

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1. Psychological Contract**

Contracts are familiar in every aspect of human life, with varying formalities and variations. A contract is a belief in an obligation that exists between two or more related parties. One form of contract between employees and the organization is a psychological contract. The term psychological contract is different with an employment contract. The term psychological contract was first introduced by two psychologists, namely Arygyris and Menninger (Conway and Briner, 2015).

Conway and Briner (2015) define a psychological contract as an implicit contract between an individual and his organization that specifies what each expects from each other to give and receive in a work relationship. Mathis and Jackson (2012) define psychological contracts as unwritten expectations that workers and employers have the nature of their employment relationship. Schein (2010) defines psychological contracts as a set of unwritten set of expectations between each member of the organization and the manager (as well as others representing the organization). Rousseau (2009) defines a psychological contract as an individual's belief in the mutual agreement between the focal person and other parts. The main issues here consist of confidence in the promises made that bind the parties to a series of mutual obligations

Based on several definitions of psychological contracts, it can be concluded that psychological contracts are a collection of agreements and commitments that are not written but exist in agreements between two or more parties. This relationship focuses on the reciprocal relationship between employees and the company. Although it is not clearly written, it cannot be denied that the fulfillment of this contract plays a significant role in controlling and predicting employees behavior in the company.

The psychological contract aspect refers to beliefs about an employee's promises to the organization and things that the organization promises to their's employees. The aspects of psychological contracts extensively refer to employees' perceptions of the contributions they have promised to the organization agent. Besides, psychological contracts refer to beliefs about the promises of the organization to its employees for their contribution to the organization. The main aspect in psychological contracts is reciprocity. This means that employees provide some form of contribution to the organization as well as the organization provides a reward for the employee's contribution (Conway and Briner, 2015).

Hassan et al. (2017) classified psychological aspects or dimensions into 4 dimensions as follows:

1. Trust toward employees

Trust toward employees defined as the concept of fairness and the theory of social trade in which an individual meets their own responsibility under the expectation that the other party will not fail in meeting their

responsibility (Hassan et al., 2017). The relationship between the company and employees must be based on a trust. High organizational trust in employees related to labor relations agreements between employees and the company will make employees feel comfortable at work. High organizational trust in employees will give many contributions to the organization where one of them is to increase employees commitment to the organization.

## 2. Fulfilment of mutual responsibilities

Fulfilment of mutual responsibilities as the belief of the employer or the employee that they owe each other through the actions that have been related to each party (Argawal, 2014). Psychological contracts refer to mutual agreements between two parties, employees and agents of the organization. The issue of reciprocity is important, if the reciprocal assumption is not valid, it will be difficult to think of a psychological contract as a contract. Basically the psychological contract is related to exchange theory. This concept of exchange happens when an individual feels obliged to respond against another if it is believed to have contributed to one party.

## 3. Perception of fairness

Perception of fairness defined as the perception of an individual on the fairness within the regulations and the procedures which in turn will define the results (Rosen et al., 2009). The psychological contract aspect refers to the reciprocity between the organization and its employees. Employees are

believe about the things promised by the organization in terms of fairness of salary, clarity of work status, employee welfare and clear career advancement. Based on this, employees expect the organization to be fair to every employee by giving all kinds of employee's rights. On the other hand, the organization also demands to employees that employees must also behave fairly by working for the organization for the betterment of the organization.

#### 4. Duration of job contractis

Duration of job contractis as the willingness or a company to meet the duration of the job contract that has been agreed with the employees (Hassan et al., 2017). In a work relationship, employees and organizations commit themselves to work together for a certain period of time in the form of a work contract. An employment contract is an agreement between the worker and employer verbally and or in writing, both for a certain period of time and for an uncertain period of time which contains terms of employment, rights and obligations. Every organization is required to make a work contract with employees. In the employment contract clearly stated the rights and obligations of employees in accordance with applicable Labor Law. Therefore, the organization must be able to fulfill the contents of the work contract that has been well made.

