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The Effects of Psychological Contract Breach on Job Outcomes

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THE EFFECTS OF PSYCHOLOGICAL CONTRACT BREACH ON JOB OUTCOMES

A Thesis

Presented to

The Faculty of the Department of Psychology

San José State University

In Partial Fulfillment

of the Requirements for the Degree

Master of Science

by

Nichole S. Ballou

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THE EFFECTS OF PSYCHOLOGICAL CONTRACT BREACH ON JOB OUTCOMES

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ABSTRACT

THE EFFECTS OF PSYCHOLOGICAL CONTRACT BREACH ON JOB OUTCOMES

by Nichole S. Ballou

The present study examined the effects of psychological contract breach on attitudinal and behavioral job outcomes including job satisfaction, intention to remain with one's organization, perceived organizational support, and organizational citizenship behaviors. Additionally, the present study also examined whether the effect of the psychological contract breach on these job outcomes varied based on the type of psychological contract an employee had (i.e., transactional or relational). A total of 89 part- and full-time employees participated in this study. Results showed that the breach of one's psychological contract had a significant effect on one's job satisfaction, intention to remain, and perceived organizational support. Additionally, there was a significant interaction between psychological contract breach and psychological contract type such that when employees experienced a breach of their psychological contract, the effect of the psychological contract breach on perceived organizational support and organizational citizenship behaviors varied depending on psychological contract type.

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Prost!

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Introduction

When an individual becomes employed at an organization, many paper contracts are signed where both the employee and the organization develop expectations of each other. What many employees do not realize is that they are also forming another contract that is not written on paper nor articulated. This contract is called a psychological contract. A psychological contract plays a vital role in how employees perceive their organizations as well as how they will perform. Thus far, research has predominately focused on the impact of psychological contract fulfillment on employee and organizational outcomes. However, research has not thoroughly examined the effects that the breach of a psychological contract may have on employees and their view of the organization.

Being able to better understand how psychological contract breach affects employees would help organizations prepare themselves for when a psychological contract breach does occur. Reactions to a psychological contract breach can range from attitudinal to behavioral. These reactions then translate into different job outcomes that affect the overall wellness of the organization. The purpose of this study was to examine the effect of psychological contract breach on attitudinal and behavioral job outcomes including job satisfaction, intention to remain, perceived organizational support, and organizational citizenship behaviors.

Definition of a Psychological Contract

Many researchers have sought to define a psychological contract and most of these definitions have echoed similar themes, which include expectations, beliefs, reciprocity, and obligations. For the purpose of this research, the definition that will be utilized states that a psychological contract is an employee's belief in a reciprocal obligation between the employee and the organization (Rousseau, 1989). Researchers have agreed that a psychological contract is subjective in nature in that it depends on the employee's point of view regarding what obligations the organization must fulfill (Bellou, 2009; Rousseau, 1989; Rousseau, 1995). As Rousseau (1989) contends, this contract becomes an essential element to the relationship between the employee and the organization because it affects employee job outcomes.

The development of a psychological contract begins with subjective points of view that the job applicant holds and can be predicated by the belief that there will be reciprocity once the job applicant is hired (Hess & Jepsen, 2009). Rousseau (1989) first defined the nature of a psychological contract, how a contract develops and evolves, what is needed to maintain a contract, and how a psychological contract can be violated. Rousseau noted that during the initial development of a psychological contract, the organization has either paid for or has offered some sort of consideration in exchange for the promise that the employee will reciprocate. An example of this initial exchange would be the early interaction between the job applicant and the organization in which there is an offer of a job and the job applicant's acceptance of employment. The promises and consideration are both subjective, and the employee normally assumes that

the contract is made in good faith, fair dealing, and trust. As part of this interaction, the organization is remunerating an employee to fulfill a set of responsibilities and the hiring manager assumes the employee has been truthful in his or her representation of skills and abilities in order to fulfill a particular role in the company. This initial exchange of promise and consideration sets the stage for the relationship between the employee and the organization.

After the employee begins working at the organization, reciprocal expectations are formed and may contain a range of assumptions, including a mutual understanding that hard work will result in continued employment. Consistent patterns of inducements and contributions over time reinforce the mutual understanding and then lead to the building of trust between the employee and the organization. This leads to the employee's belief that the organization is obligated to continue employment into the future as long as the employee performs well and contributes to the organization's well-being (Rousseau, 1989).

Within a psychological contract, it is possible that the employee and the organization may perceive the obligations or expectations differently. For example, the employee may believe that hard work is defined as diligently completing all assigned tasks during the normal 40-hour work week; however, the organization may only reward those who work in the evenings or weekends as well as the normal 40-hour work week. Although an organization may have expressed expectations or standards for work performance, it is important to emphasize that organizations themselves cannot perceive a psychological contract. Managers may perceive a psychological contract with an

employee; however, only employees have psychological contracts, not organizations (Rousseau, 1989).

Transactional vs. Relational Psychological Contracts

Extensive research has established that psychological contracts can be portrayed in two different ways: transactional and relational. A transactional contract is based on economic or extrinsic factors, tends to be specifically defined, and its time frame is finite and short-term (Alcover, Martínez-Iñigo, & Chambel, 2012; De Cuyper & De Witte, 2006). Employees with a transactional psychological contract may expect financial and material exchanges for their work and have a short-term commitment to their obligations. For example, sales employees may expect to receive a spot bonus if they reach their sales goals for the week. This financial incentive motivates employees to perform well in a short period of time but generally does not result in high performance in the long term. A transactional psychological contract does not vary over time, has a narrow scope, is public and observable by others, and tends to be associated with careerist motivations on the part of the employee (Rousseau, 1990).

