

PSYCHOLOGICAL CONTRACT ON JOB SATISFACTION AND ORGANIZATION COMMITMENT IN STATE OWNED ENTERPRISE (BUMN) IN THE PROVINCE OF JAMBI, INDONESIA

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Abstract

The main purpose research this is to obtain empirical evidence about the influence of Psychological Contract on work satisfaction and organizational commitment. Psychological Contract -through the organization that promises the employees-are measured by: 1. Career development, 2. Job offer, 3. Social environment. 4.Finance 5. Balance with employees individual. There is five factors that can affect the incidence of satisfaction are: 1.Need fulfilment. 2.Discrepancies. 3. Value attainment. 4. Equity. 5. Dispositional / genetic components. With three type of commitment: 1. Commitment affective, 2. Normative commitment, 3. Commitment to sustainability. The design of the research is through descriptive method with qualitative approach. The results showed that 1: Psychological Contract have positive and significant influence to work satisfaction. 2: Psychological Contract have positive and significant influence to the organization commitment.

Keywords: Psychological contracts, work satisfaction, organization commitment, States of Enterprises

INTRODUCTION

A Psychological Contract is a very important field because of the following considerations; (1). When new employees enter a company, employees often do not have a complete understanding of existing working relationships. Initial psychological contracts believed by employees come from promised agreements by the company (in the form of career opportunities, financial rewards, and exciting work) as well as work commitments that

employees have promised for companies such as loyalty, flexibility, good performance and completion of duties beyond its primary responsibility. (2). Employees build hopes for their psychological contracts based on 3 main sources, the promises made by the company's representatives, perceptions of the corporate culture, and the adjustment between expectations and how the company operates. This lack of understanding encourages new employees to be able to actively interpret their first experience in a new environment to predict what will happen later and to build expectations of expectations for the employment relationship. (3). The psychological contract is formed from several categories of appointments and responsibilities, and to understand the development of the psychological contract, it is important to pay attention to every category and do not see it as a unified whole. (4). Psychological contracts as a result of two main factors, namely social guidance provided by the company as well as cognition and individual character. This contract is also the result of two processes, namely encoding and decoding. Encoding as a process that occurs when employees trust the agreement and commitment submitted by the company. In general, this process occurs when information is conveyed by an authorized party, delivered in appropriate situations, and if the agreement is repeated. This process is followed by the decoding process, which is the adjustment of information owned employees about the promise and commitment submitted by the company with employees. According to Rousseau, 2004, process is built based on the information submitted by the company so that employees can form a conclusion about the standards of behaviour that should be displayed.

In the field of contract psychology, the problems that are often faced with are in regard to employee attitudes. According to Conway and Briner, 2006, psychological contracts will affect employee attitudes toward the organization or company so the boss needs to understand about the psychological contract process. Attitude (Robbins & Judge, 2017) as an evaluative statement, whether pleasant or unpleasant to objects, individuals, or events is characterized by three ways. First, the attitude tends to persist unless something is done to change it. Second, attitudes can include sequences from the most favoured to the most unlikely. Third, the attitude is directed at some of the objects in which their own feelings and beliefs.

The basis of attitudes identifies that employees engage in extra-role behaviours to reply to improved organizational actions through informal and undisputed psychological contracts, the provisions of psychological contracts can be met, which can lead to increased organizational commitment. But when expectations are not met, this can lead to negative behaviours, attitudes and emotions, and the person who feels the contract has not been fulfilled may attract some or all of his commitments to the organization. When organizations show care and support for employees by promising them favourable or satisfactory contracts, employees tend to retaliate

strongly for their organizations. On the other hand, when employees feel that entrepreneurs are only nominally interested in them, they will respond with low loyalty, trust, little contribution, and commitment to the company, (Amstrong, 2006).

