Examining the Effect of Psychological Contract Fulfillment on Organizational Commitment and Intention to Leave

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ABSTRACT

Prior research suggests that in order to effectively decrease actual turnover rate is to identify factors that influence intention to leave (ITL). Therefore, this paper proposes the idea of psychological contract fulfillment (PCF) as a new factor that would decrease employees' ITL. It further includes organizational commitment (OC) as another factor that mediates the PCF–ITL relationship. In reality, the idea of psychological contract (PC) has become prominent in articles on organizational behaviour, human resource management, and management development, however, its study among Egyptian scholars still in fancy. PC was developed by Denise Rousseau to examine mutual unwritten and concealed expectations between employer and employee. Rousseau depicts that there is a difference between the formal or legal and psychological contracts. The formal contract focuses on economic and extrinsic aspects, specific, close-ended, static and public, while the psychological contract is outlined as economic and non-economic, intrinsic, socio-emotional, open-ended, indefinite, dynamic and subjective. In this paper I adopt the idea of PC from an employee perspective, illustrating what expectations employees perceive they have made to their employer, as well as what they believe the organization has in turn promised them. The main thesis of this paper is that fulfillment of employees' expectations (i.e. PC) would lead to some positive effects on workplace attitudes: increasing OC and deceasing ITL. In total, 250 allied Egyptian banking professionals completed a questionnaire containing measures of the types of PCF, OC and ITL. The main findings are drawn as result in testing some proposed hypotheses. Findings provide two main contributions to help managers to understand types of PCF and to develop positive relations with employees. This understanding enables manager to develop strategies to prompt positive workplace outcomes such committed employees and decrease IT, which in turn may lead to, increased productivity and employees' retention.
1. INTRODUCTION

PC has been the subject of much scholarly interest in recent years (e.g. Eisenberger & Aselage, 2003; Collins, 2010; Conway et al., 2011; Cassar & Briner, 2013; Lapointe et al., 2013; Sok et al., 2013). It has been identified as a useful framework for understanding employees' relationships with their employers and subsequent consequences on work outcome attitudes (Robinson, Kraatz, & Rousseau, 1994; Shore & Tetrick, 1994; Turnley & Feldman, 2000). PC refers to mutual expectations that have been created during the employment relationship (Rousseau, 1989). These expectations are formed through interactions between an employee and the organization (e.g. recruiters, supervisors, Human Resource Managers) (Rousseau, 2001). In this study I adopt the idea of PC from an employee's perspective; referring broadly to an employee's perception of the contributions they promise to give to their employer and what they believe the organization promises in return (Conway & Briner, 2005). The contract is termed psychological because it reflects each party's perception of the relationship and promises involved. It worth mention to distinguish between psychological contracts and legal contracts as Rousseau (1995) states four major differences: first, legal contracts require the explicit making and acceptance of an offer, psychological contracts can be formed through various kinds of interaction between parties at different levels; second, legal contracts are enforceable by law, psychological contracts are not; third, legal contracts involve two or more parties, psychological contracts are a mental model of one party about the exchange; fourth the legal work contract deals with the exchange of observable benefits such as pay, hours worked, holiday entitlement, protection against dismissal and job tasks, the psychological contract additionally may include the exchange of less tangible benefits such as recognition and loyalty.

Many studies examining employee attitudes as a result in PCF and breach. In particular, empirical studies have found contract fulfillment and breach to be related to turnover intentions, turnover, and other employee attitudes and behaviors including trust, job satisfaction, OC and organizational citizenship behavior (Conway & Briner, 2005). However, contract types have rarely been explored empirically (Hui et al., 2004), since Rousseau (1990) initially found a link between types of contract and ITL. Moreover, the underlying mechanisms through which PCs affect retention attitudes and behaviors are not well understood (Hui et al., 2004). Accordingly, this study seeks to investigate the effects of
perceived fulfillment of PC by employees on some desirable workplace attitudes namely, increasing OC and deceasing ITL. OC is classified into affective and continuance as the most likely to be linked to the PCs. ITL refers to the subjective probability that an employee will resign from his or her organization within a specified timeframe (Zhao et al., 2007) and it could be seen as an antecedent to turnover (Griffeth et al., 2005).

To achieve its objective this study develops a theoretical model to guide our understanding in two main directions. First, is to examine the relationship between ITL and two types of the PC namely, relational and transactional. Second, is to elaborate the role of OC as a mediator to the type of PCF in relation with ITL. It is worth mention that researchers used to examine OC both as a dependent variable (Earl & Bright, 2007) and as an antecedent of work outcomes (Loi et al., 2006). In this research OC will be studied as mediator between PSF-ITL relationships. The following subsections provide research problem and significance, research question and outline of this study.

