Title: Providing insight into Human Resource Management solutions by understanding the psychological contract and employee engagement.

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ABSTRACT

This exploratory research drew upon an extensive review of the literature to review the relationship between the psychological contract and employee engagement. Semi-structured interviews of employees in a regional government entity were conducted, all participants had been with the organisation for less than two years. The study identified some differences for leaders in relation to the psychological contract experience. The study found that unmet expectations or perceived psychological contract breaches for leaders were associated with greater opportunities for development. The provision of a realistic job preview enables potential employees to make the best career decisions. The relationship between employee engagement and the psychological contract was considered between the two topics and their contribution to achieving human resource management solutions.

INTRODUCTION

This exploratory research project considers employee engagement and provides a critical assessment of its relationship with aspects of psychological contracts. This research assesses employee engagement and features of the psychological contract with employees from a regional government entity. The aim of this study was to consider the features of the psychological contract (recruitment experience, perception of the recruitment process, intentions and motivations, contract versus non-contractual aspects) to understand expectations set by the employer and understood by the employee. This study drew upon the research of Saks (2006) and Rousseau (1990) and also sought to understand aspects of work experience beyond the contract that may influence employee engagement. This study was undertaken as a result of a recognized gap in the literature in terms of the relationship between the two topics. This article focuses on nineteen semi-structured interviews and the insights gained from these discussions.

EMPLOYEE ENGAGEMENT DEFINED

Employee engagement is of interest to Human Resource practitioners and organisations, as an engaged workforce has been linked to positive employee attitudes, innovative practices, higher productivity and performance and reduced costs from employee turnover. According to Saks (2006) the interest in employee engagement is driven by the link to positive organisational results. According to Błażej (2018) "forty-eight studies found a statistically significant relationship between employee engagement and task performance". Robbins, Judge, Millett, and Boyle (2017) indicate that employee engagement relates to an employee's connection with their organisation, it provides a sense of fulfilment and generates interest in completing the assigned work, suggesting that high levels of engagement foster's a profound connection and commitment to the organisation. According to Saks (2006) employees' repayment to their organisation is through their engagement. The premise is that relationships evolve over time under agreed rules of exchange. Saks (2006) provides a summary of employee engagement:

It has been defined as a distinct and unique construct that consists of cognitive, emotional, and

behavioral components that are associated with individual role performance. Furthermore, engagement is distinguishable from several related constructs, most notably organizational commitment, organizational citizenship behavior, and job involvement (p. 602).

PSYCHOLOGICAL CONTRACTS DEFINED

Another key concept in discussions of the employee experience is the idea of a psychological contract. A simple definition as stated by Aggarwal and Bhargava (2009) is "the psychological contract refers to what an employee owes to the organisation and what can be expected from the organisation in return" (p. 5). A study by Sonnenberg, Koene, and Paauwe (2011) stated that psychological contracts are unwritten and perceptual in nature. As stated by Lussier (2019) people management difficulties occur when the expectations set within the psychological contract are not met. Furthermore, when an individual enters the organisation the reality of the environment may come as a shock if the actual experiences contrast their expectations; this challenges individual's expectations and any perceived obligations (Tomprou & Nikolaou, 2011). Soares and Mosquera (2019) indicate that increased work engagement is associated with positive outcomes for individuals and organisations. Soares and Mosquera (2019) indicate that studies have neglected the influence of the types of psychological contracts upon employee engagement outcomes. Rousseau (2001) argued that a major element of the psychological contract is the common understanding between the parties and reciprocal obligations. The employment relationship is built from the exchange of promises commencing with recruitment and selection and then through the various stages of the employment lifecycle. During recruitment and selection, in particular, the information shared by the recruiter with the interviewee sets expectations for the new work environment. The employee's understanding of these obligations following the recruitment and selection process are then linked to career motivations and intention to stay (Rousseau, 1990). The research by Ruokolainen et al. (2018) suggests that "both contracting parties should be aware of the obligations (i.e. content of PC) that they assign to each other and they should balance these obligations as well as they can" (p. 2846).

