

## **Employees' Perception of Diversity Climate: Role of Psychological Contract**

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The present paper presents an empirical study on the role of psychological contract in shaping perceived diversity climate of the employee. The sample consisted of 207 employees at lower and middle management level of two public sector units of Orissa. The sample consisted of five different groups of employees— Oriya Hindu male (OHM), non-Oriya Hindu male (NOHM), Oriya Hindu female (OHF), Oriya reserved category (ORC), Oriya non-Hindu (ONH). It was observed that, psychological contract on role and task (PCRT) was the major contributor towards organizational fairness followed by psychological contract on culture (PCC) and reverse is the situation in case of organisational inclusiveness (OI). The findings of the study have been discussed in light with related literature. Suggestions based upon the findings may facilitate in improving the diversity climate of an organization.

**Keywords:** Organizational Fairness, Organizational Inclusiveness, Psychological Contract

**Workforce diversity** may be defined as existence of difference in the composition of employees of an organization or any department or unit of the organization upon demographic, psychological or organisational structure domains. Managing diversity refers to comprehensive managerial process for developing an environment that works well for all employees, including dominant culture employees (Thomas, 1991). The goal of managing diversity, according to Cox (1993) is, managing the ability of all employees to contribute to organisational goals and to achieve their full potential unhindered by group and to achieve their full potential unhindered by group activities such as gender, race, nationality, age and departmental affiliation.

If employees with diverse backgrounds are not managed properly, it may lead to wide ranging consequences ending with individual as well as organizational ineffectiveness (Kanter, 1977; Yoder, 1994; Milliken & Martins, 1996; Mellor, 1996). Behaviours, attitudes, and perceptions all contribute to unequal power

relationship among diverse groups in an organisation. Even though minorities and women display same power behaviours as their majority and male counterparts, these behaviours maybe perceived differently. Stereotypes may distort and limit perceptions of power and attributes regarding sources of influence (Pettigrew & Martin, 1987; Ragins & Sundstrom, 1989). Gender, Race or cast differences can also have impact upon power attributions. Greenhouse and Parsuraman (1993) found that among highly successful managers the performance of black managers was less likely to be attributed to ability and effort and was more likely to help from others. Studies on gender and leader evaluation conclude that women in leadership positions are devalued relatively more than their male counterparts when leadership is carried out in stereotypically masculine styles; and that devaluation is greater when leader occupied male dominated roles and evaluators are men (Eagly, Makijani, & Klonsky, 1992).

If these types of situations or environment exist, the minority and women employees may not perceive the climate organization to be conducive for them. Organisations in general and Indian organizations in particular, attempt to create diversity climate by recruiting employees of diverse back grounds, introducing policies, schemes meant for minority and women employees etc. But many a times the organizations don't put sincere effort in maintaining this diversity climate in true sense. As a result of which the underprivileged employees perceive the diversity climate negatively i.e. an uncongenial climate for their employment. That is why, there is a necessity on the part of the researchers to delineate variables having significant relationship with perceived diversity climate. Putting a modest effort towards this end, the researchers have attempted to explore the relationship between psychological contract and perceived diversity climate.

Contracts actually cover a wide range of interpersonal arrangements and societal norms. Rousseau (1995) describes about four types of contracts. These are normative contract, implied contract, social contract and psychological contract. Normative contracts exist where the organisation has many members who identify themselves in similar ways with it and each other and these members believe themselves party to the same contract. Implied contracts are the attributions that people not party to the contract (i.e. outsiders) make regarding its terms, acceptance, and mutuality. Implied contracts form part of the organisation's reputation and public image. Social contracts are cultural, based on shared, collective beliefs regarding appropriate behaviour in a society. Social contracts derive from the values of the larger society. These are an interpretive backdrop for promises and account to a greater extent for differences in contracting across countries. Psychological contract is individual beliefs,

shaped by the organisation, regarding terms of an exchange agreement between individuals and their organisation.

