An Impact Assessment of Psychological Contract on Job Satisfaction, Commitment and turnover intention in Steel Industries in India

Mr. Sarasa Kumar Panda, Dr. Srinibash Dash
Assistant Professor, Dept. of Professional Studies, Khallikote (A) College, Berhampur, disha, India
Assistant Professor, School of Management, Gangadhar Meher University, AmrutaVihar, Sambalpur, Odisha

Article History: Received: 10 January 2021; Revised: 12 February 2021; Accepted: 27 March 2021; Published online: 28 April 2021

Abstract— HRD practices change the capabilities of employees at all levels in an organization and in this way assume a significant role in driving advancement and development. Individuals’ capabilities and how those capabilities are utilized within the organization due to advancements in the systems and processes of HR management involving HRD helps to leverage the many-fold benefits. In that trio of extraordinary capacities, HRD centers focus on learning and improvement at the individual, group, and organizational levels that happens when employees have the knowledge, competencies, skills, and attitude for getting the hang of, facing attentive challenges, sharing information, and thinking imaginatively, and when organizations offer help by managing it through effective KM. Ishak et al. (2010) propose KM is fundamental for building up the human asset. It is additionally recommended that HRD is fundamental for developing the knowledge that flows through the KM framework. Hence, the purpose of this study is to investigate the pathways leading from HRD to OP through KM as a mediator and presenting a comprehensive framework for steel companies of India to strategize effective HRD practices for better and effective KM for enhanced Perf organization-wide. The main objective of this topic is to measure the effect of HRD Practice, Knowledge Management on the real organizational performance in the steel Industries in India. In this study, we have used SEM for the measure of the mediating effect of knowledge Management on HRD Practices for organizational performance.

Keywords- Mediating Effect, SEM, KM & Organizational Performance

1. INTRODUCTION

Almost every organization in the digital era is striving hard in a vibrant and exceedingly competitive market. Today, in this era of globalization it is increasingly argued that the organizations would best be able to meet the challenges if they can acquire and utilize valuable, scarce an inimitable resources (Barney, 1991). Human resources being one of the integral factors of production can fall into this category, and may be proved indispensable if deployed effectively through appropriate human resource development climate and culture. The theoretical work in strategic business management has given rise to the prominence of human resources in generating sustained competitive advantage. The resource-based view of the firm say that they can develop sustained competitive advantage only by value in a way that is rare and difficult for competitors to imitate and since the other sources like natural resources, technology, economies of scale etc. are increasingly becoming easy to imitate; human resource may be taken as the most important source of sustained competitive advantage. That is why in recent times the interest of strategic management in examining the role of human resources as value added has evolved to broaden the focus of human resource management research as a strategic approach (Baird and Meshoulm, 1988). Management of human resources as a strategy to bring sustained competitive advantage makes evident the importance of human resource development climate and culture for organizational performance, such as employee turnover, productivity financial performance.

Psychological contract has emerged as a vital concept for improving organizational performance through better use of knowledge and for minimizing the loss of valuable knowledge when employees leave. Human Resource Development (HRD) Climate is often seen as a key enabler of KM. In recognition of the central role of knowledge in organization performance, the field of knowledge management (KM) emerged as a focus on improved understanding of the processes and their links to organizational performance in modern organizations. Simultaneously, the field of HRD emerged with a focus on improved understanding of the processes of learning and development (L&D) in organizations and their links to performance. KM and HRD seem to intertwine naturally in their approaches to organizational effectiveness.

HRD processes change the competencies of employees at all levels in an organization and thereby play major roles in driving innovation and economic growth. People competencies and the way those competencies are leveraged across the organization due to changes in organizational design occur largely because of innovations in the HR, human resource management (HRM), and HRD departments—the people development functions in the organization. In that trio of special functions, HRD focuses on learning and development at the individual, team, and organizational levels. Innovation inside an organization occurs when employees have the knowledge, skills, and attitudes for learning, taking thoughtful risks, sharing knowledge, and thinking creatively.

and the organization’s systems provide needed support. Ishak et al. (2010) suggest KM is essential for developing the human resource. We further suggest HRD is essential for growing the knowledge that flows through the KM system.

