

# The effect of psychological contract breaches and self-efficacy on employee performance

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## ABSTRACT

PT Pegadaian (Persero) Lampung Area is a non-banking financial institution that provides credit to the public on mortgage loans in Indonesia. Psychological contract breaches are problems often found in companies where employees feel that the company violates promises made to contracts. In addition, employees' self-confidence level can influence the level of sound performance or vice versa. Performance appraisal is carried out transparently and objectively to see and evaluate employee performance. At the beginning of each financial year, PT Pegadaian (Persero) Lampung sets a Key Performance Indicator (KPI) for each work unit. The purpose of this study was to find out whether Psychological contract breaches and self-efficacy have a partial effect on employee performance at PT Pegadaian (Persero) Lampung area. Methods of data collection is using primary data. For the data analysis, we used simple linear regression and t-test; using the help of IBM SPSS version 25 software. The sample in this study was 125 respondents with a probability sampling technique and a simple random sampling method. The results of this study support the hypothesis that psychological contract breaches have a negative and significant effect on employee performance, and self-efficacy has a significant positive effect on employee performance at PT Pegadaian (Persero) Lampung Area.

## KEYWORDS

Psychological contract  
breaches; Self efficacy;  
Employee Performance

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## Introduction

The company is an economic governance system whose function is to process and run existing resources, to produce a product or service. In carrying out its activities, the company must be in the role of human resources. All company activities will be affected by cooperation or agreements made by the company with employees, one of which is a psychological contract. Psychological contracts are various perceived promises related to providing high-performance levels (e.g., compensation and autonomy), enabling managers to attract and retain talented employees (Dominguez-Falcon et al., 2016). This contract or agreement is undoubtedly often found in organizations or companies, and this aims to provide comfort and concern for the company's employee performance. When a company cannot realize or fulfil obligations in a psychological contract, a psychological contract breach (PCB) will occur. PCB is the employee's negative perception that the organization breaks promises in the employment relationship (Robinson & Morrison, 2000).

Violation of the psychological contract by the company will undoubtedly cause employee dissatisfaction at work, reduce trust in the company and ultimately reduce employee performance. Self-efficacy (SE) is closely related to the level of self-confidence that exists in employees. Bandura (1997) in Ardi et al. (2017) explain that self-efficacy reflects an individual's belief in his ability to carry out a task at a specific performance level. Self-efficacy also involves an extensive process in which cognitive and behavioural skills are processed to produce a unified series of actions to fulfil various goals (Asih & Dewi, 2017). Bandura (1977) in Tims et al. (2014) defines self-efficacy as the expectation people have about their ability to execute the desired behaviour and influence their environment successfully.

Employee performance is the result or achievement in carrying out their duties and responsibilities. Mangkunegara (2017) states, "Performance is the result of work in quality and quantity achieved by an employee in carrying out tasks by the responsibilities given to him". When a person can correctly complete tasks, jobs, and challenges from the company, the employee can be said to perform well.

Various factors can influence employee performance. Where these factors can come from the individual, psychological or the organization. Gibsons (2008). PCB carried out by the company will undoubtedly affect the negative performance of employees. According to Chao et al. (2011) in Ng et al. (2013), employees who experience psychological contract breaches may engage in less constructive voices and more counterproductive work behaviours. Then the low SE can also affect employees' performance in achieving targets. Bandura (1997) in Ardi et al. (2017) explain that self-efficacy reflects an individual's belief in his ability to carry out a task at a specific performance level. PCB and SE are two related things in developing and improving employee performance. When a company cannot fulfil promises to employees, it will negatively affect employee performance. While self-efficacy (SE) is high in employees, they can maintain performance and provide input to leaders when PCBs occur.