EXPLORING THE LINKS BETWEEN EMPLOYEE ENGAGEMENT AND THE PSYCHOLOGICAL CONTRACT

According to Bal, De Cooman, and Mol (2013) little research attention has been given to the links between employee engagement and psychological conditions. Sound recruitment and selection and orientation practices are linked to the psychological contract in terms of the promises made and kept. Communication is seen as fundamental in shaping the psychological contract throughout the employment cycle commencing with the recruitment stage in the formation of a positive psychological contract. Importantly, clear communication provides authenticity to the promises made as "unheard promises are the equivalent of unmade promises" (Schwartz, Spires, & Young, 2019, p. 549).

Bringing employee engagement and psychological contracts together provides a more holistic view of the employee experience and suggests themes and opportunities for research into and improvement in human resource management practices. A conceptual framework for research into the two concepts is presented in Figure 1.

Insert Figure 1 about here

This paper reports on a study exploring the elements listed in Figure 1 in a specific organisational setting. The research aimed to explore the link between employee engagement and the psychological contract and sets out the research findings in terms of the psychological contract, the organisational experience and the outcomes of employee engagement. The interviews also established a different recruitment and selection experience for leaders versus non-leaders; prior to commencing and upon commencement with the organisation. The research suggests that an employees' relationship with their immediate supervisor has a significant influence on employees, a supporting and trusting relationship rather than a controlling relationship enables employees to fully participate and contribute as they have a sense of safety in their work setting. Importantly, leaders can play a significant role in the

psychological conditions which influence employee attitudes and performance (Erkutlu & Chafra, 2013; Philipp & Lopez, 2013). Furthermore, the research by Frazier and Tupper (2018) demonstrates that supervisors play an important role in motivating employees and promoting psychological well-being which contributes to improved performance.

RESEARCH METHODOLOGY

The organisation was selected as they expressed an interest in participating, access to a pool of participants that had commenced with the organisation within a two year time-frame which aligned to the research approach of Rousseau (1990). The organisation was selected as it has a stable workforce experiencing low levels of turnover for several years. The participants had all been employed by the organisation for less than two years and as such were able to reflect on their recruitment and selection experience. Semi-structured interviews were conducted as part of a larger study that combined an on-line survey and interviews with employees of a regional government entity. Twenty two employees expressed an interest in being involved in one-on-one semi-structured interviews and nineteen interviews were conducted in July and August 2014. The interviews generally took 45 minutes to complete in a conversational style interview. The information obtained during the discussions was brought together for each of the questions and subjected to thematic coding to distinguish and define key themes (Guest, MacQueen, & Namey, 2012). The study found that the main positive influencing factors associated with promises and expectations were work-life balance, support, challenging work, development opportunities and job related information. Whereas, unmet expectations were associated with autonomy and freedom to act.

INTERVIEW STRUCTURE

Of the nineteen participants, five participants held leadership roles (managers/ supervisors/coordinators); the other participants were from a range of roles across the organisation. The semi-structured interview technique enabled the freedom to alter the timing and pace of the questions and enabled immediate follow-up with open ended questions to probe for further detail on an area of interest to the research being undertaken (Qu & Dumay, 2011). The questions discussed

encompassed the elements listed in Figure 1. Four broad themes were discussed with the participants. First, the psychological contract (expectations and obligations) to understand intention to stay; their motivation to apply for a position with the organisation; understand any promises and expectations set out in their employment contract or discussions held; their recruitment experience and whether any obligations were discussed. Second, to understand their antecedents of employee engagement in terms of the support provided by their supervisor and the organisation. Third, job versus organisational engagement. Finally, reflecting on the outcomes of engagement to understand the participant's intention to quit and their organisational commitment.