The above discussion is only brief short note for the psychological impact on knowledge management with the help of HRD practices in Industries. But in the real sense here I would like to interpret the job satisfaction has to develop the commitment of the employees for the overall growth which leads to minimize the turnover intention of the employees. One of the most important factors to make a difference under the working conditions of the business environment in 2000’s is a committed, productive, highly motivated and innovative human resource. With the increase of technological advances and changes, there is a need for organizations to address employee satisfaction, organizational commitment and work itself. The success, survival and competing power of organizations depend on the commitment of their members, supporting their individual developments and ensure their participations.

The purpose of this study is to gain a better understanding of the relationships between job satisfaction, organizational commitment and turnover intention. Job satisfaction is defined by Ivancevich as an attitude that individuals have about their jobs and it is believed to be a result of the perception of individuals of their jobs or it is defined by Greenberg that it is a person’s positive or negative feelings about their jobs. In 1990, Allen and Meyer defined Organizational Commitment as a bond or linking of the individual to the organization. Intention to turnover is defined as one’s behavioral attitude to withdraw from the organization whereas turnover is considered to be the actual separation from the organization. The cost of turnover to organizations can be high. Given its service-intensive nature, and its relatively high labor costs in overall costs, turnover is an important issue for the airline industry. Flight attendants serving as front line employees play a critical role in directly delivering flight service to as well as interacting with passengers. The airlines in general invest significant resources in the training of their flight attendants, seeking to maximize the quality of in-cabin service delivery. Due to high work stress and an unstable working environment, the turnover of flight attendants is an important issue from a practical. Surprisingly, however, this subject has tended to be neglected in the literature. Among various antecedents, job satisfaction and organizational commitment appear to be good predictors of turnover rates, and these are the factors investigated here together with the individual characteristics of flight attendants.

The purpose of this study is to investigate the pathways leading from HRD to organizational performance through knowledge management by using structural equation modeling approach.

2. REVIEW OF LITERATURE

2.1. Psychological Contract

Increased use of time-limited contracts as the mainstay of employer-employee relations has implications for the psychological character of the exchange relationship. To investigate this, the current study is framed by Rousseau’s (1995) psychological contract model (PCM). The psychological contract pertains to beliefs held by individuals about their contractual terms and conditions. The findings yield evidence for Rousseau’s distinction between two types of contractual belief (relational and transactional), as well as the explanatory potential of the PCM over and above the concept of organizational commitment. As predicted, temporary workers were more transactional than relational in their contractual orientation. The findings are discussed with reference to a need to develop a theoretical basis for research on organizational involvement.

Three types of assessment have been employed in research using a psychological contracts framework. Content measures focus upon the terms of the psychological contract individuals are party to. Feature measures assess the attributes of the psychological contract itself including explicit/implicit and static/dynamic, and at present are a relatively undeveloped form of assessment contract. Evaluation measures are the comparative judgments individuals make in the context of their psychological contract, including the degree to which it has been fulfilled or violated. Implications for future research are described, along with the advantages of both quantitative and qualitative assessments.

2.2. Job Satisfaction

Nearly most of the definitions of job satisfaction present a corresponding resemblance with those of attitudes because of job satisfaction is considered as an attitude. It is stated that job satisfaction is an attitude that individuals have about their jobs. It results from their perception of their jobs (Ivancevich and Matteson, 1990). Besides, the content of this definition involves a strong emphasis on feeling which is also called “affect”. This emotional or evaluative component refers to an individual’s positive, neutral or negative feelings of what might be called the attitude object, or the focus of attitude (Greenberg and Baron, 2000). Some of these definitions cognate with people’s affective response to current job are one-dimensional: people are generally satisfied or dissatisfied with their job (Ward and Sloane, 1999). In addition to the belief that job satisfaction is a summary evaluation that people make of their work, it should still be remembered that people’s level of job satisfaction varies and these differences are the result of job related factors and individual factors.

2.2.1. The Factors that Influence Job Satisfaction

2.2.1.1. The Factors Related to the Job
Pay: Wages and salaries are important factors for job satisfaction. Money not only helps personnel attain their basic needs but also instrumental in providing upper-level needs satisfaction (Luthans, 1992). A study of 2000 managers demonstrated that the amount of wages received was very positively related to satisfaction, even with managerial level held constant.

