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# The Impact of Psychological Contract Violations on Exit, Voice, Loyalty, and Neglect

William H. Turnley<sup>1</sup> and Daniel C. Feldman<sup>2,3</sup>

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This study examines the relationships between violations of employees' psychological contracts and their exit, voice, loyalty, and neglect behaviors. Using a sample of over 800 managers, this research found that psychological contract violations result in increased levels of exit, voice, and neglect behaviors and decreased levels of loyalty to the organization. In addition, this research examines the moderating effects that situational factors (such as the availability of attractive employment alternatives) have on the relationships between psychological contract violations and managers' behaviors. The results suggest that these situational factors moderate the relationship between psychological contract violations and exit, but not the relationships between psychological contract violations and voice, loyalty, or neglect. Finally, this research also examines differences in the nature of psychological contract violations experienced across three categories of workers: new managers entering the workforce, expatriates and managers in international business, and managers working in downsizing or restructuring firms. The results suggest that psychological contract violations are both more frequent and more intense among managers working in downsizing or restructuring firms, particularly in terms of job security, compensation, and opportunities for advancement.

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**KEY WORDS:** psychological contract; psychological contract violation.

## INTRODUCTION

Although psychological contracts were first discussed by organizational scholars in the 1960s (e.g., Argyris, 1960; Schein, 1965), only recently have these unwritten work agreements attracted widespread attention. Much of

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this attention has been generated by the perception that the employment relationship is undergoing a period of dramatic change and that psychological contract violations are becoming more commonplace (e.g., Kissler, 1994; Parks & Kidder, 1994; Rousseau, 1990, 1996). Indeed, psychological contract violations appear to be prevalent even among highly-skilled new entrants into the workforce. For example, Robinson and Rousseau (1994) found that approximately 55% of a cohort of recent MBA graduates believed that some aspect of their psychological contract had been violated.

However, while psychological contract violations have been frequently discussed in theoretical terms in recent years, empirical research on the topic has only recently begun. This study is an extension of our previous work on psychological contracts (Turnley & Feldman, 1998) and attempts to advance prior empirical work on the consequences of psychological contract violations in four ways.

First, this research attempts to improve the measurement of psychological contract violations. Most prior research has relied on single-item, global assessments of psychological contract violations (e.g., Robinson, Kraatz, & Rousseau, 1994; Robinson & Rousseau, 1994). Although Robinson (1996) used a multi-item measure of psychological contract violation, she noted that an important limitation of that measure was that it did not recognize that some elements of the psychological contract are more important than others. The measure of psychological contract violations used in this research, by using both multiple items and tapping differences in the importance of various job facets, addresses both of the above limitations. Thus, this new measure should more accurately capture the actual degree of psychological contract violation experienced by employees.

Second, this research employs a well-established typology of employee responses to dissatisfying work relationships to examine the consequences of psychological contract violations. Specifically, this study uses Hirschman's (1970) framework of exit, voice, loyalty, and neglect to investigate employees' potential responses when they perceive that their psychological contracts have been violated.

Third, this research examines the influence of several situational factors hypothesized to moderate the relationships between psychological contract violations and employee responses. Some previous research (e.g., Turnley & Feldman, 1998) has examined the direct effects of situational variables, while other previous research (e.g., Robinson, 1996; Rousseau, 1995) has suggested that situational factors such as the availability of attractive employment alternatives may moderate employees' reactions to psychological contract violations. However, there has been no empirical research examining whether situational factors actually moderate the relationships between psychological contract violations and employee

responses. This study focuses on three potential moderators in particular: the availability of attractive employment alternatives, the justification sufficiency of the psychological contract violation, and the degree of procedural justice in the organization's decision-making practices.

Fourth, this study examines differences in the nature and consequences of psychological contract violations across three major categories of workers. Almost all previous research in this area has examined the psychological contract violations experienced by a single cohort of MBA graduates making the transition from school to work (e.g., Robinston, 1996; Robinston & Morrison, 1995; Robinston & Rousseau, 1994; Robinston et al., 1994). While this study does include a sample of recent graduates, it also includes two other groups of workers who are especially vulnerable to psychological contract violations: (1) expatriates dealing with international relocation (Guzzo, Noonan, & Elron, 1994) and (2) managers working for organizations which have recently been restructured or downsized (Leana & Feldman, 1992). This sampling allows for a closer investigation of differences in the degree of psychological contract violation and the specific contract elements violated across these three groups of managers.

## THEORY

Psychological contracts consist of the beliefs employees hold regarding the terms of the informal exchange agreement between themselves and their organizations (Rousseau, 1989, 1990). Psychological contract violations occur when an employee perceives that the organization has failed to fulfill one or more of its obligations comprising the psychological contract (Rousseau & Parks, 1993).

Previous researchers have concluded that there are two basic causes of psychological contract violations: renegeing and incongruence (Morrison & Robinston, 1997; Rousseau, 1995). Renegeing occurs when the organization knowingly breaks a promise to the employee, either on purpose or because of unforeseen circumstances. In contrast, incongruence occurs when the employee and the organization have different understandings regarding what the employee has been promised. Thus, in violations resulting from incongruence, the organization believes that it has lived up to its commitments, but the individual perceives that the organization has failed to keep one or more of its promises.

While several theoretical perspectives have been used to understand both how psychological contracts develop and why employees perceive psychological contract violations, most of these theories, in one way or another, focus on the construct of discrepancy of expectations. In particular, socialization theory, social information processing theory, social exchange theory,

control theory, and cognitive dissonance theory all help inform our understanding of how psychological contracts develop and why perceived psychological contract violations occur. In addition, the exit, voice, loyalty, and neglect (EVLN) typology provides a specific framework for understanding employees' responses to psychological contract violations.

In terms of how psychological contracts develop, it is clear that individuals generally form the expectations that comprise their psychological contracts from two sources: their interactions with organizational representatives and their perceptions of the organization's culture. During "anticipatory socialization," organizational agents (recruiters, direct supervisors, human resource managers) make specific promises to employees about what they can expect from the organization (Feldman, 1976; Van Maanen, 1976). Second, employees' perceptions of their organization's culture and standard operating procedures also shape employees' beliefs regarding their psychological contracts. For instance, Salancik and Pfeffer (1978) suggest that social cues from peers may make certain aspects of the job environment particularly salient to employees. In turn, these specific job aspects are likely to be incorporated into employees' psychological contracts.

Both from expectations formed through recruiting and early experiences in the organization, then, the psychological contract develops. In many ways, these psychological contracts define the social exchanges that exist between individuals and organizations (Homans, 1961). These relationships are comprised of the voluntary actions that each party engages in with the belief or understanding that their actions will be reciprocated (in one form or another) by the other party (Blau, 1964).

