

Assessing Psychological Contract in the Generational Workforce

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Abstract

Background/Objectives: The term psychological contract is gaining significance in the present scenario of changing work force. It generally refers to common trust and fairness between employer and employee. Psychological contract comprises of three important aspects namely perceived employer obligations, perceived employee obligations and violation of employer obligations. Psychological contracts are an individual's opinions or belief concerning mutual obligations. But beliefs become contractual when an individual believes that he or she obliged to the employer contribution in terms of hard work, loyalty, sacrifices in expectation of certain inducements such as high pay, job security. Employer and employee must be mutually benefitted each in terms of Commitment, loyalty, job satisfaction, Good pay, Job security etc. **Methods/Statistical Analysis:** This study assesses how psychological contract is changing in the multigenerational workforce. The research is conducted among the employees of automobile industry. The research is based on both primary and secondary data. Through structured questionnaire survey method the primary data was collected. The sample size consists of 200 employees from automobile industry. **Findings:** The study shows that there is a generational gap exists in the perceived values of employee obligations and it was found that It is important for the employer to understand the different values, characteristics, and life experiences of each generation workforce in the organization to fulfill psychological contract. **Application/Improvement:** The study gives insights to an organization to deal with multigenerational workforce and understand the obligations that exist between the employee and the organization. The paper also guides how to maintain psychological contract between employee and employer and how the employee expectations must be fulfilled by the employer.

Keywords: Multi Generation, Perceived Values Psychological Contract, Work Force

1. Introduction

The Psychological Contract explains the relationship and expectations between employer and the employee in the organization. The psychological contract refers to the perceived value employer and perceived value of employee, otherwise it is an informal contract between employer and employee in fulfilling each one's demand. In a multigenerational work force the companies need to spend time, effort to balance the unwritten needs of their employees with the needs of the organization. Today organizations need to succeed the needs expectations of increasingly diverse workforce and, Generations are molded by societal happenings in a formative phase of their lives that impact their values¹.

In today's workforce mostly consists of the Baby Boomers, Generation X and Gen Y. Based on the researchers classification Baby Boomers are born

between 1945 - 1964, Generation X are born between 1965 -1980 and Generation Y are born between 1980 till present. Baby Boomers are frequently accompanying with beliefs of confidence and team coordination but Gen Xers experience economic, personal and social insecurity. Whereas Y are the youngest participants to the workforce and are significantly inclined by the high-tech advancements and corporate downsizing and even they expect higher salaries and flexible working hours². Both age and gender have an impact on the psychological Contract. So organizations need to attract, stimulate and maintain the best talent. Hence companies need to modify the method they recruit, offer benefits and provide a corporate culture that aggressively establishes admiration and inclusion for workforces from all generations³. The work force of different generations will perceive their psychological contract differently.

So the understanding and recognizing the multi-

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generational work force differences in an organization is important to revamp the workplace from a generational fight region to an age varied and productive work region⁴.

In the year 2014, the work force of US comprised of 36 percent of millennials (Generation Y) and in the year 2020, approximately half (46 percent) of all U.S. workers will be Millennials while comparing before them, Generation X (or Gen Xers), signify only 16 percent of today's workforce⁵. The effectiveness of strategic HR practices meet career expectations of millennials and which has impact on the overall organizational obligation and ensures retaining the workforce in an organisation⁶. Today the hardest challenge of every business is effectively managing the work force in an organization. The leaders of the Companies should change their tactics to shape the organization culture as well as Employee Motivation. According to DUP report 87 percent of organizations state that Culture and Engagement is not only HR problem but it is the one of the very important business problems⁷. The discrimination always widespread in the Indian context of an organization. The one of the main differences is the prevalent of organizational culture which has impact on the development of Positive Psychology⁸.

2. Generational Differences

The three generations exists in the work place of India are the Baby Boomers (1946 - 1964), Gen X / Socialist (1965–1979) and Gen Y (1980 – 2000) in the lines of the global framework. Baby Boomer employees give importance to job security and a secured work environment. Other characteristics of this generation consist of devotion to an organization, optimism and desire. Baby Boomers are sensitive to status, agreement building and mentoring. The group of people falls to a particular generation not only physically be in the similar time in history, but also share and perceive the similar experiences, developing value sets in a formative phase early in life. The formative phase is the age between 16-25⁹. This is the time in which the generation will be nurtured and determine one's values and behavior which make differences between generations¹⁰.

Generation X is characterized to be flexible to job instability, ready to develop different skill sets and face any challenges¹¹. Generation X's choice of preference of organizations is one which gives importance to skills

development and have a stronger desire to be promoted than the Baby Boomers. Generation X employees are often depicted as cynical, pessimistic and individualistic.

Mostly they are described as entrepreneurial, adaptable with change, not much loyal. They are also experienced economic crisis. The Generation X positioned high value on, independence, job security and work-life balance. But not much difference they were showing for work atmosphere, salary and job description. Whereas among generation y it is predominantly found lower commitment and lower intention to stay¹².

