

Research Paper

Perception of the Psychological Contract in a Gig Economy in India

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ABSTRACT

The gig economy has emerged as a prominent aspect of India's modern job landscapes, bringing fresh perspectives to the conventional employer-employee dynamic. This research delves into the psychological contract perception in the context of India's gig economy, illuminating the unwritten contracts, understandings, and agreements that gig workers and their clients have. This study examines important elements of the psychological contract, including organisational obligations like training, fairness, and recognition and employee requirements like honesty, loyalty, and flexibility. As organisations increasingly rely on a mixed workforce comprising both permanent and gig workers, understanding and managing the psychological contract becomes crucial for fostering productive and satisfying work relationships. Understanding the dynamics of the psychological contract can help organisations adapt to the changing labour market trends in India and promote retention and satisfaction among gig workers. The paper is specific to millennials who are becoming more inclined to freelance and take on part-time jobs as a result of changing economic conditions and the growth of online gig marketplaces.

Keywords: *Psychological Contract, Gig Economy, Perception, Indian Workforce*

A Psychological contract is an intangible, unwritten agreement between an employer and the employee whose scope exists beyond the Employment Contract. It includes the informal commitments, expectations and understandings that exist between the two parties and works on the scope of mutual benefit (Enright, 2023). The concept was first introduced by Argyris in 1997 and further popularised by Levinson and Schein (Herriot, et al., 1997). This intangible contract includes, but is not limited to aspects of job security, opportunities for growth and promotions, fair compensation, supportive manager, appreciation of employees' contribution towards the workplace, perks and benefits (Enright, 2023). The emphasis on self-reliance, flexibility, and adaptability has altered the psychological contract, and businesses must now adjust to foster employee commitment in a shifting socio-economic landscape (Hiltrop, 1995).

The breach of this contract is not illegal in any way and is mostly dependent on trust between the two parties to keep it intact, therefore preventing the breach can be more effective than repairing the relationship between two parties when it comes to the

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Perception of the Psychological Contract in a Gig Economy in India

Psychological Contract. An imbalanced contract i.e., either one of the parties ends up feeling that they are required to give more than they receive can affect the motivation of the employee and can make them feel undervalued and not appreciated (Enright, 2023).

Herriot and his team conducted a detailed thematic analysis in 1997, where they interviewed both employers and employees to identify the various facets of what a Psychological Contract consists of and these contents were narrowed down to Organisational obligations including Training, Fairness, Fulfilment of Needs, consulting employees during decision-making processes, Discretion, Humanity, Recognition, Environment, Justice, Pay, Benefits and Security. The second category assessed was regarding Employee Obligations which included hours put in, Quality of work, Honesty, Loyalty, treating the Organization's Property with the utmost care, Flexibility and Self-Presentation (Herriot et al., 1997).

Effective Communication is important for maintaining a less frequently breached contract. Moreover, Senior Managers are required to be more hands-on in recognising the failure of the organisation in maintaining its promises and commitments and as a result HR practices and communication practices can end up playing a vital role in ensuring an effective Psychological Contract (Guest & Conway, 2002). Employees end up prioritising more fundamental factors such as fair pay and job security whereas organisations prioritise more relational factors such as Humanity & Recognition (Herriot, et al., 1997).

A transactional contract has a limited lifespan and focuses only on the employee's monetary or materialistic needs, viewing his or her company as a source of money. On the other hand, a relational contract is a long-duration one that incorporates emotional exchanges between the employer and the employee, based on mutual trust and loyalty (Das & Bhattacharya, 2022). Recruits perceive the two sorts of obligations identified in employment contracts as relational obligations for loyalty and job security, and transactional obligations for high compensation and career advancement (Rousseau, 1990). Transactional and relational psychological contract fulfilment have an impact on gig workers' task performance, both directly and indirectly, through organisational identity. Transactional contract fulfilment has a greater impact on the organisational identification of gig workers with less than a year of experience whereas Relational contract fulfilment has a greater impact on the task performance of long-term *Didi* (a ride-hailing app in China) drivers. Transactional psychological contract fulfilment had the same substantial influence on gig workers' job performance across both categories (gig workers who have been working for the company for less than a year compared with those who have been working for a longer period). In contrast, relational psychological contract fulfilment had a greater impact on long-term *Didi* drivers than on those who joined the firm within a year. These findings have theoretical and practical significance for Gig Employment Management in the Sharing Economy (Liu, et al., 2020).

