

SIGNIFICANCE OF THE PSYCHOLOGICAL CONTRACT FOR THE RELATIONSHIP BETWEEN HIGHLY EFFECTIVE HRM SYSTEMS AND EMPLOYEE PRODUCTIVITY

Introduction

The objectives of companies connected with generating profit and building competitive advantage constitute a topic of ongoing decisions about the mechanisms and determinants of effective and efficient ways of obtaining it [Ostroff, Bowen, 2016: 196–214]. In the literature the organizations' productivity has been classified in three fundamental groups [Jiang et.al., 2012: 1264–1294]: HMR results such as: employees' skills, employees' attitudes and behavior; operational results such as: productivity, growth and creativity [Wojtczuk-Turek, 2016]; as well as financial results such as: sale growth, return on equity, return on assets [Tsai, 2006: 1512–1530; Kątnik, 2011: 143–160]. Literature emphasizes that the growth of organizational productivity level is possible thanks to individual employee's productivity. This process refers to, among others, management by results, which, according to Poczowski, may be considered from various points of view, the result of which are different definitions of efficiency such as efficiency, effectiveness, productivity and approach to the efficiency management process [Poczowski, 2008].

The early research of the influence of HRM on financial results tried to assess statistically whether particular HRM practices and systems of practices have a direct influence on the results obtained by organizations. However, this research did

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not include mediating variables between HRM and employees' results. Then, few models were suggested [Boselie, et al., 2005: 67–94] assuming that HRM results affect operational results and they have influence on financial results. Despite the fact that positive relationships were noticed between HRM and results obtained by organizations, discussions continue why this relationship may be efficient [Wright et al., 2005: 409–446].

HRM and in particular highly effective HRM systems are significant for stimulating employee productivity [Wall, Wood, 2005: 429–462]. It is so because functioning of a highly effective HRM system is directed not only on strengthening desired employees' behavior but also on shaping opinions, attitudes and hierarchy of values. Shaping the attitudes and behavior of employees is determined by the psychological contract understood as unwritten agreement between an employee and an employer, idiosyncratic set of mutual promises, expectations and obligations of an employee and organization [Rousseau, 1989: 121–139].

The aim of this article is to analyze employee productivity in the area of independent and intervening variables. At the empirical level this aim was performed in a form of a quantitative research referring to the relationship between highly effective HRM systems and employee productivity. Both a direct influence of highly effective HRM systems on employee productivity as well as indirect influence by realizing the assumptions of the psychological contract, which is a mediator in a tested relationship, were assumed.

1. Towards shaping employee productivity – theoretical and empirical frames

Theoretical concept of proposed research was based on a concept of shaping employee productivity presented by Guest [2011: 3–13] and Zhang and Morris [2014: 68–90]. Taking into consideration the assessment of results obtained by employees at the work process, it is important to state that company productivity is also connected with the level of human capital. Therefore, the theories from the area of behavior and approach based on results [Aguinis et al., 2016: 3–66] constitute the basis to explain the selection of particular variables being measurable factors determining employee productivity. They refer to the measures of individual behavior as well as to indicators of collected results based on various groups obtaining employee productivity. According to test results of Delaney and Huselid [Delaney, Huselid, 1996: 949–969] and Klassen, Russel and Chrisman [Klassen et al., 1998: 1–18] following indicators should be used to assess individual productivity: productivity, efficiency, effectiveness and efficacy. Due to the fact that there are no precise and unanimous semantic borders in using the above terms, only efficiency was used as an element of employee productivity

assessment. The term of efficiency means the rate at which employee achieves aims indicated by an organization; productivity is the rate at which employee minimizes expenses and maximizes profits obtained at work process. As it was mentioned above, the attention is paid to subjective aspects and approach referring to characteristics, behavior and results connected with performed work [Pocztowski, 2008]. Therefore, three next measures to assess employee productivity are: development which equals the rate at which an employee develops in order to meet future chances and challenges; innovativeness means the rate at which an employee is able to create new ideas and process improvements in order to increase competitiveness and quality is the rate at which an employee is able to create the biggest number of ideas/products/services of the highest quality. The emphasis of the aspect of result and stressing the significance of values and benefits which the effects achieved by an employee bring confirms that it is justified to use these measures [Wojtczuk-Turek, 2016].