As an organizational variable, it had been discussed first by Argyris (1960); later more and more academicians and organizational psychologists (Levinson, 1962; Schein, 1980; Rousseau, 1989, 1995, 1996, 2000; Robinson, 1996) have attempted to emphasize the importance of this concept. Psychological contract is what the individual believes he or she has agreed to, not what that person intends, that makes the contract. However, the terms each party understands and agrees to do not have to be mutual. Psychological contracts are based on information available to individuals regarding their organisation, their workgroup, and their own motives. Such contracts are composites of individual and organisational factors, as interpreted by the individual contract holder. Individual factors make each psychological contract potentially unique. Work environment of an employee like, system-support, encouragement to creativity and conformity are important predictors of psychological contract fulfillment (Bose & Agarwal, 2003).

Psychological contract, an implicit agreement, may not be mutual between two parties. In organisations when employees join their job, they bring with them a number of expectations in return for their obligation and service to their organisation. But with the passage of time, some of them get modified (Argyris, 1960). Thus, psychological contracts are not permanent phenomena. Taking the situations into consideration, an employee develops many more psychological contracts with his/her employer, colleagues, subordinates, immediate boss etc. from time to time. However, at times, these psychological contracts are violated. Violations of psychological contracts are perceived to have two basic causes – reengaging and incongruence (Morrison & Robinson, 1997). Reneging occurs when the organizational

member knowingly breaks a promise to the employee, either purposefully, or because of unforeseen circumstances. In contrast, incongruence occurs when the employee and the organization have different understandings regarding what the employee has been promised. Thus, in violations due to incongruence, the organization believes that it has lived up to its commitments. But the employee perceives that the organization has failed to keep one or more promises (Morrison & Robinson, 1997).

Breach of psychological contract can arise when employees perceive discrepancies between an organisation's espoused behavioural standards and its actual behavioural standards (Deery, Everson & Walsh, 2006). Circumstances in which individuals believe that their organizations are not fulfilling their obligations, this perception can lead to a range of negative outcomes including higher turnover, reduced job satisfaction, increased cynicism, diminished organizational citizenship behaviour and changes in mood (Conway & Briner, 2002; Coyle-Shapiro, 2002; Robinson & Morrison, 2000; Turnley & Feldman, 2000). Thus, we infer that, there is probability of incongruence or incompatibility of psychological contract. This incompatibility, particularly in case of minorities and women employees, may have significant impact upon various aspects of their work life. In turn, it can distort their perception regarding the diversity climate of their organization. Keeping this assumption in mind, the researchers have investigated the relationship between these two variables in the present study.

### Method

#### Sample:

The total sample consisted of 207 managers of lower and middle managerial level from two public sector units situated at Orissa. These are – Rourkela steel plant (Steel Authority of India Limited) and Paradeep

Phosphate Limited. The respondents were spread over five different groups as follows- 57 respondents from Oriya Hindu Male group, 33 Oriya Hindu Female employees, Non Oriya Males, 35 Non Oriya Hindu, 38 Oriya Reserved Category employees posted at lower and middle managerial or equivalent level. They had more than 15 years of educational qualification (i.e. B.A./+3 years Degree education). Age of the sample varied from 31 to 52 years. Simple random sampling method was followed for data collection.

#### Measures:

Two questionnaires were used for the present study. Both were 5 point Likert type scales. These two are — (1) Perception of Diversity Questionnaire and (2) Compatibility of Psychological Contract Questionnaire.

##### (i) Perception of Diversity

**Questionnaire:** It was adapted from the questionnaire by Barak, Cherin & Berkma, (1998). Out of four dimensions in the original questionnaire three dimensions (which considered relevant in Indian context) were included in the present questionnaire. These three are- organisational fairness, (OF), organisational inclusiveness (OI) and personal diversity value (PDV). Organisational fairness depicts the extent to which employee perceives the plans, policies or programmes etc. to be fair towards him/her. The dimension of organisational inclusiveness (OI) taps the feelings or perceptions of the individual about the initiatives taken or interests shown by the organisation towards integration or accommodation of employees like him/her with the other employees belonging to various groups. Personal diversity value (PDV) implies how the respondent values diversity in the organisation context. The questionnaire is a 5-point Likert type scale. For the present study, the questionnaire contains 12 items. The item-total correlations ranged from .44 to .92. The alpha coefficient is .71.

