Psychological Contract in the Indian Aviation Sector

Mr. Shiju Sebastian
Research Scholar, Centre for Research, Christ University, Bangalore-560029

Dr. George A.P.
Director, Vimal Jyothi Institute of Management & Research, Chemperi, Kannur, Kerala-670632

This study investigated the relationship between the Employers' and Employees' psychological contract along transactional, relational, balanced and transitional parameters in the context of Indian civil aviation sector and found that all the sub-dimensions of the major construct have statistically significant correlations and that a change in one dimension can affect a statistically significant variation in its corresponding dimension. The descriptive statistics showed that all the dimensions of Employees' psychological contract, except for Employers’ ‘Narrow’ dimension of Transactional contract and ‘Mistrust’ dimension of Transitional contract, have slightly higher values than all other Employers' contract dimensions. Though the values between the constructs do not have substantial variations, it is noted that the Employers have higher ‘transactional’ and ‘transitional’ focus and the Employees have higher ‘Relational’ and ‘Balanced’ focus. The findings of the study suggest that the organizations must thrust upon ‘relational psychological contract’ to minimize dysfunctional consequences of breach and employee turnover.

Introduction:
According to the ICAO estimate every $100 spent on air transport produce benefits worth $325 for the economy and 100 additional jobs in air transport resulting in 610 new economy wide jobs. The estimate attributes over 4.5% of global GDP to the air transport component of civil aviation. In spite of being an important sector that propels economic growth, the aviation sector in India has been undergoing tremendous pressure to perform due to infrastructural and human resource inadequacies and problems. Most of the airline operators in the country are struggling to break even as majority of them have been registering losses year after year. Employee turnover and attrition has become a perennial cause of concern for most of the airline operators in the country. Reports indicate that the tendency among the employees to jump ship has been steadily rising and the companies shall retain individuals only till the skills and talents they possess add value to the business.

Studies suggest that shared understandings and reciprocal contributions are fundamental to the success of any exchange relationship (Blau, 1964) and commitment to mutuality of obligations is essential to achieve interdependent goals and correct imbalance in the relationships (Rousseau, 1995; Morrison & Robinson, 1997; Eisenberger, Armei, Reswinkel, Lynch & Rhoades, 2001). Having felt the implications of globalization, organizational restructuring and downsizing on employment relations (Shapiro & Kessler, 2000), the civil aviation sector has been under constant pressure to re-examine the employer-employee relationship in order to survive in the long run. Understanding the content of psychological contract and the status of mutuality of obligations, in such a situation, would help the organizations to adapt innovative techniques to manage the consequences of actual or perceived breach of contract effectively (Morrison & Robinson, 1997; Robinson & Morrison, 2000).

Literature review:
The psychological contract is a set of reciprocal expectations held by the employees with respect to their obligations to the employer and their expectations of returns from their employer (McLean Parks, Kidder and Gallagher, 1998). When this exchange relationship becomes attractive to the employees, they show greater commitment, lower turnover intentions and better performance (Chen and Kao, 2012; Shore et al., 2009) and when their expectations do not correspond with reality, they show dissatisfaction and lack of organizational commitment (Rousseau, 1998). Reports indicate that the employees would continue to experience violations in the future resulting in dangerous consequences (Morrison and Robinson, 1997; Herriot et al., 1997) and it is important that the matter is addressed at the earliest to avoid incidents of retaliatory behavior (Bies and Tripp, 1995; Greenberg, 1990) from the parties to the contract.

Psychological Contract:
Psychological contracts are individuals' beliefs regarding reciprocal obligations in a dual relationship such as the employment (Rousseau 1989). Over the past decade, psychological contracts have become increasingly popular among organizational behavior researchers, because of their significance in understanding employee attitudes and behaviors and the changing nature of employment relationship (Robinson, Kraatz and Rousseau 1994; Guest 1998; Turnley and Feldman 1999a, b; Bellou 2008; McLean Parks and Kidder 1994; Hiltrop 1996; Sturges, Conway, Guest and Liefooghe 2005).

Contracts are generally formed between two parties, providing mutuality with respect to the management, acceptance and interpretation of the contract. In normal legal contracts each party has its perceptions concerning contract obligations and a sense of mutuality. However, psychological contracts are formed by only one party, the employee, who provides mutuality by adopting a two-party (employee and organization) perspective. This concept of mutuality permeates even though psychological contracts are typically viewed solely from the employee perspective (Shapiro & Kessler (2000). Although there is general consensus that the psychological contract deals with implicit reciprocal promises and obligations, there is a need to understand the role of subjective and indeterminate interactions between two parties: the employer and the employee to manage differences pertaining to personality characteristics, demographic factors, environmental and organizational characteristics and to correct the deviations for enhancing organizational performance and employee wellbe-
ing. Psychological contracts fall into four categories which are (i) transactional (ii) relational (iii) balanced and (iv) transitional.