1.1 Research Problem and Significance

In contemporary organizations, employee turnover has become a prominent problem among workers (Zopiatis et al., 2014). According to Price (1977) turnover can be defined as a process where an employee cuts his ties with the employer and voluntarily crosses the organization’s boundary. Employee turnover has gained a great interest among academicians and practitioners due to the negative consequences of turnover (Hayes et al., 2006; Griffeth et al., 2000). Of these consequences, turnover is most likely associated with significant costs when employees leave the organization. Costs can be classified into both direct (for example, costs of recruitment and selection, training and development, etc), and indirect (for example, employee commitment, service/product quality, productivity and profit) (Griffeth et al., 2000; Kinicki et al., 2002; Price, 2001).

This study attempts to provide some understanding concerning causes of turnover problem so as to equip managers with solutions to this problem. In this context, Cotton and Tuttle (1986) identified three types of causes of employee turnover: first, work-related factors (such as, job satisfaction, pay, performance, organisational commitment); second individual factors (for example, age, education, sex, job tenure); and third, external factors (for example, unemployment rates, employment perceptions, union presence). Accordingly, this study proposes ITL- as a work-related factor- to be investigated to provide a plausible explanation to the turnover problem. One can notice that ITL is based on subjective perception of
employees towards their organization within a specified timeframe and it has been found to be an antecedent to turnover (Zhao et al., 2007; Griffeth et al., 2005).

Due to the subjective nature of ITL, Shore et al. (2006) argued that ITL beyond the control of the investigator, and therefore, the author's emphasize its investigation would require particular theoretical framework to capture its causes. In that sense, the significance of this study is to propose the idea of PC as a framework to investigate ITL. Put differently, ITL will be investigated in the context of new form of employer-employee relationship, namely PC. I justify this by claiming that ITL and PC are both based on subjective perceptions of employees. The study further considers OC as a mediator to the PC-ITL relationship. Indeed, OC has been considered as one of the most important predictors of ITL and it could provide a plausible explanation to ITL attitude. As it has been indicated, employees who were more committed to their organizations had lower ITL than those with lower level of organizational commitment (Griffeth et al., 1995). Therefore, the significant contribution of this study is to provide a theoretical model that links OC to PC-ITL relationship so as to provide a full understanding to potential causes of ITL.

1.2 Research Question

The main question for this study is whether Egyptian bankers perceive fulfillment of their psychological contract is related to their OC and ITL or not.

1.3 Study Outlines

Having had the introductory section, this study is structured as follows:

- Section two provides some key concepts and definitions pertaining to the notion of PC, elaborating the meaning of PCF and its types.
- Section three presents the literature review concerning PC and its relation with two key outcomes behavior: OC and ITL.
- Section four presents research method including; sampling strategy and instrument measures of the research variables.
- Section five and six represent research results and conclusions respectively.
- Section seven provides some managerial implications for practitioners and directions for further research.
2. KEY CONCEPTS AND DEFINITIONS

2.1 Psychological Contract Overview

The term of PC was first introduced by Argyris (1962) to describe the mutual respect between foremen and workers. Argyris conceptualized it as an implicit and unwritten agreement between both parties to respect each other's norms. Around the same time, but independently, Levinson et al., (1962) also used the term psychological contract to describe the observed relationship between employers and employees. Levinson and his colleagues reported that employees perceived a number of implied and unspoken expectations from their employer. They defined PC as “a series of mutual expectations of which the parties to the relationship may not themselves be even dimly aware but which nonetheless govern their relationship to each other” (p. 21).

In the late 1980s, Denise Rousseau (1989) illustrated that the PC construct is underdeveloped and misunderstood. Consequently since the 1990s, the PC has taken conceptual and empirical turns, mainly initiated by the seminal work of Rousseau (1989, 1990, 1994, 1995, 1998, 2000, 2001) so as to provide some clarity to the construct. According to Rousseau, psychological contract is defined as ‘expectations about the reciprocal obligations that compose an employee-organization exchange relationship’. In that sense, the psychological contract emerges when one party believes that a promise of future return has been made, a contribution has been given, and thus, an obligation has been created to provide future benefits (Robinson & Rousseau, 1994). In other words, the PC comprises mutual obligations that have been created during the employment relationship (Rousseau, 1989). These obligations are formed through interactions between an employee and the organization (Rousseau, 2001). In this context, Conway & Briner (2005) have illustrated that the psychological contract refers to an employee’s perception of the contributions they promise to give to their employer and what they believe the organization promises in return. Noteworthy that the content of the psychological contract is not what employees actually give and get from their employer, but the content is the implicit and explicit promises around the exchange (Conway & Briner, 2005). The number of items (obligations) that can make up a PC is potentially indefinite due to it subjective nature; as anything the employee and employer promise each other can be part of the PC. Therefore, a PC contract arises when employer and employee make promises that lead to mutual obligations (Rousseau, 1989). Rousseau (1989) asserts that the psychological contract is a promissory in nature. She argued that although PCs
do entail expectations, not all expectations are contractual (Robinson & Rousseau, 1994; Rousseau & Tijoriwala, 1998). For example, a new employee may expect to receive a pay raise after one year of work because this occurred at his last job. However, because this expectation was not contractually implied by the current employer, it is not part of the PC (Robinson, 1996). Hence, obligations do not necessarily possess the same contractual commitment as promises (Roehling, 2008; Rousseau, 1989). For example, an employee may believe that his employer is obligated to provide flexible work hours because the practice is common in his particular business. However, if the employer did not implicitly or explicitly make that promise to the employee directly, Rousseau argued that the obligation is not part of that particular PC. Rousseau & Tijoriwala (1998) emphasize the subjective nature of the psychological, as employees have particular perceptions that constitute the content of the psychological contract; these perceptions could be interpreted differently by the parties involved. Individuals’ perceptions may cause misinterpretation that would create some problems in the relationship between employee and employer.