**ii) Compatibility of Psychological Contract Questionnaire:** This questionnaire was developed by the author in consultation with his research supervisors. It consists of 26 items, under three dimension. 14 items under the dimension of Role and Task, 6 items the dimensions of power and 6 items under the dimensions of culture. In the questionnaire there were two columns for responses kept at the right hand side of the items. In the first column, the respondent had to.

The items, in the questionnaire, were broken into two parts. The first part consisted of expectation from him/her (the employee) by/in the organisation. The second part consisted of him/her expectations in return for the expectations from him/her. For example- *“if the employee is expected to ..... work hard, then, He/She should get the opportunity of ..... consideration for promotion.*

The response was also collected in two columns. The first column was to indicate the agreement or disagreement with the contract (i.e. the item). The second column implies the perception of the respondent to what extent it is/can be fulfilled in his/her case. And the differences, between these two i.e. 1<sup>st</sup> column and 2<sup>nd</sup> column for an employee indicate the compatibility of the contract. If the difference is zero or negative then it is referred as compatible. More the +ve value of difference

more incompatible is the psychological contract.

In total there were 26 items spread over three dimensions, 14 items under the dimensions of Role and Task, 6 items under Power and 6 items under Organisational Culture. The Cronbach alpha coefficient for the total test is .66 and the item total correlation coefficients for the items ranged from 0.36 to 0.95.

**Results**

As far as relationship between psychological contract and perception of diversity is concerned, incompatibility on role and task (IRT) shows significant negative correlation with perception of organisational fairness, OF ( $r=-.63, p<.01$ ) and organisational inclusiveness, OI ( $r=-.49, p<.01$ ); Incompatibility of power has significant negative relations with perception of organisational fairness, OF ( $r = -.51, p<.01$ ) and perception of organisational inclusiveness, OI ( $r=-.39, p<.01$ ). Incompatibility of organisational culture shows significant negative correlations with perception of organisational fairness, OF ( $r = -.64, p<.01$ ) and perception of organisational inclusiveness, OI ( $r=-.48, p<.01$ ). However these three dimensions of psychological contract don't exhibit any significant relationship with personal diversity value.

**Table-1 Correlation coefficients between dimensions of incompatibility on psychological contract and perception of diversity.**

Incompatibility of Contract	Organizational Fairness (OF)	Organizational Inclusiveness (OI)	Personal Diversity Value (PDV)
Psychological Contract on Role and Task (PCRT)	-.63**	0.49**	.055
Psychological Contract on Power (PCP)	-.51**	-.39**	.014
Psychological Contract on Culture (PCC)	-.64**	-.48**	.020

\*\*p<.01

Stepwise multiple regression reveals that, psychological contract on organization culture (PCC) and psychological contract on role and task (PCRT) predict 40.9% and 4.4%

of variance respectively for organizational fairness. At the same time most significant contribution for organizational inclusiveness (OI) comes from contract on role and task

(PCRT) i.e. 23.4%, followed by the contribution from psychological contract on culture (3.7%). In other words, we may infer that, both these contracts – psychological contracts on role and task as well as culture are significant

contributors of perceived diversity climate. But, one interesting finding was that, the psychological contract on power did contribute significantly neither to organizational fairness nor to organizational inclusiveness.

**Table-2. Stepwise multiple regression analysis for OF**

Ind. Var	R	R <sup>2</sup>	R <sup>2</sup> Change	$\hat{a}$	F	p
PCC	.640	.409	.409	.419	142.11	.000
PCRT	.673	.453	.044	.304	84.51	.000

**Table-3. Stepwise multiple regression analysis for OI**

Ind Variables	R	R <sup>2</sup>	R <sup>2</sup> Change	$\hat{a}$	F	p
PCRT	.484	.234	.234	.484	62.631	.000
PCC	.520	.271	.037	.281	37.87	.002

### Discussion

Overall, the findings indicate that, employees' expectations regarding their role and task as well as organizational culture have significant contribution towards organizational fairness and organizational inclusiveness.

