

## Does Trust Matter? An Empirical Analysis of Organizational Justice and Psychological Contract

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### ABSTRACT

The present research aimed to study the combined predictive effect of Organizational Justice and Organizational Trust on Psychological contract, to study the relationship among Organizational Justice, Psychological Contract and Organizational Trust. A total of 150 questionnaires were distributed out of which only 143 were included and rest were excluded due to incompleteness of the questionnaires. Three companies were targeted for the data collection. Only those employees who have served at least for one year and are still continuing their career with the same organization were considered. Once the data was collected, raw scores were calculated and scores were analyzed using correlation and multiple Regression through Statistical Package of Social Science. It was found out that the combined predictive effect of Organizational Justice and Organizational trust could not be studied on Psychological Contract. Since, Organizational Trust did not correlate significantly with Employee Obligation. Whereas, the relationship between Organizational Justice and Employee obligation, Organizational Justice and Employer Obligation, Organizational Trust and Employer Obligation was highly positively correlated respectively.

**Keywords:** *Psychological Contract, Organizational Justice, Organizational Trust, Employee Obligation*

An organization is a setup which consists of many people, that has a cumulative goal and is linked to an external environment. The prime duty of an organization is to understand and meet the needs and expectation of their employees so that it keeps their employees inspired. In the past decade major transformations have had altered the work atmosphere, primarily due to the emergence of upgraded technologies, restructuring of corporate, heightened competition globally and implicit and explicit work contracts (Anderson Neil & Schalk René, 1998 Conway & Briner, 2005). Such changes had impacted majorly the relationship between the employers of the organization and organization itself, which further altered the supervisor's and subordinate's relationship.

An organization is binded through an intangible force that helps to establish and strengthen the relationship between employer and employee at each and every level of the organization i.e. individual, group and organization as a whole, this binding force in every organization is

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Received: October 15, 2023; Revision Received: December 18, 2023; Accepted: December 22, 2023

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known as psychological contract. The concept of psychological contract was initially introduced by Argyris, 1960, he defined it as a 'work contract' to illustrate the relationship amidst the supervisor and the subordinates.

The way a psychological contract is handled will ascertain how flourished an organization will turn out to be. The relationship and promises involved in this type of contract is termed psychological because it mirrors the perception of each person in the organization. Psychological contract a newly popularized term in organizational psychology that includes fulfillment and non-fulfillment of organizational relationships in terms of mutual obligations, expectations and implicit agreements. This phenomenon has only been recently introduced in India. It is only recently that in India we've started to observe and focus on the issues regarding the employee and employer relationships.

Three factors of fulfillment of Psychological Contract (Rousseau, 2011).

- **Mutuality:** The degree to which the representative and boss hold comparable convictions in regards to the content of their implicit contract.
- **Alignment:** The grade to which a balanced reciprocity between the representative and boss's commitment is involved in an individual's psychological contract.
- **Reciprocity:** The degree to which the two gatherings report the commitments instituted as equivalent.

Social exchange theory posits that workers perception of psychological contracts is probable to have an effect on the level of their organizational loyalty, commitment and consequently, the impact on the by and large performance of the organization (Jepsen and Rodwell, 2010). When organizations provide support and favorable incentives and better working conditions to employees, the employees reciprocate with increased organizational commitment (Passarelli, 2011). When employees perceive there to be lack of such support, there is a low level of trust, loyalty and commitment within the employees towards their organization (Passarelli, 2011).

### *Organizational Justice*

Perception of job fairness by the employees in the organization is associated to organizational justice according to Greenberg. The term organizational justice was founded by Greenberg, he also extensively researched on the same. The perception of evenhandedness (fairness) at workplace is identified as organizational justice (Greenberg, 1990). These perceptions can have a major impact on employees' attitude and behavior for good or ill. Query allied to justice at workplace have acknowledged significant research consideration in organizational psychology, human resource, and organizational behavior over the past decades. Indeed, it has been observed by Epitropaki, 2013 that workers assess their organization on the basis of justice perceived by them, and through such assessments, they decide whether to be the part of the organization or discontinue. Ahmad & Nisar, 2016 researched that Organizational Justice and Psychological contract had positive and compelling relationships with Employee reactions; also, Organizational Trust moderated their relationships.

Majorly there are three types of perceived justice at workplace which are dependent as well as distinctive of each other, i.e. distributive, procedural and interactional justice. Distributive type of justice is one of the organizational justices which is based on the equity principle. Procedural justice is that type of justice where the process of making an unbiased, just and fair decision is being judged. Interactional Justice; Regardless of who and at what position

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an employee is in the organization, every employee look forward to be treated in a polite manner, empathy and with dignity.

