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THE PSYCHOLOGICAL CONTRACT OF MULTIPLE AGENCY RELATIONSHIPS: UNDERSTANDING THE ATTITUDES AND BEHAVIORS OF CONTRACTORS

by

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A Dissertation Submitted to the Faculty of Old Dominion University in Partial Fulfillment of the Requirement for the Degree of

DOCTOR OF PHILOSOPHY

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ABSTRACT

THE PSYCHOLOGICAL CONTRACT OF MULTIPLE AGENCY RELATIONSHIPS: UNDERSTANDING THE ATTITUDES AND BEHAVIORS OF CONTRACTORS

Cynthia J. Maahs Old Dominion University, 2004 Director: Dr. Donald D. Davis

Previous research offers inconsistent findings with respect to attitude and behavior differences for contingent and permanent workers. The current study proposes the psychological contract as an explanatory framework for understanding differences between contractors and regular employees. The hypotheses examined attitudinal and behavioral measures: organizational commitment, job satisfaction, intent to quit, job performance, and organizational citizenship behaviors. The two components of the psychological contract (relational vs. transactional) were thought to impact differentially the outcome measures. Approximately 650 employees in a technology contracting organization completed an on-line survey designed to test the hypotheses. The two-factor structure of psychological contract was confirmed and the hypotheses relating to the relational component were supported. Employees who reported receiving more than promised in terms of relational obligations reported more positive attitudes and behaviors. The hypothesis regarding the transactional component was not supported, indicating that violation of transactional obligations did not impact employee job performance. The proposed model of mediation was not supported, as work status did not affect employee attitudes and behaviors. The results indicate that contract and regular employees do not differ in terms of psychological contracts or the outcome measures,

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INTRODUCTION

The twenty-first century has opened with a new environment that has precipitated many changes for the world of work. The American labor market has been radically impacted by three trends: advances in technology, the information explosion, and globalization (Davis, 1995). Organizations in this new environment need to be fast, flexible, responsive and innovative in order to succeed. Alternative organizational forms have emerged as structures that eliminate traditional boundaries in order to become more fluid and ready for organizational change.

In this new business environment, organizations have turned to contingent work arrangements such as contracting, consulting and temporary help. Contingent work is attractive to organizations for a variety of reasons: it allows organizations to focus on their core competencies, meet temporary staffing needs, tap rare skills, and cut payroll costs. To examine this segment of the employee population, the Bureau of Labor Statistics (BLS) began collecting data on contingent workers in the 1995. The most recently published estimates indicate that there were approximately 5.4 million contingent workers in the United States in 2001 (BLS, 2001).

Some contingent workers (i.e., contractors) are in a unique position of crossing organizational boundaries to provide services for an external entity. They are employed and paid by a contract organization, but have more contact with the customer organization as the source of work. They operate within a "nested" employment relationship, where performing customer work satisfies responsibilities for both the customer and employing organization. This multiple agency perspective has interesting

The journal model used is the Publication manual of the American Psychological Association, Journal of Applied Psychology.

implications for the nature of the employment relationship as well as individual attitudes and behaviors.

The existing research on contingent work has been criticized for overlooking the experience and psychological outcomes of the individual in favor of the outcomes important to the organization (Kunda, Barley, & Evans, 2002). Most research in this area focuses on how contractors impact the customer organization. More specifically, these studies compare the attitudes and behaviors of contractors to permanent employees to determine the effects on the customer. Because the focus is on customer outcomes, these studies typically ignore an examination of an individual-level mediating variable that could explain differences between the two groups.

The current study aims to further understanding of contractor attitudes and behaviors by including an individual-level mechanism that might be important in explaining differences between the two groups. The psychological contract is posited to be the mediating variable that will explain attitude and behavior differences between contractors and regular employees. This research will test a model of mediation based on a review of the literature regarding contingent and contract work and the psychological contract.

Contingent Work, Contractors, and Multiple Agency Relationships

Contingent work is a broad term referring to short-term employment that includes contracting, temporary help, part-time work, outsourcing, and virtual work. The BLS (2001) defines contingent work as any job in which an individual does not have an explicit or implicit contract for long-term employment.

The BLS categorizes contingent work arrangements into four groups: independent contractors, on-call workers, temporary help workers, and contractors. The population of interest for the current study is contractors. Contractors are as individuals who "usually have only one customer and usually work at the customer's worksite." These individuals are employed by a contract company, which acts as a third party agent between the contractor and the customer. According to these criteria, the BLS (2001) reports that there were approximately 625,000 contractors in 1995 and 800,000 in 1997. The 24-percent increase in the number of contractors over the 2-year period between 1995 and 1997 was much greater than the 2.8-percent growth in traditional employment for the same time period. In 2001, the most recent year for which statistics are available, there was a decline in the number of contractors to 633,000 (BLS, 2001).

Multiple agency relationships occur when employees are engaged in contingent work such that "an act by an employee simultaneously fulfills obligations to two or more entities, with full knowledge and sanction from both" (McLean Parks, Kidder, & Gallagher, 1998, p.718). Multiple agency relationships can be distinguished from moonlighting, where employees hold two jobs that are unrelated. A necessary condition for the multiple agency relationship is that the employee who performs work for one organization satisfies the expectations of the other organization at the same time.

Contractors are by definition individuals who are engaged in multiple agency relationships. They are employed and paid by a contract organization, but their primary source of work is a customer organization. Thus, they operate within a "nested" employment relationship, where performing customer work satisfies responsibilities for both the customer and contractor organization.

Figure 1 provides an example of a multiple agency relationship among a contractor, contracting company, and customer organization. The employee in the overlapping section of the two circles is paid by Organization A, but is "contracted out" to perform work for Organization B. By performing work for Organization B, the contract employee satisfies his or her responsibilities to both organizations.

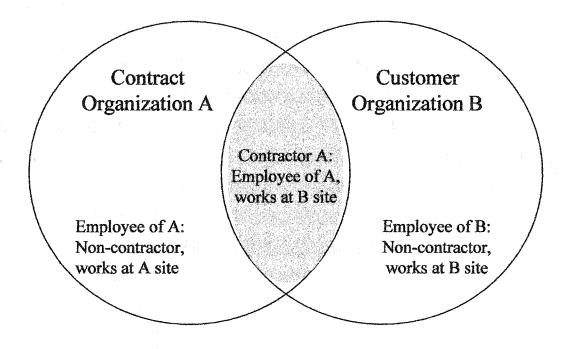


Figure 1. Contractors and the multiple agency perspective.

Two Perspectives on Contingent Work

Many researchers have painted a negative picture of contingent work, asserting that it is detrimental to both individuals and organizations. For example, Kalleberg, Reskin, and Hudson (2000) claim that contingent work is risky and inherently creates a worker underclass comprised of individuals who have low pay, no benefits, little job

security, and few career development opportunities. Van Dyne and Ang (1998) suggest that the transactional nature of contingent work would lead to lower attachment, less positive attitudes, and poorer performance by the contingent workers, which in turn, would result in negative outcomes for the larger organization (Tsui, Pearce, Porter, & Hite, 1995).

In contrast, others have stated that the rise in contingent employment can be viewed positively as a growing acceptance of boundaryless career strategies, and it complements new organizational forms that require flexibility (Marler, Barringer, & Milkovich, 2002). Some individuals may desire atypical work arrangements to accommodate their needs as a single parent, student or retiree, or they may like the challenge of working on multiple projects for various customers. For organizations that desire flexibility, boundaryless individuals are a perfect fit.

These contradictory views have been noted, with Rogers (2002, p.10) commenting that "temporary employment has many faces and cannot be summed up as either all good or all bad." Kunda et al. (2002) summarize the perspectives on contingent labor and describe two opposing camps: that of employment-relations and the free agent.

The employment-relations perspective deems contingent work to be exploitative, as workers are forced into temporary jobs with low pay and no security (Kunda et al., 2002). Under this model, bureaucratic organizations are the basis for a stable economy and a healthy society. The spread of contingent labor threatens to replace permanent jobs with low-paying temporary positions to the detriment of the workers themselves, their families, and eventually society as a whole. One critique of the employment-relations perspective is that their population of study primarily consists of low-skilled occupations

and overlooks high-skilled occupations (Kunda et al., 2002). These studies should seek a representative sample by studying both high- and low-skilled occupations, and thereby exclude possible confounding effects.

In contrast, the free-agent perspective considers contingent work to be a choice that empowers individuals, results in higher pay, more freedom and flexibility, and leads to self-actualization (Kunda et al., 2002). Free agents are individuals who choose to work for themselves. They are a widespread group that includes the self-employed, consultants, free-lancers, small business owners, and even temporary workers (Pink, 2003). The commonality among these workers is that they are unattached to a large organization.

Free-agent theorists agree with employment relations theorists that bureaucracy is shrinking, but view this as a positive change in the American economy. Free agent workers possess valuable skills that are transportable, thus liberating them from the traditional corporate model of success and allowing for personal growth on their own terms. Pink (2003) conducted extensive interviews to study and document the phenomenon of free agency. He contends that individuals who work as free agents choose their lifestyle and have redefined their measure of personal success. These individuals "do what they love" and at the same time, enjoy several benefits including more personal freedom, flexibility, and possibly increased earnings. His findings mention only a few negatives of free agent work such as the pressure to self-promote and difficulty in finding affordable health insurance. Unfortunately, the bulk of the research conducted in this area has relied on anecdotal evidence and needs more systemic studies to support this perspective. Both of these perspectives are limited by the absence of solid data for highly skilled workers. The employment-relations view typically overlooks technical, professional, and managerial workers, while the free-agent perspective relies primarily on anecdotal evidence. The current study addresses these shortcomings by proposing an empirical study of highly skilled contractors.