In general, employees whose psychological contracts are portrayed as transactional base their contracts on financial rewards, money, and being paid on time (Bellou, 2009; De Cuyper & De Witte, 2006; De Hauw & De Vos, 2010). Because transactional psychological contracts are close-ended, specific, and are based on extrinsic and economic factors, employees with this type of contract generally do not envision themselves working for their current organization in the long-term. The short-term

perspective is due to the fact that employees with a transactional psychological contract are not driven by factors that facilitate loyalty to the organization.

Compared to a transactional psychological contract, employees with a relational psychological contract may believe that there is more to their relationships with their organizations than economic exchange. A relational psychological contract is developed through non-economic, socio-emotional, and intrinsic factors founded on trust and organizational commitment. A relational psychological contract is open-ended, indefinite, dynamic, and has a broad scope (De Cuyper & De Witte, 2006; Rousseau, 1990).

Employees whose psychological contracts are portrayed as relational may base their contracts on status, recognition, the chance to be creative (Bellou, 2009), job security, work/ lifestyle balance, training (De Hauw & De Vos, 2010), career development (Bellou, 2009; De Hauw & De Vos, 2010), and promotions (Alcover et al., 2012; Kickul & Lester, 2001; Rousseau, 1995). Some employees base their psychological contracts on status or recognition, which may simply mean that the employee expects a “good job” or a congratulatory email from his or her boss when a major project has been successfully completed. Other employees, which may include engineers or research and development teams, may base their psychological contracts on whether they get opportunities to be creative with their work. For example, Google, Inc.® provides all employees with the opportunity to devote up to 20% of their workweek to a project of their choice (Crowley, 2013).

Psychological Contract Breach

As discussed, a psychological contract is an employee's expectation that there is a reciprocal obligation between the employee and the organization. What happens when these expectations are not fulfilled? Based on several studies exploring the job outcomes of a psychological contract breach (Gakovic & Tetrick, 2003; Hess & Jepsen, 2009; Suazo, 2009; Zhao, Wayne, Glibkowski, & Bravo, 2007), there is a high likelihood that when the workplace does not meet the expectations of employees, they are more likely to feel less satisfied with their jobs. Because a psychological contract breach can have such negative effects on employees, it is important to further understand how the breach of a psychological contract can affect employees.

A psychological contract breach is defined as an employee's perception that his or her organization has failed to fulfill one or more obligations associated with perceived mutual promises (Gakovic & Tetrick, 2003). Any action that is inconsistent with the employee's belief in a reciprocal obligation has the potential to create a perception of contract breach in the eyes of the employee (Rousseau, 1989). One fictional example of a psychological contract breach occurred in the classic holiday comedy "National Lampoon's Christmas Vacation" (Hughes, Simmons, & Chechik, 1989). In this movie, Clark Griswold, the protagonist father, expected to receive a Christmas bonus from his organization in which he was employed. His belief was that if he worked hard all year and stayed loyal to the organization, he would receive a Christmas cash bonus allowing him to install a pool for his home. To his surprise, on Christmas Eve his "bonus" was a membership to the jelly of the month club rather than the anticipated cash bonus. Clark

lost his composure, became upset, and his anger manifested into anti-social behaviors as a result of his breached psychological contract.

Outcomes of Psychological Contract Breach

When employees experience a breach of their psychological contract, they can experience different reactions, ranging from attitudinal to behavioral reactions toward the organization (Kickul & Lester, 2001). A psychological contract breach can have an attitudinal effect on employees due to the fact that a trusting relationship between the employee and the organization has become broken. Because psychological contracts are employees' subjective perceptions of reciprocal obligations between the employee and the organization, if employees perceive that they have upheld their own end of the contract but the organization has not, they are likely to feel let down and betrayed (Rousseau, 1989). One of the most widely studied attitudinal job outcomes of psychological contract breach is job satisfaction (Hess & Jepsen, 2009). Research findings have consistently shown that psychological contract breach is related to lowered job satisfaction (Gakovic & Tetrick, 2003; Suazo, 2009; Zhao et al., 2007).

The breach of an employee's psychological contract is also positively related to the employee's intention to leave the organization, which is another widely researched attitudinal job outcome (Hess & Jepsen, 2009). After a psychological contract breach, employees may be less willing to exert extra effort on behalf of the organization and have a lower desire to remain employees of their organization (De Hauw & De Vos, 2010). Research has found that psychological contract breach was significantly and positively related to intention to turnover (Suazo, 2009; Zhao et al., 2007). Employees with a

psychological contract that was transactionally oriented reported that they were more likely to quit their job than those with relational psychological contracts. In addition, research has also found that employees with a relational psychological contract had a significant and positive relationship with intention to quit (Alcover et al., 2012). In summary, based on these findings, the type of psychological contract employees have may determine whether employees will leave their current organization following a breach of their psychological contract.

An attitudinal job outcome of psychological contract breach that has not been widely researched in the literature is perceived organizational support. Perceived organizational support is defined as the extent to which employees believe their organization values their contributions and cares about their well-being (Eisenberger, Huntington, Hutchison, & Sowa, 1986). Perceptions of the organization can be influenced by how the organization treats employees, which ultimately affects the employees' perception of whether the organization is supportive and values them.

Examining perceived organizational support from an organizational standpoint is important because research has shown that when employees perceive that their organization supports them, they are more likely to expect that their extra efforts toward meeting organizational goals will be rewarded (Eisenberger et al., 1986). Specifically, Eisenberger et al. (1986) found that rewards including pay, rank, training and development, and opportunities to participate in decision making affected employees' perceived organizational support such that employees felt that these rewards represented the organization's positive evaluations of them. In addition, research has found that

employees with higher perceived organizational support have increased job satisfaction (Rhoades & Eisenberger, 2002). Suazo (2009) was one of the first researchers to find that psychological contract breach was negatively related to perceived organizational support.