Control theory provides a useful perspective on understanding employees' likely responses to psychological contract violations (cf. Carver & Scheier, 1982; Wiener, 1948). According to this theory, employees initiate an attitudinal or behavioral response any time that they perceive a discrepancy between what they were promised by their organization and what they have, in fact, received. From the employees' perspective, such discrepancies represent imbalances in the social exchange relationships between themselves and their organizations. Control theory suggests that employees are motivated to eliminate, or at least reduce, such imbalances. Coming from a slightly different angle, cognitive dissonance theory makes a similar prediction (Festinger, 1957). When employees are faced with an inconsistency between their attitudes and behaviors, they are motivated to resolve that discrepancy by changing either the attitude or behavior, depending upon situational constraints.

As Turnley and Feldman (1998) suggest, a framework for understanding situational constraints on employees' responses to psychological contract violations is provided by the exit, voice, loyalty, and neglect

(EVLN) typology originally developed by Hirschman (1970) and subsequently expanded upon by other researchers (e.g., Farrell, 1983; Rusbult, Farrell, Rogers, & Mainus, 1988; Withey & Cooper, 1989). Like the other perspectives discussed above, this framework suggests that employee will respond to psychological contract violations by increased exit (leaving the firm altogether), increased voice (taking initiative with superiors to improve conditions), decreased loyalty (decreasing the number of extra-role or “organizational citizenship behaviors” they engage in), and increased neglect (putting in half-hearted effort, more absenteeism and lateness, less attention to quality).

This framework, too, suggests that different responses to psychological contract violations may be more likely to occur in different types of situations. For instance, when employees have a great deal of latitude and freedom in how they behave, they may be more likely to leave the aversive situation altogether (Lee & Mitchell, 1994). In cases where they feel they have overinvested in the organization, they may be more likely to engage in “lax and disregardful” neglect behaviors (Farrell, 1983) or decrease the energy they put into performing extra-role or “organizational citizenship” behaviors (Organ, 1988). Finally, in cases where employees cannot easily exit the firm or decrease their contributions without fear of retribution, employees may engage in “voice” behaviors to get their concerns addressed by supervisors and higher-level managers (Rusbult et al., 1988).

## HYPOTHESES

Previous research suggests that an organization’s failure to honor the psychological contract leads to feelings of mistrust, job dissatisfaction, and lower organizational commitment (Rousseau, 1995). Furthermore, recent studies (e.g., Robinson, 1996; Robinson & Morrison, 1995) suggest that psychological contract violations may negatively impact employees’ work behaviors as well as their attitudes. Accordingly, and consistent with control theory discussed above, it is hypothesized here that psychological contract violations will be related to increased exit, increased use of voice, decreased loyalty to the organization, and increased neglect of in-role job duties (Turnley & Feldman, 1998).

*Exit.* Violations of the psychological contract are likely to result in perceptions of inequity (Morrison & Robinson, 1997) and may reduce employees’ beliefs that staying in the employment relationship will be mutually beneficial. As such, psychological contract violations are likely to serve as the specific events (or “shocks”) that cause employees to reassess their basic attachment to the organization (Lee & Mitchell, 1994). When the perceived inequity is great, employees may respond to their organization’s

failure to fulfill its obligations by voluntarily terminating the employment relationship. Recent research tends to support the idea that psychological contract violations are positively related to turnover (Guzzo et al., 1994; Robinson & Rousseau, 1994). Thus, psychological contract violations are expected to be positively related to employees' attempts to find alternative employment.

*Hypothesis 1.* Psychological contract violations will be positively related to job search behaviors.

*Voice.* As a response to job dissatisfaction, voice has often been conceptualized as relationship-threatening behavior such as whistle-blowing (Near & Miceli, 1986) and grievance filing (Allen & Keaveny, 1981). However, in the context of psychological contract violations, voice is conceptualized as a constructive effort aimed at repairing the employment relationship. Voice frequently involves direct appeals to higher authorities and has been described as the primary mechanism through which employees can stimulate positive change (Hirschman, 1970). Because employees are likely to resist any changes in their psychological contracts which cause them to lose valued rewards (Rousseau, 1995), employees may respond to psychological contract violations by voicing complaints to correct the perceived injustices, particularly if they have positive working relationships with their supervisors.

*Hypothesis 2.* Psychological contract violations will be positively related to the amount of employee voice behaviors.

*Loyalty.* Psychological contract violations are hypothesized to be negatively related to employee loyalty. Robinson and Rousseau (1994) found that psychological contract violations were negatively associated with employee perceptions of how much loyalty they owed to their organizations. Furthermore, Parks and Kidder (1994) suggest that extra-role behaviors (because they are performed voluntarily) may be among the first casualties of psychological contract violations. Supporting this idea, Robinson and Morrison (1995) found that employees who perceived that their psychological contract had been violated were less likely to engage in discretionary behaviors performed for the good of the organization. Consequently, it is hypothesized here that psychological contract violations will be negatively related to employees' willingness to defend the organization to outsiders.

*Hypothesis 3.* Psychological contract violations will be negatively related to an employee's willingness to defend the organization to outsiders.

*Neglect.* Although prior research has not directly examined the issue, psychological contract violations are also expected to be related to higher levels of neglect. Employees who experience psychological contract violations may see little reason to continue working hard on behalf of an organization that cannot be trusted to keep its promises. Furthermore,



employees whose psychological contracts have been violated may attempt to get even with their employers by putting less effort into their jobs. Also, although Robinson (1996) did not specifically examine neglectful behaviors, she did find that psychological contract violations were negatively related to employees' self-reports of their job performance.

*Hypothesis 4.* Psychological contract violations will be positively related to neglect behaviors (e.g. lateness, doing personal business at work, wasting time at work, etc.).

*Situational Moderators.* While psychological contract violations may generally lead to exit, voice, loyalty, and neglect behaviors, employees may not have the freedom to act in ways totally consistent with their attitudes (Herman, 1973). How an employee actually responds to a psychological contract violation is likely to be strongly influenced by the situational context surrounding that violation. While several researchers (e.g., Rousseau, 1995) have suggested that situational factors are likely to moderate employee responses to psychological contract violations, there has been no empirical research in this area. The present research examines the impact of three situational variables hypothesized to moderate the ways in which employees respond to psychological contract violations: the availability of attractive employment alternatives, the justification sufficiency of the psychological contract violation, and the degree of procedural justice in the organization's decision-making practices.

