Evolution of the Psychological Contract in an Off-shored Outsourced Call Centre in India

Sudeshna Bhattacharya
Bruce Rayton
Nicholas Kinnie

School of Management
University of Bath UK

INTRODUCTION

The psychological contract has been a key concept in understanding employee attitudes and behaviour at work. Much of the research has focused on the content of the psychological contract and the consequences for all parties when the contract is breached (Conway and Briner 2005). However, organizational forms are changing as boundaries become more permeable and internal structures are fragmenting (Marchington *et al.*, 2005) while the external environment becomes increasingly difficult to predict. Consequently we need to know more about how psychological contracts are evolving in the face of this increased pace of change (Arnold 1996; Deery *et al.*, 2006; Herriot *et al.*, 1997; Sparrow 1996).

We study the evolution of the psychological contract in a research setting which epitomises a fast changing environment – the Indian outsourced call centre sector. In particular we examine: (i) what changes take place in employee attitudes over time and (ii) how these changes might be explained drawing on quantitative data collected in 2007-08. We use the psychological contract as our theoretical frame drawing on Rousseau's definition (1995) which focuses on the beliefs of the individual employee regarding the terms of the exchange agreement with their employer. The principal contribution of this study is that it provides insights into how and why the psychological contract evolves overtime and the implications of this for the behaviour of employees.

The paper begins by establishing our theoretical framework in more detail, placing this within the context of the previous research into call centres and putting forward some hypotheses. Following this we explain our research methods and instruments and describe the research setting. We then present the results of our analysis and discuss this in the context of the previous research. The paper concludes with some implications for previous research and practical considerations.

PREVIOUS RESEARCH

Conway and Briner (2005: 8-13) trace the roots of the concept of the psychological contract to the work of Argyris (1960), Schein (1970) and Kotter (1973). However, it was the work by Rousseau (1989, 1995) which has stimulated the interest in the field over the last twenty years. Her focus was on the employee perceptions of the promises made by employers based on observable behaviour. She was especially interested the consequences where these promises were not met and where the psychological contract was violated. We employ the definition adopted by Rousseau because of its focus on the process of exchange and the focus on promises. 'The psychological contract is the individual beliefs, shaped by the organization, regarding the terms of an exchange agreement between the individual and their organization.' (Rousseau,1995:9). Initially she recognised the content of the contract to be either transactional (highly specific, narrow exchanges over a finite period) or relational (broader, more open-ended contracts over a longer time period) and subsequently (Hui *et al.*, 2004) added the balanced contract which combined 'an open-ended relational emphasis with the transactional feature of well-specified performance-reward contingencies'.

Conway and Briner (2005: 131) report that around 70% of recent studies of the psychological contract adopt a cross-sectional approach and approximately 20% take a longitudinal approach. Indeed, they draw particular attention to the exchange nature of the contract, that the contract is shaped by the organisation, and that this process is ongoing. Schein (1980: 24, 65) argued that the psychological contract was being constantly bargained and negotiated, while Levinson *et al.* (1962: 21) believed that the contract is 'affirmed, altered or denied in day-to-day work experience.'

More recently a small number of studies have examined the evolution of the psychological contract. Robinson *et al.* (1994) examined the influence of time, while Morrison and Robinson (1997) studied how a breach of the psychological contract develops. Meckler *et al.* (2003) pointed to the development of the psychological contract through a process of reciprocation in a series of unfolding contracts and Taylor and Tekleab (2004) put forward a model of the psychological contract with feedback loops which identified the action and reaction dynamic. However the inadequacies in this research led Conway and Briner (2005: 136-8) to criticise it for not being interpreted as a series of events, with little attention to multiple levels and giving no consideration of the time intervals between events. De Vos *et al.* (2003) also examine the role that reciprocity plays in the evolution of the psychological contract, and they suggest that reciprocal adaptation occurs when employees, 'change their perceptions of promises made by one party based on their interpretation of the contributions made by the other party' (p. 540). This literature leads us to the following two hypotheses:

H1: The psychological contract employees have with their organisations will evolve as tenure increases.

H2: Employees will adjust their perceptions of their own psychological contract obligations to reciprocate historical perceptions of employer obligations.