Pegadaian is a financial service institution that has been officially licensed to carry out its operational activities, namely credit financing to the public based on pawning. According to (Kasmir, 2016), a pawnshop guarantees valuables to obtain money, and guaranteed goods will be redeemed back by the customer according to the agreement of both parties. In carrying out its activities, the company will be affected by an agreement made by the company with employees, one of which is a psychological contract. Psychological contracts are various perceived promises related to providing high-performance levels (e.g., compensation and autonomy), enabling managers to attract and retain talented employees (Dominguez-Falcon et al., 2016). When a company cannot fulfil obligations in a psychological contract, a psychological contract breach (PCB) will occur. PCB is the employee's negative perception that the organization breaks promises in the employment relationship (Robinson & Morrison, 2000). According to Chao et al. (2011) in Ng et al. (2013), employees who experience psychological contract breaches may engage in less constructive voices and more counterproductive work behaviours. Self-efficacy (SE) is closely related to the level of self-confidence that exists in employees. Bandura (1997) in Ardi et al. (2017) explain that self-efficacy reflects an individual's belief in his ability to carry out a task at a specific performance level. Various factors can influence employee performance; these factors can come from the individual, psychologically or from the organization (Gibson, 2008). PCB carried out by the company will undoubtedly affect the negative performance of employees. Then the low SE can also affect employees' performance in achieving targets.

## Literature review

### *Psychological contract breaches*

Psychological contract breaches are obligations that organizations fail to fulfil, capturing the emotional responses that may arise from breaches (Morrison & Robinson, 1997). Companies or organizations will enter into psychological contract agreements with employees. According to Conway and Briner (2005), psychological contract breaches will occur when one party fails to fulfil its obligations. Psychological contract breaches are implicit or explicit agreements that a company or organization violates. Rousseau (1995) in Ng et al. (2013) define psychological contract breaches as individual trust in exchange agreements between companies and employees. Psychological contract breaches are employees' negative perception that the organization violates promises in work relationships (Robinson & Morrison, 2000).

### *Self efficacy*

Self-efficacy is a person's self-confidence in doing something he believes can be adequately resolved. Bandura (1997) in Ardi et al. (2017) explain that self-efficacy reflects an individual's belief in his ability to carry out a task at a specific performance level. Self-efficacy is a person's belief that he can demonstrate the required behaviour in a specific situation. Self-efficacy is more directed at an individual's assessment of his abilities Bandura (2000) in Noviawati (2016).

### *Employee performance*

Employee performance is the performance performed by employees in completing tasks or jobs. Mangkunegara (2017) states, "Performance is the result of work in quality and quantity achieved by an employee in carrying out tasks by the responsibilities given to him". Koopmans et al. (2014) stated that employee performance could be measured by task performance, namely the quality and quantity of employees; contextual performance, namely being able to cooperate and communicate with fellow workers, as well as counterproductive work behaviour, namely employees doing things that are detrimental to the company.

## Methods

The research uses a causal research design. According to Sugiyono (2018), causal research aims to determine the causal relationship between the independent and dependent variables. This research was conducted to test the effect of the variables to be examined, namely the variables Psychological Contract Breaches (X1) and Self Efficacy (X2) as independent variables and employee performance variables (Y) as the dependent variable. In this research, we use quantitative methods with primary data collection methods in the form of questionnaires and simple linear regression as a tool for collecting data analysis. Suppose the population is large, and the researcher can only study some things in it, for example, due to limited funds, workforce and time. In that case, the researcher can use a sample from that population (Sugiyono, 2017). The sampling technique used in this study was a non-probability sampling technique with a simple random sampling method. Non-probability sampling is a technique that does not provide equal opportunities for each element or member of the population to be selected as a sample. Hair et al. (2017) argue that the minimum number of samples must be used five times the number of indicators. The indicators in this study amounted to 25, so the number of samples needed was  $25 \times 5 = 125$  respondents.

### *Research instruments test*

#### *Validity test*

Ghozali (2013) argues that the validity test is used to measure the validity of a questionnaire. The validity test technique used in this study is factor analysis with the help of SPSS version 25 software. The level of intercorrelation between variables can be measured by factor analysis using the Kaiser Meyer Olkin Measure of

Sampling Adequacy (KMO MSA). If Kaiser-Mayer-Olkin (KMO), anti-image, and a loading factor of 0.5 are valid, then the sample can be studied further.