*Availability of Attractive Employment Alternatives.* An individual's response to psychological contract violation is likely to be affected by the quality of the job alternatives available (Rusbult et al., 1998; Withey & Cooper, 1989). Individuals who can easily find similar employment elsewhere may be less willing to continue working for an organization that cannot be trusted to keep its promises. In contrast, workers without attractive alternatives may feel like they have no option but to maintain their existing relationships with their employers despite the psychological contract violations (Rousseau, 1995).

Previous research has been less consistent regarding the impact that job alternatives have on voice, neglect, and loyalty behaviors. On the one hand, employees without attractive job alternatives may be more likely to engage in voice and neglect behaviors and less likely to remain loyal to the corporation, as these are the only alternatives they have to "get even" with a company that has broken its promises to them. On the other hand, it is argued here that employees with attractive employment alternatives will feel less dependent on their current organization. Thus, employees will be less reluctant to reduce the amount of loyalty they display towards the organization, less hesitant to engage in voice behaviors to try to correct a



bad situation, and less willing to continue working hard on behalf of the company when they have attractive job alternatives available.

*Hypothesis 5.* The availability of attractive employment alternatives will moderate the relationships between psychological contract violations and employee responses. Exit, voice and neglect will be more likely and loyalty will be less likely when attractive job alternatives are available.

*Justification for Violation.* Prior research suggests that individuals consider the justification for adverse organizational actions when deciding how to respond to these unfavorable events (Greenberg, 1990; Kahneman, Knetsch, & Thaler, 1986). This previous work implies that reactions to psychological contract violations may be less severe when employees perceive that there are external influences which compelled the organization to break the psychological contract.

For example, employees may not respond as strongly to psychological contract violations if they perceive that the organization was forced to renege on its obligations because of new externally-imposed regulations (e.g., changes in the tax-exempt status of some benefits). Conversely, in those cases where psychological contract violations are perceived to be insufficiently justified (that is, where violations appear to be more voluntary), employee responses are expected to be stronger. For example, if an organization initiates layoffs after reaching record profits, employees may feel a sense of betrayal beyond that felt in the case where an organization initiates layoffs in an effort to remain solvent.

*Hypothesis 6.* Justification sufficiency will moderate the relationships between psychological contract violations and employee responses. Exit, voice, and neglect will be more likely and loyalty will be less likely when employees perceive that there is insufficient external justification for the organization's actions.

*Procedural Justice.* Procedural justice refers to the processes by which various positive and negative outcomes are distributed across employees. Recent research suggests that individuals' responses to unfavorable actions are less severe when they perceive the decision-making process to be procedurally just (Brockner, Dewitt, Grover, & Reed, 1990; Moorman, 1991; Lind & Tyler, 1988). Thus, Hypothesis 7 proposes that perceptions of procedural justice may moderate the relationships between psychological contract violations and employee responses.

One of the most important criteria for assessing procedural justice is consistency, that is, the degree to which the allocation procedures are fair for all employees (Bies & Moag, 1986). Employees who perceive the organization's decision-making processes to be unfair are especially likely to react negatively when the organization implements a change that violates existing psychological contracts. Thus, the relationships between psychologi-

cal contract violations and employee responses may be stronger when there is perceived procedural injustice.

*Hypothesis 7.* Employee perceptions of procedural justice will moderate the relationships between psychological contract violations and employee responses. Exit, voice, and neglect will be more likely and loyalty will be less likely when procedural justice is perceived to be low.

## METHOD

### Sample

A total of 804 managerial-level personnel participated in this research. The sample was 55% male and 45% female. The mean age of respondents was 35; organizational tenure averaged 7 years and job tenure averaged 3 years. The average salary of respondents was \$49,000. All respondents were U.S. citizens.

Data were collected from four different samples. The first sample consisted of 213 recent alumni from a masters of business administration program. The second sample consisted of 263 expatriates and managers in international business who were alumni of a graduate international business program. The third sample was composed of 223 managers and executives from the operations centers of a Fortune 500 bank; the bank had recently undergone a series of mergers and acquisitions which resulted in widespread layoffs. Finally, the fourth sample consisted of 105 employees from a state agency; major units within this agency had been significantly restructured and reorganized during the past 2 years. Part of this sample was used in the research of Turnley and Feldman (1998). The demographic characteristics of the total sample and each of the subsamples are summarized in Table I.

Data were collected via mail surveys (with stamped return envelopes) sent to respondents' home addresses. All participants were promised confidentiality of their responses; no specific identifying information was requested. Participants returned the surveys directly to the researchers. The response rate was 33%. There were no significant demographic differences between respondents and nonrespondents.

### Psychological Contract Violation

The degree of psychological contract violation was assessed with a multiplicative measure developed for this research. Respondents were first asked to indicate how important 16 specific elements of the psychological contract were to them personally; these 16 elements tapped the typical di-

**Table I.** Demographic Information on Respondents<sup>a</sup>

Total sample		
Number of respondents	804	
Response rate	33%	
Male	55%	
Avg. age	35 Yr	(7 Yr)
Avg. organizational tenure	7 Yr	(4 Yr)
Avg. job tenure	3 Yr	(2 Yr)
Avg. salary	\$49,000	(\$13,000)
Recent MBA graduates		
Number of respondents	213	
Response rate	30%	
Male	70%	
Avg. age	33 Yr	(6 Yr)
Avg. organizational tenure	7 Yr	(4 Yr)
Avg. job tenure	3 Yr	(2 Yr)
Avg. salary	\$52,000	(\$11,000)
Managers in international business		
Number of respondents	263	
Response rate	30%	
Male	67%	
Avg. age	30 Yr	(4 Yr)
Avg. organizational tenure	3 Yr	(2 Yr)
Avg. job tenure	2 Yr	(1 Yr)
Avg. salary	\$61,000	(\$12,000)
Bank managers and executives		
Number of respondents	223	
Response rate	39%	
Male	36%	
Avg. age	40 Yr	(8 Yr)
Avg. organizational tenure	12 Yr	(5 Yr)
Avg. job tenure	4Yr	(3 Yr)
Avg. salary	\$43,000	(\$13,000)
State agency managers		
Number of respondents	105	
Response rate	34%	
Male	37%	
Avg. age	42 Yr	(8 Yr)
Avg. Organizational tenure	11 Yr	(6 Yr)
Avg. Job tenure	6 Yr	(4 Yr)
Avg. salary	\$30,000	(\$8,000)

<sup>a</sup>Values in parentheses are standard deviations.

mensions of the employment relationship studied in previous research, such as salary, advancement opportunities, and job security. Respondents indicated the degree of importance of each aspect on a scale ranging from 1 (Not important) to 10 (Extremely important).

