INTRODUCTION

Zimbabwe has been in the eye of a financial crisis that reached its zenith in 2008 when record levels of inflation were last documented. The hyperinflation period that was arrested in 2009 has unfortunately been followed by a period of deflation whose consequences have been just as dire for the common worker. Job losses, general life insecurities, financial challenges and inadequate pensions have all had a contagion effect on the health of the working and non-working population. From 2015, there is likely to be seen more violations of psychological as well as legal work contracts which have been occasioned by a hostile macro-economic environment. As the country goes through another period of serious economic recession, it will be crucial to document the experiences of the worker and common person. This chapter is part of the systematic empirical work that seeks to illuminate and identify strategies and the targeted evidence based interventions that will contribute to alleviating the various psycho-social challenges, be they occupational or economic in their structure and origin. This period post 2000 has presented enormous challenges for work psychologists, economists and political scientists as Zimbabwe has experienced incessant economic upheavals and generalised stress across the working population.

Recessions affect almost all units across the economy. The resultant organisational changes lead to psychological contract violations for both the laid off and remaining workers. Laid off workers have an expectation of getting a pension for their years of toiling in an organisation. The reality has been that organisations were largely not in a financial state to immediately meet the expected gratuity payments. For the remaining workers, the never ending threat of job loss and reduced job satisfaction all play havoc with productivity, compounding an already desperate situation. The remaining workers often have to work longer hours for the same or less pay, just to keep their jobs. This, apparently, is a violation of the psychological contract. This chapter will discuss issues related to psychological contracts in an era of recession and the fluid nature of organisational changes which become part and parcel of the operating environment as organisations constantly have to adapt in sympathy of the changing nature of the wider economy.
PSYCHOLOGICAL CONTRACTS — A DEFINITION

A psychological contract is defined as an individual's beliefs regarding conditions of employment between the employee and the employing entity. The belief system is developed over time through interaction with managers, the employer's practices and through formal and informal interactions with colleagues (Rousseau and Greller, 1994). A psychological contract is thus subjective in nature and is also very much a function of the organisational climate and culture in the long term. It is, however, not a universal concept as each society develops its own mores, values and norms for employment and social relationships. The wider social and economic context consequently plays a role in shaping the employment and individual relationships. In periods of poor economic performance, institutional and local arrangements can be viewed as potentially replacing the role of the legal contract for employment. Individuals in such circumstances do not see the need to follow or push for the promised terms of employment as often they would be grateful just to be in employment as downsizing and layoffs become the order of the day. A psychological contract often experiences dramatic changes during periods of economic difficulty as both employers and employees have been seen to adjust their formal and informal expectations.

Recession and psychological well-being: In the lenses of the psychological contract

Rath and Harter (2010, p.6) argued that there were five common elements that made up well-being as a construct. The five statistical factors have been argued to be interlinked with the concept. It relates to how individuals think about, and experience their lives. These elements are particularly poignant and relevant when nations go through cycles of economic difficulty as Zimbabwe has faced since the turn of the millennium. The five elements as when linked with the psychological contract are as follows:

Career well-being: Relates to how individuals occupy their time at work and derive job satisfaction. This element experiences stress when individuals note that there is too much or too little work, as happens in challenging economic environments. This affects organisational commitment and job satisfaction levels.

Social well-being: As a part of human need, people need love and affection in their lives and this aspect is often strained when individuals struggle to meet basic needs such as food and shelter when economic recession bites. Some lost their homes due to failure to service mortgages and this played havoc with their social well-being.

Financial well-being: Security is achieved when individuals can effectively plan how they want to spend their finances. In the hyperinflationary era, financial well being was elusive for the majority as the purchasing power of the dollar was eroded. In periods of deflation, liquidity crunches have the same effect as the purchasing power of persons is eroded through reduced incomes.

Physical well-being: Relates to being of good health and have energy to get things done each day. The health sector often suffers due to the flight of experienced personnel and in Zimbabwe it was seen through the incessant strikes by medical
personnel. Individuals could no longer be assured of quality medical care and this was a violation of the psychological contract as most workers were on medical insurance which unfortunately was not effective.