Highly effective HRM systems in organizations create HRM content, process and climate which are connected with each other [Bowen, Ostroff, 2004: 203–221]. HRM system content refers to policy and set of HRM practices thanks to which organizations may improve the choice, maintain, develop and use human capital in order to achieve strategic objectives of an organization [Boselie et al., 2005: 67–94]. HRM content is mainly connected with HRM practices when it comes to attracting and employing suitable candidates, directed development of human resources, applying suitable remuneration policy in order to keep and motivate employees in an organization, as well as to maintain positive relationships with co-employees [Boxall et al., 2011: 1504–1532]. HRM process refers to the way in which particular HRM practices are submitted to employees [Li et al., 2011: 1825–1842]. It means that although employers intend to provide HRM practices in order to obtain a particular aim, employees perceive the meaning of these personal practices in an individual way. According to Bowen and Ostroff [2004: 203–221], the system of proper submission of information about HRM practices should be characterized with three qualities in order to be effective, namely: distinctiveness, cohesion and consensus. Distinctiveness means a distinction of a relationship of events-effects in an organization in order to draw attention and interest of employees to an introduced HRM practice. Cohesion means a distinction of a relationship of events – effects in an organization in order to cause relationships between the time in which the practices are submitted to employees to whom the practices are directed and situational context. Consensus is connected with the features providing the agreement of employees' views concerning the relationship event-effect of the introduction of particular HRM practices. Taking the above into consideration, highly effective HRM system may be regarded as strong in an organization if it has following features: distinctiveness, cohesion and consensus. Thus, the strong system provides employees with common understanding and interpretation of the initiated

HRM practices, shaping at the same time positive attitudes and behaviors which affects organizational results in a positive way.

Taking into consideration HRM content and process, the attention should be paid to HRM climate constituting real distinction between introducing HRM practice by an organization and the way how these practices are experienced/felt by employees [Kinnie et al., 2005: 9–29]. HRM climate reflects the type of atmosphere in the organizational environment felt and subjectively assessed by employees, oriented on organizational efficiency and effectiveness [Wudarzewski, 2016]. It suggests that employees may understand individual HRM practices, which means that they may interpret the same practices initiated by an organization in a different way. In the situation when the perception of practices is similar for employees and when there is strong HRM climate, it may be expected that the employees will present desired organizational behavior. Moreover, Bowen and Ostroff [2004: 203–221] suggest that the methods of submitting information about initiated HRM practices (i.e., HRM process) lead to the creation of relationships between current practices (i.e., HRM content) and experienced HRM practices (i.e., HRM climate). On the other hand, Li et al. [2011: 1825–184] suggest that HRM process inhibits relationships between current and experienced HRM practices, claiming that employees perceive events in a similar way in strong HRM systems, creating similar expectations concerning HRM practices.

The present knowledge refers to the set of key issues connected with the explanation of the relationship between HRM and organizational results. Some scientists emphasized the impact of particular HRM practices whereas the others tested particular HRM practices or systems. The supporters of system approach to HRM practices claimed that the sets of similar aggregate practices are more effective in obtaining better work results [Lepak, Shaw, 2008: 1486–1499]. The created systems concentrated on increasing employees' involvement in organization and on adapting employees' interests to company interests or raising employees' skills and motivation (i.e., high effective work practices or high effective HMR systems) [Huselid, 1995: 635–672; Lepak et al., 2007: 180–194] in order to improve company results. Highly effective HRM systems are also connected directly with the effects of employees' work and with results at organizational level [Boxall et al., 2011: 1504–1532; Katou, 2015: 1012–1033]. Theoretically, the influence of highly effective HRM systems on both individual and organizational results [Bowen, Ostroff, 2004: 203–221] suggest that they constitute the mechanism which creates commonly shared opinions as well as shapes attitudes and behaviors among employees within satisfying the provisions of the psychological contract [Bowen, Ostroff, 2004: 203–221].