Focus of the Study: Contractors and Multiple Agency Relationships

Many studies in the area of contingent work have focused on the differences between contingent workers and permanent employees. The purpose of these studies is to determine the impact of organizational "outsiders" on outcomes of interest to the customer organization. This research involves comparisons between Contractor A and Employee of B, to reveal any attitudinal or behavior differences that may influence the customer organization (see Figure 1).

The present study adopts a different perspective by focusing on how multiple agency relationships impact individual level perceptions of the employment contract and various work outcomes and attitudes. Contractors are by definition engaged in multiple agency relationships. They are "contracted out" to perform work for a customer organization, but are employed by the contract organization, who pays their salary and benefits. This "nested" relationship seems to be inherently complex, and it is likely that the presence of a third party organization impacts the traditional employer-employee relationship (between the contractor and contracting organization). For example, does a multiple agency relationship impact an employee's level of organizational commitment? Is it possible for the contractor to feel committed to both the customer and the contract organization? Does the customer relationship enhance or detract from the employee's

sense of commitment to the contract organization? Does the multiple agency relationship impact other job attitudes and behaviors such as satisfaction, intent to leave, and organizational citizenship behaviors?

The current study examines these questions and puts forth a model to test the hypotheses. To learn more about the nature of the multiple agency relationship and its influence on the employer-employee relationship, it is necessary to compare attitudes from two groups: those employees engaged in a multiple agency relationship and those employees who are not. Thus, the appropriate comparison is between contractors and non-contractors who are employed by the same contract organization. The two groups are employed by a contract organization, but one group works primarily at a customer location and the other group works at the contract employee location. To be specific, the current study compares Contractor A with Employee A in order to learn more about the effects of multiple agency relationships. Figure 2 shows the comparisons that have been made in past research, and the comparisons that are made in the current study. The present study also differs from studies conducted in the past in terms of sample characteristics. Most studies in the area of contingent work adopt an employmentrelations perspective, as they compare contingent workers who are disadvantaged in terms of pay and working environment. In the review of the literature presented in the following sections, the contingent workers examined were typically non-professional, part-time, and had lower job security. It is also likely that many of the contingent workers had lower pay, little to no benefits, and less desirable working conditions when compared to the permanent workforce. The current study examines the impact of multiple agency relationships, and thus compares contractors and non-contractors with similar

characteristics. The columns below show common characteristics of samples from

previous studies and how they compare to the contractors in the present study.

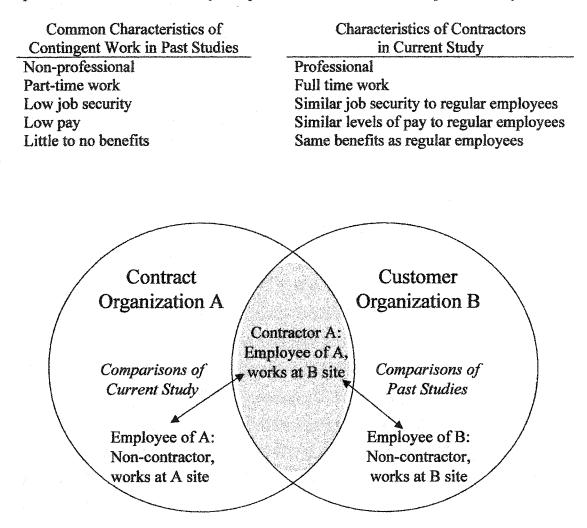


Figure 2. Past and current comparisons of contingent and regular employees.

Previous Research on Contingent Work

There is very little research that specifically examines contractors, and there are no studies that empirically examine how multiple agency relationships impact employee attitudes and behaviors. Therefore, the purpose of this section is to discuss the relevant research from the broader area of contingent work.

Many researchers have assumed that contingent workers will demonstrate fewer positive attitudes and more negative behaviors in comparison to permanent employees. Contrary to expectations, many studies have found no differences between contingent and permanent employees or have reported more positive attitudes from contingent workers. The findings described below reveal a complex picture of contingent work.

Two studies compared the attitudes and behaviors of part-time temporary workers to their full-time counterparts. The results revealed that temporary workers were significantly more satisfied with their jobs than were the permanent workers (Krausz, Brandwein, & Fox, 1995; Lee & Johnson, 1991). A study conducted at the U.S. National Park Service found that temporary workers reported higher organizational commitment than permanent workers (Lee & Johnson, 1991).

Kidder (1996) and Porter (1995) studied the attitude differences of permanent and temporary nurses. Kidder found no differences in job satisfaction, but the temporary nurses reported performing fewer organizational citizenship behaviors (OCBs) and lower affective commitment than the permanent nurses. In contrast, Porter found no differences in organizational commitment between the two types of nurses.

Van Dyne and Ang (1998) conducted a study of professional service workers in Singapore. The findings supported their hypotheses that contingent workers would have lower affective commitment and engage in fewer OCBs than permanent employees. Another study that examined professional workers at a large technical company found no differences in terms of organizational commitment levels but did report that contractors were more likely to perform extra-role behaviors than were permanent employees (Pearce, 1993). In sum, the literature on contingent employment shows mixed findings. The comparison between contingent and permanent employees does not show a clear pattern with respect to organizational commitment, job satisfaction, or OCBs.

There may be a number of reasons for these inconsistent findings. One reason may be the manner in which contingent employees are defined. As reviewed above, there are several different types of contingent work arrangements. Rather than lumping all categories into the same group of contingent workers and expecting them to have similar attitudes and behaviors, it is more likely that different types of contingent workers feel and behave according to their own unique circumstances. Polivka (1996) concluded that combining workers from different employment categories is misleading, due to the variation in worker characteristics across different types of work arrangements. Because contingent work varies among many different dimensions, it may be futile to try to predict attitudes and behaviors based upon an employee's work status.

The studies discussed above demonstrate that there are attitudinal and behavioral differences between contingent and permanent employees. However, the studies preclude accurate predictions as they simply compare work status without taking into account the perspective of the individual. The current study proposes to capture this unique situation and proposes that the explanatory mechanism for differences in attitudinal and behavioral outcomes with respect to work status is the psychological contract.

The Psychological Contract

The psychological contract is an unwritten agreement that defines the set of mutual expectations between an employee and employer (Robinson & Rousseau, 1994). It consists of the individual employee's perceptions of what is owed to the organization

and what should be received in return, and includes beliefs about all aspects of work, including compensation, rewards, job security, performance requirements, and career development. Thus, it is a subjective interpretation of each individual's perceptions of the employment relationship.

Employees develop psychological contracts through interactions and exchanges with the organization (Rousseau, 1990). These interactions may be overt, such as discussions about benefits and performance management plans, or they may be inferred through observations of organizational behavior (Robinson & Rousseau, 1994). The contract is not a rigid structure, but changes during the tenure of the employee, and it will transform in response to changing employee perceptions of mutual obligations.

Contract violations occur when employees perceive that the organization has not fulfilled their promises. Contract violation is believed to be a frequent phenomenon; as one study revealed that 55 percent of their respondents reported some type of contract breach (Robinson & Rousseau, 1994). Research in this area has consistently shown that violation leads to undesirable attitudinal outcomes, such as decreased job satisfaction, loyalty, organizational commitment, and trust and increased intentions to quit (Lester, Turnley, Bloodgood, & Bolino, 2002; Robinson & Rousseau, 1994; Rousseau, 1990; Turnley & Feldman, 1999; Turnley & Feldman, 2000). Other studies have also reported impacts of contract violation on work behaviors, including neglect of job responsibilities (Turnley & Feldman, 2000), lower work performance (Lester et al., 2002), and withdrawal of OCBs (Robinson & Morrison, 1995; Turnley & Feldman, 2000). These studies investigating the impact of psychological contract violation have revealed consistent negative impacts on employee attitudes and behaviors.

Contract Work and the Psychological Contract

Past studies have typically compared contractors to their counterparts at the customer organization. The current study is interested in comparing the attitudes and behaviors of contractors to non-contractors who are employed by the same organization in order to investigate multiple agency relationships (see Figure 2). In addition, the current study proposes that the psychological contracts are likely to vary between the two types of employees. The multiple agency relationship is thought to impact the nature of the employment relationship, such that contractors and non-contractors demonstrate differences in their psychological contracts.

One reason for proposed differences in their psychological contracts is that contractors spend less time at the home office. Contractors are primarily situated at a customer site and experience more contact with the customer than with their employing organization. Thus their psychological contracts may be ambiguous and narrow as they are based on limited interactions and reduced communication. In contrast, regular employees experience many more opportunities for interactions and exchanges that will enable them to develop contracts of broader scope and deeper understanding of mutual obligations.

A second reason that their psychological contracts may vary is that the employing organization and supervisors may treat contractors differently than regular employees. Contractors who are "out of sight" at the customer location may easily be forgotten or passed over when promotion or training opportunities arise. In terms of social identity theory, contractors may be viewed as the "out group" and not considered part of the core team (Turner, 1984). They may often be excluded from group events such as lunches,

retirement parties, or other social events that offer an informal chance to network with colleagues.