Organisations are attempting to overcome the current challenge of adapting to changing times while minimising costs by preparing a mixed workforce that includes a good mix of permanent and gig/contract personnel (Das & Bhattacharya, 2022). Business outsourcing and contract hiring have lately gained popularity as a way to relieve the stress of keeping up with new technology. Organisations cut training and development expenditures by contracting business associates to handle activities that require quick attention rather than educating their staff in-house. Such contracts are valid till the project's lifespan is completed. The contract workers are then required to look for a new job by either relocating their location or working during off hours. These gig workers also get into informal psychological

Perception of the Psychological Contract in a Gig Economy in India

contracts with their employers (Das & Bhattacharya, 2022). Workers who do not control their work and ratings on the employee performance platform are in danger of termination and being replaced with little or no warning or reason, thanks to the gig economy's growing supply of dispensable labour (Lehdonvirta, 2018). A study conducted by Taylor and team in 2023 concluded that in working gig economy arrangements exposes workers to increased risk due to misclassification of workers, low bargaining power, psychosocial dangers, and inadequate safety management and training. At the corporate level, more operational risks were found, as gig economy businesses implemented cost-cutting measures in connection with inadequate employee training and safety protocols. (Taylor, et al., 2023) A study by Collins et al. (2012) underscores the significance of temporal flexibility for female clerical homeworkers in achieving a better work-life balance. It found that employees perceived idiosyncratic deals of co-workers as fair as long as they achieved their own desired levels of flexibility. This finding suggests that perceptions of fairness play a crucial role in the success of flexible work arrangements.

The Psychological Contract is an essential tool in determining the job performance, motivation and satisfaction of any employee. In the current economy, with the plethora of opportunities available along with the rising cost of living, millennials have resorted to freelancing, taking up part-time or contractual roles to diversify their portfolios. Online gig platforms appear to be expanding at a pace of 26 per cent per year worldwide, according to an index tracking their use. It is anticipated that the increase in gig labour will enable people to integrate work with a range of choices and circumstances in life, increasing productivity and helping employees strike a better balance between work and other obligations (Lehdonvirta, 2018). Working in gig economy arrangements exposes workers to increased risk due to misclassification of workers, low bargaining power, psychosocial dangers, and inadequate safety management and training. At this stage of the gig economy system, another major risk was found to be the absence of corporate social responsibility in terms of firms' support for workers' platforms (Taylor et al., 2023). A framework for the Psychological Contract was proposed by Guest (2004) outlining the application of the contract to the employment relationship. He proposed that contextual and background factors both individual and organisational play a key role in establishing the Psychological Contract, such as Age, gender, Education, Type of Work, Ethnicity, and Income, among other Individual factors and Sector, Ownership, Business Strategy, Size of company and recognition of Union under the organisational factors. These contexts help shape the contract and policies that ensure its application and also help understand the differences in individual perceptions towards it. Policies and practices once established by Human Resource departments at various organisations combined with the Background factors of individuals, then result in a Psychological Contract, and if it is perceived as fair and is communicated well, leads to the establishment of trust in Employment Relations. In the last phase of development, the outcomes would either be Attitudinal (Work satisfaction, Work-life balance, commitment to the organisation, Job Security, Motivation, Stress) or Behavioural (Attendance, intention to stay, job performance and Organisational Citizenship Behaviours). This framework helps identify individual differences in the role of the Psychological Contract (Guest, 2004).

The Psychological Contract varies in perceptions and violations across societies which can be attributed to cognitive & motivational factors such as selective attention towards organisational information, differences in encoding similar organisational messages, attributional bias concerning violations controllability and responding in culturally specific ways to violation of these contracts. Motives of an individual also end up affecting the

Perception of the Psychological Contract in a Gig Economy in India

violations of the contract, the extent to which an individual identifies with their organisation and situational factors also affect the breach of the Psychological Contract (Thomas, et al., 2003). In a study conducted by Coyle-Shapiro and Kessler, most employees are experiencing a breach of the Psychological Contract. The perceptions of the employer and employee are quite similar in respect of the contract, but employers reported having a more positive review of the fulfilment of the obligations laid down in the contract by their employees. Managers reported that the reason that they were unable to fulfil their obligations towards the Psychological Contract was due to different rules & regulations put forward by the Company, which ended up restricting them in performing their role. For instance, a manager reported that they planned to conduct training for the employees but the Governing Council blocked it. Due to lesser flexibility on the employer's side, they are unable to fulfil their obligations, leading to the breach of the Psychological Contract (Coyle-Shapiro & Kessler, 2000).

