

# PSYCHOLOGICAL CONTRACT WITH CONSTRUCTION LABOUR FOR SUSTAINABILITY IN CONSTRUCTION

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## ABSTRACT

*The Construction Industry in general and its workforce in particular are the essential partners for rapid economic progress of a country. In the process of marching towards a developed nation, Sri Lankan construction industry has to play its due role. However, industry faces tremendous challenges to sustain the existing workforce and to attract additional skilled and unskilled workforce to the industry to deliver its promises. Effective Human Resource Management (HRM) practices to increase industry productivity standards and retention of construction labor through appropriate contracts with them were highlighted in this regard. Employment 'contract' is defined as the bond between the employer and employee for a given task. The emphasis of 'psychological contract' is to bring the importance of mutual trust and understanding between two parties where implied terms are vital than written contract.*

*This paper introduces a framework for Psychological contract with labour based on literature review and pilot interviews. Psychological contract model for construction labor contracts was proposed by emphasizing the 'remuneration and welfare', 'dignity' and 'motivation and performance of labour' as three main pillars for building the proposed model. Preliminary findings suggest adopting innovative HRM practices embedded with psychological contract for construction industry to ensure its sustainability.*

**Keywords:** *Construction HR and Psychological Contract; Construction Industry Sustainability; Construction Labour Productivity and Motivation; Construction Labour Shortage.*

## 1. INTRODUCTION

Construction industry is ranked as the fourth highest sector contributing significantly to the economic growth of Sri Lanka. Shortage of skilled and unskilled labour and serious skill drain are critical issues in the Sri Lankan construction industry (De Silva *et al.*, 2008). Thus, the importance of effective human resource management practices for the construction industry was highlighted (Weddikkara and Devapriya, 2000). Many developed countries have transferred their construction industry from labour-intensive to knowledge intensive industry. Sri Lankan construction industry is still a highly labour-intensive industry where, improving labour productivity is vital.

Applications on traditional human resource management (HRM) practices to recruit, retain, train and motivate construction labour is different and difficult when compared to other similar categories due to the unique project based nature of the construction industry. Initial literature review found the gap in research on HRM practices tailored into construction industry especially in Sri Lankan construction industry (Yankov and Kleiner, 2001; Senaratne and Hapuarachchi, 2009; Wijewickreme and Ekanayake, 2010; Weerasinghe and Ekanayake, 2013). It was a known fact that effective HRM practices could raise the construction industry performance by molding employee behavior (Brandenburg *et al.*, 2006). It is vital to propose innovative HRM practices for construction industry to improve productivity with sustainable labour force.

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### **CONSTRUCTION INDUSTRY AND PSYCHOLOGICAL CONTRACT**

In employment, 'Contract' is the foundation in employment relations, which sets up the basic in employer employee relationship in an organization. Rousseau (1990) defines 'Psychological Contract' is an individual's beliefs regarding mutual obligations. Beliefs become contractual when an individual employee considers that he/she owes his/her employer certain contributions as hard work, loyalty, sacrifices in return for certain inducements as high pay and job security. Hence, psychological contract will be operationalised with two sets of terms; employee-focused obligations which are to be fulfilled by the employee, and employer-focused obligations which are to be fulfilled by the organization. There are also two types of contracts such as transactional and relational contracts. Transactional contracts are mostly monetary exchanges and generally short term basis while relational contracts have both monetary and non-monetary exchanges as hard work and loyalty which are long term (Rousseau, 1990). In the case of contractual expectations, the promise of reciprocity or mutual obligations in exchange for some action or effort is the basis of the contract (Chandradasa & Ekanayake, 2011). Therefore, psychological contract is unique from other social exchanges which focus exclusively on inducements received in the mutual relationship.

Construction team is identified based on members' disciplines, interdependencies, team leader, accountability, consistency and objectives of them. Teams come from different disciplines have high interdependence in performance. Team leaders' role differs according to the contractual conditions (Senaratne and Hapuarachchi, 2009). Construction workers have less job security in general due to the project based nature of the industry. When there is job insecurity, the employees negatively act in their fulfillment of relational promises, but not to the same extent with the fulfillment of the transactional contract promises. In an organization, the employees exchange loyalty and their efforts for organizational benefits as salary, fringe benefits, working conditions (Shapiro, 2002). Based on the concept reciprocity, employees are motivated to get beneficial treatment by acting in ways that support the organization. Shapiro (2002) reveals that, trust lies at the heart of relationships and influences how each party behaves toward the other. In short term, the expectation of future benefits give positive behaviours towards organization; but in long term, if they were not fulfilled, it will lead to perceptions of contract breach and the undermining of trust which is crucial to the development of exchange relationships. The employees who have experienced violations of psychological contract may feel powerless to act against their employers' behavior and may simply adjust their own perceived obligations in order to remedy the situation (Robinson, Kraatz and Rousseau, 1994). Therefore, breaking a mutually agreed promise affects employee obligations much more than employer obligations and suggests considering subordinates' perceptions of mutual obligations as per the contract of employment. Hence construction companies to be careful about making promises and need to be aware that employees are different in accepting the norm of reciprocity in their exchange relationship.

