

EXPLORING THE CONTENTS OF PSYCHOLOGICAL CONTRACT IN LIFE INSURANCE SECTOR - THE EMPLOYEE PERSPECTIVE

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Abstract *The paper aims to examine and explore the employee's expectations of the organisation as perceived by the employees. Employees expect to be rewarded and appreciated additionally than what has been disclosed under the legal contract of employment for their services rendered to the organisation. The Insurance sector of India is one of the largest markets in the world, which is increasing at 32-34% per year. There is vicious competition among companies to attract talented manpower. Understanding the expectations of employees is a must to retain and attract them. The data is collected from the Life Insurance sector employees using a structured questionnaire adopted from the previous studies. Only the employee's side was included in the study. 350 Questionnaires were distributed, out of which a total of 310 were received, which were complete in all senses. Factor Analysis in SPSS-22 was used to find the employee's expectations. This study is an attempt to add value to the existing literature in the area of psychological contract contents in India, which is having dearth due to ignorance by researchers, though this area has been explored thoroughly in Western countries.*

Keywords: *Psychological Contract Contents, India, Life Insurance Sector*

INTRODUCTION - PSYCHOLOGICAL CONTRACT (PC)

In 1989, D.M. Rousseau explained the term very explicitly as “The term psychological contract refers to an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party.” As per the definition, it's about the reciprocal relationship of exchange of promises between the two parties. And the predecessor presumed for the psychological contract is mutuality (Rousseau, 1989). This concept is basically designed and lived by the employees only as they can perceive regarding the existence of promises as a living being, and it's impossible for the organisation to perceive something (Rousseau, 1989). PC is entirely idiosyncratic and perceptual as it depends on reciprocated commitments between the two parties, and they barely come to an agreement that a contract exists (Rousseau, 1994). Guest (2004) has described PC as employment-related perception of both the parties, the organisation and its employees, about mutual obligations which they assume to exist among themselves. It encompasses the beliefs of employees about what is expected of them to do and, in return, how they would be compensated and obligated by the employer. And these expectations are beyond and above the legal

employment contract, which is well-drafted and provisioned (Rousseau, 2004). The psychological contract is related to the obligations, promises and reciprocated responsibilities. It's a dynamic concept which takes a new shape with the passing of time as employment settings changes and employee's perceptions either develops or perishes (Guest, 1998).

TRANSACTIONAL AND RELATIONAL PSYCHOLOGICAL CONTRACT

In a psychological contract, the employer and employee both possess a feeling of owing an obligation towards each other, and this feeling of owing the obligation is the most unique attribute of this contract (Rousseau, 1990). A wide spectrum of studies exists related to the typology of contracts (Rousseau, 1989), such as implied contracts, legal contracts and employment contracts (Kalleberg & Reve, 1992). Just as Blau (1964), where economic and social benefits are discussed, similarly transactional and relational classification of contracts exists. Economic benefits are short-term and monetary in nature, whereas social ones are long-term, undefined and non-monetary in nature (Rousseau, 1990).

The transactional contract is limited scope, short-span aspects and financial factors which are exactly convertible to

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monetary values like performance-related pay and another type of monetary benefits which are non-related to any type of obligations (Rousseau, 2001). While the relational contract is based upon infinite and undefined exchanges between the two parties of the employment relationship (Kalleberg & Reve, 1992). The concept of transactional and relational contracts have been readily studied by many scholars in their studies to explain it thoroughly (Lee & Faller, 2005). Transactional contracts are described as measured and specified obligations which have an insignificant impact on the relationship between the parties, and relational obligations are socially and emotionally related and are loaded with the feature of faith and commitment (Rousseau & McLean Parks, 1993).

CONTENTS OF PSYCHOLOGICAL CONTRACT

In 1973, Kotter mentioned that there can be thousands of contents of psychological contracts, as it has as many answers to as many employees as you will talk with. An employee enters or joins an organisation with a bundle of expectations in the form of opportunities for career advancement, financial benefits, richer job content and a lot more, and similarly, he has plans to deliver his skills, competencies, technical knowledge and administrative skills etc. And there is a wide variation among these expectations and obligations as they are subjective in nature.