2.2 Psychological Contract Fulfillment

Psychological contract fulfillment (PCF) occurs when employees perceive that their employer has fulfilled promised obligations and their expectations have been met. In contrast, PC breach happens when employees perceive a discrepancy between what was promised and what was fulfilled (Robinson & Rousseau, 1994). Traditionally, contract fulfillment has been viewed as lying on a single continuum from breach through to fulfillment, and contract fulfillment is also thought to have linear effects on employees’ outcomes behaviour. On the other hand whereby breach could be attributed to negative outcomes that become increasingly more positive as fulfillment levels increase (Lambert et al., 2003). In that sense, fulfillment illustrates the degree to which employees perceive that their organization has fulfilled their PCs. When employees perceive a fulfilled PC, they recognize an equal exchange relationship between themselves and the organization (Morrison & Robinson, 1997; Robinson et al., 1994). Consequently, occurring that fulfillment would lead to outcomes behaviour. Conway and Briner (2005) assert that the relationship between fulfillment and breach may not be entirely linear they do appear to have positive and negative effects on employee outcomes respectively.
2.3 Types of Psychological Contract

There are two types of PC: relational and transactional. Relational contracts are broader, open-ended, and involve longer-term mutually satisfying exchanges (Rousseau, 1990). Relational psychological contract, centers on socio-emotional interests such as opportunities for growth, status, loyalty and identification. This type of PC includes obligations to employees’ concerns, well-being, employment security and to provide internal and external job opportunities and more challenging goals (Anderson and Schalk, 1998; Rousseau, 2000). On the other hand, transactional psychological contract focuses on economic interests and material benefits that the employee expects to receive from his relationship with the organization. It centers on the short-term exchanges of specific benefits and contributions that have monetary value (e.g. high wage for hard work) and are characterized by a lack of long-term commitment (Conway and Briner, 2005).

Scholars have confused concerning whether the relational and transactional contract types are opposites or whether they can coexist together. However, some empirical studies investigating these two types of contract and have found that content items split into two independent constructs (Rousseau, 1990), which suggests that employees could have high or low levels of both transactional and relational content items.

2.4 Underpinning Theory for the Notion of Psychological Contract

PC researchers commonly state ‘social exchange theory’ as the theoretical basis of the PC. The theory was introduced in 1958 by the sociologist George Homans to elucidate social change and stability as a process of negotiation between parties. Social exchange theory posits that human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. It could be used as a conceptual framework for understanding contract fulfillment and breach. According to this theory, the development of positive employment relationships is contingent upon both employees and their employers abiding by rules of exchange (Blau, 1964). These exchanges can take different forms: economic (e.g., money, goods) or social in nature (e.g. respect, encouragement). In that sense, when individuals receive benefits they feel obliged to reciprocate, and this norm of ‘reciprocity’ is central to social exchange theory (Gouldner, 1960). For instance, if employees feel that their employer has not reciprocated, then they may perceive that contract breach has occurred and attempt to restore this balance by lowering their OC (Taylor & Tekleab, 2004).
3. REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

3.1 Psychological Contract Fulfillments and Organizational Commitment

Organizational commitment (OC) has become a crucial variable in studying the idea of PC (e.g. Sturges et al., 2005; Raja et al., 2004; Chi & Chen, 2007). OC has been conceptualized as having three main dimensions: affective, continuance, and normative (Meyer & Allen, 1997). The focus of this paper is on affective and continuance commitment because these two types of commitment were considered as the most likely to be linked to the psychological contract. Affective commitment refers to the employee’s ‘emotional attachment to, identification with and involvement in the organization’ (Meyer & Allen, 1997, p. 11). Continuance commitment relates to ‘an awareness of the costs associated with leaving the organization’ (Meyer & Allen, 1997, p. 11). Such costs may be associated employees’ turnover resulting from ITL.