Generation Y is presently the major latest participant among the workforce. Generation Yers are described as being very much adoptable with change. They give importance to personal growth and love challenging work¹³. When Compared to Baby Boomers and Generation X Generation Y are described to be positive, focused, and even more objective oriented and demanding of the work environment. Likewise, Generation Y has been characterized as less dedicated to their organization and more possible to leave if they are not satisfied¹⁴.

3. Multi Generational Work Force and its Impact on Psychological Contract

Psychological contract explains the mutual expectations between employee and organization.. Eisner, (2005) describe distinction between four generations namely traditionalists (born 1945), baby boomers (born 1945), generation x (born 1965), and generation y (born after 1980). Employees of the similar generation and same year of birth share the same historical dimension of the social process. Individual generational differences have impact on their attitudes and behaviors. Generational differences are exists in perceiving psychological contract¹⁵. Each generations exhibit different generational style. Generational style consists of different set of attitudes, value and behaviors that impact each generation's attitude to life and mostly the older generation workers experience a stronger psychological contract breach when compared to younger employees as soon as these obligations are not met. But youngest generation is quite opposite; they have greater expectations of their employer's obligations¹⁶. But culture factor also plays an important role which has influence on an employee's psychological contract.

4. Objectives of the Study

- To review various literature on generational differences impact on psychological contract
- To analyze the impact of generation on the fulfillment of psychological contract
- To suggest measures to improve the psychological contract in the multi generational workforce.

5. Research Methodology

The study research design is based on descriptive in nature. The present study is done based on both primary and secondary data. The Primary data is collected through structured questionnaire. The sample size comprises of 200 employees from automobile industry. Secondary data is collected from various journals, survey reports, websites and magazines. Simple random sampling technique was followed for the data collection. The various statistical tools applied for the analysis of the data are Percentage Analysis, One way ANOVA, Independent Sample t Test, and Correlation Coefficient and t test for single Mean.

5.1 Statistical Analysis

5.1.1 Respondent's Demographic Profile

Table 1. Respondent's Demographic profile

Demographic Profile	Frequency	Percentage
1. Age		
50-68	45	22.5
34-49	62	31
18-33	93	46.5
2. Gender		
Male	147	69
Female	62	31
3. Experience		
Below 1yr	22	11
1 - 3yrs	82	41
3 - 5yrs	46	23
Above 5yrs	50	25
4. Designation		
Managers	35	17.5
Assistant	44	22
Executive	83	41.5
Team Leader	9	4.5
In-Charge	17	8.5
Dy.Manager	12	6

- 46.5% of employees are between the age group 18-33
- 69% of employees are male respondents
- 41% of employees are 1-3 years of experience
- 41.5% of employees are Executive in the organization
- 25 %percent of the employees are working more than 5 years.

5.1.2 Dimensions of Perceived Employee Obligations and Perceived Employee Values towards Psychological Contract

Table 2 shows that mean value of perceived employee obligations towards psychological contract is 72.07 and SD is 6.924, where as the mean value of perceived employee values towards psychological contract is 60.37 and SD is 5.779.

Table 2. Dimensions of Perceived Employee obligations and Perceived Employee values towards psychological contract

Perceived Values	Mean	Std. Deviation
Perceived employee obligations	72.07	6.924
Perceived employee values	60.37	5.779

Source: Field Survey

5.1.3 One Way ANOVA to Examine whether there is any Significance Difference between Generations (ages) with regards to Perceived Values of Employees towards Psychological Contract

Table 3 examines whether there is any significance difference between generations (ages) with regards to perceived values of employees towards psychological contract through one way ANOVA.

Table 3. One way ANOVA to examine whether there is any significance difference between generations (ages) with regards to perceived values of employees towards psychological contract

Age group	N	Mean	Std.dev	Fvalue	P value
50-68	45	60.76	5.593		
34-49	62	60.60	6.208	0.295	0.745
18-33	93	60.04	5.612		
Total	200	60.38	5.779		

Source : Field Survey

H0: There is no significance difference between generations (Age) with regards to perceived values of employees towards psychological contract.

Since p value is more than 0.05, the null hypothesis is

accepted at 5% level of significance. Hence it is concluded that there is no significance difference between age and perceived values of employee. But compare to mean value there is little difference between age groups as follows, 50-68(60.76), 34-49(60.60), and 18-33(60.04). Here, age group of 50-68 (60.76) is better than other groups.

5.1.4 One Way ANOVA for Age and Perceived Obligations of Employee towards Psychological Contract

Table 4 shows whether there is significance difference between age and perceived obligations of employee towards psychological contract.

Table 4. One way ANOVA for age and perceived obligations of employee towards psychological contract

Age group	N	Mean	Std.dev	Fvalue	P value
50-68	45	73.64	6.596		
34-49	62	72.90	7.130	3.345	0.037*
18-33	93	70.76	6.765		
Total	200	72.08	6.924		

Source: Field Survey

H0: There is no significance difference between generations (Age) with regards to perceived obligations of employees towards psychological contract.