Although the construction companies believe in the importance of human resource practices to the industry, there is a growing shortage of qualified workers and experienced managers and emphasized effective management of human resource (Yankov and Kleiner, 2001). Cox *et al.*, (2005) suggested supervisors to look whether their subordinates motivated, satisfied, committed, and loyal in order to decide on the effectiveness of current management practices. If the workers are **motivated** they perform more work than expected, respond promptly to requests, correct problems, complete tasks at hand on schedule and plan own work. When the workers are **satisfied** they speak of company with positive regard, and speak of own job with positive regard. If they are **committed** they will remain with company in difficult times, ask about future projects, make sacrifices for well being of company, and speak of company with positive regard. And if workers are **loyal** they make sacrifices for well being of company, promote company and will abide by company policy.

### **MODELS FOR CONSTRUCTION LABOUR RETENSION**

There are several models stating the importance of building mutual bond between employer and employee for retention of employees. Perceived Competency Mobilization model by Lai and Kapstad

(2009); Total Reward Model by Thompson (2002) and Ice Berg Model are the stepping stone to create Psychological contract model. Perceived Competency Mobilization model states that self efficacy, intrinsic motivation, perceived peer support, perceived supervisory support, salary system satisfaction and career opportunity satisfaction affect the effective skill utilization of employees. The successful implementation of this model will make the motivated and loyal employees remain in the organization. Ice Berg Model illustrates the concept of 'iceberg' to the Psychological Contract includes employee inputs and employer rewards below the water line of an iceberg. It is found that if 'relational benefits' are strong, the employee increases loyalty towards an employer, intention to stay, increase job satisfaction, trust and commitment. The factors 'below the water-line' are strongly a matter of how each other perceive on them unless brought out into the surface and clarified (Chandradasa & Ekanayake, 2011). Total Reward Model states components of good HRM practices for making a strong psychological contract. The model discusses two kinds of benefits. They are transactional which are more monetary based such as salary, wages and benefits. Relational benefits can be non-financial recognition as Employee of the month, organizational involvement opportunities for employees in its growth which makes them feel more valuable and organization needs its workers' constructive contribution to achieve the organizational goals.

## 2. PSYCHOLOGICAL BOND BETWEEN CONSTRUCTION LABOUR AND THE INDUSTRY

Considering the findings of previous research on human resource management in construction industry, retention of labour is the major issue. According to the literature and interviewing industry experts and informal discussion with general construction labour helps to identify three main factors for psychological contract initial model development. Figure (1) shows the proposed psychological contract model that to help building a better mutual trust and understanding between employer and workers to reduce employee turnover.

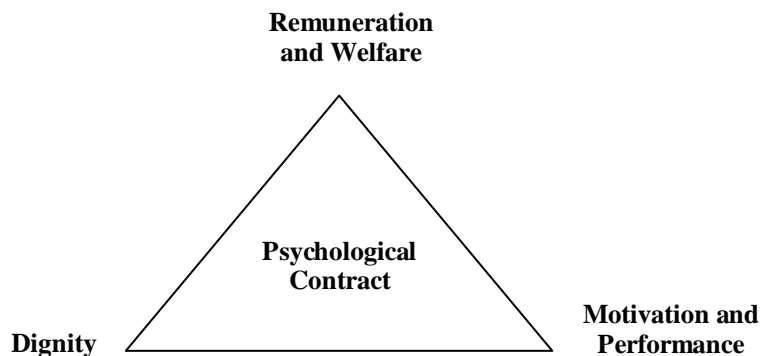


Figure 1: Psychological Contract Model (Chandradasa & Ekanayake, 2013)

### 2.1. DIGNITY OF LABOUR

Dignity of labour is that one's respects for all others' jobs and positions equally and does not consider one position is superior to another. A better way to increase the value of psychological contract at site without spending money is, employer and the superiors respect their subordinate and peer employees irrespective of their designation. Dignity of labour comprises with many factors. It was found that factors such as life balance options, recognition, better organization culture, effective leadership, good communication, opportunity of involvement in the job, ability to influence towards the ultimate goal, a sense of employees' ownership and equity, perceived peer support, perceived supervisor support and, well-being and respect for the employees irrespective of their level of employment are important. According to Wijewickreme and Ekanayake, (2010), construction labour will not be a commodity anymore. They have to be treated as partners of the industry and society. As partners of any industry, they will become eligible to share profits.