Work Itself: Since Herzberg, Mausner and Syndermann monograph, “The Motivation to Work” was published in 1959, evidence has been accumulated that the work itself plays a significant role in attaining job satisfaction (Feldmann and Arnold, 1985).

Promotion Possibilities: Promotion possibilities involve the availability of advance opportunities. If people think that they will not have much promotion possibilities, they may be affected adversely. The most well-known study on the subject was done by Sirato who found a negative relationship between measures of promotional frustration and measures of attitudes toward the company (Feldmann and Arnold, 1985).

Peers: Interaction with peers is an important factor in job satisfaction. A study in an automobile industry demonstrated that isolated workers disliked their jobs. Similarly, it was found that only 43% of the “isolates” in work groups were highly satisfied with their jobs (Feldmann and Arnold, 1985).

Working Conditions: Providing good physical working conditions (e.g. cleanliness of the working place, lightening, adequate tools and equipment) enables employees to carry out their jobs easily, comfortably and efficiently. Working conditions such as flexible time, job sharing and shorter workweeks are quite valued by employees because they can facilitate valued off the job activities such as perusing hobbies (Feldmann and Arnold, 1985).

2.2.1.2. The Factors Related to Individual

Individual’s Loyalty to Company: If individuals are satisfied with their job, they remain in their profession longer. Some individuals want to stay in the organization due to their normative commitment, referring to an employee’s desire to stay with the organization based on a sense of duty, loyalty or more obligations. Hackett, Bycio and Hausdorf found that job satisfaction had a positive influence on normative commitment (Clugston, 2000).

Experience: According to Lawler work, experiences have profound effects on the individual employee (Cano and Miller, 2005). Individual’s responded favorably or unfavorably toward many things, work, for example. Their response stems from a number of factors like work experiences. Age and Gender: Age is one of the individual factors affecting job satisfaction. It is concluded that elder workers are more satisfied (Kaya, 1995). It is also found a meaningful relation between agenda job satisfaction (Kaya, 1995).

Gender is one of the individual factors affecting job satisfaction. The largest economic study about this subject was performed in 1997 by Clark, using the data obtained from 1991 British Household Panel Survey (BHPS). Unless some factors were remained constant, the job satisfactions of women were higher than men. Education: According to the study of Dold and Duff, it was observed that graduates of career oriented disciplines were more satisfied with their jobs than other graduates. The highest levels of job satisfaction were reported by the individuals in agriculture and education with 64% in each category being very satisfied with their jobs (Andres and Grayson, 2002).

2.2.2. Consequences of Job Dissatisfaction

Absenteeism: Failure to report to work absenteeism appears to be associated with job dissatisfaction. A review of the literature on factors associated with job attendance concluded that job satisfaction was one of the major influences on attendance, although it is only one of the major factors.

Turnover: Job satisfaction has effect on to determine staying in or leaving the organization. If personnel are dissatisfied with their work, they are likely to leave from the organization. If personnel believe that they are treated fairly and getting rewards they are unlikely to leave the organization. There are some factors with the relationship between satisfaction and turnover. These are commitment and general economy. The personnel who are committed to the organization and believe that they cannot find any other job because of bad general economy prefer to stay in the organization. The personnel who believe that economy is going well and there is little unemployment and can have better opportunities likely prefer to leave the organization.

Low Productivity: Most people believe that satisfied personnel are more productive. But the available evidence suggests that the relationship between job satisfaction and productivity is a very weak one. Early Retirement: Another interest is the relationship between job satisfaction and the decision to take early retirement. Studies in this area show that personnel who have positive attitudes toward their jobs do not prefer early retirement.

Low Organizational Commitment: Dissatisfaction is also a major cause of declining organizational commitment. Commitment implies a willingness to put effort on the organization’s behalf and an intention to stay with the organization for a long time.

Mental and Physical Health: Researches in this area report that personnel who are highly satisfied tend to have better mental and physical health. Personnel who have better mental and physical health can learn new job-related tasks more quickly, have fewer on the job accidents and file fewer grievances.
Life Satisfaction: Another issue concerns the contribution of job satisfaction to overall life satisfaction. Life satisfaction means how satisfied personnel are with their life. Recent studies have found that there is a positive correlation between life satisfaction and job satisfaction, so they have supported the Spillover Hypothesis.