Community well-being: Living a fulfilling life points to people engaging and being heavily involved and interested in community projects and initiatives. When a nation experiences economic difficulty, very few institutions can galvanise and enhance community interactions. This lack of action often leaves communities fractured.

In periods of economic difficulty, individuals generally suffer a reduction in the indices of these five elements making up well-being. As people lose their jobs, financial insecurity rises and such gaps are then filled up with the rise in churches that promise people riches when poverty is all around them.

METHODOLOGY

This chapter used a meta-analytic approach in examining the existing literature on this very specific area that covered the experiences of Zimbabwe in the hyperinflationary era and the current challenges faced in the deflation period. This approach was particularly useful as it enables conclusions to be reached based on exposure of the respondents to the issue under consideration. The methodology was an adaptation of the study of Stroup, Berlin and Morton (2008) who employed a qualitative framework in a meta-analytic observational study. Meta-analysis enables the combining of results from various small studies that could have been underpowered and in the process common themes and perspectives can be drawn.

This chapter focuses on the key areas regarding the psychological constructs of psychological contract, organisational change and hyperinflation. Through utilising a standardised approach in the review of studies which had to do with the concepts as identified, the internal validity of this analysis can also be determined.

The study question had the objectives clearly spelt out. The second stage involved a literature search and because very little empirical data had been published, the electronic literature search did not give much data. Most information was then collected from a manual search of articles and abstracts with a clear attempt made at collecting unpublished data. The evaluation of the findings showed that the studies could be combined. Some of the findings were applicable to the Zimbabwean setting and bias was filtered through evaluating the funding source. Data used was largely from sources where there was no conflict of interest, particularly on the funding source. Some reported inflation indices were edited out as the last recorded inflation was in July 2008 (Hanke and Kwok, 2009). The studies included in this chapter were tested for external validity through their applicability to the Zimbabwean scenario and what was typically seen in the economy.

RELATED LITERATURE AND THEMES

The evolution of the psychological contract under hyperinflation

The social and economic context brings a great influence on the employment relationship going to the extent of producing the same, higher or lower levels of commitment to individual performance than a written contract could achieve.
Employees generally form expectations which then make up their psychological contract from two sources: their interaction with members already employed by the organisation and their perceptions on the organisational culture and climate. In the initial stages, the socialisation agents made up of human resources personnel, supervisors and employees on the same grades often make specific statements about what the new entrant can expect from the organisation. The organisational climate and culture perceptions will then over time shape the psychological contract. The psychological contract will then define the social exchanges that take place between an employee and the organisation. Attitudinal and behavioural responses, as a consequence then follow each time a discrepancy is noted by the individual employee. In hyperinflation, salaries can simply not catch up with skyrocketing prices and this requires voluntary and involuntary modification of behaviours by both parties (as employers and employees). Such modification in behaviour and attitude during Zimbabwe's hyperinflationary period was often manifested in the form of a spike in counter-productive work behaviours. There was also seen a rise in turnover and employees became increasingly vocal in expressing their disgruntlement with phrases like “you can never pay me enough” being common. Decreased loyalty was also seen through lowered organisational citizenship behaviours with workers getting a sense that the organisation should be grateful for them continuing to be at work when their colleagues were leaving, often without giving or serving the notice period. Half-hearted efforts were being put to work and there were increased levels of absenteeism, lateness and poor quality of products and provision of services.

The involuntary violation of the psychological contract by struggling organisations served as a precursor for disengagement as some employees felt they would be victimised by bosses hence they decreased their energy for extra-role behaviours and when they could, they would just leave without giving notice or going through an exit interview. Higher education was also not spared either as senior staff left for greener pastures in the region or overseas. This often left some systems and operations in a desperate mire with no qualified staff available to fill up the abandoned posts.