### ***Organizational Trust***

Employers and Employees with great levels of trust tend to produce quality products and services at less cost in an organization. Organizational trust is a multidimensional phenomenon. Trust is multi-level i.e. it is present at different levels of organization ranging from co-workers, to groups and teams, to management and also at organization as a whole. Trust is culturally rooted i.e. rules, standards, principles values and beliefs are tied closely to trust to form an effective organizational culture. Trust is communication based i.e. establishing trust is more verbal in nature rather non-verbal; it is the result of communication behavior in the organization such as giving correct information, providing reasons and justification for the judgments and keeping communication more open to changes or alteration. Trust is dynamic. Trust is multidimensional i.e. trust is present at each and every aspect of individual that affects his/her perception, in other words trust is a multi-factorial phenomenon which consists of emotional, psychological, behavioral and cognitive levels. While having social interactions people generally generate some expectations out of it, this according to social psychologist is termed as trust.

## **REVIEW OF LITERATURE**

Recent researchers have focused upon the various types of psychological contract and how does that affect the organization and its people, Soares & Mosquera (2019) researched on work engagement and various other psychological attributes in an organization, while studying work engagement they found that there are various antecedents of work engagement and psychological contract is one of them. They researched on the relationship between four types of psychological contract and work engagement on military organization in Portuguese, the purpose of the research was to know that which type of psychological contract leads to a significant increase in the levels of work engagement. It was founded out that balanced and relational type of psychological contract results in greater level of engagement in work.

Moreover in various studies psychological contract played a mediating role in assessing various organizational attributes, one of which was done by I. Ahmad, Donia, Khan, & Waris (2019), Organizational citizenship behavior and performance in terms of creativity were studied to see whether these two organizational attributes get affected by the ethical leadership, further it was examined that whether this relationship is mediated viva trust. Findings revealed that the ethical style leadership was significantly related to the citizenship behavior and creative performance of employees also it was revealed that the relationship was mediated through fulfillment of psychological contract.

Rahman, Rehman, Imran, & Aslam, (2017) directed a study on whether work engagement and psychological contract has direct effect on job satisfaction and performance of an employee in an organization. It was found that work engagement and relational type psychological contract significantly regulates relationship with job satisfaction and performance. Furthermore, it was analyzed that the existing relationship can get more strengthened in the presence of team orientation.

A study was done in Pakistan by Ahmad & Nisar, (2016) in an organization on 340 Lady health workers who continued their protests and strikes objecting about the variables like, Organization justice (OJ) and psychological contract (PC) which hold huge significance in

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forming employee reactions under the moderation of organizational trust. The conclusion of the study uncovered that Organizational Justice and Psychological contract had positive and compelling relationships with Employee reactions. Further, Organizational Trust moderated their relationships.

Cassar & Buttigieg, (2015) suggested that perceived organizational injustice may influence the onset of breach of psychological contract, which further negatively affects the well-being of the employees. This study was to explore the moderated mediated relationships involving breach, dimensions of justice and emotional well-being. It was revealed that the breach partly mediated the relationship between justice and well-being, at the same time justice levels did not discern this mediating effect other than interactional justice.

A study directed by Yuan, Tu, & Zhang, (2018) on 200 employers and employee respectively, revealed that breach of trust between superiors and subordinate leads to varied labor disputes, a significant relationship between the above constructs were found which, further might affect the unsaid & unwritten contract present in an organization. It has been noted that the breach of psychological contract would less likely to affect the employees if they have high levels of trust in their immediate supervisors.

Noblet, Graffam, & McWilliams (2007) directed a cross-sectional survey to inspect how psychological wellbeing, job satisfaction and organizational commitment of an employee are predicted through working conditions in an organization. The result analysis showcased that social support within organization was a suitable predictor of overall wellbeing and other outcome measures; Job Satisfaction was found to be significantly predicted by level of Job Control and valuing Psychological Contract; inverse relationship was portrayed between job stressors and psychological wellbeing.

### *Aim*

To investigate the combined predictive effect of organizational justice and organizational trust on psychological contract.

### *Hypothesis*

- H1: Perceived Organizational Justice will have significant relationship with Psychological Contract.
- H2: There will be a combined predictive effect of Organizational Justice and Organizational Trust on Psychological Contract.
- H3: There will be a significant relationship between Organizational Trust and Psychological contract.

### *Sample*

A total of 150 employees were approached for data collection. Participants were employees from private company. However, data of 7 employees were excluded due to incomplete information. Employees who have been part of the organization for less than 8 months were not included for sample selection. Only the employees who have served in the organization for at least a year were included for sample selection.