RESEARCH RESULTS AND DISCUSSION

The results and discussion are set out in the three main research themes of the Psychological Contract (promises and expectations); Organisational Experience (Antecedents and Elements); and Employee Engagement (Outcomes) as described in Figure 1.

Psychological Contract (promises and expectations)

A summary of the key findings in relation to the psychological contract and potential HR solutions are summarised in Table 1.

Insert Table 1 about here

Table 1 highlights that work-life balance, the provision of support and challenging work are important elements of the psychological contract in terms of promises and expectations. Prospective employees are also seeking to understand development and salary progression opportunities. From a human resource management (HR) perspective there is a requirement to develop policies and guidelines that are communicated to prospective employees. HR has a role in the development and delivery of sound job analysis and design methodology and recruitment and selection practices, which includes training interviewers, well developed interview questions and the provision of a realistic job preview.

Colarelli (1984) discussed the importance of realistic job previews as a key principle in the recruitment and selection process. He states that new employees may perceive a breach when their own performance is lower than the organisation's expectations, the orientation into the organisation is limited and access to members of the organisation pre-entry was limited. This is extenuated when they have had a previous negative experience or if they had various alternate employment options available to them when accepting the role with the organisation. Improved pre-entry communication is a key component to bridging this gap. The provision of a realistic job preview is critical for effective recruitment practices. (Liu, Keeling, & Papamichail, 2018). Effective communication during the recruitment process enables expectations to be closer to the organisational reality.

Organisational Experience - Antecedents and Elements

The interviews in this exploratory study focused on two antecedents of employee engagement: perceived organisation and supervisor support. The consequences or outcomes of employee engagement in this study focused on the elements of organisational commitment and intention to quit. Organisational support theory "proposes that employees form a generalized perception concerning the extent to which the organization values their contributions and cares about their well-being" (Kurtessis et al., 2017, p. 1854). Participants indicated that their supervisors were seen as caring more than the organisation because of the daily direct interaction with their supervisor.

In relation to job engagement for non-leaders the work contributors to levels of job engagement included assisting the community by providing advice and assistance and flexibility in working hours. For leaders their job engagement was influenced by: facilitating better ideas from the team; continuously improving processes and assisting people to achieve work outputs. Participants that were less engaged reported that they were looking for more challenging work and more empowerment in their position. In terms of HR solutions job analysis and design are the tools to develop well-rounded positions.

Hackman and Oldham (1980), provide a model to depict the three psychological states that affect internal work motivation in a complete job characteristics model. The Hackman and Oldham model includes core job characteristics, critical psychological states and outcomes. Job characteristics include skill variety, task identity, task significance, autonomy and feedback from the job to address job

enrichment. Critical psychological states include meaningfulness of the work, levels of responsibility for work outcomes and knowledge of the work outcomes. The outcomes include work motivation, job satisfaction and work effectiveness.

Organisational engagement

Upon review of the discussion, three groups of participants were identified. First, there were participants that were very connected to the organisation and they engaged in activities such as volunteering for events outside of working hours. Second, there were participants that were more connected to their specific Section/Division. For the participants that were connected to their Section/Division there was an association with getting involved in social events for the Section/Division. Third, a few participants were neutral or did not actively get involved in things, reporting issues such as: misalignment with values; having a fixed term contract; and not wanting to work any additional hours.

From an HR perspective the provision of information relating to the organisational values and the expected hours to meet role expectations are important in terms of the recruitment and selection and orientation practices. Employees also respond positively when goals are set and feedback is provided, engaged employees are satisfied and committed which can result in higher levels of performance (Lee Whittington & Galpin, 2010). The effective management of performance is also linked to improved employee engagement (Smith & Bititci, 2017). The consequences of engagement include job satisfaction and commitment to organisational goals, these consequences are influenced by personal values and the leadership espoused values and the associated behaviours (Rice, Fieger, Rice, Martin, & Knox, 2017).