The subsequent theoretical concept used while carrying out research is fulfilling the psychological contract existing when an employer satisfies the promises which condition fulfilling the promises declared by employees. Social exchange between

employee and employer and the norm of mutuality accompanying it constitute theoretical frameworks of precisising the scope of the psychological contract performance [Rousseau, 1989: 121–139]. The literature concerning the psychological contract indicates that the process of the psychological contract performance means creating a temporary cognitive scheme according to which employees and employers assess individually what is acceptable in the situations of change and which of possible deviations from previous arrangements exceed some cognitive borders of acceptance [Schalk, Roe, 2007: 167–182]. The state of balance which is obtained by the assessment of the rate at which mutually expectations and obligations are satisfied is desirable. Should both participants of the exchange appreciate what they receive in exchange, and should the employer fulfil his promises, the employees are satisfied, involved and motivated to work [Coyle-Shapiro et al., 2007: 166–179].

So as to understand the relationship between highly effective HRM systems and employee productivity in a better way, scientists started to consider intervening variables which connect personal practices and organizational results and help to explain this relationship [Ramsey et al., 2000: 501–531]. Boselie et al. [2005: 67–94] suggested employees' satisfaction, motivation, involvement, trust as well as social climate between employees and management as intervening variables. Ramsey et al. [2000: 501–531] tested employees' involvement as intervening variable between HPWS and organizational efficiency but they did not manage to determine mediating effect. The research conducted so far showed connection of particular HRM practices or systems with the psychological contract [Uen et al., 2009: 215–223]. The psychological contract is also correlated positively with employees' attitudes and behaviors [Rogozińska-Pawelczyk, 2016] and these, on the other hand, affect the obtained organizational results [Turnley et al., 2003: 187–206]. Taking this argumentation, it was assumed in the research procedure that the psychological contract may be an intervening variable which helps highly effective HRM systems to shape employee productivity.

2. Methodology of the conducted research

Research issues

The purpose of the quantitative research was to determine the relationship between highly effective HRM systems and employee productivity with the assumption of an intermediary role of the psychological contract. Following research questions were formulated in connection with the research issue:

- Is there a positive relationship between highly effective HRM systems and employee productivity?

- Does satisfying psychological contract constitute a mediator in the relationship between highly effective HRM systems and employee productivity?

In order to verify the raised research questions and specify the dependencies between variables as well as to test the mediation effect, correlation and multiple regression analysis was performed with the use of QUADAS package. The significance level for correlation was $p < 0.05$ and $p < 0.01$. Regression models with 5,000 bootstrapping were used to quantify the effects of mediation. Also the SEM method (structural equation modelling) included in STATA package in version SE was used in the research procedure [Preacher, Hayes, 2004: 717–731].

Research sample

Research had a national character and its subjects were managers and employees employed in eight financial institutions including three banks, two pension societies, one insurance company and two brokerage houses. In total 364 persons were tested, including 193 women and 171 men. Average age of respondents was 35 years, $SD = 10.16$. Research included 287 employees of middle level, consisting of 167 women and 120 men and 77 managers including 26 women and 51 men, took part in the research.

Research tools

Research was conducted with the use of computer-assisted telephone interviewing (CATI) technique providing respondents with anonymity. Following set of diagnostic tools was used to measure the variables:

Highly effective HRM system – empirical indicators of highly effective HRM system such as: HRM content, process and climate were subject of the measurement. Construction of three research tools was connected with the conceptualization of high performance work systems [Lepak et al., 2007: 180–194].

Content – (currently applied HRM practices) the adaptation of statements coming from tools to test HRM practices were used to measure this variable [Tsai, 2006: 1512–1530]. Following practices were separated on the basis of the exploratory factor analysis: motivating, training and professional development, remuneration based on results and assessment of employee productivity. Each of the mentioned practices consisted of three items. The system of giving response based on 5-point Likert scale is used in the tool, where 1 is “I strongly disagree” and 5 – “I strongly agree”. Parameters of the tool reliability amount to Cronbach’s $\alpha = 0.78$.