Call centres have become established as both a major source of employment and an important focus of academic research in the last ten years (Russell, 2008). No attempt is made here to summarise all the relevant research since a number of review articles and edited collections exist (Deery and Kinnie, 2004; Burgess and Connell, 2006; Russell, 2008). However, a number of key characteristics of the sector can be highlighted insofar as they contribute to our understanding of the psychological contract within these organisations.

Extensive research has characterised work in call centres as repetitive and routinised, summed up neatly by Taylor and Bain (1999) as constituting an 'assembly line in the head.' Indeed, Deery *et al.* (2002: 473) have noted that these organisations tend to have a particularly invasive form of control because of the vital role played by Customer Service Representatives (CSRs) in the delivery of customer service creating a situation of limited control and flexibility. These employees are often told to suppress their feelings when dealing with customers, creating particularly stressful situations. The preference for quantity over quality of interactions can create situations of role conflict for the CSRs which are linked to emotional exhaustion and absenteeism. However, other research has depicted a rather more mixed description of call centre work. Most draw attention to the surveillance systems but also the HR practices taken by some managers to ameliorate the impact of the nature of the job (Kinnie *et al.*, 2000).

More recently research has begun to take an interest in outsourced and off-shored call centres. Again there is something of a mixed picture. Taylor and Bain (2004, 2005, 2006) suggest that off-shored working exacerbates the worst features of call centre working. Indeed, Batt *et al.* (2005) found that workers in US in-house call centres had less monitoring, more discretion and higher skill levels compared with their counterparts working in Indian outsourced call centres. Kinnie *et al.* (2008) drew on a series of surveys to note that outsourced call centres had lower salaries and higher employee turnover compared to in house call centres. Some studies of outsourced firms have painted a different picture. Russell and Thite (2008) portray Indian call centre workers as having less discretion and flexibility than their counterparts in Australia, but they have more variety in their work with better opportunities to become engaged in special projects and various types of

software. There is also evidence that the Indian workers have higher qualifications and are managed by sophisticated HR practices (Budhwar *et al.*, 2004). However, this combination of high qualifications and tightly controlled jobs has been associated with high levels of employee turnover (Batt, 2005; Holman *et al.*, 2007).

METHOD

Outsourced call centres are an ideal place to study the evolution of the psychological contract for two reasons. First, changes in the psychological contract are likely to be accelerated because of the high level of employee turnover compared with organisations where employees have longer tenure. Second, the actions of clients and customers create fast-changing, unpredictable environments which impact directly on the nature of work of employees (Kinnie and Parsons 2004). The combination of the short term nature of the typical employment spell in an Indian call centre and the rapid evolution of client environments lead us to focus on transactional obligations in the psychological contract, as employees may not be around long enough to see delivery on relational promises, and even if relational promises are not delivered employees may attribute non-delivery to circumstances rather than to a deliberate betrayal on the part of the employer (Robinson and Morrison, 1995). We also note that Zhao *et al.* (2007: p. 657) hypothesise that breach of transactional obligations will generate larger effects than relational breaches on key work outcomes like organizational commitment, job satisfaction, turnover intentions and organizational citizenship behavior.

Previous research in Indian off-shored outsourced call centres has largely depended on qualitative data due to the lack of access (Budhwar *et al.*, 2006; D'Cruz and Noronha, 2007; Mirchandani, 2004; Shah and Bandi, 2003; Taylor and Bain, 2005; Russell and Thite, 2008). This has given valuable insights but has generally lacked breadth of coverage. This study consequently used a previously-validated survey to allow tractable analysis of data collected from a larger number of respondents.

Organizational context

The sample was drawn from a call centre based in Bangalore, India. The company (Global Calling) is an off-shored outsourced organisation which has multiple clients from United Kingdom, United States and Canada all housed under one roof. These clients have both voice and non-voice requirements and employees are engaged in both of these operations. The 2000 employees of Global Calling are organised in client teams ranging in size from 10 to 60 employees per shift.