3.1.1 Relational Contract and Organisational Commitment

There are preliminary studies examining the relations between relational contracts and the commitment dimensions. Relational contract has been found to have significant positive relations with affective commitment (Hughes & Palmer, 2007; McInnis et al., 2009; Shore et al., 2006), but other studies such as Coyle- Shapiro & Kessler (2000) found no significant relations exist. McInnis (2009) found that employees who perceived the PC as a long term have high affective commitment. He further concluded that there is a significant positive relation between continuance commitment ratings and PC. In terms of relations with continuance commitment, findings are quite mixed including significant positive relations (Hughes & Palmer, 2007) and in some studies, significant negative relations (Shore et al., 2006). These contradictions in findings are most likely attributed to differences in relational contract type scales that were used, including different conceptualizations of the PC itself (McInnis, 2009).

In this context, McInnis (2009) draws upon the norm of reciprocity to suggest that employees seek to maintain a balance in the employer-employee relationship. Then, an employee who perceives that his organization is creating a relational exchange relationship with him, he would most likely also be affectively committed (i.e., want to stay and enjoys the work). When employees receive benefits from their employers they are more likely to feel
morally obligated to reciprocate. Consequently, following this though of reasoning I predict that relational contract ratings will relate positively with affective commitment (Meyer et al., 2002). In terms of continuance commitment, I also hypothesize that relational contracts will relate positively with continuance commitment because employees will perceive the costs of leaving an organization that continues to invest favorably in them.

Based on these results and the theoretical rationale of the idea of reciprocity to maintain a balanced in employment relationship, I predict that the relational contract factor will relate positively to affective and continuance commitment.

**H1: Relational contract fulfillment will be positively related to affective commitment.**

**H2: Relational contract fulfillment will be positively related to continuance commitment.**

### 3.1.2 Transactional Contract and Organisational Commitment

The empirical evidence linking transactional contract and affective commitment have been mixed. Relations between affective commitment and transactional contract have been found to be significantly positive in some studies, (Hughes & Palmer, 2007), significantly negative (King, 2003; Shore et al., 2006), and no significant relations found in others (Coyle-Shapiro & Kessler, 2000). However, McInnis (2007) illustrated that there is a negative relation between affective commitment and transactional contracts. In this context, the notion of reciprocity would provide plausible understanding in. The term suggests that employees who perceive the relationship as transactional in nature are less likely to exhibit an affective desire to work or feel that they have any obligation to contribute to the relationship beyond the legal contract. For example, if an employee perceives that the organization is only interested in a short-term relationship of limited involvement with him, that employee is likely not going to feel an affective attachment to the organization or a moral obligation to stay (McInnis, 2007; Taylor & Tekleab, 2004).

Drawing on the theoretical underpinning of the transactional psychological contract relationship, employees are expected to stay for a reasonable period of time, which is typically short-term. Accordingly, staying is an employee’s part in the relationship, and only that. With that in mind, the nature of commitment that employees are most likely to exhibit in transactional contracts is continuance commitment. The empirical research to date has found
significant positive relations between transactional contract ratings and continuance commitment (Hughes & Palmer, 2007; King, 2003, Shore et al., 2006), although McInnis (2007) did not find a significant relation.

Then, I would predict that transactional psychological contract would relate significantly negative with affective commitment and significantly positive with continuance commitment.

**H3: Transactional contract fulfillment will be negatively related to affective commitment.**

**H4: Transactional contract fulfillment will be positively related to continuance commitment.**

### 3.2 Organizational Commitment (OC) and Intention To Leave (ITL)

The concept of commitment refers to identification, loyalty, attachment, and involvement in one’s organization. Researchers have examined OC both as a dependent variable (Earl & Bright, 2007) and as an antecedent of work outcomes (Loi et al., 2006). In this research, OC will be studied as mediator between PSF-ITL relationship.

OC has been one of the “salient” attitudinal correlates in studies that used turnover intention as the outcome criterion (Pare & Tremblay, 2007). Referring to the work of Mowday et al. (1982), individuals who are high committed used to be more stable and have greater feelings of belonging and would more likely be “organization bounded”. Researchers indicated a negative association with turnover behavior (e.g. Griffeth et al., 2000) as well as turnover intention (e.g. Loi et al., 2006). In their analysis of lawyers in Hong Kong, Loi et al. (2006, p. 116) argued that “employees [who] develop a strong attachment to the organization have less intention to leave.” Moreover, Shafer et al. (2002) reported that professional accountants who perceived higher levels of organizational-professional conflict were less committed to the organization, had lower levels of job satisfaction and higher turnover intention.

As mentioned before, affective commitment indicates the employee’s ‘emotional attachment to, identification with and involvement in the organization’ (Meyer & Allen, 1997, p. 11). Then we can conclude that affective commitment will reflect a strong attachment of the employee to his organization, implying a negative relation with ITL. This conclusion has
been confirmed by Meyer et al., (2002) who have indicated that affective commitment is negatively associated with ITL, actual turnover and absenteeism.