Employees, whether blue collar or white collar, perform their task along with their colleagues. Many a times, particularly in public sector organizations, employees adjust with each other. They share each other's responsibility; also try to protect each other when required, particularly during the time of crisis. They may sometimes, keep aside their duty for looking after the problem of a colleague. This type of sharing and caring upon their jobs and duties is strengthened, if there is reciprocity among the employees. Women and minority group employees might have this intention, where as the attitude of the dominant group employees might not be the same. This may lead to a feeling of non-inclusiveness.

Another factor is that, at times, superior authority may have some un-prescribed role expectations from the subordinates, like putting extra effort, working for extra time, confirming to the suggestions or decisions, taking instruction for each and every bit of the task etc. In return, the employee must be

expecting some out of turn benefit for himself/herself. Perhaps, employee expectations are not fulfilled to a satisfactory level. There is a reason for this type of mismatch. The superiors must be feeling that the subordinates are supposed to be obliged; but which employee has to be provided with extra benefit is their discretion. Another possible reason is that, some superiors might be feeling that if they provide extra benefit to the employees belonging to minority groups, that may breed the ground for diversity back lash (Ragins, 1995); or any benefit to a female subordinate may be interpreted with a sexual overtone. Studies on cross-gender mentoring indicate that, subtle dynamics can prevent developmental alliances between men and women from getting beyond the initiation phase (Kram, 1988; Bowen, 1984). Also threat of litigation necessitates a cautious attitude about initiating interaction with someone of opposite sex (Kram & Hall, 1996). But whatever may be the reason, when employees, particularly female and minority employees perceive that they are fulfilling the un-prescribed expectations of the organizations on their role and task without any reciprocation from the superior or organization, it may foster a feeling of low organizational fairness.

The superiors or managers expect that, every subordinate should perform at par with all other subordinates. All subordinates, including minorities as well as females, must be trying to meet that expectation. And at the same time, must be expecting that they should be treated fairly and equally. In spite of that, the superiors and the colleagues might be considering the female and reserved category employees as inferior to the dominant group employees. Because individuals belonging to these categories are usually tagged with an inferior social status in some states of India including Orissa. It is consistent with the finding of a study by Kane, Argote & Levine (2005), who observed that groups were more likely to adopt a routine from a rotator when its status was superior than when it was inferior to their own.

Psychological contract on power, though not a significant contributor for any of the dimensions of perceived diversity climate, has significant relationship with organizational fairness and organizational inclusiveness. So the importance of power expectations towards diversity climate cannot be overlooked. Many a times, stereotypes distort and limit perceptions of power and attributes regarding sources of power (Pettigrew & Martin, 1987; Ragins & Cotton, 1999). Employees belonging to dominant groups usually attribute the success of minority group employees to external factors like reservation policy, organizational privileges, but not to their qualification, experience or ability. Similar views are shared by Greenhouse & Parasuraman (1993), who observed that among highly successful managers, the performance of black managers was less likely to be attributed to the ability and effort and was more likely to the help from others. These types of negative attribution on the part of the employees/managers provide a rationalization for not fulfilling the power expectations of the employees belonging to minority groups. In spite of equal effort,

experience and ability, if any employee is not considered identically for power sharing that would surely develop a feeling of low organizational fairness as well as inclusiveness.

### Implications

The present study indicates a strong relationship of psychological contract with perceived diversity climate. Psychological contract revolves around the expectations of organization vis a vis the employee which are not overtly expressed. Since it is mainly based upon individual interpretation, there is a greater chance of misinterpretation or different interpretation. This can cause incongruence or incompatibility of the psychological contract. The organizations in the present world are no more composed traditional employees; they belong to various different social groups. More diverse the composition of workforce, higher will be the probability of mismatching of expectations. In other words, the present changing work environment necessitates sincere attention towards the implicit expectations of the employees including both dominant as well as minority group employees. Because, today's requirement for the organizations is to maintain and develop a diverse workforce.

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Received: September 17, 2008

Revision received: February 16, 2009

Accepted: April 16, 2009

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