Finally, a third reason for proposed differences in psychological contracts is different career goals. Contractors may not desire a traditional hierarchical career path that necessitates moving up through management. Climbing the ranks in this manner would likely require the end of contract work and involve hands-on management at the employer's location. If contractors do not desire this type of career path, then their expectations regarding employer obligations would be different than would regular employees who prefer the traditional career path

Theory and evidence support the proposition that psychological contracts differ between contingent and permanent employees (Conway & Briner, 2002; McLean Parks et al., 1998; Van Dyne & Ang, 1998). McLean Parks et al. (1998) theorized that the psychological contracts of contingent workers involved in multiple agency relationships would be more ambiguous than those of permanent workers. Contingent workers may experience role conflict and role ambiguity as they attempt to satisfy the expectations of both the customer and employing organization. They also suggest that conflicts of interest between the employer and customer will result in ambiguous contracts and may lead to inconsistent psychological contracts with both organizations.

In their study of professional workers from Singapore, Van Dyne and Ang (1998) measured psychological contract expectations for both contingent and permanent employees. Their results indicated that work status has a significant impact on psychological contract expectations. The researchers concluded that contingent workers

expected fewer obligations from the customer organization than did their permanent counterparts.

Relational and Transactional Components of the Psychological Contract

Several researchers have theorized that psychological contracts differ on a continuum from transactional to relational (Morrison & Robinson, 1997; Rousseau, 1990). Transactional obligations are specific, short-term exchanges provided by the employee in return for compensation from the organization. On the other end of the continuum, relational obligations are broad, long-term exchanges that involve affective components such as trust and commitment. Several empirical studies have supported this two-factor solution of psychological contract obligations (Robinson, Kraatz, & Rousseau, 1994; Robinson & Morrison, 1995; Millward & Hopkins, 1998). These results lead to the following hypothesis:

Hypothesis 1: The psychological contract will be composed of two factors: relational and transactional obligations.

The current study proposes that the two components of psychological contracts, relational and transactional obligations, will impact differentially the outcome measures. Limited empirical research indicates that the two components have different effects on work attitudes and behaviors, such as organizational commitment (Millward & Hopkins, 1998) and citizenship behavior (Robinson & Morrison, 1995). Millward and Hopkins (1998) conducted a study to investigate the two-factor model of the psychological contract and examine its relationship with organizational commitment. They collected survey data from approximately 500 individuals working in four different U.K. organizations. Analysis of the survey data confirmed the two-factor model and revealed

that the two orientations were inversely related, such that a contract high in the relational dimension would subsequently display a low transactional orientation. They found that relational psychological contracts were significantly positively correlated with organizational commitment, while transactional contracts were significantly negatively correlated with organizational commitment. Overall, the transactional orientation. The authors associated with more negative work attitudes than the relational orientation. The authors concluded that psychological contracts are dynamic, and that individuals continually shift along the transactional-relational continuum during their job tenure. Based on their findings, the current study proposes that violation of relational obligations will negatively impact organizational commitment and that violation of transactional obligations will not impact commitment.

Hypothesis 2: Violation of relational psychological contract obligations will reduce organizational commitment.

The second outcome variable of interest is extra-role behaviors, or OCBs. OCBs are included as a measure of contextual performance that is distinct from task performance. Contextual performance and OCBs are thought to enhance organizational effectiveness by shaping the organizational "context" that supports in-role task performance (Borman & Motowidlo, 1993). Organ and Ryan (1995) define OCBs as "individual contributions in the workplace that go beyond role requirements and contractually rewarded job achievements" (p. 775). This definition assumes that an employment contract exists and that OCBs are positive, extra-role behaviors that exceed the contractually defined employee obligations.

Van Dyne and Ang (1998) propose that OCBs are indicators of employee reactions to the psychological contract. They suggest that employees are able to express their displeasure with contract breaches but avoid negative consequences by withholding citizenship behavior but still performing required job tasks. This theory is supported in part by a study involving the covenantal relationship, a construct that can be conceptualized as an extreme form of the relational psychological contract (Van Dyne, Graham, & Dienesch, 1994). Covenants are comprised of beliefs about mutual obligations between the employee and employer; they emphasize a long-term mutual commitment based on trust and shared values. Van Dyne et al. (1994) examined the impact of the covenantal relationship on a multi-factor measure of OCBs and found a positive effect on all factors. These significant relationships imply that when individuals feel accepted and internalize organizational values, they will exceed the minimum task requirements to engage in extra-role behaviors that will benefit the organization.

Another study reported similar findings with respect to the relational psychological contract. Robinson and Morrison (1995) conducted a study to examine the impact of psychological contract violation on OCBs. They hypothesized that employee beliefs about contract fulfillment would impact the level of employee civic virtue behavior performed at work. An analysis of the survey results revealed the expected twofactor structure of transactional and relational obligations. Further analyses indicated that violation of the relational component had a significant, negative effect on civic virtue behavior, while violation of the transactional component had little or no impact on levels of civic virtue behavior. The authors concluded that when employees perceive a breach of the relational psychological contract, they are less likely to perform citizenship behaviors.

Based on these findings, the current study proposes that violation of the relational psychological contract will result in fewer levels of OCBs, while violation of the transactional psychological contract will not impact levels of OCBs.

Hypothesis 3: Violation of relational psychological contract obligations will reduce the number of OCBs performed by employees.

Several researchers have made a distinction between task and contextual performance, or in-role and extra-role behaviors. (Borman & Motowidlo, 1993; Organ & Ryan, 1995; Van Dyne & LePine, 1998). The distinction between the two constructs is important, as researchers believe they have different antecedents. Thus, the current study includes a measure of both types of performance.

Empirical evidence indicates that there is a negative relationship between psychological contract violations and task performance (Lester et al., 2002; Turnley & Feldman, 1999). Turnley and Feldman (1999) found that individuals who perceived a psychological contract breach purposefully neglected their in-role job duties. Lester et al. (2002) found that the greater the perceived contract breach reported by employees, the lower their job performance. These studies demonstrate that psychological contract violation can have a negative impact on employee performance at work.

However, these studies did not employ the two-factor structure of psychological contract, so a hypothesis for task performance in the present study was based on theory. Using Rousseau's (1990) conceptualization of the transactional/relational continuum, good job performance is considered to be an employee obligation in return for compensation from the organization. Thus, task performance is deemed "quid pro quo," does not involve a relational component, and is likely to be perceived as a transactional

obligation. When transactional obligations are violated, employees may choose to decrease the amount of effort they provide to the organization. However, violation of relational obligations is not thought to impact job performance.

Hypothesis 4: Violation of transactional psychological contract obligations will reduce job performance.

Two other common variables that are often included in studies of contingent work and psychological contract violation are job satisfaction and intention to quit. Researchers have reported that psychological contract breach is correlated with lower job satisfaction, higher intent to leave (Robinson & Rousseau, 1994), and increased job search behaviors (Turnley & Feldman, 1999). In a study of new hire perceptions, Rousseau (1990) examined the relationship between the relational psychological contract and new hire expectations, including estimated length of stay. The results indicated there is a positive relationship between a perceived relational contract and expected tenure with the organization.

Building on this study, Cavanaugh and Noe (1999) examined the antecedents and consequences of the relational components of the psychological contract. Specifically, they proposed that relational components would mediate the relationship between employee work experiences and three work outcomes. Their model was only partially supported, as there was no impact on one outcome variable (participation in career development activities). However, job satisfaction and intention to remain were positively related to relational components of the psychological contract. Perceived violations of the relational contract are likely to reverse this relationship, resulting in a negative relationship with job satisfaction and intent to remain.

Hypothesis 5: Violation of relational psychological contract obligations will reduce job satisfaction.

Hypothesis 6: Violation of relational psychological contract obligations will increase intention to quit.

Psychological Contract as a Mediator

The study by Cavanaugh and Noe (1999) reveals that the psychological contract serves as a mediator between work experiences and work outcomes. Similarly, the current study proposes that the psychological contract mediates the impact of multiple agency relationships on various work outcomes. The empirical evidence to support this proposition is presented below.

In a study comparing full-time and part-time employees, Conway and Briner (2002) proposed that the psychological contract would explain attitude differences between the two groups. They hypothesized that psychological contract fulfillment would mediate the impact of work status (full vs. part-time) on two types of commitment, OCBs, intention to quit, job satisfaction, and affective well-being. Their model was partially supported in that psychological contract fulfillment was found to explain differences in some but not all of the attitudes. In particular, the psychological contract mediated the differences between work status and job satisfaction, well-being, and intention to quit, and partially mediated the relationship between work status and continuance commitment and OCBs. Work status did not impact affective commitment. The authors concluded that the psychological contract explained differences in affectrelated attitudes, such as job satisfaction and well-being, but not differences in organizational commitment and behavior.

The inverse two-factor solution of psychological contract (i.e., relationaltransactional continuum) provides an explanation for Conway and Briner's (2002) mixed findings. The two variables not mediated by psychological contract, commitment and OCBs, were impacted differentially by the two components of psychological contracts in other studies (Millward & Hopkins, 1998; Robinson & Morrison, 1995). Thus it is possible that the psychological contract did not mediate those variables because the relational and transactional components cancelled each other out, resulting in a null effect.