## 2.2. Commitment Affective

Employee commitment to the organization can be used as a guarantee to maintain the continuity of the organization or company. This is because employees with a high level of commitment to the organization will make various efforts to develop the organization. Organizational commitment becomes important especially for organizations that exist today because by looking at the extent of an employee's alignment with the organization, and the extent to which the employee intends to maintain his or her membership of the organization can also be measured how well an employee's commitment to the organization. Therefore, companies must be able to increase employee commitment to the organization.

Kreitner and Kinicki (2012) define organizational commitment as an overall reflection in which an employee identifies with his organization and is willing to carry out the goals of the organization. Luthans (2012) defines organizational commitment as an attitude that reflects employee loyalty to the organization and the ongoing process in which organizational members express their concern for the organization and the success and progress of the organization going forward. Robbins and Judge (2014), defines organizational commitment as a situation where an employee sided with a particular organization and its goals and desires to maintain membership in the organization. Based on several definitions of organizational commitment above, it can be concluded that organizational commitment is the level of employee identification within the

organization or company which includes the level of employee engagement with organizational goals.

Robbins and Judge (2014) say three separate dimensions of organizational commitment :

1. Affective commitment is an emotional feeling for an organization and a belief in its values. Someone who has a strong affective commitment will continue to work in an organization because they really want to do that.
2. Continuance commitment is an economic value that is felt from surviving in an organization when compared to leaving the organization. An employee may stay and commit to the organization and employer because he was given a high enough reward. This commitment causes an employee to stay in an organization because they need it.
3. Normative commitment is an obligation to survive in the organization for moral or ethical reasons. This commitment causes an employee to stick to a job because they feel obliged to do it. In other words, this normative commitment is related to feeling obligated to continue working in an organization.

Affective commitment is one of the categories of commitment, where this commitment is an emotional bond attached to an employee to identify and involve himself with the organization. Affective commitment can also be said as an important determinant of the dedication and loyalty of an employee. The tendency of an employee who has high affective commitment, can show a sense of belonging to the company, increased involvement in organizational activities, a

desire to achieve organizational goals, and a desire to be able to stay survive in the organization (Han et al., 2015)

Affective commitment is an emotional feeling for the organization and a belief in its values to remain in the organization. That is, affective commitment is the degree to which an individual is psychologically bound to an organization that employs through feelings such as loyalty, bound and agreed with organizational goals. Thus, an individual's affective commitment is related to the emotional bond or identification of the individual with the organization.

Some experts have their own explanations and concepts regarding affective commitment. Goldberg (1990) as quoted by Izzati et al., (2015) explains that there are five aspects that illustrate the existence of individual affective commitment to the organization, namely:

1. Extraversion. Characterized by the presence of enthusiasm and enthusiasm. Extraver individuals are passionate about building relationships with others. Individuals are described as enthusiastic people. This enthusiasm is reflected in the emission of positive emotions. Individuals can be assertive and firm.
2. Agreeableness. Sincerity in sharing, sensitivity, focus on positive things in others. Every day they appear as individuals who are kind, can work together and can be trusted.
3. Conscientiousness. Can be interpreted seriously in carrying out the task, responsible, reliable, and likes order and discipline. In their daily lives they

emerge as an on time attendance, achievement, conscientiousness, and like to do work in their entirety.

4. Neuroticism. Is synonymous with the presence of negative emotions such as anxiety, tension, and fear. Individuals who have a dominant habit are easily nervous in facing problems that he thinks are the most trivial. They easily become angry when faced with a situation that is not in accordance with what they want

Affective commitment according to Allen et., Al (2000) can be measured by using eight indicators as follows:

1. Happy with a career in the organization
2. Happy to discuss the organization
3. Really come to feel the organizational problems
4. Commit to the organization
5. Feel part of the organization
6. Be tied to the organization
7. The meaning of organization
8. Enjoy working in organizations

### **2.3. Previous Research**

There have been many studies examining the effect of psychological contracts on affective commitment. Following are some of the most recent studies that examined the effect of psychological contract dimensions on affective commitment:



Tabel 2.1  
Previous Research

No	Research Title, Year	Research Variable	Data Analysis Method	Research Result
1	The Impact of Psychological Contract on Organisational Commitment: a Study on Public Sector of Maldives (Hassan <i>et al.</i> , 2017).	<ol style="list-style-type: none"> <li>1. Trust toward employees</li> <li>2. Fulfilment of mutual responsibilities</li> <li>3. Perception of fairness</li> <li>4. Duration of job contract</li> <li>5. <i>Affective commitment</i></li> </ol>	Regression Analysis	<ol style="list-style-type: none"> <li>1. Trust toward employees has a positive influence on <i>affective commitment</i>.</li> <li>2. Fulfilment of mutual has a positive influence on <i>affective commitment</i>.</li> <li>3. Perception of fairness has a positive influence on <i>affective commitment</i>.</li> <li>4. Duration of job contract has a positive influence on <i>affective commitment</i>.</li> </ol>
2	The Influence of Perceived Psychological Contract Violation on Employee Commitment at the National Cereals and Produce Board (Okoth, 2012).	<ol style="list-style-type: none"> <li>1. Compensation and financial reward</li> <li>2. Job content</li> <li>3. Career development</li> <li>4. Social atmosphere</li> <li>5. Work-life balance</li> <li>6. Management of Change</li> <li>7. <i>Affective commitment</i></li> </ol>	Regression Analysis	<ol style="list-style-type: none"> <li>1. Compensation and financial reward has a positive influence on <i>affective commitment</i>.</li> <li>2. Job content has a positive influence on <i>affective commitment</i>.</li> <li>3. Career development has a positive influence on <i>affective commitment</i>.</li> <li>4. Social atmosphere has a positive influence on <i>affective commitment</i>.</li> <li>5. Work-life balance has a positive influence on <i>affective commitment</i>.</li> <li>6. Management of Change has a positive influence on <i>affective commitment</i>.</li> </ol>
3	A study of the Impact of Psychological contract on Organizational Commitment among Temporary and Permanent Employees in Organizations (Jose, 2008).	<ol style="list-style-type: none"> <li>1. Fairness</li> <li>2. Trust</li> <li>3. Delivery of the deal</li> <li>4. <i>Affective commitment</i></li> </ol>	Regression Analysis	<ol style="list-style-type: none"> <li>1. Fairness has a positive influence on <i>affective commitment</i></li> <li>2. Trust has a positive influence on <i>affective commitment</i></li> <li>3. Delivery of the deal has a positive influence on <i>affective commitment</i></li> </ol>

## **2.4. Research Hypothesis**

### **1.The influence of trust toward employees on affective commitment**

Commitment to the organization is basically the nature of the relationship of the individual to the organization where the individual wishes to remain in the organization. The relationship between individuals and companies causes each party to develop certain views and expectations. Expectations and mutual obligations between individuals and companies are known as psychological contracts (Morrison and Robinson, 2007).

In the model of the relationship between employees and organizations, one of the basics that can be used to strengthen employee affective commitment to the organization (affective commitment) is the level of organizational trust in employees (Hassan et al., 2017). A high level of organizational trust in employees will significantly increase the affective commitment of the employees (Hassan et al., 2017). The effect of trust on affective commitment is also found in Jose (2008) research. Based on this, the researchers propose the following research hypotheses:

**H1: Trust toward employees has a positive influence on affective commitment**

### **2. The influence of fulfillment of mutual responsibilities on affective commitment**

Psychological contract is a set of beliefs or perceptions that an individual has regarding mutual obligations between himself and another party (Robinson et al., 2014). This shows that the relational psychological contract is an individual's

belief in both obligations between employees and the organization based on socio-emotional elements (Knoppe, 2012), is long-term, non-specific, implicit, emphasizes personal exchange, and is based on exchange of values. (Freese, 2007). Based on this, the fulfillment of shared responsibility is one of the keys to strengthen commitment between employees and the organization.

