

**THE IMPACT OF PSYCHOLOGICAL CONTRACT ON
EMPLOYMENT RELATIONSHIP IN APPAREL INDUSTRIES**



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ABSTRACT

Since Apparel Sector organizations in Sri Lanka deploy a significant amount of labour in their production process and the quality of the output is hugely relied on direct labour used for production process such as machine operators. As a result, it is essential to build up and maintain positive and favorable employment relationships within organizations to achieve the goals and objectives efficiently and effectively. The concept of psychological contract is proven to be a useful tool to understand and manage employment relationships of an organization. Therefore the objectives of this research study is to investigate whether there is a significant impact of psychological contract on employment relationships as well as are there any significant relationship between the psychological contract and employment relationships.

The study was conducted with two hundred machine operators of Tri Star Apparel Export Pvt Ltd, Crystal Martin Garments Pvt Ltd and Jay Jay Mills Lanka Pvt Ltd, which are situated at Trincomalee district. Types of investigation were correlation, regression analysis and cross tabulation analysis. Eight hypotheses were formulated in order to come up with findings related to the above research problems. The results of the study showed that both perceived degree of psychological contract and employment relationships of machine operators at this three organizations is at moderate level. The results of the correlation analysis indicated that there is a strong positive correlation between psychological contract and employment relationships. The results of the regression analysis indicated that there is strong positive impact of psychological contract on employment relationships.

The implication of the finding is that employers can fulfill their psychological obligations well and effectively of their employees, it is possible to establish and maintain favorable and positive employment relationships in the organization and vice versa. Therefore, it is very important for the managers to pay attention on psychological contract which is characterized by individual's belief about mutual obligations between him/her and other party such as an employer and facilitate employees to build up a favorable psychological contract that would be beneficial to achieve organizational goals and objectives.

Keywords: Psychological contract and Employment relationship

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