In summary, the current study proposes that contractors and regular employees develop and maintain different psychological contracts that, when violated, result in negative outcomes and account for differences in attitudes and behaviors. In addition, the two components of the psychological contract are posited to impact differentially the outcome measures.

Hypothesis 7a: Violation of relational psychological contract obligations will mediate the relationships between work status (contractor vs. regular employees) and organizational commitment, job satisfaction, intention to turnover, and OCBs. *Hypothesis 7b:* Violation of transactional psychological contract obligations will mediate the relationship between work status (contractor vs. regular employees) and job performance.

Figure 3 presents the model of mediation to be tested in the current study. The hypothesized links will be tested using survey data collected from contractors and regular employees, as described in the following section.

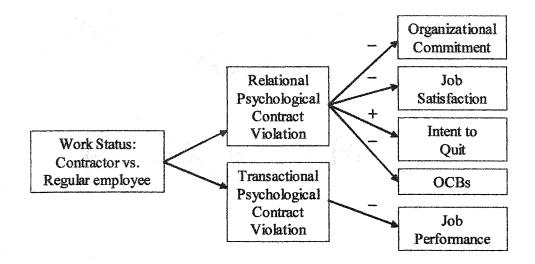


Figure 3. Hypothesized model of mediation by psychological contract violation between work status and outcomes.

METHOD

Participants

The population under study is contractors who work primarily at a customer site and regular employees of the same company who work primarily at the employing organization. Approximately 5000 participants were recruited from the same contract organization, which is a global information technology company. Participants were expected to display similarities in terms of working conditions, benefits, pay ranges, and job security. Demographic similarities and differences between the two groups are presented in detail in the results section. The final sample size was 651 individuals.

Procedure

The researcher received support and permission from the organization's employee survey team to conduct the study and ask employees to participate in an on-line survey. The organization's employee survey team drew a sample of 5,000 employees from the corporate database using group names. They distributed the letter of invitation via the organization's internal electronic mail (e-mail) system. The e-mail system contains various groupings of individuals, allowing the invitation letter to be sent to the sample without using individual names.

The link to the on-line survey was included in the invitation letter, allowing participants to access the survey and complete it on their own time. Participants were asked to complete the surveys anonymously. Thirty-two records had to be deleted due to incomplete data (i.e., there were more than 20 non-responses in a record). There were two users who informed the researcher that they could not access the survey. There were 21 e-mail addresses that were incorrect. There were 796 usable responses, for a response rate

of 16 percent. In comparison, the response rate for an organizational-wide employee conducted about two months later was 24 percent.

Approximately 150 responses were removed during data analysis due to the criteria to be considered a contractor. Contractors were defined as only those individuals who perform client work at the client site on a daily or weekly basis. The exclusion removes the "gray area" of individuals who provide client work on an infrequent basis. The final sample size was 651 participants.

Measures

The survey contains several measures designed to test the proposed model. Validated measures were used where possible. All survey measures are included in the Appendix.

Psychological contract violation was assessed using a 16-item measure developed by Turnley and Feldman (2000), which in turn was based on research conducted by Rousseau (1990). Respondents were asked to indicate the extent to which their employing organization has kept their promises and commitments for each of 16 job dimensions (e.g., salary, pay raises, etc.). Responses were rated on a 5-point scale, where 1 = receive much more than promised to 5 = receive less than promised, and an N/A option = no promises made. The scale was found to have a two-factor structure, with reliabilities of .78 and .87 for the transactional and relational component, respectively. The results section presents more information about the factor structure and the scale. A single item assessing the overall level of psychological contract violation was also included. The item was included in previous research conducted by Robinson and

Rousseau (1994) and Turnley and Feldman (2000) and found to correlate positively (r = .70, p < .001) with the multi-item measure of psychological contract violation.

Organizational commitment was measured using the affective and continuance subscales developed by Meyer, Allen, and Smith (1993). The affective subscale assesses commitment as the employee's emotional attachment to the organization, while the continuance subscale focuses on costs and benefits of leaving the organization. Each scale consists of 6 items and uses the same 5-point measurement format, where 1 = strongly disagree to 5 = strongly agree. The Cronbach's alpha was .75. Participants were asked to rate items such as "This organization has a great deal of personal meaning for me" and "It would be very hard for me to leave the organization right now, even if I wanted to."

Organizational citizenship behaviors were measured with VanDyne and LePine's (1998) seven-item "helping" organizational citizenship scale. The reliability estimate for this measure was .85. Respondents rated their agreement with the items using a 5-point agreement scale. An example item includes: "I attend functions that help my organization."

Job performance was assessed using a scale designed by Williams and Anderson (1991) to measure in-role behavior. The seven-item scale was modified slightly to allow for self-report. The scale reliability was found to be .78. Respondents were asked to indicate how often they perform each behavior at work (i.e., complete assigned duties) using a 5-point scale, where 1 = never to 5 = always.

Participants were also asked to report their most recent performance rating as provided by their immediate supervisor. The response options followed the standard

usage of the organization and also included the options of "I don't know" and "Not applicable." These two options were recoded as missing values resulting in a three-item scale.

Job satisfaction was measured with the 20-item short form of the Minnesota Satisfaction Questionnaire (Weiss, Dawis, England, & Lofquist, 1967). The scale reliability was .93. Respondents were asked to indicate how they feel about their present job with respect to various job facets, such as autonomy, pay, and working conditions. The 5-point rating scale is: 1 = not satisfied, 2 = slightly satisfied, 3 = satisfied, 4 = verysatisfied, 5 = extremely satisfied. Respondents were also asked to indicate their overall job satisfaction.

Intent to quit was measured using two items from Begley and Czajka (1993). The two items are "As soon as I can find a better job, I'll quit" and "I often think about quitting my job at [organization]." The Cronbach's alpha for the items was .86. Respondents indicated their agreement using a 5-point scale, where 1 = strongly disagree to 5 = strongly agree.

Employees were asked "In your current position, do you perform work or provide services for an external client?" To be considered a contractor, employees must respond that they currently provide client services on a daily or weekly basis. The work status variable was coded as 1 = contractor and 0 = regular employee.

Several demographic variables were included as control variables. The control variables were measured as follows: gender (0 = male, 1 = female), age (years), and organizational tenure (years).

RESULTS

Overview

The first section of this chapter discusses the power in the sample to detect effects and the sample descriptive statistics. The next section describes the results of the confirmatory factor analysis for the psychological contract violation scale and test of hypothesis 1. The third section discusses the results of the regression analysis used to test hypotheses 2 through 6. The final section presents the results of the proposed mediated model, as depicted in Figure 3.

Power and Descriptive Statistics

A power analysis was performed prior to data collection to determine the sample size needed for the current study; the final sample of 651 exceeded the required size needed for a desired power of .90. Following Cohen and Cohen's (1983) power analysis for multiple regression, the power was found to be .99 for each regression equation.

Means, standard deviations, correlations and reliability estimates for all measures are shown in Table 1. The most positive attitudes reported in the current sample were organizational citizenship behaviors (M = 3.70), self-rated job performance (M = 4.53), and job performance rating (M = 2.45). Respondents indicated a slight amount of psychological contract violation for both transactional (M = 2.46) and relational (M =2.70) factors. The remaining measures revealed neutral attitudes in relation to organizational commitment (M = 3.13), intent to quit (M = 2.81), and job satisfaction (M =2.98).

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Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1 Gender	go en	834 Q2	ija Ka					e bie fan de feren af ster de ser ense		*****			
2 Age	1914 Aug	674 Kir	01	Qui 801									
3 Tenure	1014 1021	105 cm)	.05	.27**	100 AD								
4 WS	yð 14j	د ور 203	23**	.05	04	60 (22							
5 TPC	2.46	0.60	02	.06	12**	.02	.78						
6 RPC	2.70	0.71	.05	.11**	.05	03	.51**	.87					
7 OC	3.13	0.56	.07	.19**	.28**	10**	.22**	.34**	.75				
8 IQ	2.81	1.11	10*	22**	13**	.04	40**	49**	50**	.86			
9 JS	2.98	0.72	.03	.13**	.06	01	.43**	.70**	.39**	59**	.93		
10 OCB	3.70	0.65	02	.08*	.10**	00	.09*	.29**	.26**	28**	.38**	.85	
11 JPS	4.53	0.42	.10**	07	11**	05	.02	.07	.06	11**	.12**	.16**	.78
12 JPR	2.45	0.53	.03	12**	00	.07	.11*	.09*	02	07	.12**	.19**	.10*

 Table 1

 Means Standard Deviations Reliabilities and Correlations for all Variables

Note. Reliabilities are shown on the diagonal. Gender is coded 0 = Male; 1 = Female. WS is coded 0 = Regular employee; 1 = Contractor.

TPC = Transactional Psychological Contract; RPC = Relational Psychological Contract; OC = Organizational Commitment; IQ = Intent to Quit; JS = Job Satisfaction; OCB = Organizational Citizenship Behaviors; JPS = Job Performance Self Rated; JPR = Job Performance Rating; WS = Work Status.

* *p* < .05; ** *p* < .01

The frequency and percent for the demographic variables of work status, gender, age, and organizational tenure are presented in Table 2. One-way analyses of variance (ANOVA) were conducted to determine differences in gender, age, and organizational tenure by work status. Only gender was found to be significantly different by work status F(1, 645) = 37.18, p < .00. Gender, age, and tenure were used as control variables for all regression analyses.