**Transactional Contract:**
Transaction contract is an employment arrangement between the employer and the employee under the presumption that the employment is for a short-term duration stipulating specific and narrow duties with limited worker involvement. The primary focus of contract will be economic exchange. Transactional contract is grouped under (i) ‘short-term’ and (ii) ‘narrow’ obligations.

As per the terms of the ‘short-term’ contract, the employer would provide employment only for a specified time period without any commitment to retain the employee in the future and the employee would show commitment to work only for a limited time without any obligation to remain with the firm in the future. The ‘narrow’ dimension of the contract implies that the employer would permit the employee to have only limited involvement in the organisation with provisions for training only for the current job which is limited to specific responsibilities only and the employee would perform the required tasks or responsibilities only in accordance with what he or she is paid to do.

**Relational Contract:**
Relational contract is a long-term or open-ended employment arrangement based upon mutual trust and loyalty between the employer and the employee. Rewards are only loosely conditioned on performance, membership and participation in the organization. Relational contract is classified into two groups such as (i) loyalty and (ii) stability.

The ‘loyalty’ dimension of the relational contract implies that the employer would take decisions keeping in mind the interest, personal welfare and well-being of the employees and the employee in return would make personal sacrifices for the organization taking the concerns of the organisation as his/her own and stay loyal to the organisation. The ‘stability’ dimension of the contract implies that the employer would offer secure and steady employment and stable wages over time and the employee would do what is required to keep their job steady and remain with the organisation.

**Balanced Contract:**
The Balanced contract is a dynamic and open-ended employment arrangement between the employer and the employee conditioned on economic success of the firm and opportunities to develop career advantages for the workers. Under this contract both the workers and the firm contribute highly to each other’s learning and development. Rewards to workers are based upon performance and contributions to firm’s comparative advantages, particularly in face of changing demands due to market pressures. The Balanced contract is grouped into three such as (i) dynamic performance (ii) internal development and (iii) external employability.

Under the ‘dynamic performance’ obligations, the employer would support the employee to meet increasingly higher goals, highest levels of performance and greater industry standards and the employee in return would accept challenging performance requirements and standards. The ‘internal development’ dimension of the contract implies that the employer would provide developmental opportunities with adequate exposure and promotional opportunities within the organisation and the employee in return would seek out developmental opportunities and build skills to enhance his/her value to the organisation. The ‘external employability’ dimension implies that the employer would support the employee to develop his/her visibility outside the organisation in order to enhance his/her marketability and employability in the external labour market and the employee in return would develop marketable skills and career potential outside the organisation in order to contribute highly to the firm’s advantage.

**Transitional Contract:**
Transitional contract is not a psychological contract form in itself, but a cognitive state of mind reflecting the perceived consequences of organizational change and transitions in comparison to a previously established employment arrangement. The nature of satisfaction between the employer and the employee is measured using three dimensions such as (i) mistrust (ii) uncertainty and (iii) erosion.

The transitional ‘mistrust’ dimension implies that the employer does not trust the employee, withholds information and introduces changes without involving him/her and the employee in return does not trust and believe what the employer tells as there is a mismatch between what the employer promises and delivers. The ‘uncertainty’ dimension implies that there is uncertainty with respect to their commitment to contract obligations in the future and the ‘erosion’ dimension implies that the employer might reduce wages and benefits of the employees in comparison to previous years when situation warrants and the employees in return anticipate that they would receive only fewer returns with a possibility of further reduction in the future.

**Hypotheses:**
1. There is no significant relationship between Employers’ Transactional Psychological Contract and Employees’ Transactional Psychological Contract in the Indian aviation sector.
2. There is no significant relationship between Employers’ Relational Psychological Contract and Employees’ Relational Psychological Contract in the Indian aviation sector.
3. There is no significant relationship between Employers’ Balanced Psychological Contract and Employees’ Balanced Psychological Contract in the Indian aviation sector.
4. There is no significant relationship between Employers’ Transitional Psychological Contract and Employees’ Transitional Psychological Contract in the Indian aviation sector.

