Psychological Contract and Attrition in Information Technology Sector

Saikat Chakrabarti, Ipseeta Satpathy, B.C.M Patnaik

Abstract: What causes attrition and break of psychological contract in Information Technology (IT) sector, why they pose a serious problem to human resource managers and how they can be arrested are focal points of the present study. In any organisation the only living resources are human resources. This animate resource has the ability of rational and independent thinking. So, more the gap between employees' expectations prior to their entry and what they actually get, the more is the chance of attrition. Organisations based on Information Technology are, in fact, skill-based industry. So, in such organisations attrition means loss of skill and expertise. Present researchers have found out the factors of psychological contract-breath and psychological contract violation leading to attrition. Forecasting attrition is indeed very difficult. Therefore, two sets of factors have separately been identified in the present article – a) factors responsible for breaking psychological contract and b) factors behind attrition. Attempts have been made here to find out the common factors affecting both psychological contract and attrition. In doing so, they at first have taken the help of previous literatures. Then through questionnaire they have collected the responses of 266 respondents of a Kolkata-based IT organization to find out causes of attrition. Method of Principal Component Analysis (PCA) has been used for the purpose. Five significant components of attrition-problem have been found similar to the factors of breaking psychological contract. Finally, the researchers have introduced a new factor i.e., effect of technological change on psychological contract and attrition. This research work will help human resource managers to identify and control causes of breaking psychological contract and of attrition. There is a scope for future studies on the newly introduced factor.

Keywords: Psychological contract, attrition, skill, breach, violation, information technology, principal component analysis, technological change

I. INTRODUCTION

In any Information Technology organisation (IT organisation) human resources are the only living resources. It has been observed that the general intelligence quotient of the IT employees is fairly high. So, it is not a very easy task for human resource managers of IT organisations to deal with this intelligent resource.

It has been noted that even after providing facilities to the employees, they often leave the organisations without paying any attention to the psychological contract. Thus break of psychological contract and consequent attrition are chronic problems of IT organizations. If employers do not pay due and proper attention to the causes of attrition, employees may break both the contracts, psychological and written. To identify the factors responsible for attrition is important. Employee have to sign a contract at the time of joining any IT organisation. The idea of psychological contract was first proposed by Argyris in 1960 and was later more put into practice by the organisational researcher Denise Rousseau in 1989. Now-a-days arresting attrition has become a major problem for human resource professionals in the organisations (Kraak et al., 2017). While making an effort to investigate the root causes of the problem and their adverse effects on the probability of attrition, the researchers have realized the importance of maintaining a good working relation between organisations and their employees. The present researchers have emphasised the concept of psychological contract. This is an unwritten contract between the two parties of the organisation i.e., employer and employee (Satpathy et al. 2018). This is, in fact, an unwritten set of expectations and not a written one (Bankins, 2015). It has been observed that any breach or violation of contract occurs only in the absence of mutual cooperation.

Managers always try to do their best to minimise the rate of voluntary attrition. Attrition in any form affects the organization. IT farms are project-based organizations. They have certain deadline for delivering what they have committed to their clients. If there is any attrition when a project is running in full swing, it would be a serious problem for managers to fill in the gap immediately in a desired manner. It may also be harmful for reputation of organisations. According to the media report of ‘The HR Monk’ dated March 01, 2018, the rate of voluntary attrition in Indian IT and e-commerce organisations is 20.4%. The report of KPMG pointed out three major causes of attrition: a) better pay in other organization (28.1%), b) better career prospect elsewhere (23.4%) and c) personal reasons (19.6%). So, if break of psychological contract leads to attrition, the main factors responsible for the same are required to be found out. Here the researchers have reviewed some previous literatures to find out the different factors causing break of psychological contract, either in the form of Psychological Contract Breach (PCB) or in the form of Psychological Contract Violation (PCV), and they also have compared those with the factors responsible for attrition. They have taken help of Principal Component Analysis method (i.e., PCA) for the purpose. If human resource managers...
concentrate on these factors, they may control the rate of attrition in organisations and thus help in maintaining the skill and number of the workforce. Herein lies the significance of studying this research-problem in IT organisations.