Since p value is less than 0.050, the null hypothesis is rejected at 5% level of significance. Hence it is concluded

that there is significance difference between age and perceived obligations of employee towards psychological contract. The employees of above 50 age (73.64) are more than other age groups when compare to mean values.

5.1.5 Gender and Perceived Values of Employee towards Psychological Contract

Independent sample t Test whether there is any significance association between genders with regards to perceived values of employee.

H0: There is no significance difference between male and female with regards to perceived values of employees.

Table 5 exhibits whether there is any significance association between genders with regards to perceived values of employee.

Since p value is less than 0.050, the null hypothesis is rejected at 5% level of significance. Hence it is concluded that there is significance differences between male & female with respect to perceived values of employee towards psychological contract. The male employees mean value (60.78) is more than female employees mean value (59.47).

5.1.6 Correlation Coefficient between Employees Perceived Values and Employees Perceived Obligations towards Psychological Contract

Table 6 investigates the correlation between perceived values of employees and perceived obligations of

Table 5. Gender and perceived values of employee towards psychological contract

	Gender of individual	N	Mean	SD	t value	P value
Perceived values of employee	Male	138	60.78	6.228	1.493	0.036*
	Female	62	59.47	4.54		

Source : Field Survey

Table 6. Correlation coefficient between employees perceived values and employees perceived obligations towards psychological contract

Employees Perceived values obligations towards Psychological contract	Employees perceived	Employee perceived values towards psychological contract	Employee Perceived obligations towards psychological contract
Employees perceived values towards Psychological contract	Pearson Correlation	1	.793
	Sig. (2-tailed)		.000**
	N	200	200
Employees Perceived obligations towards Psychological contract	Pearson Correlation	.793	1
	Sig. (2-tailed)	.000	
	N	200	200

** Correlation is significant at the 0.01 level (2-tailed).

employees towards psychological contract.

H0: There is no relationship between perceived values of employees and perceived obligations of employees towards psychological contract.

Since p value is less than 0.001, the null hypothesis is rejected at 1% level of significance. The correlation coefficient between employees' perceived values and employees perceived obligations towards psychological contract is 0.793 which indicates 79.3% positive relationship between employees perceived values and employees perceived obligations towards psychological contract.

5.1.7 Generational Gap towards Perception of Employees

Test whether there is any "gap between older and younger towards perception" is above average level.

H0: The "gap between older and younger towards perception" is equal to average level

Table 7. Generational gap towards perception of employees

Opinion regarding	N	Mean	SD	t value	P value
Gap between generation	200	3.75	0.950	11.168	0.000**

Table 7 examines whether there is any "gap between older and younger towards perception" is above average level.

Since the p value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence it is concluded that the "gap between older and younger towards perception" is not equal to average level. Based on the mean score of 3.75 the opinion regarding gap between older and younger generation is above the average level.

6. Discussions

Several studies proved that differences in attitudes towards work are occurred because of generational differences. Younger workers have greater expectations of their employer's obligations. The t-test for single mean shows that the "gap between older and younger towards perception" is not equal to average level but it is above the average level Psychological contract breach happens when an employee perceives that his/her employer has failed to fulfill one or more assured obligation. It is

the discrepancy between what is promised and what is fulfilled which leads to unmet expectations, loss of trust and job dissatisfaction. It was found that, the mean value of perceived employee obligations towards psychological contract is 72.07 when compare to the mean value of perceived employee values towards psychological contract is 60.37. The One-way ANOVA test shows that there is no difference between age and perceived values of employee. But when compare to mean value there is little difference between age groups as follows, 50-68(60.76%), 34-49(60.60%), and 18-33(60.04%).

The one-way ANOVA test also shows that, there is difference between age and perceived obligations of employee towards psychological contract. The employees of above 50 age (73.64) are more than other age groups when compare to mean values. The study reveals that there is a difference between male & female with respect to perceived values of employee towards psychological contract. The male employees mean value (60.78) is more than female employees mean value (59.47). The correlation coefficient test shows that employee perceived values and employee obligations towards psychological contract are 0.793 which indicates 79.3% positive relationship between employee values and employee obligations towards psychological contract. The influence of the psychological contract is mostly reliant on how far the individual believes the organization is in satisfying its perceived obligations beyond the formal written contract of employment.

7. Conclusion

The study gives insights to an organization to deal with multigenerational workforce and understand the obligations that exist between the employee and the organization. The paper also highlights how to maintain psychological contract between employee and employer and how the employee expectations must be fulfilled by the employer. The building of Trust between the two parties is essential to building a relational psychological contract. The lack of job security would make it difficult to build this trust. The research highlighted that the in a multigenerational work force the perceived values of employee towards employer should be improved, while compare to perceived obligations of employee. There should be strong relationship should be maintained in order to support psychological contract. Organizations

need to keep in mind generational differences when the organization is dealing with its employees as each generation. Based on their unique obligations, the employer should satisfy the employee expectations towards psychological contract.

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