**Methodology:**
The items included in the study were taken from the Psychological Contract Inventory developed by Renise M Rousseau (2000). The instrument is divided into two sets. The first set contains 10 Employer Obligations grouped under transactional (Short-term and Narrow); relational (Loyalty and stability), balanced (Dynamic Performance, Internal Development & External Employability) and transitional (Mistrust, Uncertainty, and Erosion). The second set contains 10 Employee obligations under the same category of variables. The respondents were asked to answer each question on a scale of 1 to 5 where 1 denoted not at all, 2 slightly, 3 somewhat, 4 moderately and 5 to a great extent.

**Sampling plan:**
The sample population comprises of employees belonging to public and private airlines in India holding job designations as sales and administrative staff, air traffic controllers, pilots, ground staff, security and cargo handlers, and cabin crew. 500 questionnaires were administered and the returned number of questionnaires was 410 of which 382 responses were usable. 286 respondents (74.9%) belonged to private airlines and 96 employees (25.1%) belonged to public airlines.

The data was collected during July to December 2014.

**Results and Discussion:**
The reliability and internal consistency of the items representing each construct were evaluated using Cronbach’s alpha. All the measures in the inventory showed internal consistency and validity above the recommended value of 0.70.
Table 1: Descriptive Statistics for Employers’ and Employees’ Psychological Contract

<table>
<thead>
<tr>
<th>CONSTRUCT</th>
<th>SUB-DIMENSIONS</th>
<th>N</th>
<th>MIN</th>
<th>MAX</th>
<th>MEAN</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRANSACTIONAL</td>
<td>ER-SHORT TERM</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>7.71</td>
<td>3.66</td>
</tr>
<tr>
<td></td>
<td>ER-NARROW</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>12.07</td>
<td>4.67</td>
</tr>
<tr>
<td>RELATIONAL</td>
<td>ER-LOYALTY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>11.33</td>
<td>2.97</td>
</tr>
<tr>
<td></td>
<td>ER-STABILITY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>11.83</td>
<td>2.81</td>
</tr>
<tr>
<td>BALANCED</td>
<td>ER-DYNAMIC PERFORMANCE</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>11.62</td>
<td>2.90</td>
</tr>
<tr>
<td></td>
<td>ER-EXTERNAL DEVELOPMENT</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>10.87</td>
<td>3.28</td>
</tr>
<tr>
<td></td>
<td>ER-EXTERNAL EMPLOYABILITY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>7.57</td>
<td>6.36</td>
</tr>
<tr>
<td>TRANSITIONAL</td>
<td>ER-MISTRUST</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>9.28</td>
<td>4.50</td>
</tr>
<tr>
<td></td>
<td>ER-UNCERTAINTY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>7.29</td>
<td>3.59</td>
</tr>
<tr>
<td></td>
<td>ER-EROSION</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>7.57</td>
<td>6.36</td>
</tr>
<tr>
<td>TRANSACTIONAL</td>
<td>EE-SHORT TERM</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>8.14</td>
<td>3.29</td>
</tr>
<tr>
<td></td>
<td>EE-NARROW</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>10.75</td>
<td>4.50</td>
</tr>
<tr>
<td>RELATIONAL</td>
<td>EE-LOYALTY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>11.81</td>
<td>2.76</td>
</tr>
<tr>
<td></td>
<td>EE-STABILITY</td>
<td>382</td>
<td>6.0</td>
<td>20.0</td>
<td>14.97</td>
<td>3.35</td>
</tr>
<tr>
<td>BALANCED</td>
<td>EE-DYNAMIC PERFORMANCE</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>12.43</td>
<td>2.65</td>
</tr>
<tr>
<td></td>
<td>EE-INTERNAL DEVELOPMENT</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>16.41</td>
<td>3.43</td>
</tr>
<tr>
<td></td>
<td>EE-EXTERNAL EMPLOYABILITY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>11.01</td>
<td>3.11</td>
</tr>
<tr>
<td>TRANSITIONAL</td>
<td>EE-MISTRUST</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>8.88</td>
<td>4.36</td>
</tr>
<tr>
<td></td>
<td>EE-UNCERTAINTY</td>
<td>382</td>
<td>3.0</td>
<td>15.0</td>
<td>7.17</td>
<td>3.59</td>
</tr>
<tr>
<td></td>
<td>EE-EROSION</td>
<td>382</td>
<td>4.0</td>
<td>20.0</td>
<td>9.98</td>
<td>4.90</td>
</tr>
</tbody>
</table>

Source: SPSS database, ER stands for Employer, EE stands for Employee

The descriptive statistics given in Table 1 on Employers’ Transactional psychological contract with regard to Short-term (M=7.71, SD=3.66) and Narrow (M=12.07, SD=4.67) and on Employees’ Transactional psychological contract with regard to Short-term (M=8.14, SD=3.29) and Narrow (M=10.75, SD=3.35) indicate that the employees’ commitment to ‘short-term’ obligations is higher than that of the employers’ while their commitment to ‘narrow’ obligations is lesser than that of their employers. The result indicates that the employees have low intention to remain with the firm in the future and they would perform the required tasks only in accordance with the payments they receive. It also indicates that the employees have limited involvement in the organization and the basis of employer-employee relationship is moderately ‘transactional’.