Organizational citizenship behavior is one of the top researched behavioral job outcomes of psychological contract breach (Hess & Jepsen, 2009). Organizational citizenship behavior is defined as behaviors that are beneficial to the organization, discretionary, and not included in employees' formal job descriptions (Zhao et al., 2007). It is important to examine the effects of psychological contract breach on organizational citizenship behaviors because these behaviors can have a positive impact on the organization. If employees experience a psychological contract breach, they are less likely to engage in organizational citizenship behaviors (Zhao et al., 2007). This is due to the fact that organizational citizenship behaviors are not required by employees' job descriptions; as such, failure to perform them should not be negatively reflected in the evaluation of their performance (Suazo, 2009).

In summary, once employees feel that a psychological contract has not been fulfilled, they may become less satisfied with their jobs, may experience cognitive manipulation of the perceived inequities, and may change their behaviors by decreasing the amount of extra-role behaviors they perform (Jensen, Opland, & Ryan, 2009). In addition, employees may even consider leaving the organization (Alcover et al., 2012; Kickul, Lester, & Belgio, 2004). These reactions can harm the productivity of the

organization and even lead to increased absenteeism (Eisenberger et al., 1986) and turnover (Hess & Jepsen, 2009).

The Current Study

It is important to examine the effects of psychological contract breach because this breach can happen at any time with any employee whether it be a top performer or a potential employee. Because employees can have different types of psychological contracts with their organization, employees may react differently to a breach of their psychological contract depending on whether it is transactional or relational.

There is a limited body of existing research that has examined the possibility that changes in employees' attitudes and behaviors when a psychological contract breach has occurred may vary as a function of whether they have a transactional or relational psychological contract (Zhao et al., 2007). Transactional psychological contracts are based on financial factors, whereas relational psychological contracts are based on socio-emotional factors. Because transactional and relational psychological contracts vary in what they can be based on, employees' reactions to a perceived contract breach may vary based on the type of contract the employee has.

According to Robinson and Morrison (1995), employees generally expect transactional rewards (e.g., competitive compensation) as a bottom-line obligation of their organization. In contrast, relational rewards tend to be viewed as extra, non-required inducements by employees. This would lead one to predict that the breach of a transactional psychological contract would elicit more intense negative attitudes than the breach of a relational psychological contract. However, Zhao et al. (2007) found that

employees who reported that their relational psychological contracts were breached had a stronger relationship with job outcomes such that breach of a relational psychological contract was negatively related to job satisfaction and organizational citizenship behaviors and positively related to turnover intentions.

It is necessary to further examine job outcomes including job satisfaction, intention to remain with the organization, perceived organizational support, and organizational citizenship behaviors because these are the reactions organizations want their employees to positively experience. By understanding the outcomes of a psychological contract breach, organizations may be able to better understand how to avoid breaching employees' psychological contracts and improve job outcomes. With that being said, the purpose of this research is to examine the relationship between psychological contract breach and job outcomes including job satisfaction, intention to remain with the organization, perceived organizational support, and organizational citizenship behaviors. This research will also examine whether the aforementioned job outcomes vary depending on the type of psychological contract an employee may have.

Research Question: Does the effect of a psychological contract breach on job outcomes (i.e., job satisfaction, intention to remain with the organization, perceived organizational support, and organizational citizenship behaviors) vary as a function of the type of psychological contract employees have?

Method

Participants

For inclusion in this study, participants were required to be part- or full-time employees. After discarding responses that were not fully completed ($n = 3$), the total sample consisted of 89 participants. The average age of the sample was 35 years old ($SD = 12.64$) ranging from 19 to 65 years old and consisted of 62.5% males and 37.5% females. Although a majority of the sample was Caucasian (61.8%), the rest of the sample was ethnically diverse (17% Asian/Pacific Islander, 9% Hispanic, 1% Black/African American, and 9% Other/Multi-Racial). A majority of the sample had at least a bachelor's degree or higher (82%).

A large percentage of the sample was employed full-time (84%) with only 16% in part-time positions. A small percentage of the sample reported being in a management position (28%). The average length of tenure within one's current organization was 52 months (equivalent to roughly 4.33 years, $SD = 81.92$), and ranged from one month to 420 months (35 years). In terms of industry of employment, the largest proportion of participants worked in the professional/ business services industry (27%), with the rest of the sample dispersed in manufacturing (25%), retail (8%), educational services (7%), leisure and hospitality (5%), health care (2%), government (2%), and other (24%). The level of annual household gross income was evenly distributed from less than \$25,000 to \$150,000 or more.

Measures

Psychological contract breach. Psychological contract breach was measured using a 26-item self-report scale from Kickul et al. (2004). These items consisted of obligations employees may have had explicitly or implicitly communicated to them when they were hired by their current organization. Examples of these obligations included competitive salary, health care benefits, adequate equipment to perform one's job, challenging and interesting work, job training, opportunities for promotion and advancement, and increasing responsibilities.

Measuring psychological contract breach required participants to evaluate each obligation along two aspects. The first was whether they felt the obligation had been promised to them (*yes* or *no*); participants were instructed to check each of the obligations that had been promised to them by their organizations. Second, participants indicated to what degree they felt their organization fulfilled each of the obligations that were promised to them. Participants rated these obligations using a 5-point Likert scale (1 = *not at all fulfilled* to 5 = *very fulfilled*). All rated items were then reverse coded in order to represent psychological contract breach rather than fulfillment. The extent of psychological contract breach was calculated by dividing the sum of the reverse-scored fulfillment ratings by the number of obligations marked. For example, if a participant selected 10 obligation items and the sum of the reverse-scored fulfillment ratings on these obligations totaled 43, then this participant's extent of psychological contract breach score was 4.30 ($43/10 = 4.30$). Scores on psychological contract breach could range from 1 to 5.