Next, respondents were asked to look at the same job aspects as before, but now in the context of how the amount of each aspect they had actually received compared to the amount that the organization had committed to provide them. Responses were made on a scale ranging from -2 (Receive much less than promised) to +2 (Receive much more than promised). Re-

sponses were then reverse scored so that the *higher and more positive the score, the more serious the psychological contract violation it represents*.

Finally, the degree of psychological contract violation was calculated by multiplying the magnitude of violation on each job factor by the importance of that same job factor and summing across all 16 elements. In this way, then, job factors which were highly important to managers were more heavily weighted in the calculation of overall psychological contract violation. Scores ranged from -320 to +215 ( $X = 9.63$ ,  $SD = 54.60$ ). Again, higher (positive) scores indicate a greater degree of psychological contract violation.

To examine the validity of the current measure of psychological contract violation, respondents were also asked to indicate the overall level of psychological contract violation they had experienced using the single-item measure employed in previous research (e.g., Robinson et al., 1994; Robinson & Rousseau, 1994). As expected, the correlation between the two measures of psychological contract violation was positive and significant ( $r = .70$ ,  $p < .001$ ).

### Measures of Exit, Voice, Loyalty, and Neglect

Measures of exit, voice, loyalty, and neglect used in Turnley and Feldman (1998) were used in this study as well. To measure exit, a six-item Likert scale adapted from Rusbult et al. (1988) was used. These items assessed respondents' current job search behavior. A sample item is, "I am actively looking for another job." The Cronbach alpha for the job search scale was 0.93 ( $X = 2.35$ ,  $SD = 1.19$ ).

To measure voice, a five-item scale adapted from Rusbult et al. (1988) was utilized. A sample item is, "I have talked to my boss to try to change policies or practices that were negatively affecting me." Possible responses ranged from 1 (Never) to 4 (Frequently). The alpha for this scale was 0.81 ( $X = 1.96$ ,  $SD = 0.60$ ).

The work on organizational citizenship behavior suggests that loyalty consists of such behaviors as defending the organization against outside threats and contributing to its good reputation among outsiders (Graham, 1991). To measure loyalty, then, four items representing these behaviors were taken from the loyalty subscale of Van Dyne, Graham, and Dienesch (1994); a sample item is, "I am willing to go out of my way to defend the organization to outsiders." The alpha for this scale was 0.87 ( $X = 3.57$ ,  $SD = 0.78$ ).

To measure neglect, a nine-item Likert scale was used; items were taken from Rusbult et al. (1988) and Van Dyne et al. (1994). This scale assessed employees' failure to meet basic in-role responsibilities and em-

ployees' avoidance of extra-role assignments. A sample item is, "I try to keep out of sight of my supervisor so I can talk to co-workers, take breaks, or take care of personal business." The Cronbach alpha for the scale was 0.77 ( $X = 2.08$ ,  $SD = 0.54$ ).

### Situational Variables

The availability of attractive employment alternatives was measured with four items tapping the difficulty of finding a comparable job. A sample item is, "If you were to leave your current organization, how much difficulty would you have finding a job that was just as good?" Scale responses ranged from 1 (No difficulty at all) to 4 (A lot of difficulty). The four items were rescored such that higher values indicate that attractive alternatives are available. The four items were then averaged to form a scale ( $X = 2.67$ ,  $S.D. = 0.71$ ,  $\alpha = 0.76$ ).

The amount of external justification for psychological contract violations was measured with the item: "How much have forces outside your organization's control (such as general economic conditions, government regulations, or mergers) caused your organization to change the commitments it made to you?" Responses were made on a scale ranging from 1 (Not at all) to 4 (A lot). The mean for this item was 2.79 ( $SD = 1.12$ ). Higher values indicate greater justification for psychological contract violations.

Employee perceptions of the fairness of organizational policies regarding layoffs and terminations (perceptions of procedural justice) were examined with the following item: "How fair are the procedures your organization uses for making decisions about layoffs and terminations?" Respondents used a scale ranging from 1 (Very unfair) to 5 (Very fair). The mean response on this item was 3.37 ( $SD = 0.96$ ). Higher values reflect a greater degree of procedural justice in organizational policies. A correlation matrix of all the variables in this study appears in Table II.

At the end of the survey, respondents were asked several open-ended questions regarding the extent to which their organizations had fulfilled the commitments that had been made to them. These questions solicited managers' more detailed descriptions of the nature and extent of any psychological contract violations they had experienced in their organizations.

## RESULTS

### Direct Effects

It was hypothesized that psychological contract violations would be positively associated with employee responses of exit, voice, and neglect

Table II. Correlation Matrix of Variables

	N	Mean	SD	1	2	3	4	5	6	7
1. PC violation	781	9.63	54.60							
2. Exit	788	2.35	1.19	.38***						
3. Voice	788	1.96	0.60	-.32***	.31***					
4. Loyalty	789	3.57	0.78	-.45***	-.41***	-.19***				
5. Neglect	789	2.08	0.54	.24***	.25***	.09**	-.46***			
6. Alternatives	779	2.67	0.71	.00	.14***	.05	-.01	.00		
7. Justification	752	2.79	1.12	-.22***	-.07*	-.12***	-.10**	-.06	.10**	
8. Proc. Justice	778	3.37	0.96	-.37***	-.30***	-.19***	.38***	-.15***	.00	.13***

\* $p < .05$ .  
 \*\* $p < .01$ .  
 \*\*\* $p < .001$ .

and negatively associated with employee responses of loyalty. Hypotheses 1 through 4 were tested using hierarchical regression. Because there were mean differences across research sites in terms of demographic characteristics (cf. Table I), gender, age, and organizational tenure were used as control variables. Additionally, dummy-coded variables representing the various data collection sites were entered into the regression equations as control variables as well. The results of the analyses examining the impact of psychological contract violations on exit, voice, loyalty, and neglect are reported in Table III.

Hypotheses 1–4 were consistently supported. The results suggest that employees with higher levels of psychological contract violation are more likely to attempt to exit their current organization, to have voiced their displeasure with organizational practices to upper management, and to have neglected their in-role job performance. Also, employees with higher levels of psychological contract violation are less likely to be loyal to the organization in representing it to outsiders.

### Situational Moderators

Hypotheses 5, 6, and 7 suggested that three situational factors would moderate the relationships between psychological contract violations and exit, voice, loyalty, and neglect. These hypotheses were tested using hierarchical regression analyses. In the first step, the control variables (gender, age, organizational tenure, and research site), the degree of psychological contract violation, and the main effects terms of each situational factor were entered into the regression equations predicting exit, voice, loyalty, and neglect. In the second step, the interaction terms (testing for moderating effects) were entered into the regression equations. To reduce multicollinearity problems resulting from the use of interaction terms, the variables in these analyses were centered at their means (cf. Aiken & West, 1991).