On the other hand, continuance commitment is defined as 'an awareness of the costs associated with leaving the organization' (Meyer & Allen, 1997, p. 11), reflecting that the employer-employee relationship is monetary. Following this way of reasoning, Meyer et al. (2000) have indicated that continuance commitment is negatively correlated with organizational citizenship behaviour and unrelated to job satisfaction. Whereas, Coyne and Ong (2007) have found the relationship between organizational citizenship behaviour (OCB) and ITL is significantly related. Therefore, I would expect that employees who have high continuance commitment would have short-term orientation and high ITL. Then the following hypotheses can be elaborated:

**H5: Affective commitment will be negatively related to ITL.**

**H6: Continuance commitment will be positively related to ITL.**

### 3.3 Psychological Contract Fulfilments and Intention To leave (ITL)

ITL is frequently studied in organizational behavior research because they are important in identifying which employees are likely to leave the organization. Studies such as Conway & Briner (2005), Hamilton et al., (2012) and McInnis (2007) have examined the relationship between ITL and PC perceptions. Collins (2010) illustrated that the PCF is a statistically significant predictor of ITL.

In investigating the relations between ITL and psychological contract types, Raja and his colleagues (2004) have found that employees’ ITL correlated significantly negative with relational contracts and correlated significantly positive with transactional contracts. Based on this evidence, McInnis (2009) claims that individuals who perceive the relationship as relational most likely also see the relationship as long-term and worth remaining in their organizations. Individuals who recognize the relationship as transactional, however, most likely perceive the relationship as short-term and therefore would likely not want to contribute to the relationship and therefore would leave.

Based on the above discussion, I predict the relational contract would correlate significantly negative with ITL. In addition, I predict that a transactional contract factor will correlate significantly positive with turnover intentions.
H7: Relational contract will be negatively correlated with ITL.
H8: Transactional contract will be positively significant impact on to ITL.

Figure 1: Research Model

4. METHOD

4.1 Data collection and Sampling

The generalizability of the study relied on the representativeness of the respondents. Therefore, a representative selection of banks was made from a database of banks. The selection included local banks, foreign banks and joint banks in Giza and Cairo governorates. A research packet, which contained a covering letter and an anonymous [self-administering] questionnaire, was mailed to the employees at different levels in each bank [500 in total]. This procedure resulted in 220 useful responses or a 44% overall response rate.

The sample can be described as follows: most were younger than 40 years old [60%], and a few respondent [approximately 5.7%] were more than 50 years old. With respect to years of working in bank, approximately 66% of the sample has worked for less than 2 years, and 34% worked between 2 and 4 years. In terms of ownership (35.7%) of the respondents were members of local banks, 28.5% were members of joint banks and (35.8%) were members of foreign banks. Finally, more than half of the respondents worked at the low
management levels in their banks (52.8%). On the other hand, 30.2% hold a position at the middle level, 9.4% hold a position at the top level (7.5%).

4.2 Survey instruments

**Psychological contract fulfillment**

Psychological contract were measured with Rousseau’s (2000) scale measuring of degree of fulfillment both employee and employer framework. The fulfillment scale included 5 items. The following are examples of some of these items: ‘opportunities for promotion; pay; financial rewards other than salary; type of work; pressure of the job; number of hours to be worked; personal control over day-to-day work; job security; provision of training; career development; support with personal problems; and the extent to which promises had been fulfilled overall’. Participants were provided with a 7-point scale where responses ranged (from 1=not at all to 7= a great extent). The Cronbach Alpha obtained for the relational contract and transactional contract scales were 0.920 and 0.868 respectively.

**Organizational commitment**

Affective commitment was assessed using Meyer et al.,’s (1993) six-item measure of affective organizational commitment. Responses were on a 7-point scale that ranged (from 1=strongly disagree to 7=strongly agree). The Cronbach Alpha obtained for affective commitment was 0.924.

Continuance commitment was assessed using Meyer et al.’s (1993) six-item measure. Responses were on a 7-point scale that ranged (from 1=strongly disagree to 7=strongly agree). The Cronbach Alpha obtained for continuance commitment was 0.829.

**Intention to leave**

A scale designed to measure an employee’s ITL his current employer was used. This scale was adapted from the work of Conway and Briner (2002). The scale consisted of a cognitive component: “Have you thought about resigning during the last six months?” and a behavioral component: “Have you actively looked for other jobs in the last six months.” Respondents were asked to indicate on a 7-point rating scale (1=extremely unlikely to 7=extremely likely): “How likely are you to voluntarily leave your work within five years and go into another line of work entirely?” This scale’s alpha reliability in this study is 0.917.
5. RESULTS

Before testing the model that considers all the dimensions together, it is important to highlight, from a methodological point of view, that individualized analyses of each of those dimensions has been made (the measurement model), in order to carry out a prior refinement of the items used in their measurement. Having established the different measures, a confirmatory factor analysis (CFA) was conducted. This research uses both structural model- includes all the constructs in one model- and measurement model- separate model for each construct- (Hair et al., 2006).