Job satisfaction. The three-item Michigan Organizational Assessment Questionnaire Job Satisfaction subscale (Camman, Fichman, Jenkins, & Klesh, 1975) was used to measure job satisfaction. An example item from the scale included “All in all I am satisfied with my job.” Participants indicated the degree to which they agreed with each statement on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). The mean of the three items was then calculated to determine each participant’s level of job satisfaction. The Job Satisfaction subscale appeared to be internally consistent at $\alpha = .90$.

Intention to remain with the organization. Intention to remain with one’s organization was measured using three items created by the researcher to identify whether participants intended to remain with their current organization in the future. An example item included “I expect to remain with my current organization for at least five years.” This was assessed by asking participants to indicate their responses on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). The mean of the three items was then calculated to determine participants’ intention to remain with their current organization. The Intention to Remain Scale appeared to be internally consistent at $\alpha = .91$.

Perceived organizational support. Perceived organizational support was measured using a shortened 10-item scale from Eisenberger et al. (1986) that assessed whether the participants believed their organization valued their contributions and cared about their well-being. An example item from the scale included “My organization is

willing to extend itself in order to help me perform my job to the best of my ability.”

Participants indicated the degree to which they agreed with each statement on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). The mean of the 10 items was then calculated to determine each participant’s level of perceived organizational support. The internal consistency reliability of the Perceived Organizational Support Scale was .90.

Psychological contract type. A shortened 26-item scale by Millward and Hopkins (1998) was used in order to determine whether participants had a transactional or relational psychological contract. An example of an item measuring a transactional psychological contract included “My loyalty to the organization is contract specific.” An example of an item measuring a relational psychological contract included “My job means more to me than just a means of paying the bills.” Responses were recorded on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*).

In order to determine the type of psychological contract for each participant, the mean of the 13 transactional psychological contract items and the 13 relational psychological contract items were calculated and compared with each other. According to Millward and Hopkins (1998), transactional and relational psychological contracts represent opposite ends of a bipolar continuum. Based on that fact, whichever of the two psychological contracts had the greater mean represented the psychological contract type that participant had. For example, if a participant scored a mean of 2.30 on the transactional psychological contract scale and a mean of 4.50 on the relational psychological contract scale, that participant would be categorized as having a relational

psychological contract. In addition, if the difference between a participant's psychological contract type scores was less than 1.00, that person was included in the transactional psychological contract type group.

Organizational citizenship behavior. Organizational citizenship behavior was measured using a shortened five-item scale from Smith, Organ, and Near (1983) to measure whether participants performed extra-role behaviors at their organization. An example item included "I attend functions I am not required to attend that help my organization's image." This was measured using a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). The mean of the five items was then calculated to determine whether participants engaged in organizational citizenship behaviors. The Organizational Citizenship Behavior Scale had a relatively low internal consistency reliability of .45.

Background information. In addition to the psychological variables, background information was asked of the participants. This included gender, age, ethnicity, education level, employment status, tenure with current organization, current work industry, annual income, and whether the participant held a supervisory position.

Procedures

Employees from a variety of organizations in California were emailed and asked to participate in the present study through filling out an anonymous online survey. The survey link was also made accessible to individuals online via the researcher's social networking tools. Participants were informed in the survey prompt that the survey would take approximately 10 minutes of their time and that the research was concerned with

their beliefs and feelings toward their current organization for which they work. Participants were also informed that their answers would remain anonymous and confidential and to contact the researcher should they have any questions. Upon completion of the survey, participants were reminded to contact the researcher with any questions about the survey.

Results

Descriptive Statistics

Out of the 92 responses that were returned, 89 participants had valid data for all of the variables examined and were thus included in the analyses (Table 1). Participants rated psychological contract breach in the middle of the possible range of scores ($M = 4.28$, $SD = .70$) meaning participants did not have strong feelings of whether they felt that their psychological contract was breached. Psychological contract type was distributed as 29% ($n = 26$) of participants with transactional psychological contracts and 71% ($n = 73$) of participants with relational psychological contracts. Participants reported a moderately high level of job satisfaction ($M = 5.68$, $SD = 1.33$) and a moderately high level of perceived organizational support ($M = 4.83$, $SD = 1.25$). Participants also reported a high level of organizational citizenship behaviors ($M = 5.70$, $SD = .66$). However, participants did not display a strong or weak intention to remain with their current organization ($M = 4.35$, $SD = 2.06$).

Table 1

Descriptive Statistics of Variables (n = 89)

Variable	Range	<i>M</i>	<i>SD</i>
Psychological contract breach	1-5	4.28	.70
Psychological contract type			
Transactional PC		<i>N</i> = 26	29%
Relational PC		<i>N</i> = 73	71%
Job satisfaction	1-7	5.68	1.33
Intention to remain with organization	1-7	4.35	2.06
Perceived organizational support	1-7	4.83	1.25
Organizational citizenship behaviors	1-7	5.70	.66

Pearson Correlations

As seen in Table 2, psychological contract breach was significantly and negatively related to all variables except for organizational citizenship behaviors ($r = -.13, p = .11$). The significant relationships between psychological contract breach and the other variables included psychological contract type ($r = -.18, p < .05$), job satisfaction ($r = -.49, p < .01$), intention to remain ($r = -.30, p < .01$), and perceived organizational support ($r = -.55, p < .01$). This means that individuals who perceived a higher degree of breach in their psychological contract tended to have a relational psychological contract, lower job satisfaction, a lower likelihood to remain with their organization, and a lower level of perceived organizational support.