Kotter (1973) did an extensive study on the contents of PC and henceforth developed a list of employee expectations and employer obligations, which contained thirteen and seventeen items, respectively. Though there are just very limited studies exploring the contents of psychological contracts (Herriot et al., 1997). In the study of Herriot et al. (1997) Critical Incidence Technique (CIT) was used to address the employees and supervisors to narrate the positive and negative incidents each other in the form of statements just to identify the mutual obligations of employees and organisation. As a result of this study, all the shared incidents were categorised, and a list got prepared to have twelve items of employer obligations such as proper training, Fair system, monetary system, job security etc. Similarly, a list of employee obligations prepared included terms such as honesty, working hours, loyalty and dedication etc. Since then, there have been considerable changes in the business environment, and it has affected both parties of the employment relationship in terms of their demands from each other (Agarwal, 2015). In various countries and settings, the contents of psychology have been studied all over the world with the passing of time.

PSYCHOLOGICAL CONTRACT CONTENTS IN INDIA- LITERATURE REVIEW

The psychological contract is a more than a half-century-old concept; the irony is that it is still not a popular concept in the Indian work and research world; it has been explored extensively in Western countries and is at a grooming stage in India (Agarwal, 2015). The researchers who have contributed extensively to the development of this concept are D.M. Rousseau, Millward and Hopkins, Herriot, Manning, Kidd, Conway and Briner, to name a few. Ample of studies are done in Western countries to study the contents of psychological contracts, and out of which a lot many, are equally considered in other cultural settings also. According to Aggarwal & Bhargava (2009), Indian employees also have similar expectations as their Western complements have. Even then, it is an intense must to study this concept in Indian organisational settings to study and understand the employment relationship.

In Indian settings, Aggarwal and Bhargava in 2009 have deeply explored the contents of psychological contracts from both the perspectives of employer and employee, where supervisors and departmental heads represented the companies. To mention a few, employee expectations, according to their study, are the derivatives of Human Resource practices of the company, which are financial benefits and other facilities, training facilities, availability of resources and information and a healthy workplace. Mark one more critical study of the contents of Psychological contracts in India done by Agarwal and Gupta (2016), which used the (CIT) critical incident technique and data provided by a consulting firm of that organization. The contents were segregated into two major categories as their features related to relational and transactional contracts. Transactional contract items are those items whose absence can demotivate the employees, but they are not treated as motivating factors; they are just similar to the hygiene factors (Agarwal & Gupta, 2018). Some new insights have been found from this study related to the latest expectations of the employees. The HR practices lead to the transactional contents, which are the outcomes of the policies related to Developmental activities, remuneration practices, resources support, and workplace environment, whereas the relational contract contents are more inclined towards the socio-emotional side like humane concern for employees, appreciation and praise, work ethics etc.

STUDY AND METHODOLOGY

The data has been collected from the Life Insurance companies from the districts of Haryana State. The companies

were selected from the Market Share report of IRDAI of December 2022. As per the report, the top five companies as per their market share are Life Insurance Corporation (LIC), SBI Life Insurance, HDFC Life, ICICI Prudential Life, and Bajaj Allianz Life. The data was collected from lower-level management and middle-level management employees. To collect the data, employees were contacted personally at their branches. In Indian Life Insurance Sector, there are a total of 24 companies and out of which there is only one company in the Public Sector which is LIC of India.