As a consequence, the psychological contract became very crucial in situations where individuals, by circumstances were forced to rearrange their personal status, effort and commitment within an organisation. In Zimbabwean society, work plays a central role in the lives of people. It is a means of sustenance and also has a big social and emotional position in the lives of individuals. This central role of work results in an unwritten social contract between workers and employers at an organisational level and in turn greatly impacts on employees’ psychological contracts. Zimbabwean society has over the years experienced cycles of cultural, structural and economic metamorphosis. These transitions naturally become core in any discussion of psychological contracts and the changes influenced the employment relationship particularly in the hyperinflationary and apparently in the multi-currency dispensation. The fluid nature of the psychological contract has to be seen in the context of the challenges organisations faced and continue to face in responding to external adaptation and internal integration challenges. With hyperinflation, the normal operational rules are often substituted for survival and this leads to violation or outright breaking of the psychological contract.
EMPLOYMENT SELECTION AND WORK PRACTICES IN HYPERINFLATION

Hiring effective people is normally a straightforward process. In a normal environment, it is a function of coming up with the criteria and the predictors. The criteria are constituted by measures of successful job performance in the form of loyalty and commitment to the organisation, a good work attendance record and that ability to learn and grow in the job. During hyperinflation, performance was difficult to judge as so many pieces of the puzzle that then relate to it were missing or dysfunctional due to involuntary or willful absenteeism, lowered levels of commitment to the organisation and other non-core activities such as office vending as individuals turned to other sources of income.

The performance predictors are those items of information with which one can measure on the applicant that are job related. However, in a sellers’ market, as experienced in hyperinflation, that luxury was simply out of the question as organisations had to make do with what was available.

In seeking the right person for a position, employers draw up a job description but in an environment of rapid changes, it was quite a task to draw up a proper job description or the person specifications which list the knowledge, skills and attitudes that are central to job performance. Organisations often ended up literally scrapping the barrel through just employing whoever was available. As the situation normalised from the latter part of 2009, it became impossible to get rid of the non-performers who had been hired literally as place holders. Therein lies the problem that by 2015 organisations were still grappling with as they sought to get back to positive indicators of productivity. The selection procedures from that period continue to haunt organisations as they continue to be saddled with dead weight from that period.

In the hyperinflation era, training was particularly affected on two fronts. The transfer of learning was impaired as technological advances in equipment and materials could not be matched due to undercapitalisation and lack of funds to import newer production systems. The high levels of involuntary counter-productive behaviours meant little effort was expended in using the new skills learnt to improve productivity.

MONETARY PSYCHOLOGY AND HYPERINFLATION — THE 2000-2009 “HIGHWAY THROUGH HELL”

The public often assumes that inflation and indeed deflation are a result of some mathematical changes in the larger economy. In terms of minor fluctuations in the purchasing power of money, it could be correct. Mathematics, econometrics and indeed science could explain 1 percent or 2 percent changes in the rates of inflation or deflation. However, significant changes in the value of a currency are largely a result of public psychology. This is quite different from mathematics.

Because fiat currencies like the Zimbabwe dollar then and indeed the US dollar have no intrinsic value, their perceived value is subjective and a function of public
agreement. That social agreement and the psychological changes are hence derived from the public's confidence in the currency's value. The said agreement is, however, subject to change at moment's notice and this often tracks changes in the public psychology.

In periods of Zimbabwe’s hyperinflation, confidence in the worth of the currency eroded literally by the day. Most of the citizens were almost in total agreement that the value of the currency was falling like a stone. The faster the value of the currency fell, the less confidence the public had in it. People were forced to spend the currency faster. It was common to sell something in the morning and struggle to quickly buy back the same with the currency one just acquired the next day. Holding the currency for too long meant its value was diminishing very rapidly to such an extent that it was almost worthless within days or even hours.

The public started being unwilling to hold on to the Zimbabwe dollar. The rapid increase in the velocity of money resulted in cash shortages and the Reserve Bank of Zimbabwe (RBZ) responded through the introduction of higher denominations. This strategy only served to send people into further states of panic.

The "highway through hell" became quite bumpy in the period after year 2000. The generality of the population began to discover that the purchasing power of money was falling faster than the demand for money was rising. Money availed through Quantitative Easing (QE) or printing could simply not keep up with the loss of the purchasing power. The purchasing power of the Zimbabwe dollar fell in spite of higher interest rates in banks and panic crept in slowly as people could not spend their money fast enough before it lost more purchasing power. The general population became very anxious and would often quickly swap money against "real" goods! Most of the goods bought were not really needed or essential at the time. There was no care on how much was to be paid for as people viewed holding any product as a hedge against inflation. Goods were running out fast from shops and places they were manufactured. There was even talk of some banks buying bricks as a hedge against the loss of value in the currency. The cycle continued until the local currency was no longer used or preferred as media of exchange. It became just scrap paper with no person willing to give away goods or services against the Zimbabwe dollar. This became the mass psychological tipping point and barter trade became acceptable even for small transactions with paper money being shunned.