2.3. Organizational Commitment

An alternative view is presented by Meyer and Allen (1993), who defined three components of organizational commitment, Three Component Model:

i. Affective Commitment
ii. Continuance Commitment
iii. Normative Commitment

These three components of commitment are alternatively described as the product of (i) emotional attachments (affective commitment), (ii) the costs of leaving, such as losing attractive benefits or seniority (continuance commitment) and (iii) the individual personal values (normative commitment) (Brief, 1998).

According to Meyer and Allen’s (1993) view, commitment as an emotional attachment and identification with and involvement in the organization is called affective commitment; commitments an attachment based on the cost of leaving the organization is called continuance commitment, and feeling of obligation to stay in the organization is called normative commitment.

Affective commitment refers to feelings of belonging and sense of attachment to the organization and it has been related to personal characteristics, organizational structures, and work experiences, for example; pay, supervision, role clarity and skill variety (Hartmann, 2000).

Continuance commitment, which reflects the recognition of costs associated with leaving the organization, should be related to anything that increases perceived costs. Direct or indirect investments in the organization, side bets, represent such costs best and were operationalized mainly by variables like age, education and tenure (Becker, 1960). Therefore, the above demographic variables and tenure are expected to demonstrate the strongest relationship with continuance commitment. Normative commitment refers to an employee’s feelings of obligation to remain with the organization. Thus, employees with strong normative commitment will remain with an organization by virtue of their belief that is the “right and moral thing to do”.

Normative commitment develops as a result of socialization experiences that emphasize the appropriateness of remaining loyal to one’s employer (Wiener, 1982) or through the receipt of benefits (e.g. tuition payments and skill training) that create within the employee a sense of obligation to reciprocate (Scholl, 1981).

Normative commitment develops on the basis of a particular kind of investment that the organization makes in the employee specifically, investment that seem difficult for employees and reciprocate (Meyer and Allen, 1993).

Employee’s commitment to the organization has effects on the employees themselves, on the organization and on the society. As employees become more committed to the organization, they show reduced withdrawal behaviors and increased citizenship behaviors in their organizations. Also, they receive more extrinsic and intrinsic rewards. On the other hand, employee’s commitment brings decreased amount of job movement and greater productivity, which benefits society as a whole (Mathieu and Zajac, 1990).

2.3.1. The Factors That Influence Organizational Commitment

Personal Factors: Research on person characteristics has found on two types of variables: demographic variables and dispositional variables (e.g. personality, values, interest). Demographic variables that relate to organizational commitment are stated to be gender, age, educational level, race and personality traits. Overall relations between demographic variables and affective commitment are neither strong nor consistent.

Role Related Factors: Role related variables like role ambiguity and role conflict correlate negatively with organizational commitment. Mathieu and Zajac (1990) stated in their study that it can be concluded those role ambiguities; conflicts and the stress caused by these uncertainties influence the degree of organizational commitment.

Work Experiences: The vast majority of antecedent studies have focused on variables that fall into very broad category of work experiences. Moreover, with work experience variables, find the strongest and consistent correlations with affective commitment across studies. Mathieu (1991) found that commitment reciprocally related with satisfaction and the effect of satisfaction on commitment was more than reverse.

Cultural Factors: As culture deeply influences management ideas and practice, studies were conducted in different countries with different cultures. A meta-analysis of twenty seven studies given by Randall and O’Driscoll (1997) in different countries demonstrated that personal characteristics like age, tenure, gender and education were highly significant in determining organizational commitment in England, Israel, although they were insignificant in Canada. The relation of participation and peer cohesion with commitment was consistent in all countries studied.

2.3.2. Consequences of Organizational Non-commitment

Low-Performance at Work: Many aspects of performance can be assessed (e.g. attendance at work, performance of assigned duties, organizational behavior). In addition, assessment of performance can be obtained from several sources (e.g. the employees themselves, their supervisors, output measures such as sales or production figures). Research on the links between commitment and work performance reflects the diversity.
Interdrawal Intentions: Personnel retention has consistently been viewed as an important consequence of organizational commitment. When organizational commitment of personnel is low, they do not put any effort to do their jobs, don’t any altruism for organizations that they work for and have low level of motivation.