Psychological contract type was significantly and positively related to job satisfaction ($r = .58, p < .01$), intention to remain ($r = .62, p < .01$), perceived organizational support ($r = .47, p < .01$), and organizational citizenship behaviors ($r =$

.35, $p < .01$). This means that individuals with relational psychological contracts reported higher levels of job satisfaction, a higher intention to remain with their current organization, higher levels of perceived organizational support, and more organizational citizenship behaviors than individuals with transactional psychological contracts.

Table 2

Pearson Correlations Among Variables

	1	2	3	4	5	6
1. Psychological contract breach	--					
2. Psychological contract type	-.18*	--				
3. Job satisfaction	-.49**	.58**	--			
4. Intention to remain	-.30**	.62**	.61**	--		
5. Perceived organizational support	-.55**	.47**	.62**	.40**	--	
6. Organizational citizenship behaviors	-.13	.35**	.17	.40**	.27*	--

Note. * $p < .05$; ** $p < .01$. *Psychological contract type coded as 1 = Transactional Psychological Contract, 2 = Relational Psychological Contract*

The job outcome scales were all significantly and positively related to each other except for job satisfaction and organizational citizenship behaviors ($r = .17, p = .12$). Job satisfaction was significantly related to intention to remain ($r = .61, p < .01$) and perceived organizational support ($r = .62, p < .01$) meaning if participants were satisfied with their jobs, they were more likely to intend to remain with their organization and perceive that their organization supported them. Intention to remain was significantly related to perceived organizational support ($r = .40, p < .01$) and organizational citizenship behaviors ($r = .40, p < .01$) such that individuals who intended to remain with their organization were more likely to perceive that their organization supported them and

were more likely to engage in organizational citizenship behaviors. Perceived organizational support and organizational citizenship behaviors were significantly related ($r = .27, p < .05$) such that individuals who perceived that their organization supported them were more likely to engage in organizational citizenship behaviors.

Test of Research Question

Moderating effect of psychological contract type. Hierarchical multiple regression analyses (MRC) were utilized in order to answer the research question of whether the effect of psychological contract breach on job outcomes varied as a function of type of psychological contract (Table 3). A significant interaction between psychological contract breach and psychological contract type would mean that the type of psychological contract one has affects job outcomes following a breach of one's psychological contract differently. Hierarchical MRC was utilized to test for this interaction effect for each of the job outcomes (job satisfaction, intention to remain, perceived organizational support, and organizational citizenship behaviors).

In the first step of the regression analyses, psychological contract breach was entered. Psychological contract breach accounted for a significant amount of variance in job satisfaction, $R^2 = .24, F(1, 86) = 26.70, p < .01$, intention to remain, $R^2 = .09, F(1, 86) = 8.22, p < .01$, and perceived organizational support, $R^2 = .30, F(1, 86) = 36.35, p < .01$. This means that employees who experienced a breach of their psychological contract were more likely to experience lower job satisfaction, a lower intention to remain with their current organization, and they were less likely to perceive that their organization supported them. However, psychological contract breach did not account for a

significant amount of variance in organizational citizenship behaviors, $R^2 = .02$, $F(1, 86) = 1.58$, $p = .21$.

Table 3

Hierarchical Multiple Regression Analyses for the Moderating Effect of Psychological Contract Type

	<i>Job Satisfaction</i>			<i>Intention to Remain</i>		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Psychological Contract Breach	-.49**	.24**	.24**	-.30**	.09**	.09**
Step 2: Psychological Contract Type	.51**	.49**	.25**	.59**	.42**	.34**
Step 3: PCB x Contract Type	.32	.49**	.00	-.24	.42**	.00

	<i>Perceived Organizational Support</i>			<i>Organizational Citizenship Behaviors</i>		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1: Psychological Contract Breach	-.55**	.30**	.30**	-.13	.02	.02
Step 2: Psychological Contract Type	.39**	.44**	.14**	.35**	.13**	.12**
Step 3: PCB x Contract Type	-1.61**	.50**	.06**	-1.37*	.18**	.04*

Note. * $p < .05$; ** $p < .01$

In the second step, psychological contract type was entered. The addition of psychological contract type accounted for a significant amount of variance above and beyond psychological contract breach in all four outcome variables: job satisfaction, $\Delta R^2 = .25$, $F(1, 85) = 41.92$, $p < .01$, intention to remain, $\Delta R^2 = .34$, $F(1, 85) = 49.46$, $p < .01$, perceived organizational support, $\Delta R^2 = .14$, $F(1, 85) = 21.90$, $p < .01$, and organizational citizenship behaviors, $\Delta R^2 = .12$, $F(1, 85) = 11.31$, $p < .01$. This means that having a relational psychological contract was more strongly related to job satisfaction,

intention to remain, perceived organizational support, and organizational citizenship behaviors compared to having a transactional psychological contract.

In the third step, the interaction of psychological contract breach and psychological contract type was entered. The interaction effect did not account for a significant amount of incremental variance in job satisfaction, $\Delta R^2 = .00$, $F(1, 84) = .37$, $p = .55$ or intention to remain, $\Delta R^2 = .00$, $F(1, 84) = .18$, $p = .67$. However, the interaction between psychological contract breach and psychological contract type was significant in perceived organizational support, $\Delta R^2 = .06$, $F(1, 84) = 9.63$, $p < .01$ and organizational citizenship behaviors, $\Delta R^2 = .04$, $F(1, 84) = 4.20$, $p < .05$. The significant interaction between psychological contract breach and psychological contract type indicated that the relationship between psychological contract breach and one's perception of organizational support and one's performance of organizational citizenship behaviors varied depending on what type of psychological contract one had adopted.