The period from January 2007 to June 2008 saw record levels of inflation with the last recorded being 238 million percent. The introduction of the multi-currency regime in February 2009 opened opportunities and major challenges for human capital practitioners in Zimbabwe. In the period preceding dollarisation, the Zimbabwean industrial relations terrain had been characterised by tense and constant demands for salary and wage adjustments as workers tried to keep up with hyperinflation. Organisations ended up employing all manner of strategies, legal and para-legal just to stay afloat. There was constant pressure to hike salaries in an effort to match the constantly rising prices for goods and services.
THE MULTI-CURRENCY AFTERMATH AND THE “PSYCHOLOGICAL DOLLAR” ON THE MARKET

Deflation, for all its ills, could be the panacea and cure for the hangover mindset from the hyperinflation period. There has been seen a noticeable decrease in the price levels of goods and services. The so-called liquidity crunch has seen a reduction in credit and money supply with 2014 being particularly difficult. The consequences of this action have mostly been a fall in the general price levels of goods and services. Abandoned rented flats and rooms in both low density and high density residential areas have forced landlords to lower rents for example.

The shops and street traders have also organised packaging to such ridiculous levels such that vegetables, fruits and other commodities were once exclusively sold in dollar packages. The introduction of bond coins by the RBZ has been an attempt to correct price distortions. The introduction of the RBZ bond coins has been greatly aided by a struggling South African Rand which hitherto had been the choice coin currency for small items. The fall of the rand against the US dollar has forced acceptance of the bond coin and the Reserve Bank Governor, John Mangudya in a public lecture at the University of Zimbabwe in April 2015 was at pains to explain that the prices of goods and services were still too high and introduction of the coins was the first small step towards correcting the price distortions on the market.

HYPERINFLATION, DISENGAGED WORKERS AND CONSEQUENCES FOR THE PSYCHOLOGICAL CONTRACT

In the hyperinflation period, the psychological contract was often violated and broken by both employees and employers. The absence of strategic plans made it very difficult to rally workers to a common cause and destiny as organisations were just floating with no clear destination in sight. They were literally on life support hoping for some miracle as the extraneous variables became just too many for any meaningful long-term plans to be put in place.

However, the adoption of the multi-currency regime went a long way in addressing some of the challenges experienced in the particularly difficult period covering the years 2006-2009. The use of the stable currencies, mostly the United States Dollar and to some extent, the South African Rand, meant that organisations could now budget and plan more meaningfully. Adoption of the multi-currency regime stabilised the operational environment with the re-introduction of budgeting and strategic planning which had hitherto become impossible during hyperinflation. The paying of real salaries and use of a stable currency (US dollar) pointed to stability. This also meant that the dormant collective bargaining processes which had been mothballed could be reignited. The multi-currency system also meant that employees could make better informed decisions on emigration as previously any kind of employment that gave any currency other than the Zimbabwe dollars was attractive. There have, however, been new threats to the psychological contract as tight liquidity has meant that some organisations have struggled to honour salaries and wages. It has become a cause for celebration when a firm is not in arrears on worker payments. This does not bode well for the psychological contract and can potentially breed counter-productive work behaviours as workers once
again find themselves looking within and beyond the organisation in order to survive.

**RENUMERATION STRATEGIES IN THE POST-HYPERINFLATION PERIOD**

From a compensation or remuneration perspective, organisations moved slowly or ignored to align their strategies with regional practices and adopted the usual models where executives had the luxury of drawing huge salaries and benefits including company cars, holidays and fees for their children in private schools. The defined benefits model continues to hold sway and organisations have been slow to adopt the total cost of employment model. The luxurious lifestyle that company executives had become accustomed to became a major drain on organisational resources with lower level workers bearing the brunt of reduced productivity as organisations across the board struggle to contain salaries and wages costs. The erroneous assumption that the economy would continue to grow and lack of foresight is driving organisations into dead ends. There has not been a realisation that the only way from the bottom of the well was up. Improvements can only be incremental and currently the challenges of the market economy have made Zimbabwe an expensive place for labour compared with the region hence the flooding in of cheaper imports from neighbouring countries and China.