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LITERATURE REVIEW

Psychological Contract

The debate about the definition of a psychological contract is centred on whether a psychological contract is a mental model or an exchange relationship. According to Rousseau, the notion that psychological contracting is a mental model has directed research into the processes involved in psychological contracts such as coding and decomposing organizational messages as well as breaches of psychological contracts; on the other hand, Guest reveals psychological contracts as mental models have been criticized for being solely focused on the individual. The organization's side to relationships is not the focus of primary concern. If the psychological contract is an individual mental model, this means that the organization has no psychological contract. In fact, research derived from the definition of mental models largely ignores the organizational perspective. Also, if a psychological contract is placed in the mind of an individual, this is inconsistent with the metaphor of the contract. The contract involves an exchange agreement between two parties. The psychological contract when the exchange relationship refers to the Theory of Social Exchange. The main principle of Social Exchange Theory is that people seek relationships with others who can provide valuable resources. Furthermore, people tend to reply to the resources they receive by providing support and resources to others. Gouldner explains that this phenomenon labelled as "the norm of reciprocity" and its relevance to the exchange relations described by the psychological contracts that Coyle-Shapiro and Conway have shown. Some authors argue that their empirical findings provide support for models of social exchange rather than mental models. For example, Rigotti and Mohr, point out that the perception of fairness of psychological contracts is more important for job satisfaction, commitment and intention to survive than the fulfilment of individual promises. When a psychological contract is defined as a mental model, this problem is avoided because the organization is not the main unit of analysis, only the individual's perception of the organization. Then the organization can be conceptualized like whatever is perceived by its members. Also, Herriot, Manning and Kidd showed that the representatives of different organizations that are sending conflicting messages are the realities of the organization. This is a reason why individuals have incomplete or unclear psychological contracts (Petersitzke,

2009). According to Vos, Buyens & Schalk (2003), the psychological contract includes aspects of a good working relationship by the company to its employees as well as employees to the company. Early psychological contracts are believed by employees derived from treaties promised by the company (in the form of career opportunities, awards financial and interesting work) and work commitments pledged by employees for companies such as loyalty, flexibility, good performance, and completion of duties beyond its primary responsibility. Variable I psychological contract is measured through the psychological contract is formed from the organization promises to employees (Vos, Buyens & Schalk, 2003) through the indicator; 1. Career development, 2. Job offer (job content), 3. Social environment, 4. Finance. 5. Balance with personality of the employees,

Work satisfaction

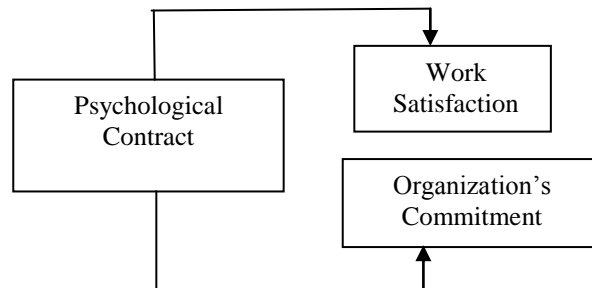
Work satisfaction (Robbins and Judge, 2017), is a positive feeling about the work of someone who is the result of the evaluation of characteristics. A person who has a high level of job satisfaction tends to have a positive feel for his job, otherwise a dissatisfied person is likely to have negative feelings about the job. Noe, Hollenbeck, Gerhart, B & Wright, 2010, job satisfaction as a pleasant feeling as a result of the perception that his work fulfils important work values. Kinicki, Kreitner, Sinding, Waldstrøm, 2014, job satisfaction as an attitude or emotional response to the air like in terms of a person's job. This definition means that job satisfaction is not a single concept. Moreover, one can be relatively satisfied with one aspect of his work and made unsatisfied with one or many aspects. Job satisfaction variables (Kinicki, Kreitner, Sinding, Waldstrom, 2014) are seen from indicators; 1. Need fulfilment, 2. Discrepancies, 3. Value Attainment, 4. Equity 5. Dispositional / genetic components.