Additional analyses were run to interpret the significant interaction between psychological contract breach and psychological contract type for perceived organizational support and organizational citizenship behaviors. For each of the two outcome variables, separate regression equations were calculated for relational and transactional psychological contract types. As seen in Figure 1, for individuals with a relational psychological contract, greater degrees of psychological contract breach were associated with decreased levels of perceived organizational support. However, for individuals with a transactional psychological contract, psychological contract breach was only slightly related to lower levels of perceived organizational support. As seen in

Figure 2, if individuals had a relational psychological contract, those with a greater degree of psychological contract breach decreased their organizational citizenship behaviors. In contrast, if individuals had a transactional psychological contract, those with a greater degree of psychological contract breach increased their organizational citizenship behaviors.

In summary, the results of the multiple regression analyses provided evidence that individuals who experienced a psychological contract breach were more likely to experience lowered levels of job satisfaction, a lower intention to remain with their current organization, and they were less likely to perceive that their organization supported them. The addition of psychological contract type in the multiple regression analyses provided support that there was a stronger relationship between relational psychological contracts and job satisfaction, intention to remain, perceived organizational support, and organizational citizenship behaviors compared to transactional psychological contracts. The significant interaction between psychological contract breach and psychological contract type indicated that the relationship between psychological contract breach and one's perception of support from the current organization and one's performance of organizational citizenship behaviors varied depending on whether one had a transactional or a relational psychological contract. When employees had a relational psychological contract that was breached, they perceived significantly less support from their organization and decreased their organizational citizenship behaviors. When employees had a transactional psychological

contract that was breached, their perception of organizational support did not change; however, they increased their organizational citizenship behaviors.

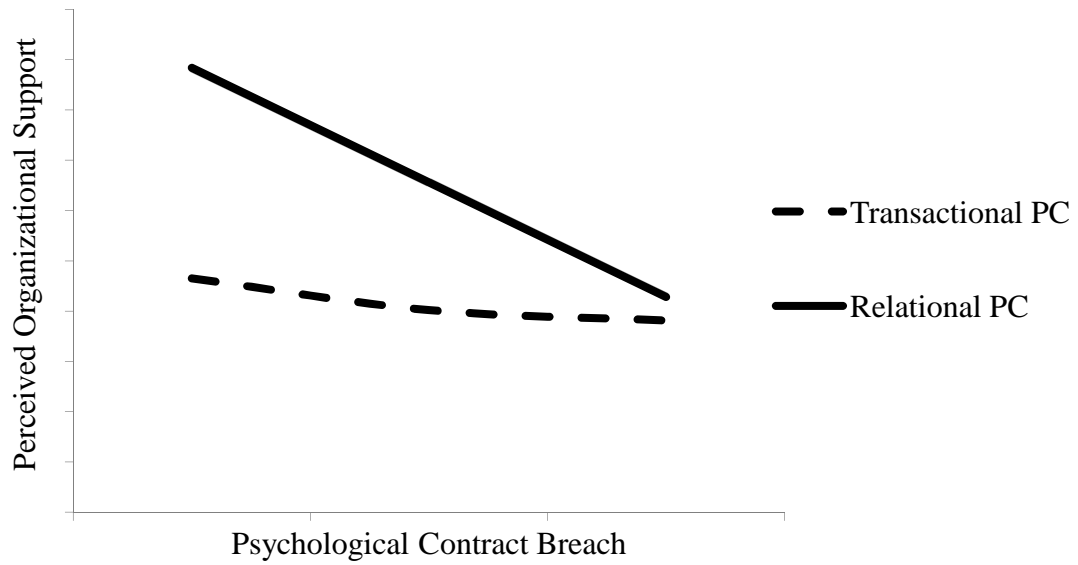


Figure 1. Interaction effect of psychological contract breach and psychological contract type on perceived organizational support.

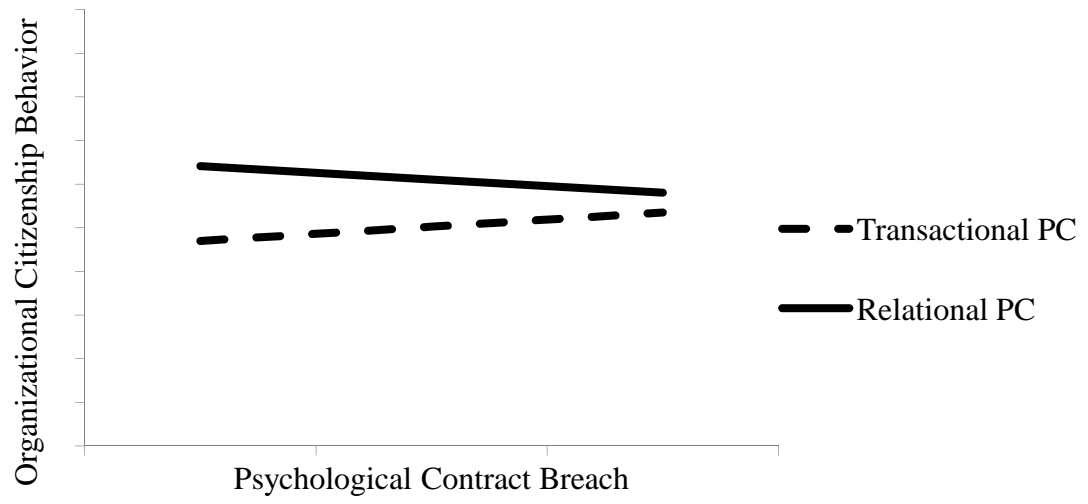


Figure 2. Interaction effect of psychological contract breach and psychological contract type on organizational citizenship behaviors.