**TALENT MANAGEMENT STRATEGIES**

From a talent management perspective, the adoption of the multi-currency regime enabled most organisations to come up with competitive remuneration packages to the extent of attracting and retaining top talent. However, there have been no steps in renegotiating the psychological contract as the operational environment has shifted with new expectations requiring new focus both from the employer’s perspective and the employee point of view.

Capacity utilisation levels in some economic sectors saw an improvement but very few organisations on the Zimbabwe Stock Exchange currently have the means or wherewithal to improve the talent management systems. Attempts to lure professionals in the diaspora have met with limited success.

**PERFORMANCE MANAGEMENT IN THE HYPERINFLATION PERIOD AND AFTER DOLLARISATION**

Managing individual performance in the hyperinflationary period was impossible due to low or absent productivity and this was not at the control of the employee. High performance cultures have been touted but have been blighted by antiquated production and service methods. In the period 2006-2009, it was very difficult to reward and retain top performers in most organisations.

Some employees however have failed to shed of counter-productive work behaviours that had become institutionalised in the hyperinflationary period as they who fail to be weaned of the negative work habits acquired during the tumultuous days of hyperinflation. Such individuals are often easy targets when organisations have to
downsize. The reality has been that much staff rationalisation across all sectors was required. The aim must of consequence be the retaining high performers only. Rationalisations will be seen through human resource audits and/or retrenchment initiatives. Already the Public Service Skills and Payroll Audit with the assistance of the IMF has been ongoing. Many town and city municipalities are also pushing for their own skills audits.

In line with a high performance thrust, human capital and culture practitioners will invariably be forced to prioritise training and development. The evident skill gaps spawned by resignations, brain drain and archaic technologies from the hyperinflation era will have to be addressed. As competition shifts from price to client service, most organisations will be forced to prioritise training and development in the quest for competitiveness.

ORGANISATIONAL CHANGE IN ZIMBABWE, THE PSYCHOLOGICAL CONTRACT AND CHALLENGES OF MULTICURRENCY

A difficult economic environment invariably affects operations and planning in organisations at a local level and this often results in the psychological contract violation. In general, willful or involuntary psychological contract violations have a positive relationship with high turnover, lowered organisational loyalty and generally higher levels of work neglect behaviours in employees. The reality in the hyperinflation era was that there were fewer or minimal negative financial and legal consequences for employees who left organisations at that time. Organisations were keenly aware that most employees were actively seeking to leave or had become poor ambassadors for their brands. Because of the then prevailing sellers market for labour, there was very little, if anything, that organisations could do to reorient productive behaviours or even prevent separation with such employees.

Against a backdrop of a rapid inflation, a disgruntled workforce and institutionalisation of negative work practices, change also became an ever-present feature of organisational life. Due to the fluid nature of the operational environment, planned changes could not simply be achieved. However, whilst many organisations appreciated and indeed needed to have some change management strategy in place in order to survive, many of the externally forced change management programmes did not achieve their intended outcomes. This was due to the changing workforce dynamics as high turnover made it impossible to do any kind of workforce forecasting.

Change management is a function of the current and future talent needed to drive the organisational strategic agendas. In an environment of such rapid change, it was simply not advisable to institute change management programmes as so many factors were beyond the control of organisations. The emergent approach to organisational change which views change as very rapid and unpredictable that it cannot be managed from the top down became the preferred approach. Change should be seen as a process of learning, with the organisation responding to the internal and external environmental changes. Despite the theoretical and practical sense of pre-planned steps for change, several proponents of the emergent persuasion
were vindicated in the Zimbabwean environment. It was simply futile to institute change where there was simply no shared vision, action or a sense of urgency. Organisations were simply concerned with bare survival. The organisational leadership type in such an environment is the subject for another topic but apparently strong leadership was required to keep the ship steered in some direction, literally any direction.