The results of these analyses are presented in Table IV. Table IVA contains the results for the dependent variable exit; Table IVB contains the results for voice; Table IVC contains the results for loyalty; Table IVD contains the results for neglect. Figure 1 present graphs of the interaction effects for the exit results.

Hypothesis 5 proposed that the relationships between psychological contract violations and exit, voice, loyalty, and neglect would be stronger when attractive job alternatives were available. Hypothesis 5 was partially supported. As Table IVA indicates, the availability of attractive employment alternatives moderated the relationship between psychological contract violations and exit such that managers were most likely to be searching for another job when the magnitude of psychological contract violations was



**Table III.** Results of Hierarchical Regression Analyses

	<i>Beta</i>	<i>Beta</i>
Hypothesis 1 (dependent variable: exit)		
Step 1		
Gender	-.10**	-.13***
Age	-.12*	-.11*
Tenure	-.02	-.02
Site 1	.05	.07
Site 2	-.04	-.07
Site 3	.01	-.05
Step 2		
PCV		.43***
<i>F</i>	6.36***	31.09***
<i>df</i>	(6,779)	(7,768)
Adjusted <i>R</i> <sup>2</sup>	.04	.22
Change in adj. <i>R</i> <sup>2</sup>		.18
Hypothesis 2 (dependent variable: voice)		
Step 1		
Gender	-.02	-.02
Age	-.04	-.03
Tenure	.02	.01
Site 1	.01	.03
Site 2	-.06	-.09
Site 3	-.01	-.05
Step 2		
PCV		.34***
<i>F</i>	0.95	15.06***
<i>df</i>	(6,780)	(7,769)
Adjusted <i>R</i> <sup>2</sup>	.00	.11
Change in adj. <i>R</i> <sup>2</sup>		.11
Hypothesis 3 (dependent variable: loyalty)		
Step 1		
Gender	.01	.03
Age	.21***	.19***
Tenure	-.03	-.02
Site 1	-.02	-.03
Site 2	-.05	-.01
Site 3	-.09	-.04
Step 2		
PCV		-.47***
<i>F</i>	3.71**	34.49***
<i>df</i>	(6,781)	(7,770)
Adjusted <i>R</i> <sup>2</sup>	.02	.23
Change in adj. <i>R</i> <sup>2</sup>		.21
Hypothesis 4 (dependent variable: neglect)		
Step 1		
Gender	-.08*	-.09*
Age	-.16**	-.15**
Tenure	-.02	-.01
Site 1	.05	.05
Site 2	.00	-.01
Site 3	.04	.02
Step 2		
PCV		.18***
<i>F</i>	5.45***	8.36***
<i>df</i>	(6,781)	(7,770)
Adjusted <i>R</i> <sup>2</sup>	.03	.07
Change in adj. <i>R</i> <sup>2</sup>		.04

\**p* < .05.

\*\**p* < .01.

\*\*\**p* < .001.

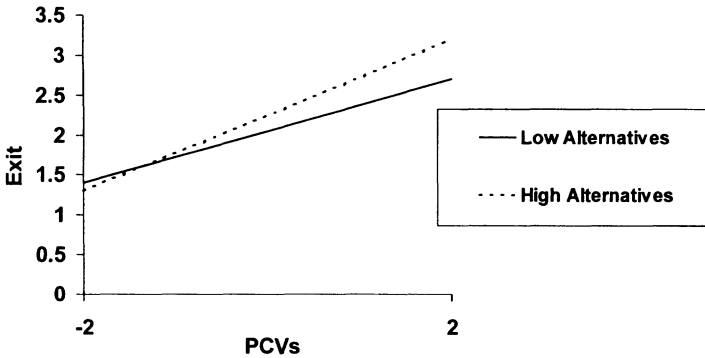


Fig. 1. Interaction of violations and alternatives.

high and attractive alternatives were available ( $\beta = .07, p < .05$ ). The graph of this significant interaction appears in Fig. 1.

However, the availability of attractive employment alternatives did not moderate the relationships between psychological contract violations and the other dependent variables. The beta for the interaction term of PCVs and alternatives in the equations for voice ( $\beta = -.03$ , cf. Table IVB), loyalty ( $\beta = -.02$ , cf. Table IVC), and neglect ( $\beta = .02$ , cf. Table IVD) were all nonsignificant.

Hypothesis 6 proposed that the relationships between psychological contract violations and exit, voice, loyalty, and neglect would be stronger when there was insufficient justification for the violation. Hypothesis 6 was partially supported. As Table IVA indicates, justification sufficiency moderated the relationship between psychological contract violations and exit such that managers were most likely to be searching for another job when the magnitude of psychological contract violations was high and justification sufficiency was low ( $\beta = .07, p < .05$ ). The graph of this significant interaction appears in Fig. 2.

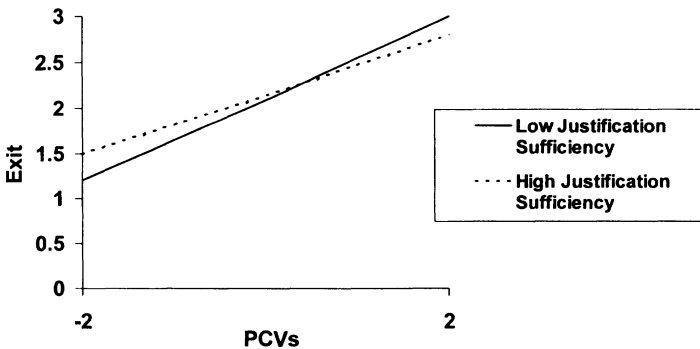


Fig. 2. Interaction of violations and justification.