Discussion

The purpose of the present study was to examine the effect of psychological contract breach on attitudinal and behavioral job outcomes including job satisfaction, intention to remain with one's organization, perceived organizational support, and organizational citizenship behaviors. The present study also examined whether the effect of psychological contract breach on these job outcomes varied based on the type of psychological contract an employee had (i.e., transactional or relational). The findings of this study indicated that employees who perceived a breach of their psychological contract experienced lower job satisfaction, a lower intention to remain with their current organization, and were less likely to perceive that their organization supported them. The effect of a psychological contract breach was not directly related to organizational citizenship behaviors; however, as will be discussed next, this effect was moderated by psychological contract type.

When the interaction of psychological contract breach and psychological contract type was taken into account, perceived organizational support and organizational citizenship behaviors yielded significant results. Specifically, individuals with a relational psychological contract reported a decrease in their level of perceived organizational support and a decrease in organizational citizenship behaviors following a psychological contract breach. In contrast, individuals who perceived that their transactional psychological contract was breached did not experience a change in their level of perceived organization support and increased their organizational citizenship behaviors.

Theoretical Implications

The present study's findings supported and expanded on the findings of previous research. In terms of direct effects, psychological contract breach was associated with a decrease in job satisfaction, a lower intention to remain with one's organization, a decrease in perceived organizational support, and lower levels of organizational citizenship behaviors. These findings were consistent with prior research (Gakovic & Tetrick, 2003; Suazo, 2009; Zhao et al., 2007).

Most research has examined the effect of psychological contract breach on job outcomes (De Hauw & De Vos, 2010; Gakovic & Tetrick, 2003; Suazo, 2009; Zhao et al., 2007). This study explored using psychological contract type as a moderator in the relationship between psychological contract breach and job outcomes. The findings of the present study indicated that the effect of a psychological contract breach on perceived organizational support and organizational citizenship behaviors varied depending on whether employees had a transactional or a relational psychological contract.

Whether an employee engaged in organizational citizenship behaviors following a psychological contract breach depended on the type of psychological contract the employee had. If an employee's psychological contract was based on relational factors, the employee was less likely to engage in organizational citizenship behaviors following a psychological contract breach. However, if an employee's psychological contract was based on transactional factors, the employee was found to be *more* likely to engage in organizational citizenship behaviors following a psychological contract breach. In

general, one would predict that organizational citizenship behaviors would decrease regardless of the type of psychological contract breached.

A possible explanation for this interesting finding may be that those employees with a breached transactional psychological contract may have perceived that they had not upheld their end of their contract and blamed themselves for the breach of their psychological contract. In general, employees who have a transactional psychological contract view their relationship with their organization as more of a transaction or exchange. Specifically, if employees with a transactional psychological contract did not receive the outputs (promised obligations) they expected, they may have believed that they needed to increase their input (work and organizational citizenship behaviors). Employees with a relational psychological contract generally tend to base their contracts on loyalty and socio-emotional factors so the breach of their psychological contract may have caused them to lose trust in their organization and feel a sense of betrayal, which has also been found in prior research (Rousseau, 1989). That loss in trust and feeling of betrayal may have, in turn, caused employees with relational psychological contracts to decrease their organizational citizenship behaviors potentially out of spite.

The findings of the present study that employees with a relational psychological contract experienced more significantly negative reactions than employees with a transactional psychological contract contrasted the findings from Robinson and Morrison (1995). Instead, the findings from the present study that employees who perceived a breach of their relational psychological contracts experienced more significantly negative reactions in the form of job satisfaction, turnover intention, and organizational citizenship

behaviors compared to employees with transactional psychological contracts provided support for the findings by Zhao et al. (2007).

Practical Implications

In the present study, many more employees reported having a relational psychological contract with their current organization than a transactional psychological contract. This may suggest that employees are finding positions that facilitate growth and development rather than settling for a position that simply pays for the bills. Relational psychological contracts are based on socio-emotional factors which means that employees with this type of psychological contract tend to feel a sense of loyalty toward their organization and want to work for the greater good of the organization (De Cuyper & De Witte, 2006; Rousseau, 1990). Organizations should focus on continuing to hire employees who demonstrate loyalty and dedication toward them because these are characteristics of a relational psychological contract. This is beneficial to the organization because employees who have relational psychological contracts are generally willing to go above and beyond their contractual duties for the greater good of their organization (De Cuyper & De Witte, 2006; Millward & Hopkins, 1998).

Employees with relational psychological contracts were more likely to experience negative job outcomes when they believed that their psychological contract was breached compared to employees with transactional psychological contracts. This may be because relational psychological contracts are based on socio-emotional factors and trust so the employees who experienced a breach of their relational psychological contracts felt a sense of betrayal by the organization not fulfilling the obligations that were promised to

them. Specifically, when employees with a relational psychological contract experienced a breach, their perception of organizational support decreased significantly. Employees with relational psychological contracts also decreased their organizational citizenship behaviors following a breach of their psychological contract. These results suggest that it is important for organizations to ensure that promises made to employees are fulfilled so that employees do not perceive that their psychological contract has been breached. A breach of a psychological contract can elicit strong reactions from employees; especially from those employees with relational psychological contracts.