Table 2

Demographic Variables and ANOVA Results by Work Status								
Variable	Cont	ractor	Regular e	employee	Total		F	
	N	%	N	%	N	%		
Work status								
Contractor	279	42.9	372	57.1	651	100.0		
Gender							37.184	
Male	206	31.8	187	28.9	393	60.7		
Female	73	11.3	181	28.0	254	39.3		
Age							1.76	
18 to 29	12	1.9	32	4.9	44	6.8		
30 to 39	75	11.6	114	17.6	189	29.2		
40 to 49	129	19.9	139	21.5	268	41.4		
50 to 59	53	8.2	64	9.9	117	18.1		
60+	29	1.4	20	3.1	29	4.5		
Organizational tenure							1.23	
Less than 1 year	6	0.9	9	1.4	15	2.3		
1 to 4 years	67	10.3	85	13.1	152	23.4		
5 to 10 years	90	13.9	106	16.3	196	30.2		
10 to 15 years	40	6.2	55	8.5	95	14.6		
15 to 20 years	56	8.6	77	11.9	133	20.5		
20 or more years	20	3.1	38	5.9	58	8.9		
* <i>p</i> < .00			******	et and an		*****		

The corporate HR survey group was contacted to inquire if the current sample is representative of the larger employee population. The company does not track data on employee age or work status but does have current data for gender and tenure.

Data gathered from previous samples for employee opinion surveys show similarities with the current study in category percentages for gender and tenure (i.e., there are approximately twice as many men as women in the company, and 27 percent of the workforce has a tenure of 5 - 10 years.) These comparisons lead to the conclusion that the current sample is representative of the larger organization.

Confirmatory Factor Analysis

Hypothesis 1 states that the psychological contract will be composed of two factors: relational and transactional obligations. A principal components analysis conducted on the 16 psychological contract scale items confirmed there is a two-factor solution. The factor loadings for each item are shown in Table 3. The item-weighting cutoff was set at 0.40.

The first factor had an eigenvalue of 5.70 and explained 35.6% of the variance. The second factor had an eigenvalue of 2.05 and explained 12.80% of the variance. The Cronbach alphas were .78 for transactional and .87 for relational, indicating that the two factors are internally consistent.

Regression Analyses

Hypotheses 2 through 6 involve the differential impacts of the transactional and relational components of the psychological contract on the outcome measures. These hypotheses were tested using hierarchical regression analysis. Separate regressions were performed for each of the outcome measures. In step 1, the control variables of gender,

age, and tenure were entered. In step 2, the transactional and relational subscales of

psychological contract were entered.

Item	Factor 1 Relational	Factor 2 Transactional
Job responsibility	0.72	-0.07
Job challenge	0.73	-0.10
Decision-making input	0.71	0.24
Organizational support	0.69	0.27
Feedback on job performance	0.68	0.16
Supervisory support	0.68	0.19
Career development	0.66	0.38
Advancement opportunities	0.60	0.39
Training	0.46	0.23
Overall benefits	0.25	0.72
Pay Raises	0.18	0.71
Salary	0.12	0.66
Bonuses	0.17	0.66
Health care benefits	0.01	0.62
Retirement benefits	0.06	0.63
Job security	0.29	0.50

Table 3 Confirmatory Factor Analysis for Psychological Contract

Table 4 shows the regression results for hypotheses 2 and 3, which stated that violation of relational psychological contract obligations would reduce organizational commitment and the number of OCBs performed by employees. Both of these hypotheses were confirmed, showing positive significant relationships between relational obligations and organizational commitment ($\beta = 0.26$, p < .00) and OCBs ($\beta = 0.31$, p < .00). When employees identify violations of promises toward relational obligations, such as job responsibility and challenge, they report less organizational commitment and fewer OCBs. Stated in positive terms, when employees receive more relational obligations than

promised, they report higher levels of commitment and more frequent performance of

OCBs.

Table 4

Regression Results of Organizational Commitment and Organizational Citizenship Behaviors on Relational and Transactional Psychological Contract

Variable		В	SEB	β	R ²	ΔR^2	р
Organizational			****			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<u></u>
Commitment							
Step 1					.09	.09	.00*
-	Gender	.07	.04	.06			.13
	Age	.07	.02	.12			.00
	Tenure	.10	.02	.24			.00
Step 2					.20	.10	.00*
*	RPC	.20	.03	.26			.00
	TPC	.11	.04	.11			.01
OCBs							
Step 1					.01	.01	.01*
*	Gender	03	.05	02			.57
	Age	.04	.03	.06			.15
	Tenure	.04	.02	.08			.06
Step 2					.09	.08	.00*
*	RPC	.29	.04	.31			.00
	TPC	07	.05	07			.14

Note. Gender is coded 0 = Male; 1 = Female.

RPC = Relational Psychological Contract; TPC = Transactional Psychological Contract.

*p value refers to ΔR^2 from Step 1 to 2

The control variables also significantly impacted commitment and OCBs. Job tenure had a positive relationship with both dependent variables, such that longer tenures were related to more commitment and more frequent OCBs. Gender and age had a significant positive impact on organizational commitment, not OCBs, indicating that females and older employees reported higher levels of organizational commitment.

Although the current study did not propose a specific null hypothesis, it was thought that violation of the transactional psychological contract would not impact commitment or OCBs. This was not the case for commitment, as the results indicate a weak positive relationship between TPC and commitment ($\beta = 0.11, p < .01$). There was not a significant relationship between TPC and OCBs ($\beta = -0.07, p = n.s.$). When employees identify violations of promises toward transactional obligations, such as salary and benefits, they report less organizational commitment, but violation of transactional psychological contract has no impact on OCBs.

Table 5 shows the regression results for hypothesis 4, which investigated the relationship between violation of relational and transactional psychological contract obligations and job performance. The self-report measure of job performance indicates that there was no impact on job performance when employees perceived that transactional obligations, such as pay and benefits, were violated by the employer (β = -0.03; n.s.). There was a non-significant relationship between violation of relational obligations and self-report job performance (β = 0.09; n.s.). The results for TPC were contrary to expectations, but the results for RPC were consistent with the hypothesis. Thus the findings for hypothesis 4 are mixed.

Gender impacted job performance, such that females were more likely to report higher job performance. Tenure had a negative impact on self-report job performance, such that employees with longer tenures reported lower job performance.

Another measure of performance was included in the study that asked participants to report their previous performance rating. Regression analysis was used to examine the job performance rating as the dependent variable; the results (see Table 6) indicated a non-significant relationship between performance rating and transactional ($\beta = 0.08$; n.s.) and relational ($\beta = -0.03$; n.s.) components. Employees who received less than they were promised in terms of transactional or relational obligations did not have different job performance ratings than other employees. Combined with the non-significant results of the self-report measure of job performance, it is concluded that violation of transactional obligations has little to no impact on job performance of employees in the current sample. Thus hypothesis 4 was not supported.

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Regression Results of Job Performance on Relational and Transactional Psychological Contract

Variable		В	SEB	β	R^2	ΔR^2	p
Job performance							
Step 1					.03	.03	.00*
	Gender	.09	.03	.10			.01
	Age	02	.02	04			.35
	Tenure	03	.01	11			.01
Step 2					.04	.01	.16*
*	RPC	.05	.03	.08			.06
	TPC	02	.03	03			.48

Note. Gender is coded 0 = Male; 1 = Female.

RPC = Relational Psychological Contract; TPC = Transactional

Psychological Contract.

*p value refers to ΔR^2 from Step 1 to 2

The regression results shown in Table 6 indicate that age had a negative

relationship with job performance rating. This indicates that older employees were given lower job performance ratings.

Variable		В	SEB	β	R^2	ΔR^2	p
Job Performance							
Rating							
Step 1					.02	.02	.03*
*	Gender	.02	.05	.02			.66
	Age	07	.02	13			.00
	Tenure	.01	.02	.03			.53
Step 2					.03	.02	.01*
*	RPC	.04	.03	.06			.24
	TPC	.08	.04	.09			.06

Table 6Regression Results of Previous Performance Rating on Relational andTransactional Psychological Contract Violation

Note. Gender is coded 0 = Male; 1 = Female.

RPC = Relational Psychological Contract; TPC = Transactional Psychological Contract.

**p* value refers to ΔR^2 from Step 1 to 2

Table 7 shows the results of the regression analyses for the dependent variables job satisfaction and intent to quit. The results indicate that hypotheses 5 and 6 were partially supported, as TPC was unexpectedly found to be significantly related to both outcome variables in the analyses. There was a significant positive relationship between job satisfaction and RPC ($\beta = 0.64$; p < .00) and TPC ($\beta = 0.12$; p < .00), such that employees who reported receiving more than promised indicated higher levels of job satisfaction. Although there was a significant positive relationship for both components, the relationship was weaker for transactional violations.

Table 7

Variable		В	SEB	β	R^2	ΔR^2	p
Job Satisfaction							
Step 1					.02	.02	.01*
-	Gender	.05	.06	.04			.38
	Age	.08	.03	.12			.00
	Tenure	.01	.02	.02			.57
Step 2					.52	.49	.00*
A .	RPC	.65	.03	.64			.00
	TPC	.14	.03	.12			.00
Intent to Quit							
Step 1					.06	.06	.00*
-	Gender	23	.08	10			.01
	Age	24	.05	20			.00
	Tenure	06	.03	07			.10
Step 2					.32	.26	.00*
Ŧ	RPC	57	.06	36			.00
	TPC	42	.07	23			.00

Regression Results of Job Satisfaction and Intention to Quit on Relational and Transactional Psychological Contract

Note. Gender is coded 0 = Male; 1 = Female.