A. Psychological Contract

The term Psychological Contract was coined in 1960 by Argyris. The concept was later structured by the organisational researcher Denise Rousseau in 1989. Now-a-days retention seems to have become a problem of great magnitude for human resource managers (Kraak et al., 2017). While investigating the different root causes of attrition the researchers here found it necessary to examine the relation between the employee and the employer. Psychological contract has a role to play at this point. This is an unwritten contract, but it ties the two main stakeholders of the organization i.e., employers and employees in a single common string. Mutual expectations of both employer and employee are, in fact, the essence of psychological contract (Bankins, 2015). It emphasises the need of common obligations. A sequence of perceived commitments, either verbal or derived, will lead to some compulsion for both the parties. Break of psychological contract (either a breach or a violation) is no doubt a big problem for organisations. The present researchers, therefore, have scrutinised the effective relations between employees and employers (Conway and Briner, 2005).

B. Psychological Contract Breach

When the employees think that their organisations are failing to be faithful to their own promises, which they made at the time of their (employees’) joining, or they have a feeling that organisations are ignoring some of the promises, it becomes a case of what is known as psychological contract breach or PCB (Conway and Briner, 2005). Psychological contract breach is a factor to be considered, while maintaining balance in the organisational operation. The harmful consequences of breach force the organisations to understand the feeling, attitude and behaviour of the employees. Thus it helps in forecasting attrition (Conway and Briner, 2005). The negative effects of psychological contract breach are as follows: negative attitude, lower job satisfaction, unsatisfactory job performance, increasing withdrawal actions, and all these factors combine together resulting in attrition. This will, in turn, affect the reputation of organisations. In the present study the researchers have found out the factors of psychological contract responsible for attrition.

C. Psychological Contract Violation

Psychological contract violation is a belief that the employer has broken his work-related commitments. It may therefore create a feeling of dissatisfaction among the employees. Their dissatisfaction may lead them to withdraw from work or to betray (Morrison and Robinson, 1997). It is considered to be a negative side of the organisation. Psychological contract violation may take place when employees of an organisation believe there is a distinct gap between their expectation and reality (Knights and Kennedy, 2005). So, the researchers have made an effort to point out the factors which have an impact on attrition.

D. Attrition

Attrition is a slow but sure reduction in the number of employees of an organisation. It is very often caused by the mismanagement on the part of the employers and by their failure to replace the people who left the organisation (Cambridge Dictionary Online). When a trained and skilled employee leaves an organisation, it generally proves to be causing a huge loss for the company. It has been observed that due to several reasons people leave the organisation. The rate of leaving the organisation has recently been on the rise, and thus retention has been gradually posing a problem of serious concern (Latha, 2013). Employee-attrition quite naturally leads to a state of uncertainty in the organisation. It indicates a loss in the areas of both knowledge and skill (Kumar and Yakhlef, 2016). A large number of organisations have been suffering owing to attrition. It is quite high in the IT sector. Managers of the IT organisations are now playing an active role to meet this challenge and root out the problems completely.

II. OBJECTIVES

- To find out the factors responsible for break of psychological contract
- To identify the factors responsible for attrition
- To find out the factors causing break of psychological contract and leading to attrition