Table IV. Results of Moderated Regression Analyses

	<i>Beta</i>	<i>Beta</i>
Table IVA (dependent variable: exit)		
Step 1		
Gender	-.12***	-.12***
Age	-.09*	-.10*
Tenure	.01	.01
Site 1	.06	.05
Site 2	-.15**	-.15***
Site 3	-.04	-.05
PCV	.34***	.35***
Alternatives	.11***	.11***
Justification	-.05	-.06*
Proc. justice	-.22***	-.21***
Step 2		
PCV * alternatives		.07*
PCV * justification		.07*
PCV * proc. justice		-.08*
<i>F</i>	28.37***	23.31***
<i>df</i>	(10,717)	(13,718)
Adjusted <i>R</i> <sup>2</sup>	.27	.30
Change in adj. <i>R</i> <sup>2</sup>		.03
Table IVB (dependent variable: voice)		
Step 1		
Gender	-.03	-.03
Age	-.01*	-.01
Tenure	.03	.03
Site 1	.03	.03
Site 2	-.14**	-.14**
Site 3	-.04	-.03
PCV	.28***	.28***
Alternatives	.07*	.07*
Justification	-.09*	-.08*
Proc. justice	-.11**	-.11**
Step 2		
PCV * alternatives		-.03
PCV * justification		.01
PCV * proc. justice		-.01
<i>F</i>	11.90***	9.18***
<i>df</i>	(10,718)	(13,718)
Adjusted <i>R</i> <sup>2</sup>	.13	.13
Change in adj. <i>R</i> <sup>2</sup>		.00
Table IVC (dependent variable: loyalty)		
Step 1		
Gender	.06	.06
Age	.20***	.20***
Tenure	-.04	-.04
Site 1	-.01	-.01
Site 2	.05	.05
Site 3	-.05	-.04
PCV	-.36***	-.36***
Alternatives	.02	.02
Justification	.03	.03
Proc. justice	.27***	.27***

Table IV. Continued

	Beta	Beta
Table IVC (dependent variable: loyalty)		
Step 2		
PCV * alternatives		-.02
PCV * justification		.00
PCV * proc. justice		.02
<i>F</i>	30.36***	23.32***
<i>df</i>	(10,719)	(13,719)
Adjusted <i>R</i> <sup>2</sup>	.29	.29
Change in adj. <i>R</i> <sup>2</sup>		.00
Table IVD (dependent variable: neglect)		
Step 1		
Gender	-.12**	-.12**
Age	-.19***	-.19***
Tenure	-.02	-.02
Site 1	.05	.05
Site 2	-.03	-.03
Site 3	.02	.02
PCV	.15***	.16***
Alternatives	-.05	-.05
Justification	-.12**	-.12**
Proc. justice	-.08*	-.07
Step 2		
PCV * alternatives		.03
PCV * justification		.04
PCV * proc. justice		-.01
<i>F</i>	8.17***	6.42***
<i>df</i>	(10,719)	(13,719)
Adjusted <i>R</i> <sup>2</sup>	.09	.09
Change in adj. <i>R</i> <sup>2</sup>		.00

\**p* < .05.\*\**p* < .01.\*\*\**p* < .001.

However, justification sufficiency did not moderate the relationships between psychological contract violations and the other dependent variables. The beta for the interaction term of PCVs and justification sufficiency in the equations for voice (beta = .01, cf. Table IVB), loyalty (beta = .00, cf. Table IVC), and neglect (beta = .04, cf. Table IVD) were all nonsignificant.

Hypothesis 7 proposed that the relationships between psychological contract violations and exit, voice, loyalty, and neglect would be stronger when the degree of procedural justice in the organization's decision-making practices was low. Hypothesis 7 was partially supported. As Table IVA indicates, procedural justice moderated the relationship between psychological contract violations and exit such that managers were most likely to be searching for another job when the magnitude of psychological contract violations was high and procedural justice was low (beta = -.08, *p* < .05). The graph of this significant interaction appears in Fig. 3.

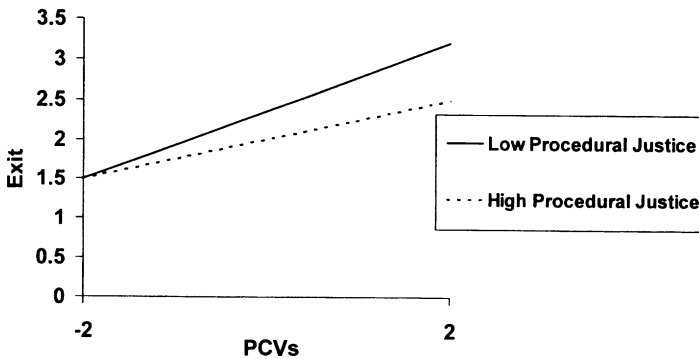


Fig. 3. Interaction of violations and justice.

However, procedural justice did not moderate the relationships between psychological contract violations and the other dependent variables. The beta for the interaction term of PCVs and procedural justice in the equations for voice (beta =  $-.01$ , cf. Table IVB), loyalty (beta =  $.02$ , cf. Table IVC), and neglect (beta =  $-.01$ , cf. Table IVD) were all nonsignificant.

Overall, then, the pattern of relationships was consistent when using each of the situational moderators (availability of attractive employment alternatives, justification sufficiency for the violation, and procedural justice). In each case, the situational factor moderated the relationship between psychological contract violations and exit. However, the situational factors did not moderate the relationships between psychological contract violations and voice, loyalty, or neglect.

Although the situational factors only moderated the relationship between psychological contract violations and exit, the results suggest that these situational factors did have significant main effects on the dependent variables (cf. Table IV). For example, the availability of attractive employment opportunities was positively related to exit and voice. Justification sufficiency was negatively related to exit, voice, and neglect. Also, procedural justice was negatively related to exit and voice and positively related to loyalty. Thus, the results suggests that both psychological contract violations and situational factors directly influence employee exit, voice, loyalty, and neglect behaviors.

### Differences in Psychological Contract Violations Across Samples

In a more exploratory fashion, this research also examined differences across samples in the degree of psychological contract violation and the elements of the psychological contract most frequently violated. In these

analyses, the empirical data are supplemented with qualitative data obtained from the managers' responses to open-ended questions concerning the nature and extent of the psychological contract violations they had experienced in their organizations.

First, a MANCOVA was conducted to determine if there were significant differences across the set of dependent variables (specific types of psychological contract violation) among the four samples. The results of this analysis suggest that none of the demographic covariates (gender, age, or organizational tenure) were significantly related to psychological contract violations. However, even after controlling for demographic differences, there were significant differences across the various samples in terms of the psychological contract violations experienced ( $F = 6.91$ ;  $df = 9,1857$ ;  $p < .001$ ).

Because the MANCOVA revealed significant differences across samples, ANCOVAs were conducted to more explicitly examine differences across samples in terms of the overall degree of psychological contract violation and the specific elements of the psychological contract most frequently violated. Table V contains the analyses of covariance results.

In terms of the overall level of psychological contract violation, the managers in the bank and the state agency experienced the greatest discrepancies between perceived promises and actual rewards. Relative to managers making the transition from school to work and managers in international business, managers in firms which were downsizing and restructuring experienced higher levels of psychological contract violations.

The possible reasons for this finding become clearer when we examine differences across samples in the level of violation on the specific elements of the psychological contract. The sample of bank managers and executives who had recently gone through a series of layoffs were most likely to comment on the lack of job security they now experienced:

I am most unsettled about the lack of commitment the company has to its employees—the lack of job security. Many jobs are being moved out of state. Three times I have been told that I am losing my job, only to find out later that I still have one. It is very stressful to go through that experience over and over.