RPC = Relational Psychological Contract; TPC = Transactional Psychological Contract.

*p value refers to ΔR^2 from Step 1 to 2

The findings for intent to quit indicated significant negative relationships with relational ($\beta = -0.36$; p < .00) and transactional violation ($\beta = -0.23$; p < .00). As with job satisfaction, the relationship between intent to guit and transactional violations was weaker than the relational component. Employees who reported more violations were more likely to state intentions to quit.

None of the control variables had a significant impact on job satisfaction when the full equation was entered into the regression. However, age and tenure had negative significant relationships with intent to quit, indicating that older employees and employees with more tenure reported that they were more likely to quit.

Model Testing

Hypotheses 7a and 7b state that relational and transactional psychological contract violations will mediate the relationship between work status and the outcomes; this is graphically depicted in the proposed model of mediation (see Figure 3).

The model was tested to determine if it met Baron and Kenny's (1986) requirements for mediation: 1) the independent variable must impact the dependent variable; 2) the independent variable must impact the mediator; 3) the mediator must impact the dependent variable; and 4) the effect of the independent variable on the dependent variable must be less than the combined effect of the independent and mediating variables.

Baron and Kenny (1986) recommend conducting three regression analyses to test for the conditions of mediation. Structural equation modeling (SEM) may also be used to test for mediation. SEM has certain advantages such as accounting for measurement error and feedback bias in the structural model, but it is difficult in SEM to test the influence of control variables. The analysis strategy for the current study is to first conduct the three regression equations to determine if they meet the criteria, and then to examine the full model using SEM. Use of multiple regression analysis will allow analysis of control variables while testing for mediation. SEM analysis will allow control of correlated error terms when examining the impact of the exogenous variable (work status) on the endogenous variables (psychological contract violations, job satisfaction, organization commitment, turnover intentions, and performance) as well as the impact of psychological contract violations on the other endogenous variables.

The first set of regression equations tests the impact of the independent variable, work status, on the dependent variables. Separate hierarchical regressions were performed for each dependent variable in the model. In step 1, the control variables of gender, age, and tenure were entered. Work status was entered in step 2 of the equation. Table 8 shows the results of each regression. Work status was not a significant predictor for four of the outcome variables: organizational citizenship behaviors ($R^2 = 0.01$; n.s.); job performance ($R^2 = 0.02$; n.s.); intent to quit ($R^2 = 0.06$; n.s.); and job satisfaction ($R^2 =$ 0.01; n.s.), but it did significantly predict organizational commitment ($R^2 = 0.10$; p < .02). The relationship between work status and organizational commitment is small and of little practical significance. These results violate the first condition of mediation, therefore, the model and hypotheses 7a and 7b are not supported. Because work status does not impact the outcome measures, psychological contract cannot be a mediating variable.

The second step in Baron and Kenny's (1986) procedure is to test the impact of the independent variable on the mediator. Multiple regression analysis was used to examine the impact of work status on RPC and TPC. In step 1, the control variables of gender, age, and tenure were entered. Work status was entered in step 2 of the equation. The results are shown in Table 9. Work status is not a significant predictor of RPC ($R^2 = 0.01$; n.s.) or TPC ($R^2 = 0.02$; n.s.).

The regression analyses indicated that the model failed two necessary conditions to support mediation; work status was not related to four of five outcome variables and work status does not impact the mediator. The hypothesized model was also tested using LISREL to determine if these results would be duplicated and to investigate relationships

Variable		В	SEB	β	R^2	ΔR^2	p
Organizational Commitment			an an ann an				
Step 1					.09	.09	.00*
	Gender	.07	.04	.06			.12
	Age	.07	.02	.13			.00
	Tenure	.10	.02	.24			.00
Step 2					.10	.01	.02*
	Work Status	10	.04	09			.02
OCBs							
Step 1					.01	.01	.04*
-	Gender	03	.05	02			.52
	Age	.03	.03	.06			.17
	Tenure	.04	.02	.08			.04
Step 2					.01	.00	.92'
1	Work Status	00	.05	00			.92
Job Performance							
Step 1					.02	.02	.00
	Gender	.09	.03	.10			.01
	Age	02	.02	04			.33
	Tenure	03	.01	10			.01
Step 2					.02	.00	.46
•	Work Status	03	.04	03			.46
Intent to Quit							
Step 1					.06	.06	.00
	Gender	22	.08	10			.01
	Age	24	.05	20			.00
	Tenure	06	.03	07			.08
Step 2					.06	.00	.55
¥.	Work Status	.05	.09	.02			.55
Job Satisfaction							
Step 1					.01	.01	.01
	Gender	.05	.06	.03	. –		.43
	Age	.09	.03	.12			.00
	Tenure	.01	.02	.02			.56
Step 2	~ ******				.01	.00	.85
	Work Status	01	.06	01			.85

Table 8 Regression Results of Organizational Commitment, Organizational Citizenship Behaviors, Job Performance, Intent to Quit, and Job Satisfaction on Work Status

Note. Work Status is coded 1 = Contractor; 0 = Regular employee. *p value refers to ΔR^2 from Step 1 to 2

Variable		B	SEB	β	R^2	ΔR^2	р
RPC							
Step 1					.01	.01	.00*
*	Gender	.07	.06	.05			.23
	Age	.08	.03	.11			.01
	Tenure	.05	.02	.01			.81
Step 2					.01	.00	.62*
Ŧ	Work Status	03	.06	02			.62
TPC							
Step 1					.02	.02	.00*
±	Gender	02	.04	01			.73
	Age	.06	.03	.09			.02
	Tenure	06	.02	14			.00
Step 2					.02	.00	.92*
	Work Status	.00	.05	.01		-	.92

Table 9

Regression Results of Work Status on Relational and Transactional Psychological Contract

Note. Gender is coded 0 = Male; 1 = Female.

RPC = Relational Psychological Contract; TPC = Transactional Psychological Contract.

*p value refers to ΔR^2 from Step 1 to 2

among other variables. Moreover, the SEM analysis allowed control of possible nonrecursive relationships among the variables and the resultant bias in estimates of regression coefficients.

The a priori model showed an unacceptable fit to the data, $\chi^2(20) = 352.39$, p < 0.0, RMSEA = .17, NNFI = .63, CFI = .74. The standardized parameter estimates for the hypothesized model are shown in Figure 4.

Examination of the model indicates that work status is not a significant predictor of the factors of psychological contract, nor does TPC predict job performance. These results are consistent with the previous regression analyses and provide further evidence that work status has no impact as a predictor in the current sample. Thus, the a priori model is not accepted.

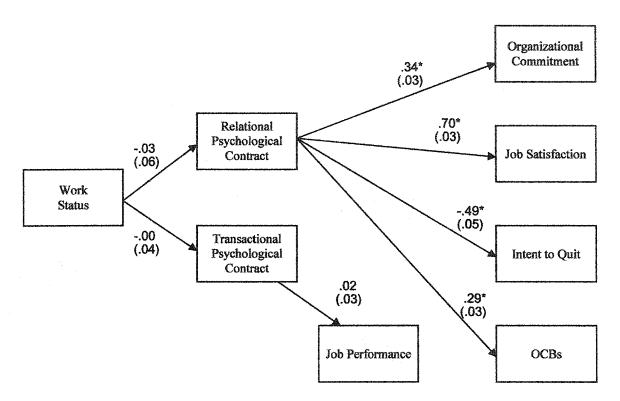


Figure 4. Standardized parameter estimates and standard errors (in parentheses) for the a priori model of mediation. * p < .05

The hypothesized model was modified in several ways in order to explore the data. First, the work status and job performance variables were removed as they were not significantly related to any variables in the model. Second, the modification indices were used to identify additional paths to be estimated. Third, the fit of the covariance between the two psychological contract components was estimated. Finally, the literature was consulted to determine the likely impact of the endogenous variables on each other. Previous research on employee attitudes indicates that organizational commitment

significantly predicts both intent to turnover and OCBs (Conway & Briner, 2002), thus, these two parameters were freed in the model. Other research on job satisfaction indicates positive significant relationships between intent to quit (Turnley & Feldman, 2000), OCBs (Turnley & Feldman, 2000; Williams & Anderson, 1991), and organizational commitment (Allen & Meyer, 1996; Conway & Briner, 2002). These parameters were changed to allow the paths to be estimated, resulting in a final model.

The standardized parameter estimates for the final model are shown in Figure 5. It shows an excellent fit to the data, $\chi^2(3) = 3.06$, p = .38, RMSEA = .01, NNFI = 1.0, CFI = 1.0.