Process – construction of this variable was based on three subscales: distinctiveness, cohesion and consensus [Bowen, Ostroff, 2004: 202–221]. Each subscale included respectively: for distinctiveness – thirteen items, for cohesion – eleven items and

for consensus – sixteen items. Adaptation of statements stemming from the tool measuring the strength of HRM system by Delmotte et al. [2007] was used at drawing up positions in each subscale. Positions for each subscale were measured on 5-point Likert scale, where 1 is “I strongly disagree” and 5 – “I strongly agree”. Cronbach’s α is characterized with high reliability and amounts to 0.89.

HR climate – (practices as experienced ones) the assessment of this variable was performed with the use of four subscales of HRM practices separated during the exploratory factor analysis: motivating, training and professional development, remuneration based on results and assessment of employee productivity to conceptualize the tool testing the level of employees’ satisfaction from HRM practices, drawn up by the research group led by Kinnie [Kinnie et al., 2005: 9–29]. Each of the mentioned practices consisted of three items which contrary to the content (using current HRM practices) referred to the assessment of employees’ satisfaction with the HRM practices initiated by an organization. Positions for each subscale were measured on 5-point Likert scale, where 1 is “at all” and 5 – “at a very big rate”. Tool reliability was assessed with the Cronbach’s α amounting to 0.81.

Fulfilling the psychological contract – was assessed on the basis of the adaptation of ten items diagnosing two subscales: fulfilling employer’s promises and fulfilling employee’s promises. Classification was conducted on the basis of the categorization system used by Thompson and Hart [2006: 229–241]. System of providing responses was based on 5-point Likert scale, where 1 is “at all” and 5 – “at a very big rate”.

Employee productivity – diagnosed with the use of fifteen items (attributed to four subscales: efficiency, productivity, development, innovativeness and quality) done by the author in relation to the conceptualization of the measure of employee productivity by Delaney and Huselid [1996: 949–969] and Klassen et al. [1998: 1–18]. Parameters of tool reliability amount to Cronbach’s $\alpha = 0.89$. System of giving responses based on 5-point Likert scale was used, where 1 means “I strongly disagree” and 5 – “I strongly agree”.

3. Research results

Calculating the values of correlation indicators for particular variables constituted the starting point of the analysis of the obtained results. On the basis of the conducted correlation analysis it may be stated that employee productivity is connected with both highly effective HRM systems in aggregated approach (compare Table 1) as well as in division into particular subscales of tested variables and the strength of the connection of these relationships is at a moderate level.

Table 1. Values of correlation indicators for tested variables

Variables	WES-HRM	Content	Process	Climate	Fulfilling the psychological contract by employees	Fulfilling the psychological contract by employers	Employee productivity
WES-ZZL	1						
Content	0.43**	1					
Process	0.51**	0.17**	1				
Climate	0.64**	0.41**	0.39**	1			
Fulfilling the psychological contract by employees	0.78**	0.54**	0.38**	0.32**	1		
Fulfilling the psychological contract by employers	0.69**	0.45**	0.31**	0.24**	0.49**	1	
Employee productivity	0.63**	0.69**	0.44**	0.39**	0.39**	0.33**	1

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Source: own study based on the conducted research.

Positive relationship of highly effective HRM systems with employee productivity was noticed ($r = 0.63$; $p < 0.01$). Taking into consideration the relationship of employee productivity with the elements of highly effective HRM systems, a significant connection with all their dimensions may be noticed: with content ($r = 0.60$; $p < 0.01$), process ($r = 0.44$; $p < 0.01$) and climate ($r = 0.39$; $p < 0.01$). Considering the particular variables of three dimensions of highly effective HRM systems, their relationship to the highly effective HRM systems is moderate. Taking the above into consideration, highly effective HRM systems connect positively with all tested variables: content ($r = 0.43$; $p < 0.01$), process ($r = 0.51$; $p < 0.01$) and climate ($r = 0.64$; $p < 0.01$). The research confirms the evidence of mutual connection of HRM practices (content) currently introduced by an organization with the way of submitting information about initiated HRM practices (process) with the significance which employees attribute to the introduced HRM practices (climate) [Katou, 2015: 1012–1033].