No one feels safe in their job. . . . The general attitude is: "I don't owe them anything because they could easily, and with no hesitation, fire me tomorrow—as they have done to hundreds around me."

Managers at both the bank and the state agency also frequently commented upon psychological contract violations involving compensation. Restructuring and downsizing frequently created differences between promised and actual pay raises, salaries, and bonuses:

The organization failed to reward me with salary increases even when my reviews indicated that I deserved them. Also, in order to meet profit objectives for the year, raises were delayed for six months.

Table V. Analyses of Covariance by Sample<sup>a</sup>

	MBA	Intl. mgrs.	Bank	State agency	F (df)
Overall psychological contract violation					
<i>M</i>	5.00 <sub>a</sub>	0.08 <sub>a</sub>	17.44 <sub>b</sub>	26.32 <sub>b</sub>	7.91***
SD	51.08	44.02	62.56	61.25	3
Specific elements of the psychological contract violated					
Job security ( <i>M</i> )	.21 <sub>b</sub>	.04 <sub>b</sub>	.87 <sub>a</sub>	.11 <sub>b</sub>	24.35***
SD	.87	.77	.96	.70	3
Regular pay raises ( <i>M</i> )	.17 <sub>b,c</sub>	.06 <sub>c</sub>	.25 <sub>b</sub>	.71 <sub>a</sub>	11.62***
SD	.82	.73	.73	.85	3
Decision-making input ( <i>M</i> )	-.05 <sub>b</sub>	-.07 <sub>b</sub>	.41 <sub>a</sub>	.35 <sub>a</sub>	9.67***
SD	.87	.89	.92	.86	3
Bonuses ( <i>M</i> )	.12 <sub>b</sub>	.07 <sub>b</sub>	.16 <sub>b</sub>	.64 <sub>a</sub>	9.39***
SD	.88	.83	1.01	.87	3
Training ( <i>M</i> )	.15 <sub>b,c</sub>	.36 <sub>a</sub>	-.02 <sub>c</sub>	.28 <sub>a,b</sub>	8.69***
SD	.90	.91	.76	1.03	3
Responsibility ( <i>M</i> )	-.08 <sub>a</sub>	-.29 <sub>b</sub>	.00 <sub>a</sub>	.02 <sub>a</sub>	5.69***
SD	.91	.85	.83	.86	3
Salary ( <i>M</i> )	-.10 <sub>b</sub>	-.08 <sub>b</sub>	.15 <sub>a</sub>	.19 <sub>a</sub>	5.27***
SD	.76	.72	.75	.69	3
Organizational support ( <i>M</i> )	-.22 <sub>b,c</sub>	-.10 <sub>a,b</sub>	-.28 <sub>c</sub>	-.04 <sub>a</sub>	4.82**
SD	.72	.68	.75	.87	3
Advancement ( <i>M</i> )	-.17 <sub>a,b</sub>	.02 <sub>b</sub>	.29 <sub>a</sub>	.34 <sub>a</sub>	3.48**
SD	.88	.82	.96	.85	3
Challenge in job ( <i>M</i> )	-.10 <sub>a</sub>	-.32 <sub>b</sub>	-.25 <sub>a,b</sub>	-.15 <sub>a,b</sub>	3.13*
SD	.89	.91	.82	.79	3
Supervisory support ( <i>M</i> )	.15 <sub>a,b</sub>	.25 <sub>a</sub>	.05 <sub>b</sub>	.11 <sub>a,b</sub>	2.57*
SD	.75	.78	.78	1.05	3
Retirement benefits ( <i>M</i> )	-.03	-.05	-.04	.04	1.58
SD	.45	.51	.57	.53	3
Overall benefits ( <i>M</i> )	-.02	-.05	-.09	.04	1.33
SD	.69	.67	.68	.61	3
Career development ( <i>M</i> )	.32	.29	.24	.42	1.09
SD	.83	.82	.77	.87	3
Feedback ( <i>M</i> )	.28	.33	.29	.29	0.47
SD	.79	.75	.84	.83	3
Healthcare benefits ( <i>M</i> )	.04	.03	.10	.05	0.19
SD	.56	.50	.69	.55	3

<sup>a</sup>Means with the same letter are not significantly different.

\**p* < .05.

\*\**p* < .01.

\*\*\**p* < .001.

Restructuring and downsizing also significantly and negatively impacted perceptions of psychological contract violations regarding opportunities for advancement. Major changes in organizational structure and staffing levels led many managers to believe their employers were renegeing on long-standing promises of promotion:



In the area of advancement, the organization has been very unfair. Some employees were promoted about the time of the reorganization. The department promised to finish the task; instead, they ended up delegating committees to develop "career paths." That was two years ago. None have been published or instituted. We never got a promotion.

In contrast, relatively new MBA graduates experienced lower levels of psychological contract violations and these were focused on such issues as lack of job challenge. Many respondents from this sample indicated that their organizations had misrepresented the amount of responsibility, the level of supervisory authority, and the major tasks their jobs would entail:

The most disappointing aspect has been the failure (of the company) to provide a more challenging environment. They over-stated the decision-making authority that I would have in this position. In fact, I have no responsibility to make independent decisions at all.

I was hired to help with technical support for new accounting software, but I ended up preparing tax returns for six months.

From managers in international business, two common issues were raised. First, numerous respondents commented upon the delays they experienced in obtaining promised overseas assignments. Second, many expatriates reported that their employers had failed to keep their commitments regarding the amount of support they would receive while on their expatriate jobs:

The company has been reluctant to keep its commitments regarding post-relocation travel benefits. Headquarters is in a third country (not the U.S.) and is not willing to fly me annually to the U.S., as I was told I would be able to do.

When I relocated from the U.S., I did not receive the house hunting assistance which was discussed.... Other expatriates have also been disappointed by the poor level of local assistance.

In sum, there were significant differences across samples on both the overall level of psychological contract violation and on the specific elements of the psychological contract which were most commonly violated. In general, psychological contract violations were most severe among managers in the two organizations which had undergone significant restructuring. Moreover, those violations centered on issues involving job security, compensation, and opportunities for advancement.

## DISCUSSION

In this final section, we discuss the pattern of empirical results in this research, directions for future theory development, areas for methodological improvement, and some implications for managerial practice.

### **Pattern of Empirical Results**

The results here support the idea that psychological contract violations have a pervasive negative effect on employees' exit, voice, loyalty, and neglect behaviors. In general, psychological contract violations were most strongly related to measures of exit and loyalty and somewhat more weakly (although still statistically significantly) related to measures of voice and neglect.