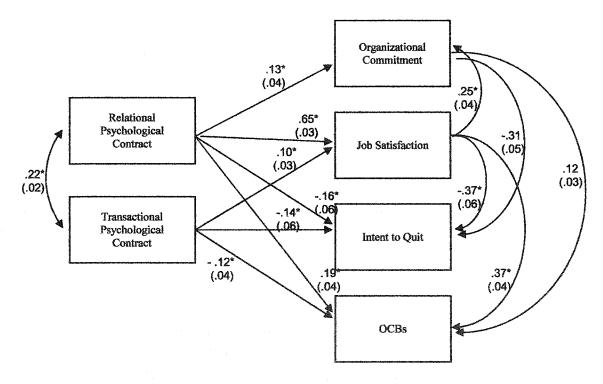


Figure 5. Standardized parameter estimates and standard errors (in parentheses) for final model. * p < .05

Examination of the final model reveals that both RPC and TPC significantly predict job satisfaction, intent to quit, and OCBs. The size of the parameter estimates reveals that the impact of TPC is weaker than that of RPC on the outcome measures. While RPC predicts organizational commitment, TPC does not. These results are similar to the regression findings with a few minor differences. An examination of the regressions for these relationships shows that the parameter estimates were small and bordering on significance, as are the estimates in LISREL.

Both the regression and SEM analyses indicate that there is overlap between the two factors of RPC and TPC. Their influence on the outcome measures was not a clean break as predicted in the hypotheses. The factor analysis confirmed that they are separate factors, and the parameter estimates reveal that TPC has weaker effects than RPC on the outcome measures.

Table 10 shows the goodness of fit statistics for both models, and Table 11 shows the amount of variance explained for each outcome measure. Comparing the two models, it is evident that the final model shows a better fit to the data and explains more variance in the outcome variables.

Model Goodness of Fit Statistics										
Model	Chi-sq	df	p	RMSEA	NNFI	CFI				
A Priori Model	352.39	20	.00	.17	.63	.74				
Final Model	3.07	3	.38	.01	1.00	1.00				

T-11- 10

Table 11	
Squared Multiple Correlations	for Structural Equations

Model	RPC	TPC	OC	Job Satisfaction	Intent to Quit	OCBs	Job Performance
A Priori Model	.00	.26	.11	.49	.24	.08	.00
Final Model	800 SOO	dan aila	.17	.50	.45	.15	

RPC = Relational Psychological Contract; TPC = Transactional Psychological Contract; OC = Organizational Commitment; OCBs = Organizational Citizenship Behaviors.

DISCUSSION

The purpose of the current research was to examine the impact of multiple agency relationships by testing several hypotheses and a model of mediation involving contract work status, psychological contract, and several outcome variables. Data were gathered from contractors and regular employees through a questionnaire. A confirmatory factor analysis, several regressions, and LISREL analyses were performed to test the hypotheses and the model of mediation. The discussion section summarizes the findings, limitations of the study, and implications for future research.

Previous research has reported that psychological contracts consist of two factors (Robinson, Kraatz, & Rousseau, 1994; Robinson & Morrison, 1995; Millward & Hopkins, 1998). The transactional component is characterized by quid-pro-quo exchanges, which includes employer obligations such salary and benefits. The relational component involves affective components, and is characterized by employer obligations such as career development and job challenge. As hypothesized, psychological contract was found to consist of two separate factors representing transactional and relational components.

The current study also proposed that the two components of psychological contracts would differentially impact the outcome measures. These hypotheses were based on limited empirical evidence that reported different effects on organizational commitment (Millward & Hopkins, 1998) and citizenship behaviors (Robinson & Morrison, 1995). The hypotheses between RPC and job satisfaction, organizational commitment, intent to quit, and OCBs were supported. Employees who felt that they received *more* than promised from the organization in terms of relational obligations

reported higher organizational commitment and job satisfaction, more frequent OCBs, and lower intent to quit. Conversely, employees who felt that they received *less* than promised from the organization in terms of relational obligations reported lower organizational commitment and job satisfaction, fewer organizational citizenship behaviors, and higher intent to quit. Also as expected, RPC violation did not impact the two measures of job performance. Each of these findings is consistent with the literature on psychological contract (Millward & Hopkins, 1998; Robinson & Morrison, 1995; Robinson & Rousseau, 1994; Rousseau, 1990; Van Dyne & Ang, 1998) and provides further support for the growing body of evidence that violation of the psychological contract leads to negative outcomes that organizations likely wish to avoid.

While hypotheses 2 through 6 were supported for RPC, the findings for TPC were unexpected. The analyses indicated that TPC impacts outcome measures that were not believed to be influenced: job satisfaction, intent to quit, and OCBs. These three outcome measures were hypothesized to be impacted by RPC; not TPC. An explanation for the unexpected findings could be the overlap between the two factors of psychological contract. The analyses indicate that RPC and TPC are significantly related and they demonstrate similar influence on the outcome measures. TPC mirrors the impact of RPC, but with weaker effects as evidenced by the parameter estimates.

Another unexpected finding was that hypothesis 4, which predicted a relationship between TPC and job performance, was not supported. The results indicated that employer violation of TPC did not impact job performance in the current sample. This is inconsistent with previous findings that there is a negative relationship between

psychological contract violations and task performance (Lester et al., 2002; Turnley & Feldman, 1999).

One possible explanation may be that participants maintain high standards in their job performance despite perceived violations from the employer. Instead of decreasing their performance, they may engage in coping strategies to explain why the violations occurred, such as attributing employer violations of transactional obligations to outside forces such as a weak economy. Employees may choose to "wait out" the bad economy, and hope that the violations are temporary and their job performance will be rewarded when the economy improves. Alternatively, employees who were extremely distressed by perceived violations may have left the organization and were not present in the current sample to report decreased performance.

The findings for RPC and TPC have a direct application for organizations. Companies should be aware that violation of relational obligations will have a more severe impact on employee attitudes and behaviors than will violation of transactional obligations. For example, making cuts to training and limiting career advancement opportunities will likely result in more negative employee attitudes than decreasing pay and benefits. Thus, organizations may find it beneficial to monitor psychological contracts of their workforce. When faced with choices of where to make budget cuts, organizations would be wise to focus on transactional items.

Many studies employ a uni-dimensional construct to measure psychological contract (Lester et al., 2002; Robinson & Rousseau, 1994; Turnley & Feldman, 1999; Turnley & Feldman, 2000; Van Dyne & Ang, 1998). Given the current findings and the

practical implications for organizations, it may be more appropriate for researchers to treat them as separate constructs in the future.

In the proposed model of mediation, psychological contract was thought to serve as the explanatory mechanism for differences between contractors and regular employees. The results indicated that the model did not meet two of the criteria for mediation: 1) work status did not impact four of the five outcome measures; and 2) work status did not impact psychological contract. Contractor and regular employees reported similar perceptions in terms of psychological contract and job attitudes and behaviors. These findings are inconsistent with past research, which found differences in terms of job satisfaction (Krausz, Brandwein, & Fox, 1995; Lee & Johnson, 1991), organizational commitment (Kidder, 1996; Lee & Johnson, 1991; Van Dyne & Ang, 1998), organizational citizenship behaviors (Kidder, 1996; Pearce, 1993; Van Dyne & Ang, 1998), and psychological contract expectations (Van Dyne & Ang, 1998) between contingent and permanent employees. The results also counter the supposition that employees involved in multiple agency relationships would maintain different psychological contracts from other types of employees (McLean Parks et al., 1998).

The null results cannot be attributed to lack of power, as the sample size was adequate to detect differences if they existed. Thus there must be other explanations for the results. One reason may be that the sample characteristics varied from previous studies conducted in the past. Previous research in contingent work often compared nonprofessional workers (i.e., non-professional work, little to no benefits, low job security) to professional employees. It is possible that attitudinal differences between contingent and permanent workers found in past research are due to the negative

characteristics associated with contingent work. The participants in the current study shared similar characteristics in their working environments. Both groups were professional, full-time workers with similar levels of benefits, salary ranges, and levels of job security. Their age, gender, and tenure were held constant in the regression analyses. Thus the primary difference between the two groups was the multiple agency relationship, not other environmental characteristics.

Another difference between the current study and previous research is the comparison of contingent and permanent employees who were employed by two different organizations. The current study compared contractors (i.e., contingent employees engaged in multiple agency relationships) to regular employees (i.e., permanent employees) who were employed by the *same* organization (see Figure 2). It is likely that contractors and regular employees who work for the same organization do not differ in the nature of their psychological contracts. It is also likely that the differences found in previous studies of contingent workers were present because the individuals worked for different organizations, and not because they were contingent employees. Further research would be required to tease out the effects of organization, contingent work, and multiple agency relationships.

The null findings speak to the nature of multiple agency relationships and to contingent work as a whole. The current study indicates that employees who provide contract work do not feel differently about the organization than do their non-contract counterparts. This is an important finding, as it indicates that the addition of a third party does not impact the nature of the original employee-employer relationship and it does not impact employee attitudes and behaviors. This is good news for organizations and

contract employees alike, because there is no evidence of negative impacts at the individual or organizational level. Thus, the current study offers some evidence that one type of contingent work, contracting, is not detrimental as put forth by the employment-relations perspective (i.e., Tsui et al., 1995; Van Dyne & Ang, 1998). Conversely, the results do not support a positive picture of contracting, as would be supported by free agency theorists (i.e., Pink, 2003). The results suggest that contractor status in itself has no impact on individual employee attitudes and behaviors.

Contracting organizations may be pleased to learn more about the nature of multiple agency relationships, and that the current study indicates no harmful effects on the individual contractor or larger organization. The organization's focus of concern should be on maintaining positive psychological contracts with all types of employees, as the current study provided further evidence that contract violations lead to negative outcomes. In addition, when employees perceive that organizations give more than promised and exceed the contract, they report more positive attitudes and behaviors that benefit the organization.