However, literature revealed that most of the construction companies do not provide decent place for the workers' stay and to enjoy meals especially for construction sites labour. Even though it is believed that providing ownership and equity to workers in construction projects is difficult, the employer or superiors can get constructive ideas at occasional formal or informal meetings and discussions when moving on the project; or in daily problematic instances from workers in much more effective ways may be. Getting the ideas of these workers to succeed the project will make them delight as they feel they are important to the organization and they are valued among others. Construction companies should take steps to improve professionalism through enhancing professional practices, relationships and knowledge and the Codes of conduct and exposures could be helpful.

## **2.2. REMUNERATION AND WELFARE OF LABOUR**

The proposed model includes base pay, bonuses, long term incentives, pensions, salary system satisfaction, job security and, variety and flexibility and tolerance as components of remuneration. The workers who were not happy with their job tended to report more problems with the material, tools and consumables, and construction equipments than the workers with job satisfaction (Dai, Goodrum and Maloney, 2009). The companies should pay the workers on time as they are waiting for their stake at the end of the week or the month. Delaying the payments by two to three weeks had made the construction industry to have a bad image regarding the remuneration system and as a result youth does not like to join it. Poor welfare facilities for the workers too, have been identified by De Silve *et al.*, (2008) as an area to focus on finding a mechanism to improve the existing conditions. Preliminary studies support remuneration and welfare of labour as one of the strong factor for building psychological contract. The best looking as at present is a 'Retirement Benefit' for construction labour (Wijewickreme and Ekanayake, 2010).

## **2.3. MOTIVATION AND PERFORMANCE OF LABOUR**

The extent of construction accidents and social problems are much severe when compared to other industries and one main barrier to implement those standards and best strategies to minimize those lies with the low educational levels of construction workers (De Silva *et al.*, 2008). The workers at construction industry are hired on project to project basis where the job security is missing. This 'project basis' nature of construction makes the workers employing for different contractors in the same time in different types of construction projects where they do not have loyalty towards a particular employer (Chandradasa & Ekanayake, 2011). Although the construction project cannot assure their workers' job security the organization can still adhere in to an industry acceptable standards in a way the loyalty towards the employer is enhanced.

Construction organizations cannot afford to make repetitive mistakes on major projects they should get the commitment of workers to perform better in moving ahead. On the other hand there are enormous benefits of repeating positive experiences from past projects. Carlos *et al.* (2009) suggest that effective lessons learned programme is a crucial element in the management of organizational knowledge because it will enhance the continuous improvement of processes and procedures and provide a direct benefit. The construction organizations can record the mistakes and positive aspects the company went through its life, analyse them and make implementation plans to enhance the quality of the current project; this is the basic idea of lessons learned programmes. Employers can do this using their own technologies and superiors should share them with workers at possible daily tasks. Further, maintaining a proper 'lessons learnt database' for every construction organization and organizations should also not rely heavily on individuals and the workers become motivated and will perform better at their jobs.

According to the elaborations by Chandradasa and Ekanayake (2011), the mutual understanding grows with the success and experience of the employee which increases the contract value and written contractual expectations on both sides. As per the illustrations above dignity, remuneration and welfare, motivation and performance are mainly contributing to the development of psychological

contract of workers in the construction industry. It was identified that performance is the product of ability multiplied by the motivation [ $Performance = 'Ability' \times 'Motivation' (Effort)$ ], and ability is the product of aptitude multiplied by training and resources [ $Ability = 'Aptitude' \times 'Training' \times 'Resources'$ ] where, motivation is the product of desire and commitment [ $Motivation = 'Desire' \times 'Commitment'$ ]. The five principle tools to overcome poor performance due to lack of ability is resupply, retrain, refit, reassignment, and release (Devid and Cameron, 2003). These factors which are yet to be proved with empirical research are used to build the psychological contracts where most of the contract phrases are unwritten and hidden. Motivating work environment is supposed to enhance satisfaction and that to be sustained with reinforcing performance enhancing behavior by using rewards and reinforces. Performance Development of the mutual understanding and trust of workers towards their employer and the industry using these three factors will make the employees build strong psychological contracts with their counterparts and thereby, the worker retention will be enhanced.

### 3. CONCLUSIONS

Human resource and human resource retention is a critical determinant of the survival of the construction industry. Everyone should build a strong consistency between management and employee needs through good human resource management practices. The construction teams are different from ideal teams due to lack of accountability and common objective and key issues related to teams are controlled by contractual conditions. Companies which balance employee welfare and company interest are more successful because the construction employment is not life time but project based. With an understanding of the issues of the construction industry in Sri Lanka, this paper reviewed the existing literature with an ongoing research project to develop psychological contract between employer and workers. It analysed three key factors to build psychological contract in the construction industry which to be proved with empirical research.

### 4. FUTURE WORK

Two separate questionnaire surveys being planned to collect necessary data from construction labours and construction professionals. Proposed psychological contract model may be modified if necessary after analysing the collected data. Model will be tested with interviews with selected labour and industry professionals.

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