Organizational Commitment

Organizational commitment is defined as the circumstance in which the employee identifies the organization with its purpose, and wants to maintain membership within the organization. Professor John Meyer and his colleagues at the University of Western Ontario have identified and developed actions for three types of commitments: 1. Affective commitment is one's relationship to the organization 2. Normative commitment is the obligation that the individual perceives to live with the organization. 3. Sustained commitment is an individual calculation that his best interest is to stay with the organization based on the perceived cost of leaving the organization. Affective commitment is strongly related to positive work behaviours such as performance, attendance, and citizenship. Normative commitment is less strongly associated with positive work behaviour. However, when affective and normative commitments decline,

individuals are much more likely to quit their jobs. Due to the continuous commitment of individual calculations that reflect the best interest to stay with the organization (probably because it would be difficult to find a job elsewhere), it is often associated with negative work behaviours (Kinicki, Cole, Digby, Kreitner, 2010);

Figure 1. Conceptual Framework

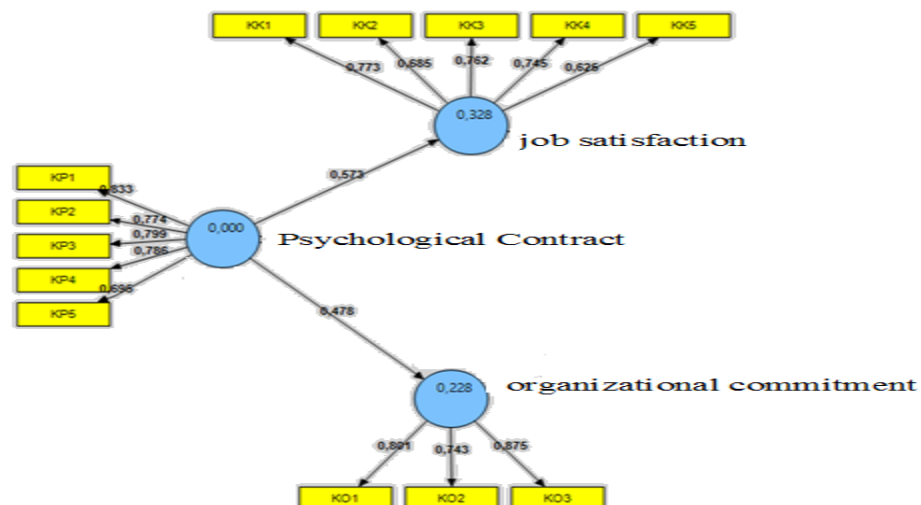


RESEARCH METHOD

Draft subject of this research is descriptive, with a qualitative approach, target study population is 6 (six) state-owned enterprises headquartered in the province of Jambi. A total of 267 permanent employees in SOE's in the province of Jambi, Indonesia. Sampling method used is stratified random. The type of data required in this research is quantitative data. While the data sources cover primary data and secondary data. Data is processed by using Path Analysis or PLS.

RESULTS

Figure 2. Path Diagram PLS Algorithm



Path diagram algorithm PLS indicate that constructs the psychological contract is measured by five indicators, namely KP1 (career development), KP2 (job offers (job content), KP3 (social environment), KP4 (finance), KP5 (balance with private employees) of the five indicators KP1 (career development) is the biggest indicator affect the construct of the psychological contract that is equal to 0.833. This means that State-Owned Enterprises in Jambi Province offers the possibility for development and promotion such as the possibility for career development, appointed a permanent employee and promotion opportunities.

The magnitude of parameter coefficient for construct of psychological contract (KP) to work satisfaction construct (KK) is 0.573 which means there is positive influence between psychological contract to job satisfaction. Or it can be interpreted that the better the psychological contract in SOEs in Jambi Province then employee job satisfaction will also increase. Similarly, the magnitude of the coefficient of parameters for the construct of psychological contract (KP) to construct organizational commitment (OI) of 0.478 which means there is a positive influence between the psychological contract on organizational commitment. Or it can be interpreted that the better the psychological contract on the BUMN in Jambi Province then the commitment of employees within the organization will also increase.

Work satisfaction constraints are measured by 5 indicators of KK1 (need fulfilment), KK2 (discrepancies), KK3 (value attainment), KK4 (Equity), KK5 (Dispositional / genetic components) of the five indicators KK1 (need fulfilment) is the largest indicator affect the work satisfaction construction that is equal to 0.773. This means that state-owned enterprises in the province of Jambi give job satisfaction is determined at the level of job characteristics that allow opportunities for individual to meet their needs.