found in the research of Hassan et al., (2017). The ability of each party to fulfill their respective responsibilities will significantly increase the affective commitment of employees to the organization (Okoth, 2012). Based on this, the researchers propose the following research hypotheses:

**H2: Fulfilment of mutual responsibilities has a positive influence on affective commitment**

### **3. The influence of perception of fairness on affective commitment**

Sparrow and Cooper (2003) stated that, companies want their workers to work optimally and with quality. The willingness of employees to work optimally and with quality is a form of affective commitment. Employees are willing to work optimally and with quality if the organization is able to be fair to employees. Employees expect the organization to provide wages in accordance with applicable regulations, provide personal support for workers, and provide a safe and comfortable work environment as a form of justice (Sparrow and Cooper, 2003).

The effect of justice on affective commitment is found in Jose (2008) research. Fair treatment of the organization by giving rights that are part of the employees proportionally based on the size of all members of the organization

will create employees who are increasingly bound by organization. This shows that justice has an influence on affective commitment. Based on this, the researchers propose the following research hypotheses :

**H3: Perception of fairness has a positive influence on affective commitment**

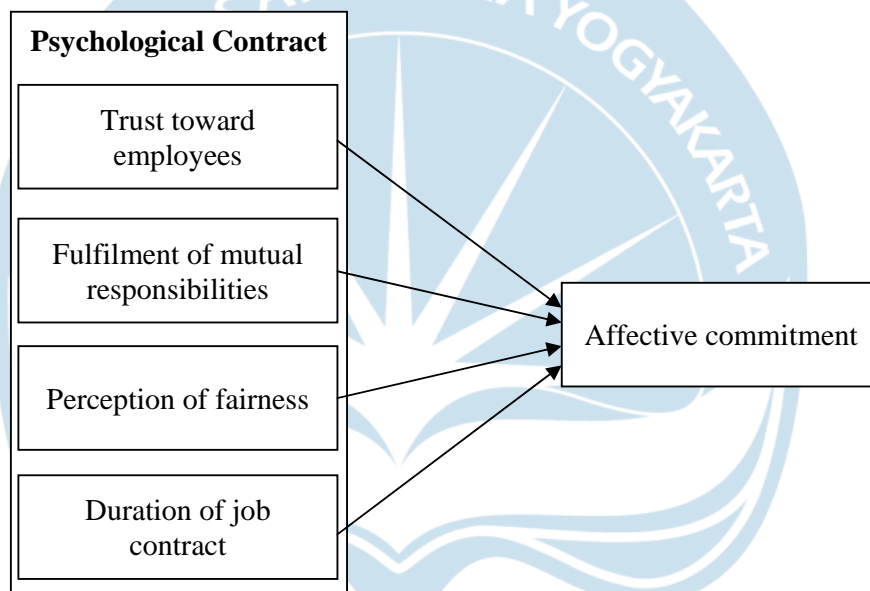
**4. The effect of duration of job contract on affective commitment**

At work, employees want to obtain legal protection for work contracts that have been made with the organization. Good legal protection will make employees feel comfortable at work. This is because the organization will not do something unfair against employees or commit irregularities or violations committed by the organization (Royen, 2009). Organizational willingness to meet the duration of the work contract will make employees become increasingly attached to the organization (Hassan et al., 2017). The effect of fulfilling contract duration on affective commitments was found in research by Hassan et al., (2017). Organizational commitment to meet the duration of the contract properly responded by employees in the form of increasingly high affective commitments. Based on this, the researchers propose the following research hypotheses:

**H4: Duration of job contract has a positive influence on affective commitment**

## 2.5 Research Framework

This study is a replication of previous research conducted by Hassan et al., (2017). The relationship model between psychological contracts consisting of Impact of Trust toward employees, Fulfillment of mutual responsibilities, Perception of fairness, Duration of job contract with Affective commitment is described in a research framework as follows:



Sources: Hassan et al. (2017)

Figure 2.1  
Research Framework