The organisation is designed with a flat hierarchy, and this is reinforced by the physical environment. The work areas span several floors, and each floor has glass walls separating management and client areas. On each floor there are four to five client sites marked by posters and banners. The team leaders and operations managers for each of these clients are placed within each client area. Agents are hired and trained for a specific client. However agents are able to move to other clients after spending 6 to 10 months with a client. Reasons for change include a desire for better shifts, challenging work and the profile of the client. Management also sometimes move agents to fill vacancies. The shop floor itself resembles a UK high street with a number of brands represented. In addition to the client branding, Global Calling itself has a strong brand presence: both on the shop floor and in other communal areas.

Sample and Procedure

The data was collected in two phases: Phase 1 was the first time the researcher visited the organisation for a period of two months in July-August 2007 and Phase 2 was when the researcher went back to the organisation after 8 months in April-May 2008. Quantitative data was collected at Phase 1 from 260 new recruits at various stages of their relationships with the employer. Further quantitative data was collected at Phase 2, and this provided a chance for expansion of the cross section as well as a chance to revisit previous respondents who continued in their employment at Global Calling. Data was collected from employees at five stages of their

recruitment, induction and initial training, as well as at two subsequent stages of their employment. We describe these stages below.

Stage 1 (n=40 respondents) is the recruitment and selection stage. At this stage the respondents are not yet employees of the organisation and are given offers of employment at the end of day based on their performance on various ability tests and interviews with line managers.

Stage 2 (n=60) is the induction stage for new employees. This is usually the second day they come into the building and they spend the entire day attending talks by senior management and Human Resources as well as walking around the complex to see the actual shop floor and facilities in the building. These respondents have all signed employment contracts at this stage, but they are not yet being paid for their time.

Stage 3 (n=60) is the Foundation Level Education (FLE) stage. Employees spend from one to 14 days at this stage receiving accent training and computer skills needed for the job. Employees are still not being paid for their time.

Stage 4 (n=60) is the Programme Level Education (PLE) stage which is the second level of training wherein employees spend approximately two weeks getting training for the specific programme with which they will work. Employees remain unpaid through this stage.

Stage 5 (n=40) is the Post Programme Level Education (Post PLE) stage. Employees start to spend time on the shop floor taking live calls at this stage while also receiving additional product-specific training. Employees begin to earn money at this stage.

Stage 6 (n=28) represents workers who have been with Global Calling for approximately 8 months. This data was gathered exclusively at Phase 2 from employees who had participated in Phase 1 of the research. These responses capture the experiences of reasonably experienced call centre workers, and they also allow the construction of a longitudinal element of the data set.

Stage 7 (n=48) represents workers who have been with Global Calling for over two years. This data was gathered at Phase 2.

Measures

This paper analyses quantitative data collected using the transactional psychological contract measures from the Psychological Contract Inventory (PCI) developed by Rousseau (2000). The PCI is designed to measure the psychological contract only from the perspective of the employee, but the scale captures employee perceptions of the organisation's obligations to employees as well as the obligations of employees to the organisation.

In this study we use employee perceptions of the transactional obligations of both employer and employee. Previous work using this scale has identified two distinct subscales (Short term & Narrow) for perceptions of both employer and employee obligations. Factor analysis on our sample similarly reveals four subscales, each with appropriate internal reliability. These are detailed in Table 1, along with indicative question text.

The 'Narrow' constructs capture employee perceptions of the breadth of the job role from the perspective of both employer and employee. For example, one question used to assess 'Narrow Employee' asks if an employee will, 'do only what I am paid to do'. One question used to assess 'Narrow Employer' asks whether the employer offers training, 'only for my current job'.

The 'Short term' constructs capture employee perceptions of commitments to continuing the employment relationship. One question used to assess 'Short term Employee' asks whether the employee can, 'quit whenever I want'. One question used to assess 'Short term Employer' asks whether employees think they only have, 'a job as long as the employer needs me'.

Results

Descriptive statistics for the four study variables are reported in Table 2. Table 2 also reports the typical number of days an employee has worked for Global Calling at each tenure stage.