The organizational commitment is measured by 3 indicators, namely KO1 (normative commitment), KO2 (continuance commitment), KO3 (effective commitment) of the three indicators KO3 (effective commitment) is the biggest indicator that influences the organizational commitment is 0.875. This means that BUMNs in Jambi Province have strong emotional ties, identification and employee involvement towards the organization.

Table 1. Total Effects (mean, STDEV, T-Values)

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>Standard Error (STERR)</i>	<i>t- Statistics (O/STERR)</i>
Psychological Contract -> Work Satisfaction	0,572665	0,576126	0,043153	0,043153	13,270544
Psychological Contract - >Organization Commitment	0,477667	0,483802	0,049349	0,049349	9,679297

Hypothesis Testing 1: the psychological contract has influence positive and significant satisfaction work. Based on the total table bootstrapping effect iteration results obtained samples of the original value and the t-statistic $0.572665 > 1.96$, amounting to 13.270544 with thereby could it says that psychological contract have influence positive and significant to satisfaction work. This means that increasingly good Psychological contract owned by SOE's Jambi Province thus the rate of work satisfaction will increase as well. Therefore, the hypothesis that psychological contract has a positive and significant impact on job satisfaction have strong support in SOE's in Jambi (Hypothesis is acceptable).

Hypothesis Testing 2: psychological contract has influence positive and significant to commitment organization. Based on the total table bootstrapping effect iteration results obtained samples of the original value and the t-statistic $0.477667 > 1.96$ is equal to 9.679297 with thereby could it says that psychological contracts have a positive and significant influence on organizational commitment. This means that the better the psychological contract owned SOEs in Jambi Province, the level of commitment organization will increase. Therefore, the hypothesis that psychological contract has a positive and significant impact on organizational commitment have strong support in SOE's in Jambi (Hypothesis is acceptable).

DISCUSSIONS

Based on the results of the study, found that the psychological contract has a positive and significant impact on the gratification of work satisfaction and organizational commitment. The influence of psychological contract on job satisfaction and organizational commitment echoed Conway & Briner, 2006; Zhao, H., Wayne, SJ, Glibkowski, BC, & Bravo, J. (2007) indicating that psychological contracts have a profound impact on work attitudes. Fulfilling appropriate psychological contracts generates feelings of respect, enhances trust and leads to positive employee and organizational outcomes.

Overall, the theoretical implications of psychological contracts include career development that offers possibilities for organizational development and promotion, job offerings with challenging job offers, exciting job content, a social environment that offers a pleasant work environment, financials with an offer compensation commensurate with employment, and balance with personal employees with respect and understanding for personal situations of employees have a positive and significant impact on job satisfaction. That is to say the psychological contract can increase job satisfaction and views of satisfaction, job characteristics, satisfaction of expectations, perceptions of job satisfaction, the satisfaction of how employees are treated fairly and job satisfaction is a function s personal IFAT and genetic factors. Psychological contracts include career development that offers the possibility for

organizational development and promotion, job offerings with challenging job offers, exciting job content, a social environment that offers a pleasant work environment, finances with compensation deals commensurate with employment, and balance with personal employees with respect and understanding for personal situations of employees have a positive and significant impact on organizational commitment so that it can be said to increase the obligation to remain in the organization due to ethical and moral reasons, economic value, and emotional feelings, and employee engagement with the organization. The results of this study are in accordance with some previous research results conducted by Jianwu Zhou, Michel Plaisent, Lili Zheng, Prosper Bernard, 2014; Zhuang Xiong, Jianmu YE, Pengju WANG, 2017, which shows that psychological contracts have a significant positive effect on job satisfaction and organizational commitment while extending the range of predictions on psychological contracts.

CONCLUSION

Based on the results of the study, it was found that the psychological contract has a significant influence on job satisfaction and organizational commitment to SOE's in Jambi Province. The influence of psychological contract on job satisfaction and organizational commitment to SOEs in Jambi Province shows that psychological contracts have a profound impact on work attitude. Appropriate psychological contract fulfilment produces a appreciated feeling, increasing positive trust on employee as well as organizational outcomes.

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