Employee Engagement - Outcomes

Organisational Commitment

Organisational Commitment relates to the individual's attachment to the organisation (Saks, 2006). According to Rhoades and Eisenberger (2002) "employees who are emotionally committed to the organization show heightened performance, reduced absenteeism, and a lessened likelihood of quitting their job" (p. 698). Organisational commitment is the "degree to which an employee identifies with a

particular organisation and its goals, and wishes to maintain membership in the organisation" (Robbins et al., 2017, p.59).

Overall, participants indicated that they were proud to tell others that they worked for the organisation. Those that were proud to say they work for the organisation, had a sense of belonging and some of the reasons offered for this sense of belonging included: being proud to be selected through a competitive recruitment and selection process; working for an organisation with a positive reputation; and that the work/job itself was rewarding. The most common contributor to a sense of belonging was the organisation's contribution to the community. Whilst overall the organisation enjoys a positive reputation, for a few of the participants that did not like to tell others they worked for the organisation it was linked to their belief there were negative public perceptions of the organisation externally.

Most participants in non-leadership roles stated that they were very committed to fulfill any commitments to the organisation, with interviewees stating that working with the organisation was a good employment opportunity, that there was challenging work and they were eager to perform to the best of their ability. For some participants the increased flexibility in working hours was considered a trade-off for a significant reduction in earnings. Factors that would make the participants more committed included: more recognition of the skills and abilities the participants bring to the organisation; less focus on meetings, and more of an action orientation; some interviewees were concerned that the political nature of the organisation presents barriers to achieving outcomes. Participants in leadership roles were generally motivated and committed. Suggestions to increase their levels of motivation included: clearly identified career paths for progression; higher financial rewards; and more opportunity to make decisions.

Intention to quit

Employees in non-leadership roles indicated that they were looking to stay with the organisation long-term based on opportunities to move throughout the organisation and opportunities for personal growth, career development and training. Participants in leadership roles also indicated an inclination to stay

with the organisation based on the team environment, professional expertise and working hours. Intention to quit is an important consideration give the significant costs associated with employee turnover. As well, the recruitment and selection costs, and productivity implications, Duda & Zukova (2013) indicate that there are various costs associated with employee turnover, both direct and indirect, such as the time to conduct an exit interview, the processing of the contract termination and the loss of corporate knowledge.

SUMMARY AND IMPLICATIONS

Overall, the participants were looking to stay with the organisation and there was a pattern of a value-based association with contributing to the community. Participants were mostly satisfied with what was promised and as such the psychological conditions have been upheld which was reflected in fairly high levels of engagement. For leader's job engagement was premised on facilitating better ideas, improving processes and achieving outputs, whereas for non-leaders, job engagement was demonstrated by working additional hours as required, supporting, coaching and mentoring others. Participants with unmet expectations or perceived psychological contract breaches for leaders related to an expectation of greater developmental opportunities and for non-leaders and to a lesser degree leaders being provided with more information about the job itself to more fully understand the complexity and demands of their role prior to commencement. Establishing further understanding of the relationship between employee engagement and the psychological contract can assist human resource practitioners to influence positive engagement outcomes that are linked to business results.

CONCLUSION

This exploratory research has described employee engagement and the psychological contract. The uniqueness of this study stems from bringing together two research themes and drawing on the research methodologies of Saks and Rousseau. From this exploratory research the outcomes of employee engagement are organisational commitment and reduced intention to quit. Importantly, lower turnover

within organisations results in lower costs associated with recruitment and selection and the training of new employees. There are two primary limitations of this research, firstly, the research was conducted in one organisation and all participants indicated they enjoyed working for the organisation and generally enjoyed their job.