Measurement Models

The application of the MLE method for estimating the model demands that the constructs should satisfy the criterion of multivariate normality (Bagozzi & Yi, 1988). Therefore, for all the constructs, tests of normality, namely skewness, kurtosis, and mahalanobis distance statistics (Bagozzi & Yi, 1988), were conducted. These indicated no departure from normality. Thus, as normality was confirmed for all the constructs, it has been decided to proceed with using the MLE method to estimate the model. The psychometric properties of the constructs were assessed by calculating the Cronbach’s alpha reliability coefficient (Nunnally & Bernstein, 1994).

To meet the requirements for satisfactory convergent and discriminant validity, the two Psychological contract fulfillment dimensions, the two Organisational commitment dimensions, and Intention to leave scales were tested by confirmatory factor analysis. Convergent validity describes the extent to which indicators of a specific construct converge or share a high proportion of variance (Hair, et al., 2006). Convergent validity can be achieved if average variance extracted (AVE) for a construct is larger than 0.50. Table 1 summarizes the results of the convergent validity analysis. Note that all of the scales had an acceptable convergent validity.

Meanwhile, Discriminant validity is the distinctiveness of two conceptually similar constructs (Hair, Black, Babin, Ralph, & Ronald, 2006). This indicates that each construct should share more variance with its items than it shares with other constructs. Discriminant validity is present when the AVE from each construct is greater than the square of the correlations. Table 1 shows that the variances extracted by constructs (AVE) were greater than any squared correlation among constructs (the factor scores as single item indicators
have been used to calculate the between-constructs correlations; this implied that constructs were empirically distinct (Fornell & Larcker (1981)).

Table 1: Cronbach's alpha, Bivariate Correlations, and Average Variances Extracted

<table>
<thead>
<tr>
<th></th>
<th>Relational</th>
<th>Transactional</th>
<th>Affective</th>
<th>Continues</th>
<th>Intention to Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational</td>
<td>.813</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional</td>
<td>.585**</td>
<td>.887</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective</td>
<td>.471**</td>
<td>.322**</td>
<td>.914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continues</td>
<td>.325**</td>
<td>.535**</td>
<td>.346**</td>
<td>.827</td>
<td></td>
</tr>
<tr>
<td>Intention to Leave</td>
<td>.451**</td>
<td>.359**</td>
<td>.376**</td>
<td>.447**</td>
<td>.810</td>
</tr>
<tr>
<td>Coefficient Alpha</td>
<td>.920</td>
<td>.868</td>
<td>.924</td>
<td>.829</td>
<td>.917</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level, ** Correlation is significant at the 0.01 level (2-tailed).
The diagonals represent the average variance extracted (AVE) and the lower cells represent the squared correlation among constructs.

Accordingly, the AVEs are found to be high, all the standardized item loadings are statistically significant and associated with the nominated constructs. The reliability of the Psychological contract fulfillment scales (Relational = 0.920 and transactional contract = 0.868), Organizational Commitment (Affective Commitment = 0.924 and Continues Commitment = 0.829) and Intention to Leave (0.917) are high. In summary, the measurement model test, including convergent and discriminant validity measures, was satisfactory.

Structural-model testing

Given the purpose of the study that is to test the hypothesized causal relationships among the constructs of the model, the structural equation-modeling package of AMOS 19 was used. The factor scores have been used as single item indicators to perform path analysis, applying the maximum likelihood estimates (MLE) method, following the guidelines suggested by Joreskog & Sorbom (1982). Figure 2 illustrates the path diagram for the causal model. It also presents the estimated standardized parameters for the causal paths, their levels of significance and the square multiple correlations for each construct. A more detailed analysis of the results and measures for model fit are reported in Table
Figure 2: Research Model Results

Since there is no definitive standard of fit, a variety of indices are provided along with suggested guidelines. The $X^2$ test was statistically significant which indicated an inadequate fit. However, this statistic is mostly influenced by sample size and model complexity. Therefore rejection of a model on the basis of this test alone is inadequate (Hair, Anderson, Tatham, & Black, 1998). The other fit indices together with the squared multiple correlations indicate a good overall fit with the data ($GFI = .981$, $AGFI = .931$, $CFI = .985$, $NFI = .994$, $RMSEA = .065$). Since these indexes indicate that the overall fit of the model to the data is quite strong, it has been concluded that the structural model is an appropriate basis for hypothesis testing.