If one takes into account the nature of what is being exchanged in the majority of work relationships, one can understand the motivating influence of perceived employer obligations. Certain promises made by the employer might be precise and unambiguous, with a defined endpoint at which the promise is deemed to have been kept or broken. A promise to promote based on performance is temporarily discharged when the promotion is given, but an employee may feel that the employer should promote further based on future performance. On the other hand, some promises (such as career prospects and job security) may be ongoing for the duration of the relationship and may be temporarily discharged at points throughout the relationship (Coyle-Shapiro, 2002).

The role of the Psychological Contract shifts with multiple engagements, and its definition and operation towards employee-employer satisfaction has been redefined. Understanding its current relevance can help us understand expectations of 'gig' workers from their places of employment, help in building effective relationships between the employer and the employee, establish a network of trust and expectations, understand the factors that determine the loyalty of gig workers and eventually internalise those to promote retention. Moreover, analysing the role of such contracts concerning gig workers can help organisations to adapt and make necessary changes to understand the trend of the labour market in India.

METHODOLOGY

Aim

To explore the evolving perception and function of the psychological contract among Gig workers in India.

Research Design

An interview schedule consisted of 39 items and was framed to analyse the different aspects of the Psychological Contract. We conducted a semi-structured interview, ensuring flexibility available with both participants and researchers to get an in-depth and holistic understanding of the perception of the participants of the Psychological Contract. We assessed areas of general understanding of the Psychological Contract and its components such as Perceived obligations & Fulfilment, Trust & Commitment, Fairness & Justice, Breach & Violation, Fulfilment of Needs, Discretion & Autonomy, Consulting employees during Decision-making processes, Environment, Pay Benefits & Security, Future Expectations and Recommendations.

Sampling

Criterion sampling was the primary sampling method employed to select participants for the study. Eight participants were interviewed, each with experience in a different field. The participants ranged from freelancers, part-time workers to contractual workers.

Inclusion Criteria

- Participants who have chosen to work as ‘gig’ workers over full-time roles.
- Participants who work on a contractual basis.
- Participants who work as freelancers or are part-time workers
- Individuals between the ages of 23-30.
- Participants who are proficient in English.

Exclusion Criteria

- Individuals have less than 6 months of experience working in the gig economy.
- Participants who are currently pursuing academic degrees.

Data Collection

For data collection, interviews were conducted on Zoom, a video conferencing platform and each interview was digitally recorded. The participants were briefed about the purpose of the study and their informed consent was obtained. Each interview lasted between 40-50 mins on average.

To conduct this research study, semi-structured interviews were chosen. They allowed the participants to expound, which increased their flexibility and range and, as a result, their ability to obtain additional information from them. While semistructured interviews still offer a better framework for comparison than focussed interviews, they give participants more freedom to respond to questions on their terms than standardised interviews do (May 1997).

Data Analysis

The interview responses were recorded and transcribed. The transcripts were then Chunked and Condensed. Post which the responses were coded and analysed. Following the coding procedure, the data was examined, categorised, and arranged into themes and additional sub-themes. A particular code was assigned to each of the emerging topics. The next step was to evaluate the data, which included pointing out any parallels and contrasts as well as any recurring themes and establishing them as our core themes.

RESULTS & DISCUSSION

Table 1 - Open Codes

Codes	
Autonomy	Scheduling Challenges
Volatility	Difficulty in maintaining boundaries
Lack of Benefits	Expectations Mismatch
Issues in Communication	Access to Resources
Changing Requirements	No Promotion opportunities
Payment delays	Perceived Fairness
No Job Security	Work-Life Balance

Perception of the Psychological Contract in a Gig Economy in India

Table 2 - Themes

Theme	Open Codes
Compensation & Financial Security	Volatility, Pay delay, lack of Job Security, Lack of Benefits
Flexibility	Flexibility/Autonomy, Work-life balance, Scheduling Challenges
Fairness	Fairness concerns, Communication issues, Boundary violations, Client expectations mismatch
Professional Growth	No Promotion Opportunities, Access to Resources/Tools
Scope & Project Management	Communication Issues, Client expectations mismatch, Changing Requirements

Worker autonomy and flexibility are highly appreciated in the gig economy. However, doing so comes at the expense of inconsistent pay, a lack of benefits, and job security, all of which can lead to stress and financial difficulties. Workers have encountered problems including scope creep, payment delays, and boundary breaches, which can strain the psychological contract, trust and fair treatment are critical considerations.