III. REVIEW OF RELATED LITERATURE

In their article Kraak et al. (2017) emphasised the need of understanding the employee-identity and psychological contract. They also identified some areas which have direct effect on violation and indirect effect on turn over intention of the employees of an organization. Delobee et al. (2016) published an article in which it was mentioned that psychological contract is generally influenced by the way an employee socializes himself with the processes of the organization. But the authors in their paper projected a completely different perspective pointing out how the psychological contract of a newcomer influences his socialization process. Here stress has been laid on induction training which, according to the authors, plays an important role in better work-adjustment. Training helps the new-comers in three vital areas like: Role clarification (training utility and Leader Member Exchange or LMX), Team Cohesiveness (Team Member Exchange or TMX) and Organizational Value (training utility plays a vital role here). Saarthan and Raina (2016) made an attempt to ascertain if job-stress plays a mediating variable between breach of psychological contract and employees’ tendency to quite. According to them, psychological contract breach and work load have a significant impact on job stress. Work load plays a vital role in creating an intention of leaving the job. In another study Bari et al. (2016) pointed out three major Total Quality Management (TQM) soft practices – teemsprit, reward and acceptance, education and training. These three practices exert considerable influence, direct or indirect, on job-contentment of the employees. Organization-culture has no direct effect on job satisfaction. Relational Psychological Contract (RPC) has a mediating or indirect role in Organizational Culture (OC) and Job Satisfaction (JS). The present researchers have found a relation between job...
satisfaction and psychological contract. Penga et al. (2016) found it obvious from their study that more scope for open communication and freedom of speech on the part of the employees and liberty to raise queries may help strengthen the bondage between the organization and the employees. This article also highlights the need of a good working-relationship between manager and the employees. The employers thus may expect a better psychological contract from the employees. This becomes more obvious when an employee works in an organization fairly remote from home and family. In another study Bankins (2015) considered every individual as a potential agent of changing the psychological contract. The author, referred to above, proposed a model which highlights the manner how breach and violation-events sensitise the employees. The model shows the attitudinal change from the employees’ initial negative reactions leading towards withdrawal from work to a positive attitude. These employees gradually start to take part in contributing to their organization (REPAIR). This is more evident in multi-generational work force (Satpathy et al., 2019). In an article Manxharia (2015) found out the connection between breach of psychological contract and employment relation. The study under consideration also found out the effect on the departmental variables like employee satisfaction, organizational commitment and probability of leaving the organization. The study further wanted to identify those breaches of psychological contract, which affect employees’ attitude and behaviour. This article has identified some demographic indicators such as age, educational level, designation. These indicators are the key factors influencing the breach of psychological contract. In another research-work Das et al. (2019) found the importance of organizational commitment and job satisfaction. This article throws light on the factors of psychological contract and attrition. Stoilkovskaa and Marković, (2015) in their paper focused on the role of optimism and pessimism in forming the psychological contract. In a separate article Persson and Wasilewski (2015) proposed a new concept called ‘letting happen’ which has a broader shared-meaning between the parties. According to the authors psychological contract (PC) should first be adopted in the living process rather than keeping it outside in a separate water-tight compartment. Managers’ approach should be one of accompanying rather than controlling. Paillé and Raineri (2015) pointed out the relation among perceived corporate environmental policy, organizational support, perceived psychological contract breach and employees eco-initiative. According to them chances of psychological contract breach are less to the employees getting encouragement and support from their employers. Again, Restubog et al. (2011), in their article emphasised that psychological contract and leader member exchange are two independent promising areas of research. Suazo et al. (2009) pointed out the differences between psychological contract and legal contract. There are two types of psychological contract: relational and transactional. It may be mentioned in this connection that legal contract is of two types, (i) Expressed and (ii) Implied. This article clarifies how the organizations should convey their messages about the organizational expectation through different Human Resource (HR) functions to the employees. Bellou (2009) examined the differences in employees’ perception as to the desirable psychological contract. These differences are based on gender, age, education level etc. Ghadai and Misra (2019) in a separate article laid emphasis on gender equality. Bal et al. (2008) identified the influence of age-factor and its connection with psychological contract breach and job attitude. Result of their study reveals that for the purpose of job satisfaction, the moderating variable is age. The study also shows that if there is a breach of psychological contract, the probability of attrition increases. Payne et al. (2008) in their paper made an attempt to identify the extent to which the preconceived belief about the relationship between the employee and the organization influences the subsequent socialization process. Hiltrop (1995) in his article rightly observed that the concept of psychological contract underwent a sea-change. It is basically a mutual expectation between the two parties, ie, employer and employee. The article also highlighted the fact that, organizational environment influences the impression and experience of the employees. If the experience is not satisfactory, the probability of breaking psychological contract is high and, in turn, it affects the employee-retention too. Chaubey and Bisht (2016) in their study stressed on employee satisfaction and psychological contract. They mentioned that only a satisfied employee can be productive and if the employee is not satisfied there are chances of withdrawal from work and leaving the organization. In their research paper Deery and Jago (2015) revealed different factors of attrition and found that work life-balance is one of the most significant factors to be taken into consideration. It has been pointed out that the millennials minimise their expectation about work-life balance and social life at the time of recession. This also has an effect on psychological contract (Hauw and Vos, 2010). It has been observed that the purpose of the establishment is better served through interpersonal relations. Faith plays an important part in building good interpersonal relation. Monte (2017) investigated the reasons of difference in employee output and identified job satisfaction as a key factor. In that study it was also stated that this factor i.e., job satisfaction not only affects psychological contract, but also, has a role in influencing attrition. Lospo et al., 2017 explored the main reasons of attrition and they found some vital causes of the same, like, poor supervision, unhealthy regulatory environment, adverse working condition, huge work-load, poor salary, stress etc. They also spoke of two other factors which play an important role in attrition. The factors are: lack of job satisfaction and lack of motivation. The role of mutual trust and transparent communication in minimising attrition also cannot be overlooked (Kumar and Yakhlef, 2016). Research articles reveal the importance of trust and value based communication to control attrition (Dyer and Singh, 1998). According to the study of Viitaharju and Lähdesmäki (2012) cordial exchange of information helps in avoiding information loss and consequent attrition. If there is an attrition in any organisation, it suffers from skill deficiency. Succession planning, is one of the necessary steps to tide over this sort of situations arising out of attrition. The process of succession planning prepares
the organizations for future challenges (Hall, 1986).