Table 2: Standardized Regression Weights

<table>
<thead>
<tr>
<th>Predictor variables</th>
<th>Criterion Variables</th>
<th>Hypothesized relationship</th>
<th>Standardized coefficient</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational Contract</td>
<td>Affective Commitment</td>
<td>$H1$</td>
<td>0.470***</td>
<td>0.754</td>
</tr>
<tr>
<td>Relational Contract</td>
<td>Affective Commitment</td>
<td>$H3$</td>
<td>-0.369***</td>
<td></td>
</tr>
<tr>
<td>Relational Contract</td>
<td>Continuous Commitment</td>
<td>$H2$</td>
<td>0.543***</td>
<td>0.599</td>
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<tr>
<td>Relational Contract</td>
<td>Continuous Commitment</td>
<td>$H4$</td>
<td>0.210***</td>
<td></td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>Intention to Leave</td>
<td>$H5$</td>
<td>-0.326**</td>
<td>0.789</td>
</tr>
<tr>
<td>Continues Commitment</td>
<td>Intention to Leave</td>
<td>$H6$</td>
<td>0.438***</td>
<td></td>
</tr>
<tr>
<td>Relational Contract</td>
<td>Intention to Leave</td>
<td>$H7$</td>
<td>-0.008***</td>
<td></td>
</tr>
<tr>
<td>Transactional Contract</td>
<td>Intention to Leave</td>
<td>$H8$</td>
<td>0.468***</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Suggested</th>
<th>Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square Significance</td>
<td>$\geq 0.05$</td>
<td>0.001</td>
</tr>
</tbody>
</table>
To examine the mediating impact of Organizational commitment, the indirect and total effects of affective commitment and Continuous commitment on the Intention to Leave were estimated. Since the causal effects of the suggested factors may be either direct or indirect i.e., mediated via the effects of other variables, or both, the total causal effects were computed. More specifically, the indirect effects are the multiplicative sum of the standardized path coefficients. The total effects are the sum of the direct effect and all the indirect effects. Table 3 shows the direct, indirect and total effects of the suggested factors.

Table 3: Direct, Indirect and Total Effect of Psychological Contract Types

<table>
<thead>
<tr>
<th>Criterion Variable</th>
<th>Predictor variables</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>Relational Contract</td>
<td>0.470</td>
<td>0.000</td>
<td>0.470</td>
</tr>
<tr>
<td></td>
<td>Transactional Contract</td>
<td>-0.369</td>
<td>0.000</td>
<td>-0.369</td>
</tr>
<tr>
<td>Continues Commitment</td>
<td>Relational Contract</td>
<td>0.543</td>
<td>0.000</td>
<td>0.543</td>
</tr>
<tr>
<td></td>
<td>Transactional Contract</td>
<td>0.210</td>
<td>0.000</td>
<td>0.210</td>
</tr>
<tr>
<td>Intention to Leave</td>
<td>Affective Commitment</td>
<td>-0.326</td>
<td>0.000</td>
<td>-0.326</td>
</tr>
<tr>
<td></td>
<td>Continues Commitment</td>
<td>0.438</td>
<td>0.000</td>
<td>0.438</td>
</tr>
<tr>
<td></td>
<td>Relational Contract</td>
<td>-0.008</td>
<td>0.035</td>
<td>0.027</td>
</tr>
<tr>
<td></td>
<td>Transactional Contract</td>
<td>0.468</td>
<td>0.212</td>
<td>0.680</td>
</tr>
</tbody>
</table>

However, our findings generally support our conceptual model. The results place support to most of the hypotheses. Table 2 shows the estimated standardized parameters for the causal paths. The suggested factors are affecting the Affective Commitment, namely relational contract (H1) (Standardized Estimate= +0.470, P< 0.01), and the transactional contract (H3) (Standardized Estimate= -0.369, P< 0.01). Similarly, the suggested factors are positively affecting the Continuous Commitment, namely relational contract (H2) (Standardized Estimate= +0.543, P< 0.01) and Transactional Contract (H4) (Standardized Estimate= +0.210, P< 0.01).

Finally, apart from Relational Contract (H7) (Standardized Estimate= -0.008, P> 0.05), the suggested factors are positively affecting the Intention to Leave, namely Affective
Commitment (H5) (Standardized Estimate = -0.326, P < 0.05), Continues Commitment (H6) (Standardized Estimate = +0.438, P < 0.01), and transactional Contract (H8) (Standardized Estimate = +0.468, P < 0.01).

6. CONCLUSIONS AND DISCUSSION

This study aimed to introduce the notion of PC as a new framework to understand mutual, unwritten and concealed expectations in the employee-employer relationship. In this study I investigated the types of psychological contract and its impact on outcomes behaviour. I adopted the idea of PC from a employees’ point of view. In other words, the psychological contract in this study refers to what promises and expectations employees perceive they have made to their employer, as well as what they believe the organization has in turn promised them (Conway and Briner, 2005).

It has been expected that PCF would gain effects on some workplace behaviour outcomes such as OC and ITL. Therefore, I investigated the effects of PCF on employees’ ITL moderated by OC. PC was classified into two major types namely, relational and transactional to trace the effects on ITL and OC. Accordingly, the main conclusion is drawn as result in testing some proposed hypotheses.