Absenteeism: Researches show that there is a negative relationship between absenteeism and organizational commitment. In other words, personnel who have lower level of organizational commitment are likely to be absent.

Turnover: Researches in this area show that there is a negative relationship between turnover and organizational commitment.

2.4. Turnover Intention

Intention to turnover is defined as one’s behavioral attitude to withdraw from the organization whereas turnover is considered to be the actual separation from the organization. Meta-analytical reviews of Tett and Meyer indicated that attitudes are good predictors of behavior (Böckermann and Ilmakunnas, 2004).

2.5. The Relationship among Psychological Contract, Job Satisfaction, Organizational Commitment and Turnover Intention

Job satisfaction has effect on to determine staying in or leaving the organization. If personnel are dissatisfied with their work they are likely to leave from the organization. If personnel believe that they are treated fairly and getting rewards they are unlikely to leave the organization. There are some factors with the relationship between satisfaction and turnover intention. These are commitment and general economy. The personnel who are committed to the organization and believe that they cannot find any other job because of bad general economy prefer to stay in the organization. The personnel who believe that economy is going well and there is little unemployment and can have better opportunities likely prefer to leave the organization. Managers should try to reduce personnel turnover that are good performers. The notion that high turnover among poor performers is termed functional turnover.

3. STATEMENT OF THE PROBLEM

Following research questions arise on the basis of the literature review,

1) What are the predictors of psychological contract, job satisfaction, organizational commitment and turnover intention?
2) What is the causal path between predictors of psychological contract, job satisfaction, organizational commitment and turnover intention?
3) What are the best strategies to enhance job satisfaction, organizational commitment and minimize turnover intention?

4. SIGNIFICANCE / RATIONAL OF THE STUDY

The overall aim of this study is to develop a model to help steel industry to make better environment within organizations to improve overall organizational performance. It is anticipated that this will aid the implementation and application of Psychological Contract, Job Satisfaction, Organizational Commitment and Turnover Intention. It will help to develop and implement HRD practices which will impact organizational performance through effective implementation of employee retention strategies.

5. PROPOSED OBJECTIVES OF THE STUDY

On the basis of the research questions of this study, the following proposed objectives of the study are proposed:

1) To identify the predictors of psychological contract, job satisfaction, organizational commitment and turnover intention.
2) To evaluate the direct impact of psychological contract on turnover intention of employees in Steel industry of India.
3) To evaluate the mediating effect of job satisfaction, organizational commitment between psychological contract and turnover intention in Steel industry of India.
4) To suggest strategies to enhance job satisfaction, organizational commitment and minimize turnover intention.

6. RESEARCH VARIABLES

For the purpose of the study, psychological contract is considered as independent variable, turnover intention is considered as dependent variable whereas, job satisfaction and organizational commitment are considered as mediating variables. After extensive study of literature, it has been identified that psychological contract directly impact turnover intention as well as indirectly through job satisfaction and organizational commitment as mediators as proved by various researchers as mentioned in table 1.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Mediating Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological Contract</td>
<td>Job Satisfaction</td>
<td>Turnover Intention</td>
</tr>
<tr>
<td></td>
<td>Organizational Commitment</td>
<td></td>
</tr>
</tbody>
</table>

7. PROPOSED HYPOTHESES / MODEL
To accomplish the objectives of the study, the variables and relationships between them have been represented as a theoretical model in the form of pictorial illustration including independent, dependent and mediating variables as shown in figure 1.

![Research Model](image)

Five causal paths generated from the model described as the proposed hypotheses of the study as mentioned below:

\[ H_1: \text{Direct effect of } X \text{ on } Y = c \]
\[ H_2: \text{Indirect effect of } X \text{ on } Y \text{ through } M_1 = ab \]
\[ H_3: \text{Indirect effect of } X \text{ on } Y \text{ through } M_2 = cd \]
\[ H_4: \text{Indirect effect of } X \text{ on } Y \text{ through } M_1M_2 = aed \]
\[ H_5: \text{Total effect of } X \text{ on } Y = c \]

1) Research Hypothesis 1 (H1): Psychological Contract has significant direct effect on Turnover Intention in Steel Industry of India.
2) Research Hypothesis 2 (H2): Job Satisfaction has significant mediating effect between Psychological Contract and Turnover Intention in Steel Industry of India.
3) Research Hypothesis 3 (H3): Organizational Commitment has significant mediating effect between Psychological Contract and Turnover Intention in Steel Industry of India.
4) Research Hypothesis 4 (H4): Psychological Contract significantly affects Turnover Intention through Job Satisfaction and then Organizational Commitment in Steel Industry of India.