Table 1 Results of Factor Analysis: Transactional Attitude Variables

Item	Factors			
	1	2	3	4
Short Term Employer				
A Job only as long as the employer needs me	0.232	0.099	**0.630**	-0.122
Makes no Commitments to retain me in the future	0.101	0.096	**0.700**	0.028
Short - term commitment	0.071	0.089	**0.753**	0.168
A job for a short time only	0.032	0.063	**0.684**	0.224
Narrow Employer				
Training me only for my current job	0.055	0.073	0.257	**0.659**
A job limited to specific, well-defined repossibilities	0.128	0.078	-0.031	**0.740**
Require me to perform only a limited set of duties	0.238	-0.072	0.063	**0.655**
Short Term Employee				
Quit whenever I want	0.109	**0.727**	0.116	0.076
I have no future obligations to this employer	0.280	**0.642**	0.089	-0.065
Leave at any time I choose	0.006	**0.763**	0.119	0.146
I am under no obligation to remain with this employer	0.115	**0.702**	0.030	-0.054
Narrow Employee				
Perform only required tasks	**0.720**	0.145	-0.061	0.160
Do only what I am paid to do	**0.721**	0.058	0.236	0.086
Fulfil limited number of responsibilities	**0.632**	0.152	0.126	0.129
Only perform specific duties I agreed to when hired	**0.732**	0.131	0.151	0.112

Extraction Method: Principal Component Analysis.   Rotation Method: Varimax with Kaiser Normalization.

Table 2: Descriptive Statistics for Transactional Obligation Subscales

	N	Customer contact	Typical Tenure (days)	Employer Obligations				Employee Obligations			
				Short Term		Narrow		Short Term		Narrow	
				Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
Stage 1	40	No	1	2.43	1.03	3.11	0.84	1.91	0.87	2.20	1.16
Stage 2	60	No	3	2.29	1.00	2.88	1.18	2.10	0.88	2.44	1.06
Stage 3	60	No	6	2.50	1.25	2.87	1.08	1.97	0.87	2.69	1.12
Stage 4	60	No	25	2.35	1.08	2.82	1.12	2.36	1.15	2.16	1.10
Stage 5	40	Yes	50	2.48	0.95	2.98	1.04	2.08	0.83	2.33	1.11
Stage 6	28	Yes	240	2.45	1.29	3.24	0.72	2.44	0.92	2.42	1.04
Stage 7	47	Yes	730	2.70	1.30	3.23	0.85	2.96	1.04	2.56	1.11

We investigate Hypothesis 1 using linear regression analysis on Short term Employee and Narrow Employee to test for significant changes in these variables associated with increased company tenure while controlling for available demographics. Dummy variables were created for each of the stages and stage 7 wasused as the reference category. The results are presented in Table 3.

Table 3 shows mixed results. We see significant differences in the mean values of Short term Employee across the stages (F=5.87**), but we see no such differences for Narrow Employee (F=1.46). Further description of the Short term Employee results is warranted, but inspection the regression results for Narrow Employee generates no such need.

Examining the relative coefficient sizes for the Short term Employee results reveals an interesting pattern. In particular, we can see that the intercept is 2.94, thus setting a benchmark level of short-

termism based on employees with at least two years in the organisation. We can also see that employees at all other stages express significantly lower levels of short-termism in the obligations towards the employer.

Table 3: Differences in the Transactional Obligations of Employees

Independent variables	Short term	Narrow
Age	0.01	0.05
Stage 1	-1.05 **	-0.31
Stage 2	-0.85 **	-0.06
Stage 3	-0.98 **	0.19
Stage 4	-0.60 **	-0.35
Stage 5	-0.87 **	-0.17
Stage 6	-0.52 *	-0.11
Intercept	2.94 **	2.40 **
Number of observations	335	335
R-squared	0.11	0.03
F Statistics:		
Overall model fit	5.87 **	1.46
Incremental power of age	0.03	0.77
Incremental power of stages	6.06 **	1.54

Dependent variables measured with the Psychological Contract Inventory (Rousseau, 2000).
Stage 1 through Stage 6 are dummy variables capturing discrete stages of organizational tenure.
Stage 7 is the reference stage, and corresponds to at least 2 years tenure.
Reported coefficients are unstandardized results from linear regression models.
* p<.05
** p< .01

This result is consistent with the idea that employees are becoming more transactional in their obligations to the employer over time, but it could also be symptomatic of the high level of employee turnover in Global Calling. Perhaps the reason employees with greater tenure display greater a more short term focus is not because these individuals are changing, but because the employees expressing longer-term obligations leave the organisation. This would have the effect of raising the level of Short term Employee without any change to the views of the individuals who remain in the organisation.