The values on Employers’ Relational psychological contract with regard to Loyalty (M=11.3, SD=2.97) and Stability (M=11.83, SD=2.81) and on Employees’ Relational psychological contract with regard to Loyalty (M=11.81, SD=2.76) and Stability (M=14.97, SD=2.81) indicate that both of the employer and the employee have almost similar commitment to Loyalty obligations but the employees’ commitment to Stability is slightly lower than that of the employers. It indicates that the employers are taking care of their employees’ wellbeing and personal welfare and the employees are willing to make personal sacrifices for the organisation. However, the employees would remain with the organization only when they are sure of security and stable wages over time.

The descriptive on Employers’ Balanced psychological contract with regard to Dynamic Performance (M=11.62, SD=3.02), Internal Development (M=11.23, SD=3.02) and External Employability (M=10.97, SD=3.28) and on Employees’ Balanced psychological contract with regard to Dynamic Performance (M=12.43, SD=2.65), Internal Development (M=16.41, SD=3.43) and External Employability (M=11.01, SD=3.11) indicate that the employees’ commitments to all the dimensions of balanced psychological contract are slightly higher than that of their employers. It appears that the employees are willing to accept challenging performance standards, seek out opportunities to build skills to enhance their value to the organisation and develop marketable skills and career potential outside the organisation to contribute highly to the firm’s advantage. It further indicates that employees are eager to develop their career potential with the support received from their employers in order to survive in the current environment. It is evident that the employees are highly willing to improve their performance to contribute to firm’s competitive advantage, but the support received from their employers is not in line with their expectations. The employees appear to be in a hurry to improve their employability in the external market to seek out alternatives on conditions of emergency.

The descriptive on Employers’ Transitional psychological contract with regard to Erosion (M=9.28, SD=4.50), Uncertainty (M=7.29, SD=3.59) and Erosion (M=7.57, SD=3.63) and on Employees’ Balanced psychological contract with regard to Erosion (M=8.88, SD=4.36), Uncertainty (M=7.17, SD=3.59) and Erosion (M=9.98, SD=4.90) indicate that there is a higher amount of mistrust and uncertainty on the part of their employers and a higher amount of erosion on the part of the employees. The result indicates that there is a strong feeling among the employees that their employers do not trust them, do not deliver what they promise and do reduce the wages and benefits and it is not promising to stay with the organization any longer.

Table 2: Correlation & Regression coefficient between Employers’ Psychological Contract & Employees’ Psychological Contract (Total Sample, 382)

<table>
<thead>
<tr>
<th>EMPLOYERS’ TRANSACTIONAL CONTRACT</th>
<th>Correlation coefficient (r)</th>
<th>2</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>0.465</td>
<td>0.209</td>
<td>10.239</td>
<td>0.000**</td>
</tr>
<tr>
<td>EMPLOYERS’ RELATIONAL CONTRACT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.480</td>
<td>0.224</td>
<td>10.666</td>
<td>0.000**</td>
</tr>
<tr>
<td>EMPLOYERS’ BALANCED CONTRACT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.406</td>
<td>0.164</td>
<td>8.660</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

Source: SPSS database, ** Significant at .05 level

The result given in Table 2 indicates that:

- There is a statistically significant correlation between Employers’ Transactional contract and Employees’ Transactional contract with respect to Short-term (r = 0.354, t= 7.379, p=0.000) & Narrow (r = 0.455, t= 9.960, p=0.000) obligations. The null hypothesis is therefore rejected and alternate hypothesis is accepted. The r2 values indicate that one unit change in the employers’ short-term and narrow obligations can effect 12.5% and 20.7% variations in the employees’ short-term and narrow obligations respectively. This indicates that when the
psychological contract obligations tend to be ‘transactional’, it is expected that the parties reciprocate their actions and behaviours along transactional lines. The result indicates that the ‘narrow’ dimension of transactional psychological contract has higher influence on their behaviour and actions than the ‘short-term’ dimension of the contract. It entails that the employees would perform only required tasks and limited responsibilities in accordance with the payments they receive and the employers therefore have to slightly relax their narrowness to get the expected performance from their employees.

