

# AN EXAMINATION OF THE PSYCHOLOGICAL CONTRACT IN THAILAND

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## ABSTRACT

*This study aimed at investigating perceptions regarding psychological contract breaches, it examined the employee's perception, the incongruence between the employee and organization's perceptions, and the employee's perceived importance of each type of psychological contract. Neither party perceived that transactional psychological contract was breached. The employee reported the organization had breached the balanced and relational psychological contracts to a certain extent. The organization agreed it had breached the relational contract but not the balanced contract. The employee reported that the balanced and relational contracts were equally important and they were more important than the transactional contract.*

## INTRODUCTION

An organization hires an employee for his/her contributions to organizational objectives. The relationship between an organization and its employees is an exchange relationship bounded by contractual agreements. However, a written contract alone is not sufficient to cover the gamut of relationships in organizations, particularly, in Thailand's paternalistic context (Komin, 1991). Three types of job agreements are used in organizations. These agreements are arranged in the form of formal, informal, and psychological contracts (Thylmann, 2003).

A formal contract is a written agreement regarding various terms and conditions of employment and work. It is discussed and signed when an employee is recruited into an organization. This agreement may be modified and changed periodically during the employee's tenure. The formal contract covers required behaviors that the organization expects from its employees and the way in which it treats employees. This kind of contract usually describes specific working conditions such as term of employment, compensation, rules and regulations, etc. (Jackson and Schuler, 2003). A breach of the formal contract can result in charges in the juristic system.

The second type of contract is an informal contract. This type of contract is developed in addition to items written in the formal contract. The content is explicitly communicated and agreed upon.

Organizations might deliver it through verbal communication or memorandum. This kind of agreement is also accepted as a binding contract between the parties (Jackson and Schuler, 2003). The informal contract involves elaborate sets of requirements that are too tedious to be included in the written formal contract. A breach of the informal contract results in counteraction from the other party. An employee who violates the informal contract might be punished through the system such as by earning lower or negative results on performance evaluations or sanctions from peer group, etc. An organization that violates the informal contract might face absenteeism, high turnover, demonstration, or other measures against productivity (Jackson and Schuler, 2003). While formal and informal contracts are explicitly stated and agreed upon, another type of contract is communicated implicitly. It is referred to as a psychological contract.

### **Psychological contract**

A psychological contract is a set of beliefs held by an individual employee about the terms of the exchange agreement between the employee and his/her organization (Rousseau, 1989) and vice versa. It involves perceptions regarding the ways one party expects the other party to behave towards it (Rousseau, 1990). This kind of contract is developed from interactions between an organization and its employees. The parties perceive, believe, or take it