We address this point directly by exploiting the longitudinal dimension of our data. We conducted a paired-sample t-test on the responses from the 28 employees surveyed at both Phase 1 and Phase 2. These results are presented in Table 4, and they reveal a significant increase in the Short term Employee construct. Though only based on 28 observations, this suggests that the changes in Short term Employee visible in Table 3 are not the result of employee self-selection out of employment with Global Calling, but rather represent real changes in their perceptions of their obligations towards the employer. Taken together, these results support Hypothesis 1.

Table 4: Paired-Sample test for longitudinal change in Short term Employee

Short term Employee	Mean	N	Std. Deviation
Short term Employee at Phase 1	2.44 **	28	0.92
Short term Employee at Phase 2	1.79	28	0.89

** p<.01

We further exploit the panel dimension of the data to address Hypothesis 2. We are again limited to the 28 respondents for which we have both Phase 1 and Phase 2 responses, and this limits the

style of analytical tools available. Table 5 presents a Pearson correlation matrix examining the relationships between perceptions of employer and employee obligations at both points in time.

Table 5: Pearson Correlations

	Short term Employee (Phase 2)	Narrow Employee (Phase 2)	Short term Employer (Phase 1)	Narrow Employer (Phase 2)
Short term Employee (Phase 2	1	0.178	0.422 *	0.083
Narrow Employee (Phase 2	0.178	1	0.190	-0.213
Short term Employer (Phase 1	0.422 *	0.190	1	0.312
Narrow Employer (Phase 2	0.083	-0.213	0.312	1

* p<.05; n=28

Table 5 reveals no significant relationship between contemporaneous elements of the PCI constructs, and this is not a surprise as the PCI is designed to capture several orthogonal dimensions of the psychological contract. Table 5 does reveal a significant positive correlation between Short term Employer at Phase 1 and Short term Employee at Phase 2. This evidence suggests that employee short-termism is an increasing function of historical perceptions of the short-termism of the employer, and as such provides support for Hypothesis 2.

DISCUSSION AND CONCLUSION

Our key finding is that the views held by continuing employees about their obligations to their employer become increasingly short term over time, and this is consistent with previous research (Robinson *et al.*, 1994; Anderson and Schalk, 1998). There are a number of potentially interconnected explanations for this outcome, the discussion of which suggests that these changes in employee obligations are indicative of the adjustments employees make during the period of organizational socialization that takes place after entering the firm (Schein, 1970).

As employees gather direct experience of working for the firm many find that their expectations have not been met. Some of these individuals resign, but others conform and adjust their expectations in line with their experiences of employment. Employees who perceive a short term approach by the employer reciprocate by changing their perceptions of their own obligations to the employer, thus becoming more short term themselves (Herriot and Pemberton, 1996; Anderson and Schalk, 1998).

This increase in transactional objectives may also manifest in more subtle ways. Employees may adjust their attitudes to see staying with the firm as an opportunity to build transferable knowledge and skills and improve their employability. These employees seek to improve their experience of work by taking advantage of the wide variety of work which is on offer in an outsourced call centre (Russell and Thite, 2008). Fulfilling this desire to acquire a wider set of skills may require a particular approach from employees, as employees who stay and do well may be rewarded by being given more demanding work for better clients with perhaps less stressful customer relationships, all of which can reduce their emotional exhaustion (Deery *et al.*, 2002). Rather than resigning or simply adjusting their own expectations about the nature of their jobs, these relatively experienced employees 'push back' against the constraints of the job in order to make it more to their liking. The lack of change in the narrowness of employee perceptions of their own obligations supports this view, as employees continue to be interested in expanding the boundaries of their jobs, albeit for more transactional reasons.