### *Measures*

- **Organizational Justice Questionnaire:** Organizational Justice Questionnaire was developed by Colquitt in year 2001. The Organizational justice questionnaire consists

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of 20 statements on a 5 point likert scale, where 1 denotes the lowest degree of agreeableness and 5 denotes the highest extent of agreeableness with respect to the statements. This questionnaire is standardized, cronbach alpha reliability was established as per dimensions, for validation construct and predictive validity were established.

- **Psychological Contract Inventory:** Psychological Contract Inventory was developed in 2000 by Denise M. Rousseau. Psychological Contract Inventory consists of 4 sections named Employee Obligations, Employer Obligations, Transition, and Contract Fulfillment. This questionnaire consists of 73 statements overall. Out of the 4 sections provided, 2 sections were only used for this present study i.e. Employee Obligations and Employer Obligations. This questionnaire is standardized; alpha reliability of .70 was established.
- **Organizational Trust Inventory:** Organizational Trust Inventory was developed by Faisal Aziz in year 1997. This questionnaire consists of 12 questions. The questionnaire was filled by employees by understanding and reading the statements by keeping in mind the supervisor. This questionnaire is standardized; dimension wise reliability was established, dimension 1: .84-.96, dimension 2: .78-.94, dimension 3: .88-.92.

### Procedure

After the tool selection and defining the target population, the questionnaires were combined as one set and was distributed among working employees in the organization. Only those employees who have served at least for one year and are still continuing their career with the same organization were selected. A total of 150 questionnaires were distributed. Three companies were targeted for the data collection. Once the data was collected, raw scores were calculated and scores were analyzed.

## RESULT

*Table 1 Showing Pearson Correlation among Organizational Justice, Organizational Trust and Psychological Contract constructs i.e. Employee Obligations and Employer Obligations.*

Correlations		Organizational Trust	Employee Obligation	Employer Obligation	Organizational Justice
Organizational Trust	Pearson Correlation	1	.109	.314**	.607**
	Sig. (2-tailed)		.196	.000	.000
	N	143	143	143	143
Employee Obligation	Pearson Correlation	.109	1	.529**	.378**
	Sig. (2-tailed)	.196		.000	.000
	N	143	143	143	143
Employer Obligation	Pearson Correlation	.314**	.529**	1	.455**
	Sig. (2-tailed)	.000	.000		.000
	N	143	143	143	143
Organizational Justice	Pearson Correlation	.607**	.378**	.455**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	143	143	143	143

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

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The Pearson value for correlation between Organizational Trust and Employee Obligation is,  $r=.109$  which is not significant, which signifies that Organizational Trust and Employee Obligation are not correlated.

The Pearson value for correlation between Organizational Trust and Employer Obligation is,  $r=.314$  which is significant at .01 level, which signifies that Organizational Trust and Employer Obligation are highly, positively correlated.

The Pearson value for correlation between Organizational Justice and Employee Obligation is,  $r=.378$  which is significant at .01 level, which signifies that Organizational Justice and Employee Obligation are highly, positively correlated.

The Pearson value for correlation between Organizational Justice and Employer Obligation is,  $r=.455$  which is significant at .01 level, which signifies that Organizational Justice and Employer Obligation are highly, positively correlated.

**Table 2: Showing regression analysis of relationship between Organizational Justice and Employee Obligation.**

Model	R	R square	F	Sig.
1.	.378	.143	23.499	.000

- a. Predictor is Organizational Justice
- b. Dependent Variable is Employee Obligation
- c. Excluded Variable is Organizational Trust

Organizational Justice significantly predicts Employee Obligation among the employees ( $F= 23.499, P<0.01$ ).  $r$  square = .143 shows that 14.3% variance in Employee Obligation can be explained by variations in Organizational Justice.

**Table 3: Showing regression analysis of relationship between Organizational Justice and Employer Obligation.**

Model	R	R square	F	Sig.
2.	.455	.207	36.775	.000

- a. Predictor is Organizational Justice
- b. Dependent Variable is Employer Obligation
- c. Excluded Variable is Organizational Trust

Organizational Justice significantly predicts Employer Obligation among the employees ( $F= 36.775, P<0.01$ ).  $r$  square = .207 shows that 20.7% variance in Employer Obligation can be explained by variations in Organizational Justice.

