QUALITATIVE ANALYSIS OF THE THEORY OF
PSYCHOLOGICAL CONTRACT AND ITS EFFECTS ON
EMPLOYEE ENGAGEMENT

ABSTRACT

When organisations hire people for employment purposes, there is a part of the contract of employment (written and un-written) which is different from the legal contract but emanates from the expectations of both parties; it is called psychological contract. This is a cognitive construct that affects employees’ attitudes, their work productivity and eventually their performance which in turn contributes to the performance of the organisations that employed them.

The theory of psychological contract (of employment) has been a popular subject of research for over fifty years (Conway & Brainer, 2009) but not without some misgivings about its true meaning, implications for work attitudes and the overall commitments of employees to their organisations. Rousseau & Tijoriwala, (1998) define psychological contract as the “implicit and explicit promises two parties make to one another”. In other words, this contract is termed psychological because it is implicit, reflecting each party’s ‘perceptions’ of the relationship and the promises “implied” by the simple reason of their relationship.

Some researchers have argued that the theory of psychological contract is under-developed and misunderstood (Rousseau, 1989), needs to be better understood (Guest, 1998; Millward & Brewerton, 2000; Marks, 2001) and the roles and perception of employees in sustaining the construct determined (Seeck & Parzefall, 2008; Conway and Briner, 2009).

This research contributes to the existing body of knowledge on the meaning and practical interpretation of psychological contract while also seeking to explore the roles of employees’ perception of the concept and its impact on organisational
performance. Therefore, it relies largely on a qualitative method of questionnaire and in-depth interview of some employees in order to understand their perception and by implication the practicality of the theory of psychological contract. Furthermore, the study also seeks to establish how employees’ understanding of the theory affects their roles, their work attitudes and commitment to organisations in ways that have specific implications for the overall organisational performance.

**KEY WORDS**: Psychological Contract, Organisational Commitment, Employee Attitude, Employee Engagement, Turnover Intention and Organisational Performance.