Our findings have implications for theory and for practice. First, it is important to examine the evolution of the psychological contract in organisations, such as call centres, which are changing fast, and where the expectations about stability and loyalty may not apply (Robinson *et al.*, 1994;

Thomas and Anderson, 1998). Second, this emphasis poses very basic questionsover the nature of the psychological contract. Conway and Briner (2005) echo Schein (1970) when they argue that the psychological contract needs to be seen as a process. Thisin turn poses questions about the types of theoretical frameworks that might be used to study the process of the psychological contract and the methods of data collection.

Our analysis and discussion suggest several practical implications. Employers can influence the psychological contracts of employees. This may happen through managing expectations from the outset, as suggested by De Vos *et. al* (2003), but it may also occur as a response to the obligations employees attribute to employers. Employees will adapt over time to their historical perceptions of things like employer short-termism, and this reciprocal adaptation places a premium on delivering signals consistent with the behaviours firms wish to see reciprocated.

REFERENCES

Anderson, N. and Schalk, R. (1998). "The Psychological Contract in Retrospect and Prospect." Journal of Organizational Behavior ,19: 637-647.

Batt, R., Doellgast, V. and Kwon, H. (2006). "Service Management and Employment Systems in U.S. and Indian Call Centers". In Collins, S. and Brainard, L. eds, Brookings Trade Forum 2005: Offshoring White-Collar Work – The Issues and Implications. Washington D.C.,The Brookings Institution.

Conway, N. and Briner, R. B. (2005). Understanding Psychological Contracts at Work: A Critical Evaluation of Theory and Practice., Oxford University Press.

Deery, S., R. Iverson and Walsh, J. (2002). "Work Relationships in Telephone Call Centres: Understanding Emotional Exhaustion and Employee Withdrawal." Journal Of Management Studies 39(4): 471-496.

De Vos, A., Buyens, D. and Schalk, R. (2003). "Psychological Contract Development During Organizational Socialization: Adaptation to Reality and the Role of Reciprocity.", Journal of Organizational Behavior, 24:537-559

Holman, D. Batt, R. and Holtgrewe, U. (2007). The Global Call Centre Report: International Perspectives on Management and Employment, Ithaca, NY: Cornell University.

Kinnie, N. and Parsons, J. (2004). "Managing Client, Employee and Customer Relations: Constrained Strategic Choice in the Management of Human Resources in a Commercial Call Centre" in Deery S. and Kinnie N., Call Centres and Human Resource Management: a Cross-National Perspective, Basingstoke: Palgrave Macmillan.

Kinnie, N., Purcell, J. and Adams, M. (2008). "Explaining Employees' Experience of Work in Outsourced Call Centres: The Influence of Clients, Owners and Temporary Work Agencies.", Journal of Industrial Relations, 50(2): 209-227.

Robinson, S. L. and Rousseau, D.M. (1994). "Violating the psychological contract: Not the Exception but the Norm." Journal of Organizational Behavior 15: 245-259.

Robinson, S.L. and Morrison, E.W. (1995). "Psychological Contracts and OCB: The Effect of Unfulfilled Obligations on Civic Virtue Behavior." Journal of Organizational Behavior, 16, 289–298.

Rousseau, D. M. (1995). Psychological Contracts in Organizations: Understanding the Written and Unwritten Agreements., London: Sage.

Rousseau, D. M. (2000). Psychological Contract Inventory: Technical Report., (Tech Rep. No.2) Pittsburgh,PA: Carnegie Mellon University

Russell, B. and Thite, M. (2008). "The Next Division of Labour: Work Skills in Australian and Indian Call Centres.", Work, Employment and Society, 22: 615-634.

Schein, E.H. (1970). Organizational Psychology., 2nd Edition, Englewood Cliffs, NJ:Prentice-Hall.

Thomas, H., D. C.,& Anderson, N. (1998). "Changes in Newcomers' Psychological Contracts During Organizational Socialization: A Study of Recruits Entering the British Army." Journal of Organizational Behavior 19: 745-767.

Zhao, H., Wayne, S.J., Glibkowski, B.C. and Bravo, J. (2007). "The Impact of Psychological Contract Breach on Work-Related Outcomes: A Meta-Analysis". Personnel Psychology, 60: 647-680