A stable post hyperinflationary period has brought with it new challenges as workers employed and retained in the difficult period need to unlearn some of the old bad habits. Within the literature, one of the most influential perspectives which is widely used in its pure form or with some variation is the what are commonly known as ‘planned approaches’ to change. The seminal work is that of Lewin (1952), in Elrod II and Tippett (2002) who argued that change was a three stage process which involved unfreezing current behaviour, then secondly, moving to the new behaviour and, then re-freezing the new behaviour.

The three-step model has been adopted for many years in a lot of scenarios and has been the dominant framework for understanding the process of organisational change (Todnem, 2005). Since its formulation, the theory has been reviewed and modified, with stages being divided to make more specific steps. For example, Bullock and Batten (1985) developed a four stage model consisting of exploration, planning, action and integration. For Zimbabwean organisations to effectively counter the competition from imports and more efficient production models, it is crucial that planned change management processes be implemented to ensure that remnants of institutionalised negative work behaviours from the hyperinflation “death valley” are extinguished altogether in especially the older employee. Some of the workers who remained with organisations had become used to just coasting along in the stormy waters of organisational survival. The multi-currency regime is a matter that goes beyond survival. It calls for competitiveness. Every individual employee must be able to establish their contribution and be in sync with their employer’s strategy through contributing clearly to the vision and mission.

DISCUSSION

Implications for organisational practice

Psychological contract violations, whether wilful or involuntary, have major implications, not just at an individual, but also at the higher organisational level. The violation has the potential to damage the image and operations of the organisation through heightened levels of counter productive work behaviours. Corruption is a bigger challenge organisations now face and is often found in isolated pockets within organisations. Only at an individual level can counter-productivity be effectively tackled. This can be achieved through instituting sound performance management systems that clearly outline the benchmarks for effective performance. An often overlooked issue is that for performance management to be effective, the psychological contract from the worker’s perspective must be met. Exceptional individual performance has to be recognised and rewarded by the employer.
The Impact of Dollarisation on Zimbabwe

After hyperinflation, organisations are faced with new challenges and commonly resorting to retrenchments in an attempt to improve their financial performance. Research suggests that such downsizing has the effect of creating psychological contract violation in the remaining employees as they begin to also feel vulnerable. Organisational commitment has been seen to be reduced and leader-subordinate relationships have often been left quite strained. In a period when organisations are desperate to see improved productivity, target busting, lowered organisational commitment and a spike of counter-productivity could actually become commonplace.

The employment relationship continues to transform and the need to understand psychological contracts becomes key for researchers and practitioners when there is hyperinflation or indeed deflation and all the attendant negative consequences. The human capital and culture practitioners in Zimbabwe hence must enhance their understanding of psychological contract violation and how to best manage the impact at an individual and organisational level. Enhancing individual performance at an individual and consequently at organisational levels is the apparent frontier practitioners and researchers have to deal with in the search of higher productivity. Organisations and employees need each other and the psychological contract is arguably an important predictor of worker performance. The challenge is to take advantage of the challenges Zimbabwe faced in the hyperinflation era and interestingly continue to face in the multi-currency era through the ever growing company closures and downsizing. These issues all have a clear relationship with the psychological contract and there must be a common purpose in limiting or eliminating violation.

CONCLUSION

Zimbabwe's hyperinflation was clear evidence of a complete and rapid loss of public confidence in the value the local currency. The loss in confidence in the value of the Zimbabwe dollar saw the currency naturally dying. Bringing the Zimbabwe dollar from the dead is not a mathematical or economics issue, but a purely psychological phenomenon. The conditions have to be just right for the re-introduction. Deflation has not helped matters and the loss of jobs as companies struggle to stay afloat has only served to violate the psychological contract. Downsizing has left the remaining workers often disengaged and with lowered levels of psychological safety. Worker engagement is crucial in the productivity equation and the preoccupation should be on organisations improving their organisational climates. Job losses also bring with them a loss of identity as individuals can no longer be in a position to sustain positive self images. In periods of economic difficult, the psychological contract continues to transform due to changes in personal and organisational circumstances. However, organisations should never lose sight of the fact that individuals with employment contracts are their most valuable resource. Care needs to be taken in rationalisation and planned organisational changes to minimise psychological contract violation.
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