies

**Introduction**

The concept of psychological contract (PC) has become one of the frequently researched topics in recent times. The 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.

**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).

**Stages in Psychological Contract**

A 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 the expectation of a candidate toward his dream job. Various factors such as formal education, awareness of job markets, support from parents/guardians, etc. play a vital role in the 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.

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

**Literature review:**

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

Cheng Y (2021) who tried to study the effect of educational background on psychological contract found out that the level of the 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 fulfillment has a positive relationship with anticipatory expectation and obligation. The author also mentions that anticipatory expectations have a bigger role to play in determining their anticipatory obligations. This means the level of expectations decides how he performs in the future.

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

Mr. Devendra Lodha and Ms. Kushali Pathak (2017), say that a 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 relationship between psychological contract and employee engagement, irrespective of whether the employees belong to millennial or any other generation. A positive psychological contract has a strong influence on the 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 contracts had a strong positive relationship with the turnover intention of employees in private organizations.

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

According to the study by Caroline Obuya and Robert Rugimbana (2014), the retention practices focused more on relational elements of the 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 the variance in employee engagement.

The study conducted by Kate J McInns (2012) had two stages; in the first, theoretical assumptions were examined by interviewing certain employees. The findings of the 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.

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.

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

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

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

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

**Research design and methodology:**

The article is explanatory. It attempts to explain how psychological contract develops in the pre-employment stage and influences job seekers to decide on accepting or rejecting a job offer. Mostly secondary sources such as Journals and websites are used.

**Statement of the problem:**

The formation of a psychological contract plays a vital role in the pre-employment stage. It might also influence the rest of the phases of PC. A thorough understanding of this stage might throw light on how employers can enhance the strength of PC during the other two stages, which helps them in employee retention.

**Objectives:**

* To schematically represent the development of a pre-employment psychological contract
* To understand how PC influences a person to accept or reject a job offer.

**Development of PC in the pre-employment stage:**

**Fig 1: Development of PC in Pre-employment Phase**

**Interpretation of the proposed conceptual representation:**

Fig 1 shows the development of psychological contracts during the 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., learnability, 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 the pre-employment stage.

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

**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 work with dedication. This is **a 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 an 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 is 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 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 a 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 a job interview and thereby 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 **onboarding** becomes an employee and enters into a **legal contract.**

Conversely, if the employee doesn't meet the expectations during the interview, he will be rejected by 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 case again the candidate starts looking for another organization that provides similar opportunities.

**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. An employee with longer tenure in an organization is becoming rare to be seen. This article argues that the strength of the psychological contract formed during the 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.

* A psychological contract exists in three stages of a person’s work life.
* The first one is during the pre-employment stage, the second is at the beginning of a career and the third is after certain years of experience.
* The stability of PC in the second and third stages depends on the contract formed during the pre-employment stage.
* 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. Future studies might consider longitudinal studies to understand how PC evolves.

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