Given the influence of psychological contracts, organizations would be wise to explicitly manage expectations of mutual obligations. New employees should attend orientation courses that describe benefits packages, reward and compensation programs, and training and advancement opportunities. Any changes to institutional programs should be communicated across the workforce, along with an explanation of the changes and how it will impact individual employees. Supervisors should maintain regular feedback sessions with employees to clarify job performance expectations and

collaborate with employees to develop desirable career paths. Managers should be consistent in enforcing institutional rules to send clear messages about expectations.

Further research is needed to duplicate the findings of the current study and determine if the null results are indeed due to a lack of differences between the two types of workers or if there are attributes unique to the particular sample included in the study. A limitation of the current study is that all the participants worked for the same organization. It would be useful to replicate the study with multiple contracting organizations across different industries to determine if employee psychological contracts vary among or within companies. Employee attitudes could then be compared by company and sector.

Other limitations of the study pertain to data collection methods. Individuals who chose to respond to the on-line survey may exhibit different attitudes than others who did not participate. For example, some individuals may have been wary about sharing information regarding their employer, especially if their attitudes were negative. Some individuals might have felt uncomfortable with the level of security, and would have preferred the old-fashioned method of paper and pencil. There may have been sample bias in that only contractors with positive attitudes completed the survey, while discontented individuals chose not to participate. Still others may have participated, but inflated their responses to project a more positive attitude toward their employer. It would be valuable to collect objective measures, such as performance data from supervisors, or changes in employee benefits over time. A longitudinal study could compare the impact of institutional-wide changes on psychological contract and the resulting effect on attitudes and behaviors.

It would also be interesting to explore other variables thought to be related to contracting, such as role ambiguity or conflict. McLean Parks et al. (1998) theorized that employees engaged in multiple agency relationships would experience role ambiguity or conflict resulting from having to satisfy obligations of both the customer and contracting organization. Exploring these variables would increase understanding of the nature of contracting, and perhaps explain why some attitude and behavior differences were found in previous studies.

Another variable of interest is organizational identification (OID), which is defined as the employee's perception of belonging to the organization such that they define themselves as an organizational member (Mael & Ashforth, 1992). Previous research has found that OID is positively related to intent to remain (Wan-Huggins, Riordan, & Griffeth, 1998), which was an outcome variable in the current study. As contractors are engaged in multiple agency relationships, they have an opportunity to identify with more than one organization. It would be interesting to explore the nature of OID in multiple agency relationships, and how that impacts various attitudes and behaviors such as intent to turnover, job satisfaction, and job performance. For example, can contract employees identify equally with the contracting and client organization? If contractors identify more strongly with the client organization how does this impact job attitudes and behaviors? Investigating OID in contractors would lead to a better understanding of the nature of multiple agency relationships and its impact on individuals and organizations.

The current study found that contract employees do not differ from regular employees in terms of their psychological contracts and do not report differences in job

attitudes and behaviors. As stated earlier, these findings are inconsistent with previous research on contingent work. However, the study results deliver good news for contracting organizations, and may help explain the increase in the number of contractors over the past decade. Rather than focus on specific types of employees, organizations would benefit from maintaining positive psychological contracts with all employees.

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APPENDIX

Survey Measures

Psychological Contract

For each of the items, how much do you receive from your organization versus what was promised?

Scale: 1 = Much less, 2 = Less, 3 = Same, 4 = More, 5 = Much more, 6 = Not applicable

<u>Transactional items</u> Salary Pay Raises Bonuses Overall Benefits Retirement Benefits Health Care Benefits Job Security

Relational items Advancement Opportunities Training Career Development Decision-making input Job responsibility Job Challenge Feedback on job performance Supervisory Support Organizational Support

Global Psychological Contract Fulfillment

Overall, how well has your organization fulfilled the promised obligations they owed you?

- 1 = Very poorly fulfilled
- 2 = Poorly fulfilled
- 3 = Neutral
- 4 = Fulfilled
- 5 =Very well fulfilled

Organizational Commitment – Affective

Response scale: 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly Agree

- 1. I would be very happy to spend the rest of my career with my organization.
- 2. I really feel as if my organization's problems are my own.
- 3. I do not feel a strong sense of "belonging" to my organization. (reverse scored)
- 4. I do not feel "emotionally attached" to my organization. (reverse scored)

- 5. I do not feel like "part of the family" at my organization. (reverse scored)
- 6. My organization has a great deal of personal meaning for me.

Organizational Commitment – Continuance

Response scale: 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly Agree

- 1. Right now, staying with my organization is a matter of necessity as much as desire.
- 2. It would be very hard for me to leave my organization right now, even if I wanted to.
- 3. Too much of my life would be disrupted if I decided I wanted to leave my organization now.
- 4. I feel that I have too few options to consider leaving my organization.
- 5. If I had not already put so much of myself into my organization, I might consider working elsewhere.
- 6. One of the few negative consequences of leaving my organization would be the scarcity of available alternatives.

Organizational Citizenship Behaviors

Response scale: 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly Agree

- 1. I volunteer to do things for my organization.
- 2. I help orient new employees to my organization.
- 3. I attend functions that help my organization.
- 4. I assist others in my organization with their work for the benefit of the company.
- 5. I get involved in order to help my organization.
- 6. I help others in my organization learn about the work.
- 7. I help others in my organization with their work responsibilities.

Job Performance - Self-Report

Response scale: 1 = Never, 2 = Infrequently, 3 = Sometimes, 4 = Almost always, 5 = Always.

- 1. Complete assigned duties.
- 2. Fulfill responsibilities specified in your job description.
- 3. Perform tasks that are expected of you.
- 4. Meet formal performance requirements of the job.
- 5. Engage in activities that will directly affect your performance evaluation.
- 6. Neglect aspects of the job that you are obligated to perform. (reverse scored)
- 7. Fail to perform essential duties. (reverse scored)

Performance Rating

Think about your last performance review, and indicate the overall performance rating you received.

- 1 = Does not meet standards/objectives
- 2 = Meets standards/objectives
- 3 = Exceeds standards/objectives
- 4 = I don't know
- 5 = Not applicable

Job Satisfaction

Response Scale: 1 = Not satisfied, 2 = Slightly Satisfied, 3 = Satisfied, 4 = Very satisfied, 5 = Extremely Satisfied

On your present job, how do you feel about?

- 1. The chance to work alone on the job.
- 2. The chance to do different things from time to time.
- 3. The chance to be "somebody" in the community.
- 4. The way my supervisor handles the team.
- 5. The competence of my supervisor in making decisions.
- 6. Being able to do things that don't go against my conscience.
- 7. The way my job provides for steady employment.
- 8. The chance to do things for other people.
- 9. The chance to tell people what to do.
- 10. The chance to do something that makes use of my abilities.
- 11. The way company policies are put into practice.
- 12. My pay and the amount of work I do.
- 13. The chances for advancement on this job.
- 14. The freedom to use my own judgment.
- 15. The chance to try my own methods of doing the job.
- 16. The working conditions.
- 17. The way my co-workers get along with each other.
- 18. The praise I get for doing a good job.
- 19. The feeling of accomplishment I get from the job.
- 20. Being able to keep busy all the time.

Overall Job Satisfaction

- 1. Overall, how satisfied are you with your job?
 - 1 = Not at all satisfied
 - 2 = Just about satisfied
 - 3 =Quite satisfied
 - 4 = Very satisfied
 - 5 = Extremely satisfied

Intent to Quit

Response scale: 1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly Agree

1. As soon as I can find a better job, I'll quit.

2. I often think about quitting my job at my organization.

Background Items

1. Select the job family that best describes your job:

Administration or Clerical

Consulting

Corporate (For example: Purchasing, Program Management, Legal)

Customer Business (For example, Ces, CDEs, Solution Architects)

Finance

Human Resources

Marketing

Sales

Service Delivery (For example: Call Centers, Computer Operations, Data Management, System Administration)

Systems Engineer

Technical Delivery (For example: Infrastructure, System Architect) Other

2. Considering your entire career, how many years of experience do you have in your current line of work?

Less than a year 1 to 3 years 3 to 5 years 5 to 10 years 10 to 15 years 15 to 20 years 20 or more years

3. How long have you worked for this organization?

Less than a year 1 to 3 years 3 to 5 years 5 to 10 years 10 to 15 years 15 to 20 years 20 or more years

4. I joined this organization as a: Transitioned employee Direct hire

- 5. What is your age? _____ Years
- 6. What is your gender? Male Female
- On average, about how many days per week do you work from home (i.e., telecommute or telework from a non-my organization or non-client location)?
 0 days per week; Less than one day per week; 1 day per week; 2 days per week;

3 days per week; 4 days per week; 5 days per week

8. In your current position, do you perform work or provide services for an external client?

Yes (Continue to next item) No (skip to end)

9. How often do you have contact with external clients?

Daily Weekly Monthly Less than monthly Never

- 10. How often do you perform work at an external client worksite?
 - Daily Weekly Monthly Less than monthly Never
- 11. How many other [organization name] employees work at the same client location with you?

No other employees; I'm the only employee there

1 to 5 other my organization employees

6 to 20 my organization employees

- 21 to 50 my organization employees
- 51 or more my organization employees
- Not applicable
- 12. How many external clients do you currently work for? One client More than one client

13. How many years of experience do you have working for your current client organization?

Less than a year 1 to 3 years 3 to 5 years 5 to 10 years 10 to 15 years 15 to 20 years

20 or more years

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