Opportunities for professional development, availability of tools and resources, a need for openness and representation are crucial requirements. Employees look for opportunities for professional growth, skill advancement, and a say in decisions that affect their jobs.

In the gig economy, there can be a weak work atmosphere or sense of community, and employees frequently feel alone and disengaged. These issues may be resolved by efficient communication, availability of shared resources, and chances for networking and cooperation. Concerns about scope and project management also surface, as employees deal with problems including shifting specifications, inconsistent schedules, and misplaced customer expectations.

These difficulties may be lessened by using efficient project management tools, well-defined procedures, and clear communication. To reinforce the psychological contract and enhance the entire experience for workers, the themes emphasise the importance of addressing financial security, work-life balance, fairness and trust, professional development, community building, and efficient project management within the gig economy.

Ethical Considerations

- The confidentiality and anonymity of the participants were ensured by collecting and using only their initials for the study.
- The data files were secured in an external hard drive, and could only be accessed by the authors/researchers of the study.
- The participants were informed about their right to withdraw from the study at any time. The informed written consent was obtained from each participant and they were briefed about the purpose of the study.
- The researchers were available to answer any questions and concerns of the participants at any time during and after the study.

Perception of the Psychological Contract in a Gig Economy in India

Future Scope

Incorporating a wider range of participants from various sectors, geographies, and socioeconomic backgrounds into the research will provide a more thorough understanding of the psychological contract perception in the Indian gig economy.

Longitudinal research can be carried out to monitor how the psychological contract changes over time. Using this method would enable researchers to track how gig workers' expectations and views evolve as they go through different career phases and gain more experience.

Examining how society and culture influence the psychological contract may provide insightful information. India's multicultural environment may have a special impact on gig workers' expectations, views, and experiences once the variable for culture is incorporated into the study.

Implications

The study has important applications for businesses, gig marketplaces, and legislators. Businesses may create more successful plans to draw in, keep, and manage gig workers by getting a better knowledge of their views, wants, and expectations. By utilising the data, gig platforms may enhance their procedures, guidelines, and infrastructure to provide a more gratifying and long-lasting work environment for their employees.

Lawmakers and regulatory bodies can create policies and rules tailored to the gig economy. Policymakers may need to address issues with worker rights, benefits, job security, and fair remuneration as gig labour grows. The results of this study can be used to inform the creation of policies that strike a compromise between protection for their welfare and flexibility.

The gig economy has the power to change India's job market and employment structure. Understanding gig workers' psychological contract beliefs can help society better comprehend how this workforce shift affects people as individuals, families, and communities. The study's conclusions may influence public debate and future initiatives to assist gig workers by shedding light on issues like work-life balance, financial security, and the changing nature of employment in the digital era.

Limitations

Considering the researchers' own experiences and viewpoints could have possibly shaped how they understood the replies, researcher bias may have affected how the qualitative data from the interviews was interpreted and analysed.

The study's exclusive emphasis on participants from urban areas of large cities may have limited the findings' applicability to gig workers in rural or semi-urban areas, where views and experiences may vary.

Although the eight individuals in the sample size offer insightful information, it might not adequately represent the wide diversity of experiences and viewpoints found in the Indian gig economy among various communities.

Perception of the Psychological Contract in a Gig Economy in India

The digital format (audio) of the interviews could have rendered it more difficult for the researchers to pick up and decipher nonverbal signs, which might have added more subtlety and meaning to the participants' answers.

CONCLUSION

Organisations and gig platforms should prioritise efforts to improve worker representation, openness, and communication in light of the results. The establishment of transparent policies, procedures, and decision-making frameworks involving gig workers may contribute to the reinforcement of the psychological contract and the promotion of trust.

Creating support networks with tools for career development, training, and reasonably priced benefits packages might help gig workers with their worries about long-term job possibilities, professional advancement, and financial stability.

To enable gig workers to jointly voice their demands and concerns and create more sustainable and fair working conditions within the gig economy, it would be beneficial to encourage the establishment of organised employee coalitions or advocacy groups.

Putting policies in place to support networking opportunities and a sense of community among gig workers might lessen feelings of loneliness and improve work.

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Perception of the Psychological Contract in a Gig Economy in India

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Conflict of Interest

The author(s) declared no conflict of interest.

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