From the raised research questions perspective, also the relationships between an independent variable and mediators i.e., fulfilling the assumptions of the psychological contract, are significant. It turned out that the aggregated variable in a form of highly effective HRM systems correlates positively with both fulfilling the psychological contract by employees ($r = 0.78$; $p < 0.01$) as well as employers ($r = 0.69$; $p < 0.01$). Similarly, positive correlation of moderate significance was noticed between all variables of highly effective HRM systems and fulfilling the assumptions of the psychological contract by employees and employers; the positive relationship was noticed between fulfilling the psychological contract by employers and content ($r = 0.45$; $p < 0.01$),

process ($r = 0.31$; $p < 0.01$) and climate ($r = 0.24$; $p < 0.01$) as well as between fulfilling the psychological contract by employees and content ($r = 0.54$; $p < 0.01$), process ($r = 0.38$; $p < 0.01$) and climate ($r = 0.32$; $p < 0.01$). Simultaneously, the aggregated employee productivity is positively related with fulfilling the psychological contract by employers ($r = 0.33$; $p < 0.01$) and by employees ($r = 0.39$; $p < 0.01$). Moreover, fulfilling the psychological contract by employers has a moderately positive correlation with fulfilling the psychological contract by employees ($r = 0.49$; $p < 0.01$), which shows an existing equilibrium in fulfilling the assumption of the psychological contract by both parties of the contract and supports the existing evidence to the fact that when employees feel that the employer fulfills the promises made to them, then they are satisfied, involved and motivated to work [Coyle-Shapiro, Shore, 2007: 166–179].

In order to determine the type of dependencies between employee productivity and highly effective HRM systems and to test the mediation effect of fulfilling the assumptions of the psychological contract by employees and employers, stepwise regression analysis was performed. Additionally, a mediation model was constructed to test fulfilling the psychological contract being an intervening variable in relationship between highly effective HRM systems and employee productivity. Thus, the postulated model assumed both a direct influence as well as the indirect one of highly effective HRM systems on employee productivity. Table 2 presents the summary of the analysis results.

Table 2. The results of the regression analysis to explain the increase in employee productivity

Variables	Model 1	Model 2
Independent variable: highly effective HRM systems	0.495***	0.621***
Mediating variable: fulfilling the psychological contract	–	0.706***
R ²	0.25	0.24
ΔR ²	0.20	0.26
F	19.289***	36.492***

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Source: own study based on the conducted research.

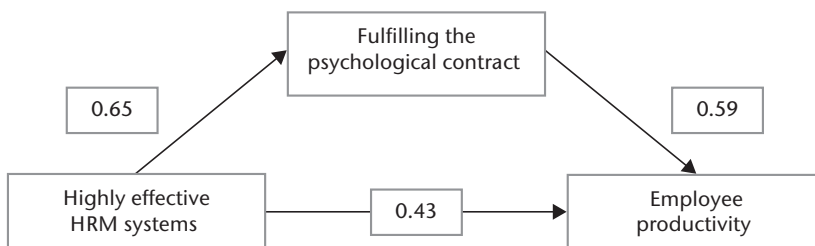
Two independent regression models were constructed to determine a direct and indirect influence of highly effective HRM systems on employee productivity. It turns out that both regression models are well adapted to the data and statistically significant (Model 1: $F = 19.289$; $p < 0.01$, Model 2: $F = 36.492$; $p < 0.001$). The direct and indirect influence was verified with the use of bootstrapping procedure. On the basis of the carried out analysis it is possible to state that highly effective HRM systems explain the increase in employee productivity in a direct and indirect way. Model 1 proves that

the increase in employee productivity of employees in an organization as a result of the action of highly effective HRM system is of direct character ($\beta = 0.495$; $p < 0.01$) i.e., the stronger the elements of highly effective HRM systems are expressed, the higher employee productivity gets. The mediator (fulfilling the psychological contract by employees and employers) was introduced to the model in the second step of regression. In this case, the increase in the value of highly effective HRM systems was noticed in relationship to employee productivity. The conducted mediating analysis indicates both the significant relationship of a mediator (fulfilling the psychological contract) with employee productivity as well as with highly effective HRM systems. Increase in employee productivity as an outcome of highly effective HRM systems' functioning is performed indirectly ($\beta = 0.706$; $p < 0.001$) through a mediating role of fulfilling the assumptions of the psychological contract.