## DISCUSSION

The present research aimed to study the combined predictive effect of Organizational Justice and Organizational Trust on Psychological contract, to study the relationship among Organizational Justice, Psychological Contract and Organizational Trust. Three hypotheses were formed i.e. Perceived Organizational Justice would have significant relationship with Psychological Contract, there would be a combined predictive effect of Organizational Justice and Organizational Trust on Psychological Contract, there would be a significant relationship between Organizational Trust and Psychological contract respectively. Table 1 showcased the Correlation analysis amongst Organizational Justice, Psychological Contract

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(employee and employer obligation) and Organizational Trust, through graphical and tabular representation of the analysis it was found out that Organizational Justice and Employee Obligation, Organizational Justice and Employer Obligation, Organizational Trust and Employer Obligation were highly positively correlated. But no significant correlation was seen between Organizational Trust and Employee Obligation. Table 2 and Table 3 showcased stepwise multiple regression analysis. Through the tabular representation it was founded that the hypothesis 2 which stated that there would a combined predictive effect of Organizational Justice and Organizational Trust on Psychological Contract, could not be studied, since, Organizational Trust did not correlated significantly with Employee Obligation.

Galford and Drapeau (2003) through observation and research pointed out few points and circumstances which lead to hindrance in maintaining and developing a culture of trust. He stated that employees whose goals, agenda, vision and mission with respect to their work, do not ally with that of their organizations goals, vision and mission then this lead to notion of organizational distrust in an organization and further it will be a barrier for creating a healthy culture. Secondly, personality trait became a contributing factor of distrust culture in organization; employees with unpredictable, fickle personalities imitate a need for revenge, retaliation. Moreover, employees who deliberately infringe the communication channel are the prime reason of distorted organizational culture and generate distrust. Lack of skills and professional incompetency also becomes a major contributing aspect towards the obstruction of trust culture. Through an instance the trust can get shattered amongst the employees and organization. It is not easy to rebuilt trust but not impossible. Trust can be rebuilt through many ways. Owning one's own mistakes and issue is the first step to rebuilt trust. Organization (higher officials) should clearly communicate that they understand the reason of lost trust by their employees in them; organization should acknowledge the mistake and should settle down the issue as early as possible. The three most essential rule of communication whether oral or written is accuracy, brevity and clarity. Other than working upon the communication manner and process, an open door policy should be created where the critical issues and decisions are made while considering the view points of the employees, other than decision making and open door policy should be promoted in the organization within employees wherein the concerns could be communicated without the fear of being judged or retribution. Employees work-life balance should be maintained; by introducing employee assistive programs; by introducing policies which helps the family of employees. This will result in creating trust between the employees and the organization. Employees generally forms a culture of distrust when they feel that they lack skills and are professionally incompetent, to overcome this concern various training mentoring and coaching programs should be initiated to keep the employees updated with the recent trends, and to increase their marketability, this is supported by a research conducted by Fontinha, Chambel, and Cuyper (2014) which stated that sense of fulfillment of psychological contract would be felt when good training opportunities are offered by the organization. At first place trust can be built in the organization by empowering the workforce, by promoting unbiased attitude.

The major limitation of this research was sample size. Another observed limitation was that the certain portion of sample included individuals lacking experience in the field, from which we can assume that their sole focus being on fulfillment of their immediate needs through the organization, they were not able to develop a basis of trust and psychological contract with their respective organization.

While considering the above limitations there is a need for further investigation to develop a valid conceptual model with adequate theoretical basis on how the gap between organizational justice, organizational trust and psychological contract can get bridged.

### CONCLUSION

Business environment is dynamic in nature which has led to change in perception towards the impact of employee-employer relationship at workplace. The present research aimed to study the combined predictive effect of Organizational Justice and Organizational Trust on Psychological contract, to study the relationship among Organizational Justice, Psychological Contract and Organizational Trust. According to the data collected and analysis of the same it was found out that the combined predictive effect of Organizational Justice and Organizational trust could not be studied on Psychological Contract. Since, Organizational Trust did not correlate significantly with Employee Obligation. Whereas, the relationship between Organizational Justice and Employee obligation, Organizational Justice and Employer Obligation, Organizational Trust and Employer Obligation was highly positively correlated respectively. Also, while considering the above limitations there is a need for further investigation to develop a valid conceptual model with adequate theoretical basis on how the gap between organizational justice, organizational trust and psychological contract can get bridged.

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### **Acknowledgment**

The author(s) appreciates all those who participated in the study and helped to facilitate the research process.

### **Conflict of Interest**

The author(s) declared no conflict of interest.

**How to cite this article:** Sharma, A. & Singh, A.P. (2023). Does Trust Matter? An Empirical Analysis of Organizational Justice and Psychological Contract. *International Journal of Indian Psychology*, 11(4), 2329-2337. DIP:18.01.214.20231104, DOI:10.25215/1104.214