### Reliability test

Ghozali (2016) states that reliability is a tool for measuring a variable's questionnaire indicator. The reliability test was carried out using the SPSS program and the Chronbach alpha measurement technique, and the test results can be reliable if the Chronbach alpha is more than 0.6. This study used the Alpha Cronbach technique with the help of SPSS version 25 software.

### Normality test

Ghozali (2016) explained that the normality test aims to test whether, in the regression model, both the dependent variable and the independent variable are normally distributed or not. The graphical analysis used to test the normality of the data in this study used the Kolmogorov-Smirnov One Sample normality test. Proving whether the data is usually distributed can be seen from the sig value  $> 0.05$ , so the data is usually distributed. This study used SPSS software version 25.

## Results

### Test Validity and Test Reliability Test

Validity is used to measure the validity of a questionnaire by conducting factor analysis using the Kaiser Meyer Olkin Measure of Sampling Adequacy (KMO MSA). Sekaran (2006) argues that if Kaiser-Mayer-Olkin (KMO), anti-image, and factor loading are 0.5. In addition, the reliability test uses the Chronbach alpha measurement technique, and the test results can be said to be reliable if Chronbach alpha  $> 0.6$ .

The following table shows the results of validity and reliability testing:

**Table 1.** Validity and Reliability Test Result

No	Variable	KMO	Anti-Image	Factor Loading	Cronbach alpha
1.	PCB	0.684	0.706	0.585	0.633
2.	SE	0.798	0.798	0.559	0.800
3.	EP	0.800	0.795	0.589	0.737

### Normality test

The normality test shows that the significance value of the Kolmogorov Smirnov One Sample normality test is 0.091, which means more significant than 0.05. It was concluded that the research data obtained were usually distributed.

### Hypothesis Test

#### Simple Linear Regression

**Table 2.** Simple Linear Regression Result

No	Constanta	B	Std. Error	Beta	T	sig
	(Constant)	24.630	2.903		8.484	0.000
	PCB	1.699	0.199	0.611	8.554	0.000
	(Constant)	21.234	2.623		8.096	0.000
	SE	1.071	0.099	0.697	10.781	0.000

Table 2 shows that the constant value ( $\alpha$ ) is 24.630 and 21.234 PCB(X1) has a value ( $\beta_1$ ) of 0.611, and SE (X2) has a value ( $\beta_2$ ) of 0.697. Based on the tests that have been carried out, the simple linear regression equation in this study is as follows:

$$Y = a + bX_i + e_t$$

The result of the PCB variable regression coefficient is 0.166. This illustrates a negative and significant influence between PCB and employee performance, which means that the higher the PCB, the lower the employee's performance. The result of the SE variable regression coefficient is 0.697. This illustrates a positive influence between SE and employee performance, which means that the better the SE, the better the employee performance.

### T-test

The t-test was conducted to test whether the PCB (X1) and SE (X2) variables partially have a significant effect on employee performance (Y) at PT Pegadaian (Persero) Lampung Area. Data testing uses the following model:

- If the sig value  $< 0.05$ , then the independent variable significantly affects the dependent variable.
- If the sig value  $> 0.05$ , the independent variable has no significant effect on the dependent variable.

Error rate ( $\alpha$ ) = 5% and degrees of freedom (df) = (nk) (n = number of samples, n = 125) (k = number of variables used, k = 3) (degrees of freedom (df) = n - k = 125 - 3 = 122) than the T table used is t (5%) (122) or t 0.05 (122) = 1.976

**Table 3.** T-test Result

Independent Variables	T hitung	T tabel	Sig.	Conclusion
PCB (X1)	8.554	1,976	0,000	Ha accepted
SE (X2)	10.781	1,976	0,000	Ha accepted

The table shows that the PCB variable with a significance of 5% has a sig value. 0.000 < 0.05 and t value (8.554) > from t table (1.9796), then Ha is accepted, and Ho is rejected. Partially, the PCB variable significantly negatively affects employee performance at PT Pegadaian (Persero) Lampung Area. The SE variable with a significance of 5% has a sig. 0.000 < 0.05 and t value (10.781) > from t table (1.9796), then Ha is accepted, and Ho is rejected. Partially the SE variable has a positive effect on employee performance at PT. Pegadaian (Persero) Lampung Area.

