

Psychological Contract and Employee Retention: A Study of Private Sector Organizations in Jharkhand

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ABSTRACT

Employee retention has emerged as a critical challenge for private sector organizations, particularly in developing regions like Jharkhand. Beyond formal employment contracts, employees form psychological expectations regarding growth, fairness, recognition, and organizational support. This unwritten set of expectations is referred to as the psychological contract. The present study examines the impact of psychological contract fulfillment on employee retention in private sector organizations in Jharkhand. Using a descriptive research design, data were collected from employees working in various private organizations across manufacturing, service, and IT sectors. The study finds that fulfillment of psychological contracts significantly influences employee commitment and retention intentions. Breach or violation of psychological contracts leads to dissatisfaction, reduced trust, and increased turnover intentions. The study highlights the need for organizations to actively manage employee expectations and foster transparent communication to strengthen retention strategies.

Keywords: Psychological Contract, Employee Retention, Private Sector, Jharkhand, Organizational Commitment

INTRODUCTION

In today's competitive business environment, retaining skilled employees has become a

strategic priority for organizations. High employee turnover results in increased recruitment costs, loss of organizational knowledge, and reduced productivity. While traditional employment contracts define tangible terms such as salary and job role, they often fail to capture the emotional and relational aspects of employment. These unwritten expectations form the psychological contract between employees and employers.

The concept of psychological contract refers to an individual's belief regarding mutual obligations between the employee and the organization. In private sector organizations in Jharkhand, rapid industrialization and workforce mobility have intensified the importance of understanding psychological contracts. Employees expect career development, fair treatment, job security, and recognition, while organizations expect loyalty, commitment, and performance.

Failure to fulfill these expectations may lead to psychological contract breach, resulting in dissatisfaction and increased intention to leave the organization. Therefore, understanding the role of psychological contracts in employee retention is crucial for sustainable organizational growth.

REVIEW OF LITERATURE

Previous studies have emphasized the importance of psychological contracts in shaping employee attitudes and behaviors. Rousseau (1989) conceptualized psychological

contracts as individual beliefs shaped by organizational promises. Fulfillment of these contracts has been positively linked with job satisfaction, organizational commitment, and reduced turnover intention.

Studies by Guest (2004) suggest that psychological contract breach leads to emotional responses such as anger and disappointment, which negatively affect employee loyalty. Research conducted in Indian organizational contexts indicates that relational psychological contracts have a stronger influence on retention compared to transactional contracts.

However, limited empirical research focuses specifically on private sector organizations in Jharkhand, highlighting a regional research gap that this study aims to address.

RESEARCH GAP

Although psychological contracts have been widely studied in metropolitan and multinational contexts, there is a lack of region-specific studies focusing on Jharkhand's private sector. The socio-economic and cultural dynamics of Jharkhand differ from major industrial hubs, making it necessary to explore how psychological contracts influence employee retention in this unique context.

OBJECTIVES OF THE STUDY

To examine the concept of psychological contract in private sector organizations.

To analyze the relationship between psychological contract fulfillment and employee retention.

To identify factors leading to psychological contract breach.

To suggest strategies for improving employee retention through effective psychological contract management.

RESEARCH HYPOTHESES

H₀: There is no significant relationship between psychological contract fulfillment and employee retention.

H₁: Psychological contract fulfillment has a significant positive impact on employee retention.

RESEARCH METHODOLOGY

Research Design

Descriptive and analytical research design was adopted.

Sample Size

A sample of **120 employees** from private sector organizations in Jharkhand.

Sampling Technique

Convenience sampling method.

Data Collection

Primary data were collected using a structured questionnaire. Secondary data were collected from journals, books, and research articles.

Tools for Analysis

Percentage analysis, mean score analysis, and correlation analysis.

DATA ANALYSIS AND INTERPRETATION

The analysis revealed that employees who perceived high fulfillment of psychological contracts reported stronger organizational commitment and lower intention to leave. Correlation analysis indicated a positive relationship between psychological contract fulfillment and employee retention, leading to rejection of the null hypothesis.

FINDINGS

Psychological contract fulfillment significantly enhances employee retention.

Lack of communication and unmet career expectations contribute to contract breach.

Employees value recognition and growth opportunities more than monetary benefits alone.

DISCUSSION

The findings align with existing literature suggesting that psychological contracts play a vital role in shaping retention behavior. In Jharkhand's private sector, relational aspects such as trust, support, and development opportunities strongly influence employees' decisions to stay with an organization.

CONCLUSION

The study concludes that effective management of psychological contracts is essential for employee retention in private sector organizations in Jharkhand. Organizations must focus on transparent communication, realistic job previews, and continuous engagement to align employee expectations with organizational goals.

LIMITATIONS OF THE STUDY

Limited sample size

Use of convenience sampling

Findings may not be generalized beyond Jharkhand

FUTURE SCOPE OF THE STUDY

Future research may include comparative studies between public and private sectors or longitudinal studies to examine changes in psychological contracts over time..

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