IV. METHODOLOGY

The present research work has been divided into two distinct parts. In the first part the researchers have reviewed several past literatures on both psychological contract and attrition. They have marked different factors affecting psychological contract. In the second part they have adopted Convenience Sampling Method and have presented the necessary data in tabular form. They have chosen Lake-town, Kolkata, West Bengal as their area of present research work. The total population of IT employees in Lake-town area is 3000. The present researchers have distributed questionnaire among 341 employees of an IT organization located in Lake-town. They have initially got 287 responses from there. Among the total number of responses, 21 were incomplete. So, they finally have considered 266 responses after screening. The researchers have taken help of statistical software SPSS for the purpose of statistical analysis. The questionnaire consisted of 17 variables (factors) among which 16 were independent factors and the last one i.e., attrition is the only dependent one. They have used the method of Principal Component Analysis (PCA) to bring these sixteen independent factors under 5 significant components. The researchers had identified the nature of the sample by using descriptive statistics before applying PCA. Ultimately they have made an attempt to point out some of the causes of attrition which are same as the causes of break in psychological contract.

V. ANALYSIS

The characteristics of the data which have been collected are shown in the following table. The researchers collected 287 data, but, among those 21 questionnaire were submitted in incomplete manner. So, for the purpose of data analysis the researchers have considered only those 266 data of the respondents who submitted the questionnaire in a duly completed manner.