- The correlations between Employers’ Relational contract and Employees’ Relational contract with respect to Loyalty (r = 0.368, t= 7.715, p=0.000) & Stability (r = 0.378, t= 7.959, p=0.000) are low and statistically significant. The null hypothesis is therefore rejected and alternate hypothesis is accepted. The r² values indicate that one unit change in employers’ loyalty and stability obligations can effect 12.5% and 14.5% variations in employees’ loyalty and stability obligations respectively. The result indicates that commitment to relational contract obligations can significantly influence the behaviour and actions of the parties but stability (security of employment and stable wages) is more important for the employees than loyalty to remain committed to their organisations.

- The correlations between Employers’ and Employees’ Balanced contract and Employees’ balanced contract with respect to Dynamic Performance (r = 0.427, t= 9.205, p=0.000), Internal Development (r = 0.299, t= 6.108, p=0.000) & External Employability (r = 0.220, t= 4.396, p=0.000) are moderate to low and statistically significant. The null hypothesis is therefore rejected and alternate hypothesis is accepted. The r² values indicate that one unit change in the Employers’ dynamic performance, internal development and external employability can effect a variation of 18.35%, 8.9% and 4.8% in the Employees’ dynamic performance, internal development and external employability respectively. The result indicates that the employers’ commitment to ‘dynamic performance’ is most important for the employees than any other dimensions of balanced contract to remain committed to their organisations. It is therefore important that the employees are provided with sufficient trainings and development opportunities to enhance their marketability and employability in the external labour market.

- The correlations between Employers’ Transitional contract and Employees’ transitional contract with respect to Mistrust (r = 0.699, t= 19.054, p=0.000), Uncertainty (r = 0.756, t= 22.514, p=0.000) & Erosion (r = 0.815, t= 27.417, p=0.000) are strong and statistically significant. The null hypothesis is therefore rejected and alternate hypothesis is accepted. The r² values indicate that one unit change in employers’ mistrust, uncertainty and erosion can effect a variation of 44.3%, 57.2% and 74.2% in Employees’ mistrust, uncertainty and erosion respectively. The result indicates that when there is mistrust, uncertainty and erosion in the actions and behaviours of the employers’, there is substantial erosion, mistrust and uncertainty in the behaviour and action of the employees. Any attempt to institute a system that reduces wages and benefits of the employees, will have negative consequences. It is therefore important that the employers take adequate measures to support their employees during difficult times by instilling confidence, trust and certainty to gain their commitment and loyalty.

Conclusion and managerial implications:
A basic premise of the psychological contract framework is the notion of reciprocity where the employees’ reciprocate their employers’ behavior towards the source of fulfilled or unfulfilled obligations. This study investigated the relationship between the Employers’ and Employees’ psychological contract along transactional, relational, balanced and transitional parameters and found that all the sub-dimensions of the major construct have statistically significant correlations and that a change in one dimension can effect a statistically significant variation in its corresponding dimension. The descriptive statistics showed that all the dimensions of Employees’ psychological contract, except for Employers’ ‘Narrow’ dimension of Transactional contract and ‘Mistrust’ dimension of Transitional contract, have slightly higher values than all other Employers’ contract dimensions. Though the values between the employers’ and the employees’ psychological contract dimensions do not have substantial variations, it is important to note that the Employers have higher ‘transactional’ and ‘transitional’ focus and the Employees have higher ‘Relational’ and ‘Balanced’ focus. This mismatch has to be seriously looked into. Studies indicate that transactional contracts negatively affect employees’ attitudes (Rousseau 1995; Herriot et al. 1997; Robinson et al. 1994) and anything that violates ‘trust’ in the parties would result in weakened employment relationships, reduced job satisfaction and general well-being (Beard and Edwards 1995).

Limitations and directions for future research:
The current study is subject to various limitations. Psychological contracts are unwritten agreements on direct or indirect promises between the parties and it is likely that the contracts are perceived differently by different employee groups (Shore and Tetrick, 1994; Robinson, 1996; Turnley and Feldman 2000). The results therefore may not indicate causality. Future studies could look into the effect of psychological contract breaches on organizational commitment, human resource practices, organizational citizenship behavior etc. The interpretation of the result in the context of demographic variables would be helpful to derive more meaningful inferences.

The study, despite having limitations has some notable strength. This is perhaps the first attempt to study psychological contract framework in the context of civil aviation sector in India. While majority of the studies focused on ‘transactional’ and ‘relational’ psychological contracts, this study looked into all the four dimensions of the contract as proposed by Rousseau (2000). The findings of the study suggest that the organizations must thrust upon ‘relational psychological contract’ to minimize dysfunctional consequences of breach and employee turnover.
REFERENCES