INSTRUMENT OF THE STUDY

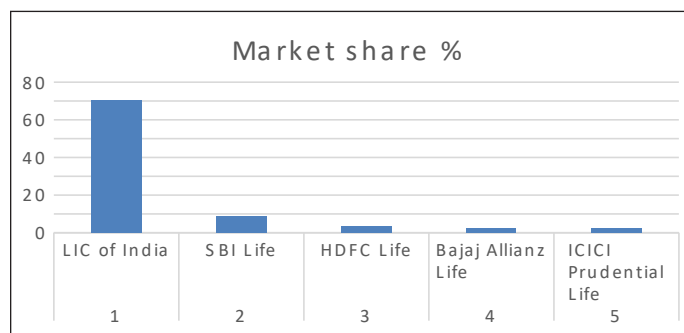
Researchers have developed a number of scales to study the contents of psychological contracts with variations in dimensions. To understand the contents, the scale of De Vos et al. (2003) were used for this study as the statements used in this scale were found most suitable by the researcher for the study of contents of Life Insurance sector employees. There were 19 items on the scale comprising five dimensions labelled as career development, job content, social atmosphere, financial rewards, and work-life balance. These statements were rated on a five-point Likert scale ranging from 5- “highly expected” to 1- “least expected”.

Table 1: List of Top Five Companies According to Market Share (No. of Policies)

Sr. No.	Insurer	Market Share %
1	LIC of India	70.24
2	SBI Life	8.52
3	HDFC Life	3.48
4	Bajaj Allianz Life	2.22
5	ICICI Prudential Life	2.21

Source: By Researcher.

Retrieved from <https://irdai.gov.in/life> As on 31st December, 2022



DATA ANALYSIS

Data was collected from 350 employees of all the above-mentioned Life Insurance companies, and after data cleaning,

310 full filled the condition of being analysed further. The data of 310 Life Insurance sector employees was addressed to factor analysis in SPSS 22. At the initial stage, EFA was applied to the dataset in SPSS to reduce the statements in factors. To better elucidate and simplify the data, Principle component analysis was applied. And to reduce the likelihood of one item on more than one factor, the Varimax rotation with Kaiser Normalisation was run. As per Comrey (1973), the items with a loading of less than 0.45 were suppressed in the analysis. The scale had 19 statements which perfectly loaded on five factors, namely career development, job content, social atmosphere, financial rewards, and work-life balance, with the expected and desired reliability values, which are mentioned below in Table 3.

In this study, the five factors which came as a result of factor analysis are described below according to their sequence of factoring:

Factor 1 Job Content: This factor reveals the need for employees to do such a job where they can take the required decisions by him/her along with opportunities to showcase their skills and talent. Employees want to confirm what they can do, and they want a job with responsibility.

Factor 2 Social Atmosphere: The factor emphasised the importance of social and interpersonal relations among employees, where employees want a good social atmosphere at work. There must be good communication and mutual cooperation among the colleagues.

Factor 3 Career Development: This factor signifies the relevance of growth, promotion, and development of career within the organisation with proper training and skills acquisition opportunities available to them. This suggests that employees want career planning and growth in the organisation along with their progression of tenure.

Factor 4 Financial Rewards: Financial Factors are the monetary benefits which employees are looking for from the organisation for their exceptional performance and hike in wages as per their performance. An attractive salary package with fringe benefits which are comparable to other competitive organisations, is the major expectation of the employees.

Factor 5 Work-Life Balance: Here, the employees want flexibility in their work and their personal life to make a balance between the two. An attitude of respect should be towards their personal situation regarding their choices to manage the correspondence between their work life and social life.

Table 2: Results of EFA by Rotated Component in Factor Analysis

	Component				
	1	2	3	4	5
CD1			.981		
CD2			.985		
CD3			.974		
JD1	.955				
JD2	.954				
JD3	.952				
JD4	.902				
SA1		.846			
SA2		.887			
SA3		.865			
SA4		.841			
FR1				.833	
FR2				.876	
FR3				.802	
FR4				.817	
WLB1					.781
WLB2					.857

	Component				
	1	2	3	4	5
WLB3					.743
WLB4					.805

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

To confirm the factors and items used to study the Contents of the Psychological contract in the Indian scenario, the Confirmatory Factor Analysis was run after EFA using the AMOS 24. And in the Model Fit summary, certain indices were completely in the expected range of values, which hence supports that De.Vos. et al. (2003) items to study the contents of PC are relevant in Indian settings of the Life Insurance sector. The major fitness indices like GFI, AGFI, NFI, RFI, TLI, and CFI were obtained and had a value above 0.9, and CMIN/DF has a value of 1.345, which is as per the threshold value suggested by Bagozzi and Yi, 1988. RMSEA lay in the range of 0.03-0.05. Satisfactory findings are found from the CFA regarding the use of the scale developed by De.Vos. et al. (2003). And to confirm the internal consistency of various items which were used to study the construct of the present study, Cronbach's alpha has a value above or equal to 0.70 (Nunnally, 1967).