7. PROPOSED RESEARCH METHODOLOGY:

This proposed research work will be conducted with the help of the following research methodologies, are as follows:

7.1. Research Design: Exploratory research design is applied to explore the various antecedents of variable of the study, to formulate research model, draw hypothesis and to prepare instrument. Conclusive research includes descriptive and causal research design. A descriptive research design along with a causal research design has been applied for which data has been collected through the survey conducted on employees. Descriptive research describes the data in the form of mean and standard deviation while causal research draws out the analysis of the impact of the independent variables on the dependent variable.

7.2. Nature of the Study: This study is empirical in nature which involves collection of first hand data and explaining the impact of one variable on the other proving the research hypothesis in order to draw certain conclusions.

7.3. Population: The population for this study consists of middle-level employees and the top-level employees of Steel companies of the state of Odisha, Chhattisgarh and Jharkhand. The sample (target) population for this study consists of employees of those Steel companies which are selected by the researcher i.e. top 8 Steel companies of state of Odisha, Chhattisgarh and Jharkhand the accessible population for the study consists of those respondents who are most accessible by which researcher collected responses i.e. those employees of selected top 8 Steel companies of state of Odisha, Chhattisgarh and Jharkhand. Hence, the sample population considered in this study will be approx 80,000 employees.

7.4. Sampling Frame: In this study, the database is constituted of selected steel companies of India of three states i.e. Odisha, Chhattisgarh and Jharkhand, which are more than 15 years old. Eight steel companies are selected according to their capacity of steel production maximum in that state (≥ 3 MT) and with potential number of executive level of employees.

7.5. Sampling Method: Sampling design is a method of selecting respondents for the purpose of data collection. In this study non-probabilistic convenience sampling and Snow-ball sampling technique will be used because of the large sample population in which respondents are the most accessible population members.

7.6. Sampling Size: The sample is selected on the basis of the research work of Krejcie & Morgan (1970), Glenn (1992) which is adequate enough to represent the whole population. The present study thus covers approximately 80,000 executive employees working in the top 8 steel companies will be considered. As per the sample size selection 500 samples will be considered as sample size for the study.
7.7. Sampling Design: Sampling design is a method of selecting respondents for the purpose of data collection. In this study non-probabilistic convenience sampling and Snow-ball sampling technique have been adopted because of the large sample population in which respondents are the most accessible population members. Due to huge population it was not possible to include every individual for data collection and as this method allows selecting a small sample unit which acts as representation of the entire population, it was chosen.

7.8. Data Collection: Both primary and secondary data will be collected for the study. Secondary data will be collected from previous literature in the area of the study. Primary data will be collected in the form of responses received from the employees of Steel companies through structured questionnaire which will be first hand data suitable for empirical study.

7.9. Statistical Tools and Techniques: Mean values and standard deviation will be check through MS excel to check the extent of presence of variables and their deviations from the mean. Exploratory factor analysis will be used to check the validity and Cronbach’s coefficient alpha to check the reliability using SPSS (Version 21). Further, CFA will be used to check the validity of the hypothesized model and lastly SEM was incorporated using AMOS (version 21) as analytical tool to test the hypothesis of effects of independent on dependent variables through mediating variables, moreover, PROCES S macros in SPSS will used for checking the mediating effects to validate the model and suggest the comprehensive model of the study.

8. EXPECTED OUTCOME:
The findings of this study will be helpful in studying and understanding the intentions of turnover of employees of steel companies due to violations of psychological contact which may happen due to job dissatisfaction and lower level of commitment among employees. This research aims at designing suggestive strategies for steel companies in the face of the emerging competition with a view to retain talented employees to reduce turnover rate.

Acknowledgement:
The Corresponding author Dr. Srinibash Dash, Assistant Professor, School of Management, Gangadhar Meher University, AmrutaVihar, is highly obliged for his support and encouragement me to write this article. This research is the part of my Ph.D. thesis.

Reference:

7626