<table>
<thead>
<tr>
<th>Table 1 Sample Characteristics</th>
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<tbody>
<tr>
<td><strong>Head</strong></td>
<td><strong>Characteristics</strong></td>
</tr>
<tr>
<td>Number of respondents</td>
<td>266</td>
</tr>
<tr>
<td>Age</td>
<td>From 23 to 30: 43.5%; from 31 to 45: 48.1%; 46 and above: 8.4%</td>
</tr>
<tr>
<td>Gender</td>
<td>Female: 38.4%; Male: 61.6%</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single: 34.5%; Married: 45.4%; Other: 20.1%</td>
</tr>
<tr>
<td>Academic Qualification</td>
<td>Below Graduate: 12%; Bachelor: 50.7%; Masters: 34.2%; Doctorate: 3.1%</td>
</tr>
<tr>
<td>Proximity (Where from the employee comes to the organisation)</td>
<td>From 1km to 10km: 68.4%; From 11km to 20km: 17.8%; From 21km to 30km: 13.8%</td>
</tr>
</tbody>
</table>

Table 1 represents some important demographic data where the researchers got maximum (i.e., 48.1%) responses from the middle aged employees of the IT organizations from where the data have been collected. Although the responses from the young age group is also quite high i.e., 43.5%. 164 employees out of total 266, (i.e., 61.6%) are male. The percentage of the married respondents are on the highest side i.e., 45.1%. Although while considering the marital status of the employees of that IT organization the researchers found a fairly high percentage (20.1%) of responses from the other category of employees. Here the mentioned other category includes divorced, separated, widow and widower employees. From the standpoint of academic qualification the present researchers have found considerably high responses from Bachelor Degree holders. Percentage of such employees is 50.7% (i.e., 135 employees out of 266 total respondents). 182 employees (68.4%) live within 10 km proximity from their organizations.

Researchers here measured the sampling adequacy with reference to Kaiser-Meyer-Olkin (KMO) value. The outcome of the study prove the KMO value is 0.641, which is more than 0.6. This proves that the variables or factors may be clubbed into smaller sets of components.

<table>
<thead>
<tr>
<th>Table 2 Rotated Component Matrix*</th>
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<tbody>
<tr>
<td><strong>Components</strong></td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Proximity</td>
</tr>
<tr>
<td>Academic Qualification</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>JE=Job Responsibility</td>
</tr>
<tr>
<td>JS=Job Satisfaction</td>
</tr>
<tr>
<td>MS=Marital Status</td>
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<tr>
<td>Inc=Increment</td>
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<tr>
<td>PerRanking=Perfo rmance Ranking</td>
</tr>
<tr>
<td>RwM= Rapport With Manager</td>
</tr>
<tr>
<td>TWX=Total Work Experience</td>
</tr>
<tr>
<td>Training</td>
</tr>
<tr>
<td>WLB=Work Life Balance</td>
</tr>
<tr>
<td>WwPC= Working with Present Company</td>
</tr>
<tr>
<td>CinCR= Continuing in the Current Role</td>
</tr>
<tr>
<td>WwCM=Working with Current Manager</td>
</tr>
</tbody>
</table>

In this article the researchers have used the method of Principal Component Analysis (PCA). They have reduced the entire sixteen factors into five different components by applying PCA. Age, academic qualification, gender and marital status are clubbed as Demographic component. This is Component 1 in the study concerned. This component has its support from the literatures on psychological contract by the following authors like Bal et al. (2008), Bellou (2009) and Manxharia (2015). Under Component 2, there are factors like total work-experience, working with present company, working with current manager and continuing in the current role, which are termed here as Job Experience. Component 2 gets its back-up in the earlier
literatures of psychological contract (Hiltrop, 1995; Suazo et al., 2009; Paillé and Raineri, 2015). Component 3 i.e., Work Contentment comprises factors like job responsibility, job satisfaction and increment. This component has its support from the earlier literatures (Bal et al. 2008; Manxharia 2015; Chaube and Bisht, 2016; Suarthana and Raina, 2016; Bari et al., 2016; Monte, 2017). Here according to Table 2 proximity, rapport with manager and training have been combined together, and it has been marked as Component-4. This has been termed as Association. Component 4 has got its support by Manxharia (2015), Persson and Wasielewski (2015), Delobbe et al. (2016) and Penga et al. (2016). Finally, the last component, that is, Component 5, has been termed as Work Life Equilibrium. This includes performance ranking and work life balance. The literatures on psychological contract which strengthen Component 5 are those of Hauw and Vos (2010), Paillé and Raineri (2015), and Deery and Jago (2015). These five components (Demographic, Job Experience, Work Contentment, Association and Work Life Equilibrium) influence attrition individually or in a collective manner.