One plausible explanation for these results is that there are fewer negative consequences (for employees themselves) associated with attempts to exit the organization and decreased loyalty. In many cases, other organizational members are unlikely to know that an employee is trying to leave the organization or that an employee is representing the organization poorly to outsiders. These behaviors typically occur outside the workplace and outside the sight of supervisors or other administrators. In contrast, voice and neglect may be riskier responses because they occur at work and are more likely to be observed by supervisors and/or co-workers. Because the consequences associated with using voice or neglect are likely to be more severe, then, these behaviors may be less likely to occur.

The results only partially support the hypotheses examining the impact of situational moderators. The situational factors examined consistently moderated the relationship between psychological contract violations and exit, but did not moderate the relationships between psychological contract violations and voice, loyalty, or neglect.

A major part of the explanation for this pattern of results may be that strong situational constraints directly impact an individual's ability to "act out" against the organization. For example, Herman (1973) found that strong situational constraints limit the ability of employees to alter their job performance to be consistent with their job attitudes. Thus, although employees who feel their psychological contracts have been violated would like to engage in voice or neglect behaviors, the situation may not allow them to act out their anger without injuring themselves further. Furthermore, these findings are consistent with previous research (e.g., Withey & Cooper, 1989) which suggests that exit is the most consistently predicted of the four responses.

### **Directions for Future Theoretical Research**

There are several areas that need to be addressed in terms of future theory development. Future research should focus on how the psychological contract initially develops. Promises made directly by supervisors or other administrators may be viewed as more binding than promises implied by recruiters or human resource specialists. Also, employees may not believe

that commitments inferred from ongoing organizational practices are as binding as specific promises made by organizational agents.

In addition, future research should examine how individual dispositional characteristics influence employees' perceptions of psychological contract violations. For example, individuals high on negative affectivity might be predisposed to perceive greater and more frequent psychological contract violations. Also, equity sensitivity may predict how closely individuals monitor the obligations that make up the psychological contract, and individuals higher on equity sensitivity may respond more negatively to minor violations of their psychological contracts than individuals lower on equity sensitivity (Morrison & Robinson, 1997).

Future research also needs to examine the attributions that employees make when they perceive that their psychological contracts have been violated. The attributions that employees make are likely to shape their perceptions of, and responses to, such violations. That is, employees may respond less strongly to violations occurring because the organization is unable to fulfill its obligations than they do to violations occurring because the organization is simply unwilling to meet such obligations (Turnley & Feldman, 1998). For example, when managers attribute the failure of the organization to keep its commitments to external, uncontrollable forces (rather than to the willful disregard of existing obligations), they may be less likely to perceive the unmet commitments as psychological contract violations and may respond less intensely as a result.

In addition, the impact of psychological contract violations on organizational outcomes needs closer examination. To date, research has focused only on individuals' responses to psychological contract violations. This research suggests that the outcomes of psychological contract violations are likely to include turnover and poorer performance both on in-role and extra-role behaviors. Thus, this study indirectly suggests that psychological contract violations may be detrimental to organizational performance, but this issue needs to be more fully and directly examined in future research as well.

### **Research Methodology**

While this research utilized a larger and more diverse sample than previous studies, there are still areas for improvement in future research. The most significant drawback of the present design is the threat of common method variance, since all the data were collected via self-reports. Future research could decrease the problem of common method variance by collecting data from multiple sources (i.e., by having peers or supervisors

rate in-role performance or organizational citizenship behaviors) and/or by using longitudinal designs.

In addition, the cross-sectional methodology does not allow for an examination of how long employees remember (and respond to) psychological contract violations. Likewise, it does not allow for an investigation of how the psychological contract changes over time. Future research using longitudinal designs would be especially useful in answering such questions.

A second limitation of the current study involves the potential moderating variables examined. These variables were developed specifically for use in this study. While the items were specifically chosen for their high content validity, there is little other validity or reliability data available on these measures.

Additionally, there is currently no generally accepted measure of psychological contract violations. Instead, researchers have tended to develop a new measure each time they undertake a study. Thus, it is difficult to make meaningful comparisons across studies. Enough preliminary research has been undertaken to warrant the development of a standardized measure of psychological contract violations that is generally applicable across a wide range of samples.

However, while we believe the above-mentioned goal is desirable, some debate exists as to whether a standardized instrument can, in fact, accurately measure individuals' psychological contracts. By their very nature, psychological contracts vary significantly across organizations and even across individuals within the same organization. Because psychological contracts exist at the individual level, it is indeed difficult to construct a scale that taps all the obligations that might make up all employees' psychological contracts. For some research questions, then, greater use of idiographic measures of the psychological contract may be most appropriate.

The results here also suggest that there are significant differences across samples in the level of psychological contract violations experienced and the specific job elements on which violations are most likely to occur. While new MBAs and managers in international business do indeed experience psychological contract violations, those violations are relatively modest in scope and are focused on such intangible issues as perceived lack of job challenge and supervisor support. In contrast, managers in firms which are downsizing or restructuring experience greater psychological contract violations, particularly in terms of such major contract elements as job security, compensation, and advancement opportunities. Thus, broad sampling in future research on psychological contracts is clearly needed since there are different degrees of psychological contract violation and different contributing factors to the perception of violations across major groups of employees.

## Managerial Practice

This research suggests that psychological contract violations may result in increased exit, increased neglect of in-role job duties, and a reduced willingness among employees to defend the organization against outside threats. Thus, the negative consequences of psychological contract violations are likely to extend beyond just the hurt feelings of employees; psychological contract violations may result in behaviors which are damaging to organizations as well.

Many organizations have recently initiated layoffs or reorganizations in an attempt to improve their financial performance. As the data in previous research (e.g., Turnley & Feldman, 1998) suggests, these changes are likely to create psychological contract violations among the remaining employees. In turn, these employees are likely to reduce their commitment to the organization and to become poorer organizational citizens. Thus, just when organizations need their employees to become more flexible and to work even harder, many employees may be less willing than ever to give their all for the good of the organization (Parks & Kidder, 1994).

As the current employment relationship continues to undergo a major transformation, the importance of understanding psychological contract violations will remain a salient issue for researchers and practitioners alike. While our understanding of how psychological contract violations influence individual behavior continues to grow, our understanding of the impact of psychological contract violations on organizational functioning and how to manage changing expectations lags far behind. Much more comprehensive, rigorous research is needed, then, before we can know with confidence how to "change the deal" (Rousseau, 1996) while minimizing the damage done to both individuals and organizations.

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