IMPLICATIONS FOR HUMAN RESOURCE MANAGEMENT

This research provides greater insight into the relationship between employee engagement and the psychological contract. The two concepts provide a broader understanding of the motivators to apply to work for an organisation that can contribute to the development of an employee value proposition which can underpin successful recruitment and selection strategies and the management of an organisational profile. An employee value proposition assists with the engagement and the achievement of organisational objectives (Adams, 2015). Moreover, the employee value proposition sets out the ways an organisation can attract and retain talented people by defining competitive financial and non-financial factors (Bell, 2005). It is important for employers to provide a realistic job preview to assist potential employees to make informed career decisions. A realistic job preview enables an improved match between the individual and their organisation (Shibly, 2019). Further studies of these constructs will provide a better understanding of the drivers of employee engagement, which is linked to organisational performance which is of interest to human resource practitioners.

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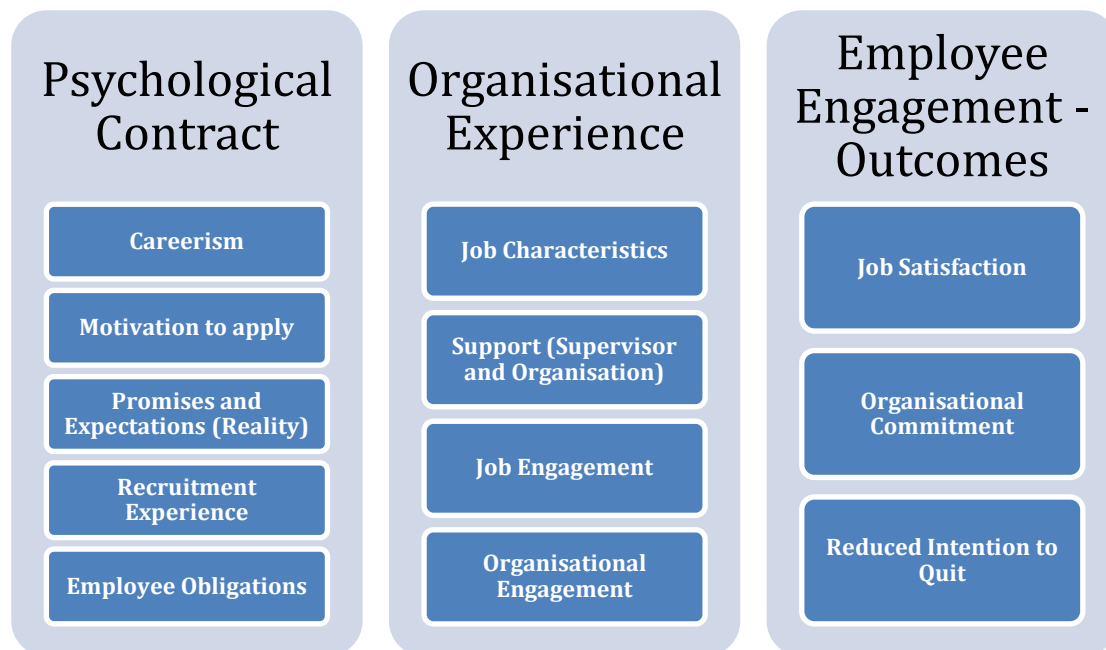
Figure 1. Employment Engagement and the relationship with the Psychological Contract (Descriptive Framework).

Table 1: Summary of Psychological Contract key findings.

Positive Influencing Factors	Reality (Potential Breach/Unmet Expectations)	HR Solutions (maintain or improve HR practices)
Promises and Expectations		
Work-life balance		Work-life balance practices and guidelines
Support Manager/Supervisor		Pre and post commencement dialogue
Challenging work	Autonomy Freedom to Act	Job Analysis and Design
Development opportunities		Development opportunities outlined
Job related Information		Provision of realistic job previews
Recruitment Experience		
Work-life balance	Actual availability of flexibility in practice	Flexibility of working hours articulated

Challenging work		Job Analysis and Design
Salary expectations	Salary aligned to experience	Clear articulation of salary range and progression
	Interview Questions	Interview questions clearly aligned to role expectations