Table 3: Summary Statistics

Item	Factor	Mean	Standard Deviation	Cronbach Alpha
CD1	Career Development	3.4419	1.11833041	.982
CD2				
CD3				
JC1	Job content	3.0831	1.07776	.960
JC2				
JC3				
JC4				
SA1	Social Atmosphere	3.5726	.92124	.884
SA2				
SA3				
SA4				
FR1	Financial Rewards	3.643548	.86179	.856
FR2				
FR3				
FR4				
WLB1	Work Life Balance	3.1645	.65541	.787
WLB2				
WLB3				
WLB4				

Source: Derived from primary data calculations done by author.

DISCUSSION OF THE STUDY

The study aims at the purpose of exploring the contents of the psychological contract in the Indian Life Insurance sector, where the obligations of the employer towards the employees are studied. The contents found, such as job content, social atmosphere, career development, financial rewards, and work-life balance, are analogous to the various other studies carried out earlier (Agarwal & Bhargava, 2009; Agarwal, 2015). The essentials like job content and career development emerged as the strapping elements of the Psychological contract. These elements are the bright indicators for the organisations to focus on while framing the HR policies related to these areas, which will help to retain the talented workforce and to manage the employer-employee relationship. However, such policies will lead to psychological contract fulfilment and hence will help the organisation to achieve its objectives. Our findings of the study set the incremental anchor to the study of the contents of PC in the Life Insurance sector, which will extend a helping hand for the Supervisors to understand the obligations of the employer.

CONCLUSION AND IMPLICATIONS

The main objective of this paper is to explore the contents of psychological contracts in the Indian Life Insurance Sector. In Indian organisations, the contents of psychological contracts have not been explored much. Still, there are a few significant studies which have contributed in an impactful manner by exploring the contents for Indian employees. This study is in consonance with the previous studies which have explored similar outcomes, to mention one of the most significant studies is Aggarwal and Bhargava (2009). The contents found in the current study are much similar to those of Aggarwal and Bhargava (2009) and Agarwal (2015), where the author has studied the contents of employer obligations. Bhattacharya et al. (2018) have also identified certain factors as contents of psychological contracts in Indian settings. The results of this study are supported by many other similar studies conducted in India though not in the field of Life insurance, but results are similar in the service industry (Aggarwal & Bhargava, 2011).

The current study further justifies the need to closely monitor psychological contracts over a period of time. The findings have clear, practical implications. The HR systems in organisations can be designed around the emerging contents of psychological contracts. Further, the integration of employee and employer obligations into HR systems will facilitate healthy employee-employer relationships. The study concludes with a validated scale to measure the psychological contract more relevant in the Indian context. The tool is likely to facilitate a more accurate examination of psychological contracts in India.

It's quite important for an organisation to understand the motivational factors of an employee, which will affect their behavioural and attitudinal outcomes, and they are relevant in tapping the talent of their employees (Katzenbach, 2000). The study revealed that the contents of the psychological contracts in India are similar to those in Western countries. Their expectations from their employer are closely identical to those working in Western companies and cultures. Talking about the importance of the contents of the psychological contract, it's clear that employees attach much importance to the various facilities in terms of providing them with developmental training, compensation benefits, work-life balance, social atmosphere, job security and career growth, followed by many other facilities of resource availability. In spite of the useful outcomes for application in the Life Insurance sector, the study has more dimensions to be explored in the form of breach or fulfilment of the obligations by the employer. The study is designed to delve into the perceptions of the employees from their organisation for which middle and lower-level employees were included, whereas the employer expectation side has not been included in the study. As the psychological contract is all about the mutual expectations of both parties, the employer aspect can be further explored in future studies.

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