On this basis, it is possible to say that highly effective HRM systems have both direct and indirect effect, whereas an indirect influence has a significant effect. Thus, application of highly effective HRM systems induces employee productivity mainly in situations when the assumptions of the psychological contract are fulfilled by employees and employers. The above results make it possible to refer to raised research questions which were confirmed empirically and can be confirmed on the basis of the presented analyses.

Performed analysis with the use of structural equation modeling (SEM) also confirms the above outcomes. Estimating the model, highly effective HRM systems – as an explanatory variable, fulfilling the psychological contract – as an intervening variable and employee productivity – as an explained variable. The model is well adapted to the data ($\chi^2 = 6.250$, $df = 1$, $p\text{-value} = 0.000$, $RMSEA = 0.026$, $NFI = 0.891$, $CFI = 0.911$, $GFI = 0.856$, $SRMR = 0.016$) and particular variables explain the tested dependencies in a significant way. The graphic presentation of the dependency path between variables is presented in Figure 1.

Figure 1. The model of tested dependencies between highly effective HRM systems and employee productivity with the consideration of fulfilling the psychological contract by employees and employers as a mediating variable



Source: own study based on the conducted research.

It is possible to state, based on the presented model, that employee productivity is directly connected with highly effective HRM systems. The significant mediation effect can be noticed – fulfilling the psychological contract by employees and employers mediates in the relationship between highly effective HRM systems and employee productivity.

Conclusions

The presented analysis of the results of the carried out quantitative research confirmed the dependencies between highly effective HRM systems in an organization and employee productivity. In particular, this research, concentrating on the integrated approach to highly effective HRM systems which influence employee productivity, confirms the results of research carried out by other scientists: Bowen and Ostroff [2004: 203–221] and Katou [2015: 1012–1033]. It confirms the view that highly effective HRM systems constitute an important factor enforcing the mutual perception of employees towards the HRM practices in an organization, which in turn influences their productivity.

In conclusion, the direct relationship of highly effective HRM systems with employee productivity should be indicated, as well as the direct relationship in which fulfilling the assumption arising from the psychological contract is significant. The importance of fulfilling the psychological contract in obtaining employee productivity proved in the research suggests using this variable as a reliable mediator in the relationships of highly effective HRM systems and employee productivity. Moreover, shaping the employee productivity shows some dynamics in the way of employee's functioning in an organization and that the changes in the area of resources and requirements are performed not only at an organizational level but also at an individual one.

The analysis of employee productivity in connection with testing its conditions may contribute to formulating the recommendations concerning human management. Due to the proved argument that HRM content, process and climate create an integrated HRM system which influences employee productivity, managers should pay greater attention to the fact that combinations of HRM practices within initiated systems would become clearer and more noticeable, understandable and univocal to understand its contents for employees and significant i.e., helpful in obtaining objectives by employees.

At the same time, highly effective HRM systems should become more important for employees and also particular HRM practices should be understood and interpreted similarly or equally, in accordance with the HR department intentions. The research fulfilled the expectations connected with management practices in companies where

the importance of psychological contracts in obtaining employee productivity is stressed and fulfilling the psychological contract may serve as an intervening variable in the relationships with highly effective HRM systems.

Summing up, this research paper may constitute a useful starting point for future research which would verify and extend the current results on a representative research sample.

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Abstract

The aim of the article is to analyze employee productivity based on independent and intermediary variables. Both the literature and the empirical studies devoted to relations between the main predictor – the highly effective HRM systems and employee productivity, including mediation of fulfilling the assumptions of the psychological contract, were used to achieve the goal. Based on the research, it was found that the highly effective HRM systems (expressed by content, process and climate) affect employee productivity, both directly and indirectly – through the intermediary role of a psychological contract (expressed by employer and employees as part of mutual promises fulfillment).

KEYWORDS: HIGHLY EFFECTIVE HRM SYSTEMS, EMPLOYEE PRODUCTIVITY, PSYCHOLOGICAL CONTRACT, FULFILLMENT OF THE PSYCHOLOGICAL CONTRACT

JEL CLASSIFICATION CODES: M12, M51, G41