One remarkable result that was contrary to predictions of previous research and the exceptions of this study was with relational contract fulfillment and ITL, as no negative relation existed between these two variables. Although, previous studies such as McInnis (2007) and Raja et al (2004) asserted that individuals who perceive the relationship as relational most likely also see the relationship as long-term and worth remaining in their organizations. Our findings illustrated opposite evidence whereas no negative relation between relational contract fulfillment and ITL existed. This contradiction could be attributed to the nature of relational contract as being associated with stability and loyalty (Rousseau, 2000). In this context, Rousseau (1995) asserted that relational psychological contracts are defined by involvement that is not only economic but also emotional and holistic; the involvement may last for long periods of time and employee obligations may be partly implicit and subject to change. Therefore, relational contracts are characterized by longer duration and higher stability as well as higher affective commitment. In that sense, the findings illustrated the importance of mediating role of affective commitment in the relationship between relational contract and ITL. Put it differently, relational contract
fulfillment will contribute decrease ITL if affective commitment mediated the relationship. It was noticed that relational contract fulfillment has been associated with affective commitment (e.g., Turnley & Feldman, 2000; Coyle-Shapiro & Kessler, 2000) and affective commitment negatively ITL (Meyer et al., 2002). Therefore, it is possible to expect the relationship between relational contract fulfillment and ITL is not a direct one but operates only via affective organizational commitment. Then, PCF is associated with low intention to leave because individuals have higher levels of commitment. So I would claim that if an employee’s relational psychological contract is not met or breached then this is linked to a reduction in affective commitment, which in turn is associated with a greater likelihood of the employee’s intention to leave (Conway and Briner, 2005; Rousseau, 2000).

On the other hand, results replicate previous studies that show that fulfillment of transactional contract can decrease the level of intention to leave. Transactional contract is positively related to ITL. These results suggest that when employees perceive that what they owe their employer and what is owed in return is transactional in nature (i.e. short-term exchanges specific benefits with monetary value), then employees are more likely to anticipate leaving their current organization in the short-term (Raja et al., 2004). Moreover, transactional contract was negatively associated with affective commitment and positively related to continuance commitment. These findings were consistent with Rousseau’s assertion that the nature of transactional psychological contract is focusing on exchange relationship that is mostly economic. These psychological contracts are thought to involve low levels of affective commitment to the employer, little learning and development and are usually of short duration. One plausible explanation is that continuance commitment develops outside of a typical exchange relationship, unlike affective commitment. In that sense, one can argue that continuance commitment consistency with transactional contract as they both evolve as a function of two, though not necessarily mutually exclusive, forces: investments and alternatives (Meyer & Allen, 1997). The longer one works in an organization, the more the person indulges in course of actions that bring her rewards and benefits.

7. IMPLICATIONS

7.1 Managerial Implications

Studies in PC are often criticized for not providing practical guidelines and implications for managers (e.g., Coyle-Shapiro & Shore, 2007). Conway and Briner (2005)
noted that practical advice to managers is typically given as afterthoughts in articles that mostly focus on contract breach or violation issues. However, the following two points provide some useful recommendations for managers.

Firstly, management should meet with employees, continuously throughout their tenure, to define how they view the employer-employee relationship. Employees’ needs may be subject to change over time and it is important that management monitor these changes (Rousseau & Greller, 1994). Meeting employees on a regularly basis enables managers to build a better perspective about how their needs are changing. In that sense, Lester and colleagues (2007) made a similar suggestion for organizations that are undergoing changes that may adversely impact psychological contract perceptions (e.g., breach). Facilitating communication process is also crucial to develop positive employer-employee relationships (Wellin, 2007). It would be recommended that managers who are in supervisory roles receive training on psychological contracts in the workplace.

Secondly, management should consider what they could do to foster the development of positive employer-employee relationships. An organization can assign a new employee termed a counselor to facilitate communications and mutual understanding between employer and employee. Counselor could be seen as the responsible for promoting positive and personal relationships between employer and employees.

7.2 Directions for Future Research

This study provided a theoretical model depicting the impact of PCF - as key a variable - on ITL, whereas affective and continence commitment mediated this relationship. Researchers need to include other factors that may increase the explanatory power of this model to decline ITL in organisations. For example, trust, job satisfaction and organisational citizenship behaviour are major variables that literature mentioned as the most important behaviour outcomes. These variables need to be investigated in the context of PC-IT L relationship in a more developed causal model. Moreover, although the proposed model is
implicitly one of cause and effect the cross-sectional design of the study, it should be tested in a longitudinal design.

In addition, there is a need to study the idea of 'breach' of PC as was found to have different effects on behaviour outcomes than fulfillment. Therefore, at least in terms of breach consequences it could not be considered simple opposites to fulfillment. Rousseau's (1995) assertion that breach is a qualitatively different experience to fulfillment is supported, as breach undermined relationships between the two parties in a way that was asymmetric to the experience of fulfilled promises. A major implication of this finding for future research is that while we have available theories of psychological contract fulfillment there is no similar parallel theory of psychological contract breach and violation (Morrison & Robinson, 1997).