VI. PRACTICAL APPLICATION

The present article is very significant not only for pointing out the causes of breaking psychological contract, but also for laying stress on the need and means of controlling the rate of attrition. In spite of the best effort made by the organisations, retention of productive employees for a long term, still remains an unsolved problem (Satpathy et al., 2018). The problem is more evident in IT organisations. It is because of their high ambition that the employees often leave their organisations. It is, indeed a very critical problem for the organisations. Here the researchers discussed two most challenging practical issues: minimisation of the rate of attrition and rooting out the factors responsible for attrition. Again, it has been mentioned in the present study that previous literatures on psychological contract lend support to our findings regarding the causes of attrition. The researchers, with the help of a practical case-study, have introduced a new factor which may be helpful for future research.

According to the updated data published by Indian Brand Equity Foundation (IBEF) in the month of August, 2019, India’s IT industries contribute 7.7% to our country’s Gross Domestic Product (GDP), and it is expected to contribute 10% by the end of 2025. According to the said report, there is competitive cost advantage of Indian IT organisations. Under the initiative of “Startup India” [IBEF, August 2019] these IT organisations are also enjoying tax exemption facilities. The market size of Indian IT & ITes industry has touched US$181 billion in 2018-2019 financial year. With the growth of the industry there is a growth of demand too. This industry always wants to have employees who are eager and ready to be updated. That is why the training institutes and the educational institutions are also making an all out effort to introduce newer technology-based courses like Augmented Reality (Ar), Virtual Reality (Vr), Internet of Things (IoT) etc (Rath et al., 2019). Increase of demand in the IT market causes a corresponding increase in the eagerness for learning updated technologies. This, in turn, opens up newer opportunities for the IT employees. It throws a new challenge to the human resource managers of the IT organisations to retain their employees. More the opportunity, more is the rate of voluntary attrition. Such cases have motivated the present researchers to introduce a new factor viz. effect of technological change on psychological contract and attrition.

VII. CONCLUSION

The rationale behind the present study is to find out and sum up the factors responsible for breaking psychological contract and thereby strengthening the factors behind attrition. The study creates newer scope for conducting further research for applying the positive aspects of the present study on other types of organisations too. In due course a sector-wise comparison may also be done. Keeping the global business scenario in mind, the present researchers have investigated and found out some areas of its practical application. This work will be of immense help for the human resource managers of the IT organisations. They will find the article of present researchers useful for being widely aware of the factors and components affecting both psychological contract and attrition.

REFERENCES

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AUTHORS’ PROFILE


Dr. Ipsseeta Satpathy (D.Litt): is a Professor in OB and HRM,School of Management, KIIT Deemed to be University. She has over 15 years of experience in teaching and administration in KIIT University. Prof. Satpathy is a visiting professor to Lynchburg College, Virginia, USA. She has authored six books published by Excel books, New Delhi, Transnational Marketing Strategy, published by New Age International Publishers.12 of her scholars have been awarded Ph.D. degree also she has published more than 100 research papers in various referred national & international journals and conference proceedings. Dr Satpathy was invited by University of Massachusetts, Dartmouth, USA to address the faculties & the students.

Dr. B.C.M Patnaik Associate Professor, School of Management, KIIT Deemed to be University. He has 6 years of corporate and 16 years of academic experience. To his credit he has published more than 70 research papers in various reputed international and National Journals and presented more than 10 research papers in various International and National Conferences. He has been awarded Best Faculty award three times once by GIMT, New Delhi and twice in Wilsonia Group.