Interestingly, when employees with transactional psychological contracts experienced a psychological contract breach, their engagement in organizational citizenship behaviors increased. This may have been because employees with transactional psychological contracts felt a need to increase their organizational citizenship behaviors to obtain what they expected from the organization per their psychological contract. In contrast, employees with relational psychological contracts that were breached decreased their organizational citizenship behaviors. Organizations should be wary of when a breach of an employee's psychological contract is going to occur. Although it seems that a breach of a transactional psychological contract may not be detrimental to an organization, there could be long-term effects that ultimately harm the organization. The breach of a relational psychological contract can be harmful to an organization because those employees with a breached relational psychological contract may do minimal amounts of work with no organizational citizenship behaviors and may

experience low levels of perceived organizational support, which can ultimately harm the organization.

Strengths and Limitations

Prior studies have examined psychological contract breach and its effect on job outcomes (De Hauw & De Vos, 2010; Gakovic & Tetrick, 2003; Suazo, 2009; Zhao et al., 2007). However, few studies have examined psychological contract type as a moderator between psychological contract breach and job outcomes. One strength of the present study is that it examined psychological contract type as a moderator. This provides insight into whether the breach of a psychological contract affects job outcomes depending on the type of psychological contract an employee has. Specifically, this allows organizations to prepare for when a breach of employees' psychological contracts is unavoidable. For example, an organization may have promised 15 days of paid time off to employees when they were hired but the organization may have had to stop giving employees paid time off in order to save money, which is a breach of the employees' psychological contracts. With the findings of this study, organizations will be able to better predict how employees will react to such a breach of their psychological contract and minimize the negative impact of a breach of employees' psychological contracts.

Another strength of the present study is that perceived organizational support was examined as an outcome variable following psychological contract breach rather than an antecedent or a moderator variable. It is important for organizations to understand and examine employees' levels of perceived organizational support following a breach of their psychological contract. According to the results of the present study, higher levels

of perceived organizational support are positively correlated with employees' intention to remain and psychological contract breach is negatively related to employees' intention to remain. This suggests that organizations should ensure that they are making employees feel supported even after a breach in order to prevent them from leaving the organization.

One limitation to this study was the large amount of participants who were categorized into the relational psychological contract category. One reason for this finding may be that employees are working in organizations that they have a positive connection with and feel loyal to. Another explanation for this could be that participants may have answered some questions in a socially desirable manner. Due to the skewness of the distribution of psychological contract types, extra measures were used to make the distribution more even. Specifically, instead of dividing the sample such that those participants with higher scores on one psychological contract type scale were placed into that group, participants also had to have a difference between the two scale scores greater than 1.00. This may have caused the two psychological contract type groups to be very similar. This limitation may have been avoided by collecting more responses allowing for a larger pool of data to work with. Another way to avoid this limitation may be to reword the psychological contract type items such that employees do not feel a need to answer in a socially desirable manner.

Another limitation to this study was the low internal consistency reliability score of the Organizational Citizenship Behavior Scale ($\alpha = .45$). This may have been caused by removing items from the scale or from the original scale itself being unreliable. The Organizational Citizenship Behavior Scale from Smith, Organ, and Near (1983)

measured behaviors directly and unintentionally aimed at helping a specific person in face-to-face situations and behaviors that indirectly were helpful to others involved in the organization. Using a different organizational citizenship behavior scale may provide more reliable results in future research. Despite the internal consistency reliability score being low, the findings were still significant, however, results pertaining to organizational citizenship behaviors should be interpreted with caution.

Future Research

Although the present study provided extensive support for many existing research findings, there are still many outcomes of psychological contract breach to be examined. Future research should examine additional job outcomes such as job performance, counterproductive work behaviors, job security, and job involvement among others. Prior research has examined these job outcomes after a psychological contract breach, however, they have not been examined with psychological contract type as a moderator.

Another interesting moderator to examine would be procedural justice. Procedural justice is defined as the implemented procedures at an organization fundamental to the fair distribution of rewards that influences fairness perceptions of employees (Niehoff & Moorman, 1993). Examining how procedural justice would moderate the relationship between a breach of a transactional or relational psychological contract and job outcomes would provide insight into how fair employees perceive their organizations. The insight into whether they felt their organization had fair procedures and their subsequent reactions to a breach of their psychological contract would provide

an interesting view into the logic an employee goes through when their psychological contract is breached.

Using importance of psychological contract obligations as a weight on psychological contract breach would also provide interesting insight into how employees react to a psychological contract breach. If a promised psychological contract obligation was not important to employees, they may not react as strongly to a breach of their psychological contract. Alternatively, if a promised psychological contract obligation was very important to employees, then the breach of their psychological contract may elicit stronger reactions. Additionally, examining the level of transparency of an explanation an organization provides when a psychological contract breach occurs would provide insight into how transparency affects job outcomes in the wake of a psychological contract breach.

Lastly, future research should examine the effect of psychological contract breach on job outcomes in a longitudinal study. For some employees, a psychological contract breach may elicit immediate reactions, while for others, it may build up negative feelings over time. Conversely, over time the initial negative attitudes employees experience following a breach of their psychological contract may become weaker due to them coping with the perceived breach or reestablishing trust with their organization.

Conclusion

The focus of previous research has mainly been on psychological contract fulfillment. The present study examined whether the effects of psychological contract breach on job outcomes was dependent on psychological contract type. Although the

present study provided support for previous studies' findings, new findings were made highlighting the importance of organizations fulfilling the initial promises made to employees. The consequences of a breached psychological contract can harm an organization such that employees may become less satisfied with their jobs, may want to leave their organization, may feel less supported by their organization, and may reduce their organizational citizenship behaviors. It is especially important for organizations to be aware of the differences in how employees react to a breach of their psychological contract depending on the type of psychological contract employees have because the reactions can vary dramatically and affect the organization significantly.

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