## Discussion

### ***Effect of Psychological Contract Braches (PCB) on Employee Performance at PT. Pegadaian (Persero) Lampung***

PCB is the employee's negative perception that the organization breaks promise in the employment relationship (Robinson & Morrison, 2000). Employees think that organizations that violate psychological contracts have a low reputation, so employees who get psychological contract violations become very distrustful, despised, and hostile to the organization (Zhao et al., 2007). Based on the results of the calculation of the partial test (t test) carried out with the help of SPSS version 25, the data obtained shows the value of t value < t table (8.554 > 1.979) and a significance value of 0.00 < 0.05. This shows a negative and significant influence between PCBs on employee performance at PT Pegadaian (Persero) Lampung Area. Based on the simple linear regression test results between PCB and employee performance, there is a negative and significant relationship.

This study supports the first hypothesis, which states that PCB has a negative and significant effect on employee performance at PT Pegadaian (Persero) Lampung Area and is consistent with several previous studies. Employees think that organizations that violate psychological contracts have a low reputation, so employees who get psychological contract violations become very distrustful, despised, and hostile to the organization (Zhao et al., 2007). Employee responses to unsatisfactory work can range from constructive to destructive (Rusbult et al., 1998). It can be concluded that psychological contract breaches (PCB) have a negative and significant effect on employee performance. This means that when companies increase PCBs or PCB levels for employees, this will negatively affect employee performance levels.

### ***Effect of Self-Efficacy (SE) on Employee Performance at PT. Pegadaian (Persero) Lampung***

Bandura (1997) in Ardi et al. (2017) explain that self-efficacy reflects an individual's belief in his ability to carry out a task at a specific performance level. Based on the results of the calculation of the partial test (t test) shows the value of t value > t table (10.781 > 1.979) and a significance value < 0.05 (0.000 < 0.05). This shows a positive and significant influence between self-efficacy and employee performance at PT. Pegadaian (Persero) Lampung. Positive influence means that the higher the employee's self-efficacy, the higher the level of employee performance.

This study supports the hypothesis proposed and is in line with research conducted by Tims et al. (2014) in his research entitled Daily job crafting and the Self-Efficacy-performance relationship. The results of this study indicate that daily self-efficacy has a positive and significant relationship with the daily performance of Judge and Bono (2001) in a study entitled "Relationship of Core Self-Evaluation Traits-Self Esteem, Generalized Self Efficacy, Locus of Control, And Emotional Stability-With Job Satisfaction and Job Performance: A Meta-Analysis", found that there is a positive relationship between self-efficacy and employee performance. The variable SE (X2) has a significant positive effect on employee performance.

## Conclusion

The purpose of this research is to determine whether PCB and SE affect PT employees' performance. Pegadaian (Persero) Lampung Area. Based on the results of statistical tests on 125 research samples, it can be concluded that PCB negatively and significantly affects employee performance. This shows that the higher the level of PCB performed on employees, the lower the level of employee performance. Furthermore, SE has a positive and significant effect on employee performance. This shows that the better the level of SE owned by employees, the higher the level of employee performance.

Companies, in this case, should pay attention again regarding promises or contracts, as much as possible, to fulfil promises when employees work so that employees can receive them well. In addition, the Company should provide training or knowledge facilities to employees regarding Critical thinking and Problem-Solving and conduct periodic evaluations to determine employee performance developments. Giving and limiting assignments to employees should also be considered, so they are under the portion of abilities and prevent employees from behaving counterproductively.

This research has limitations; the research was only conducted at pawn shops in the Lampung area office, which consisted of 8 sub-branch offices. The results will be different if it is carried out in all regional offices in Indonesia. Few current reference sources regarding PCB and SE discuss it at pawnshops. Future researchers are expected to be able to look for the latest references and supporting data to strengthen the contents of the research.

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